

**Supporting Statement for the
Reporting Requirements Associated with Regulation Y
(Extension of Time to Conform to the Volcker Rule)
(FR Y-1; OMB No. 7100-0333)**

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the Reporting Requirements Associated with Regulation Y (Extension of Time to Conform to the Volcker Rule) (FR Y-1; OMB No. 7100-0333). The Board's Regulation Y - Bank Holding Companies and Change in Bank Control (12 CFR Part 225, Subpart K) provides that a banking entity or Board-supervised nonbank financial company may, under certain circumstances, request an extension of time to conform its activities to the requirements of section 13 of the Bank Holding Company Act of 1956 (BHC Act),¹ also known as the Volcker Rule.²

The Board revised the FR Y-1 to no longer include a provision related to extended transition periods for illiquid funds for banking entities since they were required to completely divest from such funds by July 21, 2022.³

The current estimated total annual burden for the FR Y-1 is 12 hours, and would remain unchanged with the revisions. There are no required reporting forms associated with this information collection.

Background and Justification

Section 13 of the BHC Act generally prohibits any banking entity from engaging in proprietary trading or from investing in, sponsoring, or having certain relationships with a hedge fund or private equity fund (together, a covered fund). Section 13 of the BHC Act also provides that nonbank financial companies designated by the Financial Stability Oversight Council (Council) that engage in proprietary trading activities or make investments in covered funds may be made subject by rule to additional capital requirements, quantitative limits, or other restrictions.⁴

Newly formed banking entities and existing companies that become a banking entity

¹ 12 U.S.C. § 1851.

² The term "banking entity" is defined in section 13(h)(1) of the BHC Act (12 U.S.C. § 1851(h)(1)). The term means any insured depository institution (other than certain limited-purpose trust institutions and any insured depository institution that has, and if every company that controls it has, total consolidated assets of \$10 billion or less and total trading assets and trading liabilities, on a consolidated basis, that are 5 percent or less of total consolidated assets), any company that controls such an insured depository institution, any company that is treated as a bank holding company for purposes of section 8 of the International Banking Act of 1978 (12 U.S.C. § 3106), and any affiliate or subsidiary of any of the foregoing.

³ See Procedures for a Banking Entity to Request an Extended Transition Period for Illiquid Funds, SR Letter 16-18 (December 9, 2016), available at <https://www.federalreserve.gov/supervisionreg/srletters/sr1618.pdf>.

⁴ 12 U.S.C. §§ 1851(a)(2) and (f)(4).

(collectively, new banking entities) generally must bring their activities and investments into compliance with the requirements of the Volcker Rule and implementing regulations⁵ within two years after the date on which the company becomes a banking entity. Similarly, a nonbank financial company supervised by the Board generally must come into compliance with the Volcker Rule and implementing regulations within two years after the date the company becomes a nonbank financial company supervised by the Board. Section 13 of the BHC Act permits the Board to extend, by rule or order, the conformance period for compliance with the Volcker Rule for not more than one year at a time, for up to three years in the aggregate, if, in the judgment of the Board, an extension is consistent with the purposes of the Volcker Rule and would not be detrimental to the public interest.⁶ In addition, the Board may further extend the conformance period during which a banking entity may acquire or retain an interest in, or otherwise provide additional capital to, a covered fund that is an illiquid fund and the acquisition or retention of such interest, or provision of additional capital, is necessary to fulfill a contractual obligation of the banking entity that was in effect on May 1, 2010.⁷

In 2011, the Board adopted a final rule to implement the statutory Volcker Rule conformance provisions.⁸ Section 225.181(c) of Regulation Y permits (1) a new banking entity to request an extension of time to conform its activities to the Volcker Rule and (2) a banking entity to request an extension of time to conform certain illiquid funds. A new banking entity may receive three separate one-year conformance period extensions, and banking entity with illiquid funds may receive one extension of time, not to exceed five years, to conform its illiquid funds. Any banking entity, regardless of its primary federal regulator, may submit a request to the Board for an extension of time to conform its activities to the Volcker Rule or to conform illiquid funds pursuant to section 225.181(c).⁹

On December 9, 2016, the Board issued SR Letter 16-18, which provided banking entities with information on the procedures for submitting a request for an extended transition period for illiquid funds. The Board had previously given banking entities until July 21, 2017, to conform covered fund investments with the requirements of the Volcker Rule. The SR Letter noted that applications for extended transition periods for illiquid funds had to be filed on or before January 20, 2017. The five-year conformance period for such illiquid funds that were granted extensions pursuant to the SR Letter expired July 21, 2022.

This information is not available from other sources.

⁵ See 12 CFR Part 248; 12 CFR Part 225, Subpart K.

⁶ 12 U.S.C. § 1851(c)(2).

⁷ 12 U.S.C. § 1851(c)(3). The term illiquid fund means a hedge fund or private equity fund that (1) as of May 1, 2010, was principally invested in, or was invested and contractually committed to principally invest in, illiquid assets, such as portfolio companies, real estate investments, and venture capital investments and (2) makes all investments pursuant to, and consistent with, an investment strategy to principally invest in illiquid assets. 12 U.S.C. § 1851(h)(7).

⁸ Conformance Period for Entities Engaged in Prohibited Proprietary Trading or Private Equity Fund or Hedge Fund Activities, 76 FR 8265 (February 14, 2021).

⁹ Although the Volcker Rule is jointly administered by the Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Securities and Exchange Commission, and Commodities Futures Trading Commission (each with respect to their functionally regulated entities), the Board has sole authority to implement the conformance provisions of the Volcker Rule and process conformance period extension requests. 12 U.S.C. § 1851(c)(2).

Description of Information Collection

Conformance Period for Banking Entities Engaged in Prohibited Proprietary Trading or Private Fund Activities - Approval Required to Hold Interests in Excess of Time Limit (Section 225.181(c))

Section 225.181(c) requires an application for an extension by or with respect to a new banking entity or an extension of the transition period for illiquid funds to (1) be submitted in writing to the Board at least 180 days prior to the expiration of the applicable time period, (2) provide the reasons why the banking entity believes the extension should be granted, and (3) provide a detailed explanation of the banking entity's plan for divesting or conforming the activity or investment(s). A request by a banking entity also must address the relevant factors governing Board determinations set out in sections 225.181(d).¹⁰

Conformance Period for Nonbank Financial Companies Supervised by the Federal Reserve Engaged in Proprietary Trading or Private Fund Activities - Approval Required to Hold Interests in Excess of Time Limit (Section 225.182(c))

Section 225.182(c) requires an application for an extension by a nonbank financial company supervised by the Board¹¹ to (1) be submitted in writing to the Board at least 180 days prior to the expiration of the applicable time period, (2) provide the reasons why the nonbank financial company supervised by the Board believes the extension should be granted, and (3) provide a detailed explanation of the company's plan for coming into compliance with the requirements of the Volcker Rule.

Respondent Panel

The FR Y-1 panel comprises insured depository institutions (other than certain limited-purpose trust institutions and any insured depository institution that has, and if every company that controls it has, total consolidated assets of \$10 billion or less and total trading assets and trading liabilities, on a consolidated basis, that are 5 percent or less of total consolidated assets), any company that controls such an insured depository institution, any company that is treated as a bank holding company for purposes of section 8 of the International Banking Act of 1978 (12 U.S.C. § 3106), and any affiliate or subsidiary of any of the foregoing, and nonbank financial companies designated by the Council that engage in proprietary trading activities or make investments in covered funds.

Frequency

The FR Y-1 is submitted on an event-generated basis.

¹⁰ In SR Letter 16-18, the Director of the Board's Division of Supervision and Regulation provided additional information about requests for an extended transition period for illiquid funds.

¹¹ There are currently no nonbank financial companies supervised by the Board.

Revisions to the FR Y-1

The Board revised the FR Y-1 to no longer include a provision related to extended transition periods for illiquid funds for banking entities since they were required to completely divest from such funds by July 21, 2022.

Time Schedule for Information Collection

The reporting requirements described above are event-generated and must be submitted to the appropriate Federal Reserve Bank within the time period established by the regulation as discussed above.

Public Availability of Data

There is no data related to this information collection available to the public.

Legal Status

The Volcker Rule specifically authorizes the Board to issue rules to permit entities covered by the Volcker Rule to seek conformance period extensions (12 U.S.C. § 1851(c)(6)). The Board also has the authority to require reports from bank holding companies (12 U.S.C. § 1844(c)), savings and loan holding companies (12 U.S.C. §§ 1467a(b) and (g)), and state member banks (12 U.S.C. §§ 248(a) and 324). The information collections in the FR Y-1 are required for covered entities that decide to seek an extension of time to conform their activities or investments to the Volcker Rule. The obligation to respond, therefore, is required to obtain a benefit.

To the extent that information submitted in response to the FR Y-1 constitutes nonpublic commercial or financial information, which is both customarily and actually treated as private by the respondent, it may be kept confidential under exemption 4 of the Freedom of Information Act (5 U.S.C. § 552(b)(4)). Exemption 4 protects “trade secrets and commercial or financial information obtained from a person and privileged or confidential.”

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System.

Public Comments

On October 18, 2022, the Board published an initial notice in the *Federal Register* (87 FR 63069) requesting public comment for 60 days on the extension, with revision, of the FR Y-1. The comment period for this notice expired on December 19, 2022. The Board did not receive any comments. The Board adopted the extension, with revision, of the FR Y-1 as originally proposed. On February 28, 2023, the Board published a final notice in the *Federal Register* (88 FR 12680).

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for FR Y-1 is 12 hours, and would remain unchanged with the revisions. The Board estimates that one respondent would take an average of 12 hours to prepare and submit an application for extension based on the Federal Reserve’s experience with these filings. These reporting requirements represent less than 1 percent of the Board’s total paperwork burden.

FR Y-1	<i>Estimated number of respondents¹²</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Sections 225.181(c) and 225.182(c)	1	1	12	12

The estimated total annual cost to the public for the FR Y-1 is \$725.¹³

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing this report is negligible.

¹² Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets), <https://www.sba.gov/document/support-table-size-standards>.

¹³ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by a nual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$21, 45% Financial Managers at \$74, 15% Lawyers at \$71, and 10% Chief Executives at \$102). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), *Occupational Employment and Wages, May 2021*, published March 31, 2022, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.