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FEDERAL RESERVE SYSTEM

Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB

SUMMARY: Background. Notice is hereby given of the final approval of a proposed information collection by the Board of Governors of the Federal Reserve System (Board) under OMB delegated authority, as per 5 CFR 1320.16 (OMB Regulations on Controlling Paperwork Burdens on the Public). Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

FOR FURTHER INFORMATION CONTACT:

Federal Reserve Board Clearance Officer — Cynthia Ayouch — Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202-452-3829).

Telecommunications Device for the Deaf (TDD) users may contact (202-263-4869), Board of Governors of the Federal Reserve System, Washington, DC 20551.

OMB Desk Officer — Shagufta Ahmed — Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW., Washington, DC 20503.

Final approval under OMB delegated authority of the revision, without extension, of the following reports:

Report title: Consolidated Financial Statements for Bank Holding Companies.

Agency form number: FR Y-9C.

OMB control number: 7100-0128.

Frequency: Quarterly.

Effective Date: March, 31, 2013

Reporters: Bank holding companies (BHCs).

Estimated annual reporting hours: 210,808 hours.

Estimated average hours per response: 45.59 hours.

Number of respondents: 1,156.

General description of report: This information collection is mandatory (12 U.S.C. 1844(c)). Confidential treatment is not routinely given to the data in this report. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6) and (b)(8) of the Freedom of Information Act (5 U.S.C. §§ 552(b)(4), (b)(6) and (b)(8)).

Abstract: The FR Y-9 family of reports historically has been, and continues to be, the primary source of financial information on BHCs between on-site inspections. Financial information from these reports is used to detect emerging financial problems, to review performance and conduct pre-inspection analysis, to monitor and evaluate capital adequacy, to evaluate BHC mergers and acquisitions, and to analyze a BHC's overall financial condition to ensure safe and sound operations.

The FR Y-9C consists of standardized financial statements similar to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No. 7100-0036) filed by commercial banks. The FR Y-9C collects consolidated data from top-tier BHCs with total consolidated assets of $500 million or more. (Under certain circumstances defined in the

General Instructions, BHCs under $500 million may be required to file the FR Y-9C.)

Current Actions: On November 21, 2011, the Federal Reserve published a notice in the *Federal Register* (77 FR 71968) requesting public comment for 60 days on the proposed changes to the FR Y-9C. The comment period expired on January 20, 2012.

The Federal Reserve received comment letters from six entities on proposed revisions to the FR Y-9C: two banking organizations, two bankers' associations, a commercial lending software company, and a news organization. In addition, the Federal Reserve, FDIC, and OCC (the banking agencies) received these six comment letters and two additional comment letters from banking organizations on proposed revisions to the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No. 7100-0036), which parallel proposed revisions to the FR Y-9C and were taken into consideration for this proposal.

On March 16, 2012, the Federal Reserve published a final notice in the *Federal Register* (77 FR 15755) announcing the implementation of reporting changes and instructional revisions, effective as of March 31, 2012. The Federal Reserve also announced the implementation of revisions to two existing schedules proposed for implementation as of June 30, 2012.

The Federal Reserve further announced the deferred implementation of Schedule HC-U, Loan Origination Activity (in Domestic Offices), and new Schedule HI-C, Disaggregated Data on the Allowance for Loan and Lease Losses (ALLL), both of which were originally proposed to be added to the FR Y-9C report effective June 30, 2012. Three banking organizations and the two bankers' associations addressed proposed Schedule HI-C, and all eight commenters addressed proposed Schedule HC-U. The Federal Reserve announced they were continuing to evaluate these proposed new schedules in light of the comments received. The Federal Reserve now has completed the evaluation of proposed Schedules HI-C and HC-U.

Detailed Discussion of Public Comments

A. Proposed Schedule HI-C

As proposed, new Schedule HI–C, Disaggregated Data on the Allowance for Loan and Lease Losses, filed by institutions with total assets of $1billion or more, would collect a breakdown by key loan category of the end-of-period ALLL disaggregated on the basis of impairment method and the end-of-period recorded investment in held-for-investment loans and leases related to each ALLL balance. Commenters expressed the general concern that the proposed disaggregated ALLL data in Schedule HI-C are not aligned with the manner in which institutions estimate and maintain their

ALLL. Although Financial Accounting Standards Board (FASB) Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), requires entities to disclose the ALLL at the portfolio segment level, institutions define segments differently than proposed for Schedule HI-C. According to the commenters, modifying systems to report ALLL information categorized as proposed would be costly and necessitate significant lead time, up to nine months, to implement. One commenter also recommended increasing the asset size threshold for institutions to report this schedule, proposed to be collected from institutions with $1 billion or more in total assets, to $5 billion or $10 billion in total assets.

Two commenters recommended a more streamlined approach requiring disclosure of fewer loan categories, thereby allowing the banking agencies to achieve their stated objective and permit institutions to report data consistently with the business models and methodologies used to estimate their ALLL. One of these commenters recommended collapsing the proposed nine loan categories and collecting ALLL and the related recorded investment amounts by impairment measurement method for only three segments: consumer credit cards, all other consumer loans, and commercial loans. The second commenter recommended reporting ALLL and the related recorded investment amounts by impairment measurement method for five loan categories: commercial real estate, residential real estate, commercial, credit cards, and other consumer. The second commenter also favored retaining the reporting of any unallocated portion of the ALLL as had been proposed. Implicit in both of these commenters' recommendations is the concept that the definitions for the loan categories in Schedule HI-C should be those the reporting institution uses in its ALLL methodology rather than those specified in Schedule HC-C, Loans and Lease Financing Receivables.

After consideration of the comments received on the proposed disaggregation of ALLL information, the Federal Reserve will modify the proposed Schedule HI-C to collect ALLL and the related recorded investment amounts by impairment measurement method for the loan categories (and any unallocated portion of the ALLL) based on the second approach described in the preceding paragraph, but with the addition of a loan category for real estate construction loans. The Federal Reserve considers it appropriate to segregate construction loans from other commercial real estate loans because the risk characteristics of the former differ significantly from those of the latter. The Federal Reserve believes this more streamlined approach to proposed Schedule HI-C, including its use of general loan categories rather than specifically defined categories, would be more consistent with the methodologies institutions currently employ in determining the appropriate level for their overall ALLL and meeting the disclosure requirements of ASU 2010-20. At the same time, the data that would be reported in Schedule HI-C, as modified, should be sufficient to enable the Federal Reserve to more finely focus their analyses related to the composition of an institution's ALLL and the changes therein over time. In this regard, to aid in evaluating the appropriateness of the reported level of an institution's ALLL (for example, in periods between examinations and when planning for examinations), the disaggregated ALLL data by loan category could be reviewed in conjunction with the past due and nonaccrual loan data used in general assessments of the credit quality of an institution's loan portfolio. These credit quality data are currently reported for broadly similar, but not identical, loan categories in Schedule HC-N, Past Due and Nonaccrual Loans, Leases, and Other Assets.

The Federal Reserve will retain the proposed $1 billion total asset threshold for Schedule HI-C, which exempts 51 percent of all FR Y-9C respondents from this reporting requirement. Given that institutions with $1 billion or more in total assets hold 97 percent of the ALLL balances held by all FR Y-9C respondents as of June 30, 2012, retaining this reporting threshold as proposed will enable the Federal Reserve to perform a more comprehensive and decision-useful analysis of the depository institution system, particularly in providing a better understanding of how institutions' ALLL practices and allocations differ for particular loan categories as economic conditions change. Furthermore, all institutions with $1 billion or more in total assets are subject to regulations requiring them to prepare annual financial statements in accordance with U.S. generally accepted accounting principles. Accordingly, such institutions should have processes in place to develop the disaggregated ALLL data required to be disclosed by ASU 2010-20, which are comparable to the data specified by Schedule HI-C as modified in response to comments.

The Federal Reserve will implement new Schedule HI-C as-of the March 31, 2013, report date. Consistent with longstanding practice, for the March 31, 2013, report date, the Federal Reserve will allow institutions to provide reasonable estimates for any Schedule HI-C item for which the requested information is not readily available.

B. Proposed Schedule HC-U

As proposed, new Schedule HC–U, Loan Origination Activity (in Domestic Offices), for institutions with total assets of $500 million or more, would collect, separately for several loan categories, the quarter-end amount of loans (in domestic offices) reported in Schedule HC–C, Loans and Lease Financing Receivables, that was originated during the quarter, and for institutions with total assets of $1 billion or more would also collect for these loan categories the portions of the quarter-end amount of loans originated during the quarter that were (a) originated under a newly established loan commitment and (b) not originated under a loan commitment. As highlighted by the recent financial crisis and its aftermath, the ability to assess credit availability is a key consideration for monetary policy, financial stability, and the supervision and regulation of the banking system. The Federal Reserve proposed to collect this information to more accurately monitor the extent to which depository institutions are providing credit to households and businesses.

Commenters expressed a general concern that their loan reporting systems were not designed to classify gross loan originations in the manner that was proposed, and that it would be extremely burdensome to modify systems to produce this information. Some commenters also questioned whether the Federal Reserve's Capital Assessments and Stress Testing reports (FR Y-14A, FR Y-14Q, FR Y-14M; collectively the FR Y-14 reports; OMB No. 7100-0341) could be utilized to collect this information.

In light of these comments, the Federal Reserve has determined not to pursue implementation of this proposed schedule at this time.

Board of Governors of the Federal Reserve System January 14, 2013.

Robert deV. Frierson,
Secretary of the Board.
Billing Code 6210-01-P

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