

Supporting Statement
Market Risk
OMB Control No. 1557-0247

A. Justification.

1. Circumstances that make the collection necessary:

The Office of the Comptroller of the Currency's (OCC) market risk capital rule (12 CFR part 3, subpart F) applies to national banks and Federal savings associations with significant exposure to market risk, which include those national banks and Federal savings associations with aggregate trading assets and trading liabilities (as reported in the national bank's or Federal savings association's most recent Call Report) equal to 10 percent or more of quarter-end total assets or \$1 billion or more. The rule captures positions for which the market risk capital rule is appropriate; reduces procyclicality in market risk capital requirements; enhances the risk sensitivity of the OCC's capital rules by measuring risks that are not adequately captured under the requirements for credit risk; and increases transparency through enhanced disclosures. The collections of information are necessary to ensure capital adequacy appropriate for the level of market risk.

2. Use of the information:

The information collection requirements are located at 12 CFR 3.203 through 3.212. The rule enhances risk sensitivity and includes requirements for the public disclosure of certain qualitative and quantitative information about the market risk of national banks and Federal savings associations.

Section 3.203 sets forth the requirements for applying the market risk framework. Section 3.203(a)(1) requires national banks and Federal savings associations to have clearly defined policies and procedures for determining which trading assets and trading liabilities are trading positions and specifies the factors a national bank or Federal savings association must take into account in drafting those policies and procedures. Section 3.203(a)(2) requires national banks and Federal savings associations to have clearly defined trading and hedging strategies for trading positions that are approved by senior management and specifies what those strategies must articulate. Section 3.203(b)(1) requires national banks and Federal savings associations to have clearly defined policies and procedures for actively managing all covered positions and specifies the minimum requirements for those policies and procedures. Section 3.203(c)(1) requires national banks and Federal savings associations to obtain prior written approval of the OCC before using any internal model to calculate their risk-based capital requirement under the market risk capital rule. Sections 3.203(c)(4) through 3.203(c)(10) require the review, at least annually, of internal models and specify certain requirements for those models. Section 3.203(d)(4) requires the internal audit group of a national bank or Federal savings association to prepare an annual report to the board of directors on the effectiveness of controls supporting the market risk measurement systems.

Section 3.204(b) requires national banks and Federal savings associations to conduct quarterly backtesting. Section 3.205(a)(5) requires institutions to demonstrate to the OCC the appropriateness of any proxies used to capture risks within value-at-risk models. Section 3.205(c) requires institutions to develop, retain, and make available to the OCC value-at-risk and profit and loss information on sub-portfolios for two years. Section 3.206(b)(3) requires national banks and Federal savings associations to have policies and procedures that describe how they determine the period of significant financial stress used to calculate the institution's stressed value-at-risk models and to obtain prior OCC approval for any material changes to these policies and procedures.

Section 3.207(b)(1) details requirements applicable to a national bank or Federal savings association when the national bank or Federal savings association uses internal models to measure the specific risk of certain covered positions. Section 3.208 requires national banks and Federal savings associations to obtain prior OCC approval for incremental risk modeling of portfolios of equity positions and describes the requirements for incremental risk modeling. Section 3.209 requires prior OCC approval for the use of a comprehensive risk measure and describes applicable requirements. Section 3.209(c)(2) requires national banks and Federal savings associations to retain and make available to the OCC the results of supervisory stress testing. Section 3.210(f) requires national banks and Federal savings associations to document an internal analysis of the risk characteristics of each securitization position in order to demonstrate to the satisfaction of the OCC an understanding of the position. Section 3.212 requires quarterly quantitative disclosures, annual qualitative disclosures, and a formal disclosure policy approved by the board of directors that addresses the approach for determining the market risk disclosures it makes.

3. Consideration of the use of improved information technology:

Institutions may use any information technology that permits review by OCC examiners.

4. Efforts to identify duplication:

The required information is unique and is not duplicative of any other information already collected.

5. Methods used to minimize burden if the collection has a significant impact on a substantial number of small entities:

Not applicable.

6. Consequences to the federal program if the collection were conducted less frequently:

The OCC will not be able to adequately monitor capital levels and ensure safety and soundness.

7. Special circumstances that would cause an information collection to be conducted in a manner inconsistent with 5 CFR Part 1320:

The information collection will be conducted in a manner consistent with 5 CFR part 1320.

8. Efforts to consult with persons outside the agency:

The OCC issued a notice for 60 days of comment regarding the collection on March 10, 22, 87 FR 13790. No comments were received.

9. Payment or gift to respondents:

None.

10. Any assurance of confidentiality:

The information will be kept confidential to the extent permitted by law.

11. Justification for questions of a sensitive nature:

Not applicable. No sensitive information is collected.

12. Burden estimate:

Number of Respondents: 19.

Estimated Burden Per Respondent: 1,964 hours.

Total Estimated Annual Burden: 37,316 hours.

Cost of Hour Burden to Respondents:

$37,315 \times 114.17 = \$4,260,367.72$

To estimate wages, the OCC reviewed May 2020 data for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for credit intermediation and related activities (NAICS 5220A1). To estimate compensation costs associated with the rule, the OCC uses \$114.17 per hour, which is based on the average of the 90th percentile for six occupations adjusted for inflation (2 percent as of Q1 2021), plus an additional 33.4 percent for benefits (based on the percent of total compensation allocated to benefits as of Q4 2020 for NAICS 522: credit intermediation and related activities).

13. Estimate of total annual costs to respondents (excluding cost of hour burden in Item #12):

Not applicable.

14. Estimate of annualized costs to the Federal Government:

Not applicable.

15. Change in burden:

Prior Burden: 23,568 Burden Hours.
Current Burden: 37,316 Burden Hours.
Difference: + 13,748 Burden Hours.

The increase is due to the increase in the number of institutions subject to the rule.

16. Information regarding collections whose results are to be published for statistical use:

The OCC has no plans to publish the information for statistical purposes.

17. Reasons for not displaying OMB approval expiration date:

The OCC is not requesting permission to not display the OMB approval expiration date.

18. Exceptions to the certification statement:

None.

B. Collections of Information Employing Statistical Methods.

None.