



6714-01-P

FEDERAL DEPOSIT INSURANCE CORPORATION

Agency Information Collection Activities:

Information Collection Revision; Comment Request (3064-0189)

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Notice of information collection to be submitted to OMB for review and approval under the Paperwork Reduction Act, and request for comment.

SUMMARY: The Federal Deposit Insurance Corporation (FDIC) invites the general public and other Federal agencies to take this opportunity to comment on a revision of a continuing information collection, as required by the Paperwork Reduction Act of 1995.

An agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The FDIC is soliciting comment concerning its information collection titled, “Annual Stress Test Reporting Template and Documentation for Covered Banks with Total Consolidated Assets of \$10 Billion to \$50 Billion under Dodd-Frank” (OMB Control No. 3064-0189).

DATES: Comments must be received by [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit written comments by any of the following methods:

- *Agency Web Site:* <http://www.fdic.gov/regulations/laws/federal/>. Follow the instructions for submitting comments on the FDIC website.
- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

• *E-mail:* Comments@FDIC.gov. Include “Annual Stress Test Reporting” on the subject line of the message.

• *Mail:* Gary A. Kuiper, Counsel, or John Popeo, Counsel, Legal Division, MB-3098, Attention: Comments, FDIC, 550 17th Street, NW, Washington, DC 20429.

• *Hand Delivery/Courier:* Guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m.

Public Inspection: All comments received will be posted without change to

<http://www.fdic.gov/regulations/laws/federal/> including any personal information provided.

Additionally, you may send a copy of your comments: By mail to the U.S. OMB, 725 17th Street, NW, #10235, Washington, DC 20503 or by facsimile to 202.395.6974, Attention: Federal Banking Agency Desk Officer.

FOR FURTHER INFORMATION CONTACT: You can request additional information from Gary Kuiper, 202.898.3877, or John Popeo, 202.898.6923, Legal Division, FDIC, 550 17th Street, NW, MB-3098, Washington, DC 20429. In addition, copies of the templates referenced in this notice can be found on the FDIC’s website (<http://www.fdic.gov/regulations/laws/federal/>).

SUPPLEMENTARY INFORMATION: The FDIC is requesting comment on the following revision of an information collection:

Annual Stress Test Reporting Template and Documentation for Covered Banks with Total Consolidated Assets of \$10 Billion to \$50 Billion under Dodd-Frank

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ (Dodd-Frank Act) requires certain financial companies, including state nonmember banks and state savings

¹ Public Law 111–203, 124 Stat. 1376 (July 21, 2010).

associations, to conduct annual stress tests² and requires the primary financial regulatory agency³ of those financial companies to issue regulations implementing the stress test requirements.⁴ A state nonmember bank or state savings association is a “covered bank” and therefore subject to the stress test requirements if its total consolidated assets exceed \$10 billion. Under section 165(i)(2), a covered bank is required to submit to the Board of Governors of the Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing such information as the primary financial regulatory agency may require.⁵ On October 15, 2012, the FDIC published in the Federal Register a final rule implementing the section 165(i)(2) annual stress test requirement.⁶ The final rule requires covered banks to meet specific reporting requirements under section 165(i)(2). In 2013, the FDIC first implemented the reporting templates for covered banks with total consolidated assets of \$10 billion to \$50 billion and provided instructions for completing the reports.⁷ This information collection notice describes revisions by the FDIC to those reporting templates and related instructions as well as required information. The information contained in these information collections may be given confidential treatment to the extent allowed by law. (5 U.S.C. 552(b)(4)).

Consistent with past practice, the FDIC intends to use the data collected through these revised templates to assess the reasonableness of the stress test results of covered banks and to provide forward-looking information to the FDIC regarding a covered bank’s capital adequacy. The FDIC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered bank. The stress test results are expected to support ongoing improvement in a covered bank’s stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

² 12 U.S.C. 5365(i)(2)(A).

³ 12 U.S.C. 5301(12).

⁴ 12 U.S.C. 5365(i)(2)(C).

⁵ 12 U.S.C. 5365(i)(2)(B).

⁶ 77 FR 62417 (October 15, 2012).

⁷ See 78 FR 16263 (March 14, 2013) and 78 FR 63470 (October 24, 2013).

The FDIC recognizes that many covered banks with total consolidated assets of \$10 billion to \$50 billion are part of a holding company that is also required to submit relevant Dodd Frank Annual Stress Test (DFAST) reports to the Board (FR Y-16, OMB No. 7100-0356). The FDIC, Office of Comptroller of the Currency, and Board (collectively the “Agencies”) have coordinated the preparation of stress testing templates in order to make the templates as similar as possible and thereby minimize the burden on affected institutions. These Agencies have coordinated in a similar manner regarding these proposed modifications to the stress testing templates. Therefore, the revisions by the FDIC to its reporting requirements will remain consistent with the modifications that the Board proposes to make to the FR Y-16.

Description of Information Collection

The FDIC DFAST 10-50 reporting form collects data through two primary schedules: (1) the Results Schedule (which includes the quantitative results of the stress tests under the baseline, adverse, and severely adverse scenarios for each quarter of the planning horizon) and (2) the Scenario Variables Schedule. In addition, respondents are required to submit a summary of the qualitative information supporting their quantitative projections.

Results Schedule

For each of the three supervisory scenarios (baseline, adverse, and severely adverse) each covered bank is required to report data on two supporting schedules: (1) the Income Statement Schedule and (2) the Balance Sheet Schedule. Therefore, two supporting schedules for each scenario (baseline, adverse, and severely adverse) are completed. In addition, the Results Schedule includes a Summary Schedule, which summarizes key results from the Income Statement and Balance Sheet Schedules.

Income statement data is collected on a projected quarterly basis showing projections of revenues and losses. For example, respondents project net charge-offs by loan type (stratified by twelve specific loan types), gains and losses on securities, pre-provision net revenue, and other key components of net income (i.e., provision for loan and lease losses, taxes, etc.).

Balance sheet data is collected on a quarterly basis for projections of certain assets, liabilities, and capital. Capital data is also collected on a projected quarterly basis and include components of regulatory capital, including the projections of risk weighted assets and capital actions such as common dividends and share repurchases.

Scenario Variables Schedule

To conduct the stress tests, an institution may choose to project additional economic and financial variables beyond the mandatory supervisory scenarios provided to estimate losses or revenues for some or all of its portfolios. In such cases, the institution would be required to complete the Scenario Variables Schedule for each scenario where the institution chooses to use additional variables. The Scenario Variables Schedule collects information on the additional scenario variables used over the planning horizon for each supervisory scenario.

Revisions to Reporting Templates for Banks with \$10 Billion to \$50 Billion in Assets

On July 9, 2013, the FDIC approved an interim final rule that will revise and replace the FDIC's risk-based and leverage capital requirements to be consistent with agreements reached by the Basel Committee on Banking Supervision in “Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems” (“Basel III”).⁸ The final rule was published in the Federal Register on April 14, 2014 (“revised capital framework”).⁹ The revisions include implementation of a new definition of regulatory capital, a new common equity tier 1 minimum capital requirement, a higher minimum tier 1 capital requirement, and, for banking organizations subject to the Advanced Approaches capital rules, a supplementary leverage ratio that incorporates a broader set of exposures in the denominator measure. In addition, the rule will amend the methodologies for determining risk weighted assets. All banking organizations that are not subject to the Advanced Approaches Rule must begin to comply with the revised capital framework on January 1, 2015.

⁸ 78 FR 55340 (September 10, 2013).

⁹ 79 FR 20754 (April 14, 2014).

Due to the timing of the Dodd-Frank Act stress test and the revised capital rulemaking, the FDIC considered several options for the timing and scope of this proposal to collect information related to the capital rulemaking. On August 13, 2014, the FDIC published in the Federal Register, a 60-day information collection notice requesting public comment on proposed revisions to the stress testing reporting templates.¹⁰ The FDIC received one comment. The commenter expressed concerns that covered banks will lack the relevant data for the stress testing requirements ahead of when these items are required to be reported in the Consolidated Report of Condition and Income (“Call Reports”). After carefully considering this comment, the FDIC has made minor technical changes and clarifications to the reporting instructions as described below.

The FDIC proposes to revise the FDIC DFAST 10-50 Summary Schedule by adding a common equity tier 1 capital data item and the FDIC DFAST 10-50 Balance Sheet Schedules (baseline, adverse, and severely adverse scenarios) by adding a common equity tier 1 risk based capital ratio data item in order to reflect the requirements of the revised capital framework. These revisions to the FDIC 10-50 DFAST reporting forms would apply beginning in the 2015 stress test cycle in which covered banks must report by March 31, 2015.

In addition, the FDIC proposes to clarify the FDIC DFAST 10-50 reporting form instructions to emphasize that a covered bank should transition to the revised capital framework requirements in its bank-run stress test projections in the quarter in which the revised capital framework requirements become effective. Specifically, a covered bank would be required to comply with the revised capital framework and begin including the common equity tier 1 capital data item and common equity tier 1 risk based capital ratio data item in projected quarter 2 (1st quarter, 2015) through projected quarter 9 (4th quarter, 2016) for each supervisory scenario for the 2015 stress test cycle.

The FDIC also proposes several clarifications to the FDIC DFAST 10-50 reporting form instructions, including: indicating that the Scenario Variables Schedule would be collected as a reporting

¹⁰ 79 FR 47457 (August 13, 2014)

form in Reporting Central (instead of as a file submitted in Adobe Acrobat PDF format); clarifying what covered banks should include in line items 32 and 33 (retail and wholesale funding) on the Balance Sheet Schedule with reference to relevant Call Report line items; clarifying the disallowed deferred tax asset and unrealized gains and losses on available-for-sale (“AFS”) securities line items; clarifying the descriptions of the total capital and total risk-based capital line items; and finally, clarifying how the supporting qualitative information should be organized.

Burden Estimates

The FDIC estimates the burden of this collection of information as follows:

Current

Number of Respondents: 22.

Annual Burden per Respondent: 464 hours.

Total Annual Burden: 10,208 hours.

Proposed

Estimated Number of Respondents: 22.

Estimated Annual Burden per Respondent: 469 hours.

Estimated Total Annual Burden: 10,318 hours.

The burden for each \$10 billion to \$50 billion covered bank that completes the FDIC DFAST 10-50 Results Template and FDIC DFAST 10-50 Scenario Variables Template is estimated to be 469 hours. The burden to complete the FDIC DFAST 10-50 Results Template is estimated to be 440 hours, including 20 hours to input these data and 420 hours for work related to modeling efforts. The burden to complete the FDIC DFAST 10-50 Scenario Variables Template is estimated to be 29 hours. The total burden for all 22 respondents to complete both templates is estimated to be 10,318 hours, or an increase to the total burden of 110 hours.

Comments are invited on all aspects of the proposed changes to the information collection, particularly:

(a) Whether the collection of information is necessary for the proper performance of the functions of the FDIC, including whether the information has practical utility;

(b) The accuracy of the FDIC's estimate of the burden of the collection of information;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the collection on respondents, including through the use of automated collection techniques or other forms of information technology;

(e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information; and

(f) The ability of FDIC-supervised banks and savings associations with assets between \$10 billion and \$50 billion to provide the requested information to the FDIC by March 31, 2015.

Dated at Washington, DC, this 3rd day of December 2014.

FEDERAL DEPOSIT INSURANCE CORPORATION

Robert E. Feldman
Executive Secretary