

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

FEDERAL DEPOSIT INSURANCE CORPORATION

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

Proposed Agency Information Collection Activities: Comment Request

AGENCIES: Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); and Office of Thrift Supervision (OTS), Treasury.

ACTION: Joint notice and request for comment.

SUMMARY: The OCC, Board, FDIC, and OTS (collectively, the Agencies), as part of their continuing effort to reduce paperwork and respondent burden, invite financial institutions, the general public, and other Federal agencies to comment on a proposed new information collection, as required by the Paperwork Reduction Act of 1995. The Agencies may not conduct or sponsor, and a respondent need not respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. Currently, the Agencies are soliciting comment concerning a voluntary, one-time quantitative impact study and an operational risk loss data collection stemming from the Basel Capital Accord.

DATES: You should submit your comments by October 15, 2004.

ADDRESSES: You should direct your comments to the Agencies and the OMB Desk Officer for the Agencies as follows:

OCC: Office of the Comptroller of the Currency, Public Information Room, 250 E Street, SW, Mail Stop 1-5, Attention: 1557-QIS4, Washington, DC 20219. Due to delays in delivery of paper mail in the Washington DC area, you are encouraged to submit your comments by fax or electronic mail. Comments may be sent by fax to (202) 874-4448, or by electronic mail to regs.comments@occ.treas.gov. You can inspect and photocopy comments at the OCC's Public Information Room. You can make an appointment to inspect the comments by calling (202) 874-5043.

Board: You may submit comments by any of the following methods: (1) Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments on the <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>, (2) Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments, (3) E-mail: regs.comments@federalreserve.gov. Include docket number in the subject line of the message, (4) FAX: 202/452-3819 or 202/452-3102, and (5) Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551. All public comments are available from the Board's web site at www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm as submitted, except as necessary for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room MP-500 of the Board's Martin Building (20th and C Streets, NW) between 9:00 a.m. and 5:00 p.m. on weekdays.

FDIC: Comments/Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429. All comments should refer to "Quantitative Impact Study

4, 3064-QIS4.” Comments may be hand-delivered to the 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.

Comments may also be submitted electronically through the FDIC’s Web Site, <http://fdic.gov/regulations/laws/federal/propose.html>, or by e-mail, comments@fdic.gov.

Comments may be inspected and photocopied in the FDIC Public Information Center, Room 100, 801 17th Street, NW, Washington, DC between 9:00 a.m. and 4:30 p.m. on business days.

OTS: Information Collection Comments, Chief Counsel’s Office, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552, Attention: 1550-QIS4, Fax number (202) 906-6518, or e-mail to infocollection.comments@ots.treas.gov. OTS will post comments and the related index on the OTS Internet Site at www.ots.treas.gov. In addition, interested persons may inspect comments at the Public Reading Room, 1700 G Street, NW, by appointment. To make an appointment, call (202) 906-5922, send an e-mail to publicinfo@ots.treas.gov, or send a facsimile transmission to (202) 906-7755.

OMB Desk Officer for the Agencies: Mark Menchik, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, Washington, DC 20503, or e-mail to mmenchik@omb.eop.gov.

FOR FURTHER INFORMATION CONTACT: You may request additional information from:

OCC: John Ference, OCC Clearance Officer, or Camille Dixon, (202) 874-5090, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, SW, Washington, DC 20219.

Board: Cindy Ayouch, Federal Reserve Board Clearance Officer, (202) 452-3829, Division of Research and Statistics, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, M/S 41, Washington, DC 20551.

FDIC: Leneta Gregorie, Paperwork Clearance Officer, (202) 898-3907, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429.

OTS: Marilyn K. Burton, OTS Clearance Officer, (202) 906-6467, Office of Thrift Supervision, 1700 G Street, NW, Washington, DC 20552.

SUPPLEMENTARY INFORMATION:

Title: Quantitative Impact Study and Loss Data Collection Exercise.

OMB Control Numbers: Board: 7100-0303
OCC: 1557-NEW
FDIC: 3064-NEW
OTS: 1550-NEW.

Type of Review: Board: Reinstatement, with change.
OCC, FDIC, OTS: New collection.

Form Number: Board: FR 3045
OCC, FDIC, OTS: QIS-4.

General Description of Report: This information collection is voluntary (Board: 12 U.S.C. 1844, OCC: 12 U.S.C. 161, FDIC: 12 U.S.C. 1819, OTS: 12 U.S.C. 1463) and is considered confidential (5 U.S.C. 552(b)(4)).

Abstract: The Basel Committee on Banking Supervision (BCBS) has developed new regulatory capital standards for internationally active banking institutions, (the “International

Convergence of Capital Measurement and Capital Standards: A Revised Framework”) (the Framework), to replace the current Capital Accord (the “International Convergence of Capital Measurement and Capital Standards”) (1988 Capital Accord) that has been in place since 1988. The new Framework is more complex than the original 1988 Capital Accord and is more risk-sensitive. It addresses the advances and innovations in financial instruments and risk measurement practices that have occurred during the past decade.

As members of the BCBS, the Agencies share the common goal of promoting a capital standard that provides adequate safety and soundness to world financial markets in a way that is more sensitive to different levels of economic risk than the 1988 Capital Accord. To do this, the Agencies believe they must rely heavily on an institution’s internal risk measurement systems and its own quantitative assessment of risk, particularly for the largest, most complex, and highly sophisticated financial institutions. For other institutions, less complex capital standards could suffice.

The Framework contains several alternative measures for calculating minimum regulatory capital requirements, but the U.S. Agencies are planning to adopt only the most advanced approaches for credit and operational risk for U.S. financial institutions. They further intend to make the new Framework mandatory for only a small number of large, complex financial institutions in the United States and would allow other financial institutions that have adequate risk measurement systems and controls to “opt-in” to the new standard if they sought to do so. Those that did not opt-in would continue to operate under the current capital standard or future variations of that standard. The Agencies plan to conduct two distinct surveys that are part of this information collection to improve their understanding of the likely effects of the new Framework and to help in implementing new regulatory capital standards in the United States.

This information collection consists of: (1) a quantitative impact study (QIS) and (2) an operational risk loss data collection exercise (LDCE).

Quantitative Impact Study

The QIS would be the fourth such study and would build on earlier versions that gathered information about each participant's risk profile and risk measurement process. On a best-efforts basis, participating financial institutions would provide information about the amount of credit exposures (e.g., loans and loan commitments) for each major loan portfolio (corporate, interbank, sovereign, and retail) and the risk characteristics of each portfolio, as indicated by internal measures of a loan's probability of default (PD), loss given default (LGD), remaining maturity, and likelihood that currently undrawn lines of credit will be drawn. Exposures in each portfolio could be slotted into as many as twenty PD "bands" and a variety of maturity and LGD categories. Retail portfolios would be further divided among first residential mortgages, home equity loans and lines of credit, credit card, and other retail exposures. To the extent possible, corporate exposures would differentiate between those arising from credit extended to small and medium sized firms versus credit extended to larger businesses, because the proposal assumes that smaller companies are generally less exposed to business cycles. These and other distinctions among exposures would parallel differences embodied in the new Framework and attempt, to the extent practicable, to reflect distinctions important to banks in pricing and measuring risk.

Participants would also be asked to provide estimated capital requirements under the Framework for market risk and operational risk.

Finally, participants would also be asked to complete a questionnaire to provide information about the internal procedures that were used in deriving the various indicators of

portfolio risk (i.e., PDs, LGDs, etc.). They would also be asked to describe the robustness of internal or external data used, critical assumptions made, and substantive deviations from proposed U.S. supervisory standards for deriving such parameters.

Loss Data Collection Exercise

Participants would also be asked to provide information about their internal loss data relating to operational risk in a loss data collection exercise. Internal loss data would include the amount of each individual operational loss exceeding a threshold, the internal business line, the event type, and the amount of any recoveries.

Affected Public: Businesses or other for-profit.

Burden Estimates:

Estimated Average Hours per Response:

QIS: 280 hours

LDCE: 40 hours

Estimated Number of Respondents:

OCC: 25 national banks.

Board: 25 bank holding companies.

FDIC: 5 state nonmember bank.

OTS: 1 thrift.

Estimated Number of Responses:

OCC: 25.

Board: 25.

FDIC: 5.

OTS: 1.

Estimated Annual Burden Hours:

OCC: QIS-4, 7,000 hours; LDCE, 1,000 hours.

Board: QIS-4, 7,000 hours; LDCE 1,000 hours.

FDIC: QIS-4, 1,400 hours; LDCE, 200 hours

OTS: QIS-4, 280 hours; LDCE, 40 hours

Frequency of Response: One time.

Comments:

Comments submitted in response to this notice will be summarized in the Agencies' request for OMB approval. All comments will become a matter of public record.

Comments are invited on:

- (a) Whether the collection is necessary for the proper performance of the functions of the Agencies, including whether the information has practical utility;
- (b) The accuracy of each Agency'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; and
- (e) Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: August 4, 2004

(signed)

Stuart Feldstein,
Assistant Director,
Legislative and Regulatory Activities Division,
Office of the Comptroller of the Currency.

By order of the Board of Governors of the Federal Reserve System, August 10, 2004.

(signed)

Jennifer J. Johnson,
Secretary of the Board.

Dated at Washington, D.C., this 6th day of August, 2004.

Federal Deposit Insurance Corporation.

(signed)

Valerie J. Best,
Assistant Executive Secretary.

Dated: August 9, 2004

By the Office of Thrift Supervision,

(signed)

James E. Gilleran
Director.