



## **FEDERAL RESERVE SYSTEM**

### **Proposed Agency Information Collection Activities; Comment Request**

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

**ACTION:** Notice, request for comment.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board) invites comment on a proposal to extend for three years, with revision, the Market Risk Capital Rule (FR 4201; OMB No. 7100-0314).

**DATES:** Comments must be submitted on or before [insert date 60 days after publication in the Federal Register].

**ADDRESSES:** You may submit comments, identified by FR 4201, by any of the following methods:

- Agency Website: <https://www.federalreserve.gov/>. Follow the instructions for submitting comments at <https://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include the OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20<sup>th</sup> Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at

<https://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons or to remove personally identifiable information at the commenter's request.

Accordingly, comments will not be edited to remove any identifying or contact information.

Public comments may also be viewed electronically or in paper in Room 146, 1709 New York

Avenue, NW, Washington, DC 20006, between 9:00 a.m. and 5:00 p.m. on weekdays. For security reasons, the Board requires that visitors make an appointment to inspect comments.

You may do so by calling (202) 452-3684. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

Additionally, commenters may send a copy of their comments to the Office of Management and Budget (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, NW, Washington, DC 20503, or by fax to (202) 395-6974.

**FOR FURTHER INFORMATION CONTACT:** A copy of the Paperwork Reduction Act (PRA) OMB submission, including the reporting form and instructions, supporting statement, and other documentation will be placed into OMB’s public docket files, if approved. These documents will also be made available on the Board’s public website at <https://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the agency clearance officer, whose name appears below.

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.

**SUPPLEMENTARY INFORMATION:** On June 15, 1984, OMB delegated to the Board authority under the PRA to approve and assign OMB control numbers to collections of information conducted or sponsored by the Board. In exercising this delegated authority, the Board is directed to take every reasonable step to solicit comment. In determining whether to approve a collection of information, the Board will consider all comments received from the public and other agencies.

## **Request for Comment on Information Collection Proposal**

The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Board's functions, including whether the information has practical utility;
- b. The accuracy of the Board's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Board should modify the proposal.

### **Proposal under OMB Delegated Authority to Extend for Three Years, With Revision, the Following Information Collection:**

*Report title:* Market Risk Capital Rule.

*Agency form number:* FR 4201.

*OMB control number:* 7100-0314.

*Frequency:* Annually, quarterly, and on occasion.

*Respondents:* Bank holding companies, savings and loan holding companies, intermediate holding companies, and state member banks.

*Estimated number of respondents:* 37.

*Estimated average hours per response:* Reporting, 1,088; Recordkeeping, 508; Disclosure, 28.

*Estimated annual burden hours:* Reporting, 1,088; Recordkeeping, 31,744; Disclosure, 2,812.

*General description of report:* The market risk capital rule, which requires banking organizations to hold capital to cover their exposure to market risk, is an important component of the Board's regulatory capital framework (12 CFR part 217; Regulation Q). The respondents for this collection of information are bank holding companies (BHCs), savings and loan holding companies (SLHCs), intermediate holding companies (IHCs), and state member banks (SMBs) that meet certain thresholds. The market risk capital rule applies to any banking organization with aggregate trading assets and trading liabilities equal to (1) 10 percent or more of quarter-end total assets or (2) \$1 billion or more.<sup>1</sup> The Board may exclude a banking organization that meets these thresholds if the Board determines that the exclusion is appropriate based on the level of market risk of the banking organization and is consistent with safe and sound banking practices.<sup>2</sup>

The Board may further apply the market risk capital rule to any other banking organization if the Board deems it necessary or appropriate because of the level of market risk of the banking organization or to ensure safe and sound banking practices.<sup>3</sup> The collections of information provide current statistical data identifying market risk areas on which to focus onsite and offsite examinations. They also allow the Board to assess the levels and components of each reporting institution's risk-based capital requirements for market risk and the adequacy of the institution's capital under the market risk capital rule. These collections of information ensure capital adequacy of banking organizations according to their level of market risk and assist the

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<sup>1</sup> See 12 CFR 217.201(b)(1).

<sup>2</sup> See 12 CFR 217.201(b)(3).

<sup>3</sup> See 12 CFR 217.201(b)(2).

Board in implementing and validating the market risk framework. There are no required reporting forms associated with this information collection.

There are several recordkeeping requirements outlined in the market risk capital rule. Subject banking organizations must adequately document all material aspects of their internal models; the management and valuation of their covered positions; their control, oversight, validation, and review processes and results; and their internal assessments of capital adequacy. Subject banking organizations are also required to have clearly defined policies and procedures for determining which trading assets and trading liabilities are trading positions and which trading positions are correlation trading positions. Furthermore, subject banking organizations are required to have clearly defined trading and hedging strategies for trading positions.

In addition, subject banking organizations must conduct and document an analysis of the risk characteristics of each securitization position prior to acquiring the position, considering structural features of the securitization that would materially impact the performance of the position; relevant information regarding the performance of underlying credit exposure(s); relevant market data of the securitization; and, for resecuritization positions, performance information on the underlying securitization exposure. On an ongoing basis (but no less frequently than quarterly), subject banking organizations must evaluate, review, and update as appropriate the analysis required for each securitization position.

*Proposed revisions:* In August 2019, the Board extended the FR 4201 for three years, with revision, and a notice was published in the *Federal Register* (84 FR 39843). Those revisions included removing references to provisions in the market risk capital rule concerning securitizations. This revision was in error, as the market risk capital rule contains a recordkeeping requirement concerning securitizations, which is described above. Therefore, the

Board proposes to reinstate this recordkeeping requirement. Additionally, the Board proposes to revise the FR 4201 to account for the general recordkeeping requirement in section 217.203(f) of the market risk capital rule, which was not previously accounted for.

*Legal authorization and confidentiality:* The FR 4201 is authorized pursuant to sections 9(6) and 11 of the Federal Reserve Act for SMBs (12 U.S.C. 324 and 248); pursuant to section 5 of the Bank Holding Company Act of 1956 (BHC Act) (12 U.S.C. 1844(c)) and, in some cases, section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) for BHCs (12 U.S.C. 5365); pursuant to section 5 of the BHC Act (12 U.S.C. 1844), in conjunction with section 8 of the International Banking Act of 1978 (12 U.S.C. 3106), and section 165 of the Dodd-Frank Act for IHCs of foreign banking organizations; and pursuant to sections 10(b)(2) and (g) of the Home Owners' Loan Act for SLCHs (12 U.S.C. 1467a(b)(2) and (g)). The FR 4201 is mandatory.

The information collected pursuant to the FR 4201 is collected as part of the Board's supervisory process, and therefore may be afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act (FOIA) (5 U.S.C. 552(b)(8)). In addition, individual respondents may request that certain data be afforded confidential treatment pursuant to exemption 4 of the FOIA, which exempts from disclosure "trade secrets and commercial or financial information obtained from a person [that is] privileged or confidential" (5 U.S.C. 552(b)(4)). Determinations of confidentiality based on exemption 4 of the FOIA would be made on a case-by-case basis.

Board of Governors of the Federal Reserve System, January 13, 2020.

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**Michele Taylor Fennell,**

*Assistant Secretary of the Board.*

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