



## **FEDERAL RESERVE SYSTEM**

### **Agency Information Collection Activities: Announcement of Board Approval under Delegated Authority and Submission to OMB**

**AGENCY:** Board of Governors of the Federal Reserve System.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board) is adopting a proposal to extend for three years, without revision, the Recordkeeping Provisions Associated with the Guidance on Sound Incentive Compensation Policies (FR 4027; OMB No. 7100-0327).

**FOR FURTHER INFORMATION CONTACT:** Federal Reserve Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, 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 17<sup>th</sup> Street, N.W., Washington, DC 20503 or by fax to (202) 395-6974.

**SUPPLEMENTARY INFORMATION:** On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board authority under the Paperwork Reduction Act (PRA) to approve and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board. 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 instrument(s) are placed into OMB's public docket files. The Board 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.

**Final approval under OMB delegated authority of the extension for three years, without revision, (or the implementation) of the following information collection:**

*Report title:* Recordkeeping Provisions Associated with the Guidance on Sound Incentive Compensation Policies.

*Agency form number:* FR 4027.

*OMB control number:* 7100-0327.

*Frequency:* Annual.

*Respondents:* Banking organizations.

*Estimated number of respondents:* One-time implementation for large institutions: 1; one-time implementation for small institutions: 1; ongoing maintenance: 5,710.

*Estimated average hours per response:* One-time implementation for large institutions: 480; one-time implementation for small institutions: 80; ongoing maintenance: 40.

*Estimated annual burden hours:* 228,960.

*General description of report:*

*Compatibility with Effective Controls and Risk Management*

Pursuant to Principle 2 of the Guidance, a banking organization's risk-management processes and internal controls should reinforce and support the development and maintenance of balanced incentive compensation arrangements. Principle 2 states that banking organizations should create and maintain sufficient documentation to permit an audit of the organization's processes for establishing, modifying, and monitoring incentive compensation arrangements. Additionally, large banking organizations should maintain policies and procedures that (i)

identify and describe the role(s) of the personnel, business units, and control units authorized to be involved in the design, implementation, and monitoring of incentive compensation arrangements; (ii) identify the source of significant risk-related inputs into these processes and establish appropriate controls governing the development and approval of these inputs to help ensure their integrity; and (iii) identify the individual(s) and control unit(s) whose approval is necessary for the establishment of new incentive compensation arrangements or modification of existing arrangements.

*Strong Corporate Governance*

Pursuant to Principle 3 of the Guidance, banking organizations should have strong and effective corporate governance to help ensure sound compensation practices. The Guidance states that a banking organization's board of directors should approve and document any material exceptions or adjustments to the organization's incentive compensation arrangements established for senior executives.

*Legal authorization and confidentiality:* The recordkeeping provisions of the Guidance are authorized pursuant to sections 9, 11(a), 25, and 25A of the Federal Reserve Act (12 U.S.C. 248(a), 325, 602, and 625); section 5 of the Bank Holding Company Act (12 U.S.C. 1844); section 10(b)(2) of the Home Owners' Loan Act (12 U.S.C. 1467a(b)(2)); section 7(c) of the International Banking Act (12 U.S.C. 3105(c)); and section 39 of the Federal Deposit Insurance Act (12 U.S.C. 1831p-1(c)).

Because the recordkeeping provisions are contained within guidance, which is nonbinding, they are voluntary. There are no reporting forms associated with this information collection.

Because the incentive compensation records would be maintained at each banking organization, the Freedom of Information Act (“FOIA”) would only be implicated if the Board obtained such records as part of the examination or supervision of a banking organization. In the event the records are obtained by the Board as part of an examination or supervision of a financial institution, this information is considered confidential pursuant to exemption 8 of the FOIA, which protects information contained in “examination, operating, or condition reports” obtained in the bank supervisory process (5 U.S.C. 552(b)(8)). In addition, the information may also be kept confidential under exemption 4 of the FOIA, which protects commercial or financial information obtained from a person that is privileged or confidential (5 U.S.C. 552(b)(4)).

*Current actions:* On November 30, 2018, the Board published a notice in the Federal Register (83 FR 61637) requesting public comment for 60 days on the extension, without revision, of the Recordkeeping Provisions Associated with the Guidance on Sound Incentive Compensation Policies. The comment period for this notice expired on January 29, 2019. The Board did not receive any comments.

Board of Governors of the Federal Reserve System, February 21, 2019.

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**Michele Taylor Fennell,**

*Assistant Secretary of the Board.*

Billing Code 6210-01-P

[FR Doc. 2019-03485 Filed: 2/27/2019 8:45 am; Publication Date: 2/28/2019]