

**Supporting Statement for the Advanced Capital Adequacy Framework  
Regulatory Reporting Requirements  
(FFIEC 101; OMB No. 7100-0319)**

**Summary**

The Board of Governors of the Federal Reserve System (Federal Reserve) requests approval from the Office of Management and Budget (OMB) to extend, with revision, the quarterly Federal Financial Institutions Examination Council (FFIEC) Advanced Capital Adequacy Framework Regulatory Reporting Requirements (FFIEC 101; OMB No. 7100-0319). The FFIEC, of which the Federal Reserve, Federal Deposit Insurance Corporation (FDIC), Office of the Comptroller of the Currency (OCC), and Office of Thrift Supervision (OTS) (the agencies) are members, has approved a proposal to revise the regulatory reporting requirements for banks<sup>1</sup> that qualify for and adopt the Advanced Capital Adequacy Framework (the framework) to calculate their risk-based capital requirement or are in the parallel run<sup>2</sup> stage of qualifying to adopt the framework. The FFIEC 101 is required for certain large or internationally active state member banks and bank holding companies (BHCs) and also for those institutions that adopt the framework on a voluntary basis. The FDIC, the OCC, and the OTS have also submitted a similar request for OMB review in order to request this information from banks under their supervision.

The Federal Deposit Insurance Act (FDI Act) and the International Lending Supervision Act of 1983 (ILSA) require the agencies to have risk-based capital requirements and to ensure that banks maintain adequate capital. The Federal Reserve uses these data to assess and monitor the levels and components of each reporting entity's risk-based capital requirements and the adequacy of the entity's capital under the framework. These data also allow the Federal Reserve to evaluate the quantitative impact and competitive implications of the framework on individual respondents and on the industry. The reporting schedules also assist banks in understanding expectations surrounding the system development necessary for implementation and validation of the framework. The submitted data that is released publicly also provide other interested parties with information about banks' risk-based capital. Finally, the submitted data supplement on-site examination processes.

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<sup>1</sup> For simplicity, and unless otherwise indicated, this notice uses the term "bank" to include banks, savings associations, and bank holding companies (BHCs). The terms "bank holding company" and "BHC" refer only to BHCs regulated by the Federal Reserve and do not include savings and loan holding companies regulated by the OTS. For a detailed description of the institutions covered by this notice, refer to Part I, Section 1, of the final rule entitled Risk-Based Capital Standards: Advanced Capital Adequacy Framework - Basel II (72 FR 69288).

<sup>2</sup> Once a bank has adopted its implementation plan, it must complete a satisfactory parallel run before it may use the advanced approaches to calculate its risk-based capital requirements. A satisfactory parallel run is a period of at least four consecutive calendar quarters during which the bank complies with all of the qualification requirements to the satisfaction of its primary Federal supervisor. During this period, the bank would continue to be subject to the general risk-based capital rules but would simultaneously calculate its risk-based capital ratios under the advanced approaches. During the parallel run period, a bank would report its risk-based capital ratios under both the general risk-based capital rules and the advanced approaches to its primary Federal supervisor through the supervisory process on a quarterly basis. The agencies will share this information with each other for calibration and other analytical purposes.

Respondents are required to submit detailed data on the components of their capital and risk-weighted assets in 19 schedules. The agencies propose to implement revisions to certain portions of the FFIEC 101 report principally to align the reporting of the amount of qualifying restricted core capital elements (other than cumulative perpetual preferred stock) held by BHCs and qualifying mandatory convertible preferred securities held by internationally active BHCs to that of Schedule HC-R of the FR Y-9C<sup>3</sup> by separately including both capital elements in Schedule A of the FFIEC 101; to require all banks, BHCs, and savings associations to report capital numerator information on a common Schedule A of the FFIEC 101 (Schedule A, Part 2 for savings associations will be eliminated); and to revise the way equity exposures are reported in a reformatted Schedule R of the FFIEC 101. The agencies would implement the proposed changes beginning with the March 31, 2011, report date.

The Federal Reserve's total annual burden for this information collection is estimated to be 52,500 hours for the 21 Federal Reserve-regulated respondents that meet the reporting criteria and would remain unchanged with the proposed minor revisions. Draft copies of the reporting forms and instructions are available on the FFIEC website: [www.ffiec.gov/ffiec\\_report\\_forms.htm](http://www.ffiec.gov/ffiec_report_forms.htm).

## **Background and Justification**

Section 1831(o) of the FDI Act requires each Federal banking agency to adopt a risk-based capital requirement, which is based on the prompt corrective action framework in that section. The ILSA, 12 U.S.C. § 3907(a)(1), mandates that each Federal banking agency require banks to achieve and maintain adequate capital by establishing minimum levels of capital or by other methods that the appropriate federal banking agency may deem appropriate. Section 908 of the ILSA, 12 U.S.C. § 3907(b)(3)(C), also directs the Chairman of the Federal Reserve Board and the Secretary of the Treasury to encourage governments, central banks, and regulatory authorities of other major banking countries to work toward maintaining and, where appropriate, strengthening the capital bases of banking institutions involved in international lending.

U.S. risk-based capital requirements are based on an internationally agreed upon framework for capital measurement that was developed by the Basel Committee on Banking Supervision (BCBS) and endorsed by the central-bank governors of the Group of Ten (G-10)<sup>4</sup> Countries in 1988. Although the 1988 Accord has been a stabilizing force for the international banking system, the world financial system has become increasingly more complex. The BCBS developed a new regulatory capital framework that recognizes new developments in financial products, incorporates advances in risk measurement and management practices, and more precisely assesses capital charges in relation to risk. In April 2003, the BCBS released for public comment a document entitled, The New Basel Capital Accord (Proposed New Accord), that set forth proposed revisions to the 1988 Accord. Also, the agencies participated with other members of the BCBS during the development of the New Accord, which was issued in June 2004. The

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<sup>3</sup> Consolidated Financial Statements for Bank Holding Companies, OMB Number: 7100-0128.

<sup>4</sup> The Group of Ten is made up of eleven industrial countries (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, the United Kingdom, and the United States) which consult and cooperate on economic, monetary and financial matters.

agencies also participated in the Fourth Quantitative Impact Study during the fall and winter of 2004-2005 (QIS 4; OMB No. 7100-0303), to better understand the potential impact of the proposed framework on the risk-based capital requirements for banks.

On December 7, 2007, the agencies published a final rule in the *Federal Register*, entitled Risk-Based Capital Standards: Advanced Capital Adequacy Framework – Basel II. This final rule was based on the New Basel II Capital Accord and recognizes developments in financial products, incorporates advances in risk measurement and management practices, and imposes capital requirements that are generally more sensitive to risk. In particular, the final rule requires banks to assign risk parameters to exposures and provides specific risk-based capital formulas that would be used to transform these risk parameters in to risk-based capital requirements. Included within the final rule are requirements for public disclosure of certain information at the consolidated banking organization level as well as a reference to certain additional regulatory reporting requirements for banks and BHCs. The additional regulatory reporting requirements referenced within the final rule, and described more fully herein, comprise the agencies' regulatory reporting requirements.

The Federal Reserve uses the data collected to:

- Assess the components of each bank's risk-based capital requirements;
- Assess each bank's capital relative to inherent risks and the Federal Reserve's minimum capital requirements;
- Monitor the levels and components of the risk-based capital requirements for banks through peer, outlier, and risk trend analyses;
- Evaluate the quantitative impact and competitive implications of the implementation of the framework on risk-based capital levels within reporting banks and on an overall industry basis;
- Provide market participants, depositors, the public, supervisors, and other interested parties with information about banks' risk-based capital; and
- Supplement on-site examination processes and decisions pertaining to the allocation of supervisory resources.

In addition, this proposal assists supervised institutions in understanding expectations surrounding the system development necessary for implementation and validation of the framework.

The Federal Reserve needs to monitor and assess international active banks' conformance with capital adequacy standards and understand the capital resulting from the implementation of the framework. The general risk-based regulatory capital data submitted by international active banks does not provide enough relevant information regarding risk-based capital under the framework. Because the final rule includes transitional arrangements that involve capital floors linked to the general risk-based capital rules (as defined in the final rule), the Federal Reserve believes it is necessary to require data submissions under both the general risk-based capital rules and advanced risk-based capital frameworks for as long as a bank is subject to risk-based capital floors.

As noted in the final rule, the Federal Reserve conducts analyses to gauge the impact of the framework, and the preparedness of banks to compute risk-based capital consistent with those requirements, during the parallel run and transitional floor periods. Data submitted through these reporting requirements, combined with dual reporting requirements for the general risk-based capital data, provides quantitative support for these impact analyses. Such analyses also helps the Federal Reserve evaluate the competitive and cyclical implications of the framework relative to capital requirements for banks subject to the general risk-based capital rules and the adequacy of capital generated under the framework. General risk-based capital data are currently captured in the Consolidated Reports of Condition and Income (Call Report) for banks (FFIEC 031 or FFIEC 041; Federal Reserve OMB No. 7100-0036) and the FR Y-9C.

The FFIEC 101 is necessary to ensure that the new risk-based regulatory capital framework is implemented in the United States in a safe and sound manner. There is no other reporting form that collects from all banks and BHCs the information that is gathered through the FFIEC 101.

## **Description of Information Collection**

### *Who Must Report*

The proposed regulatory reporting requirements associated with the final rule applies, on a consolidated basis, to each BHC and each bank that qualifies for and applies the advanced approaches as well as to those banks in the parallel run stage of qualifying to use the advanced approaches. A bank is required to submit the FFIEC 101 data if it meets either of two independent threshold criteria: (i) consolidated total assets of \$250 billion or more, as reported on the most recent year-end regulatory reports; or (ii) consolidated total on-balance sheet foreign exposure of \$10 billion or more at the most recent year-end. To determine total on-balance sheet foreign exposure, a bank would sum its adjusted cross-border claims, local country claims, and cross-border revaluation gains (calculated in accordance with the FFIEC Country Exposure Report (FFIEC 009))<sup>5</sup>. Adjusted cross-border claims equal total cross-border claims less claims with the head office/guarantor located in another country, plus redistributed guaranteed amounts to the country of head office/guarantor. A bank is also required to comply if it is a subsidiary of another financial institution that uses the advanced approaches.

Also, some banks or BHCs may voluntarily decide to adopt the framework and would be required to submit the FFIEC 101 data. Both mandatory and voluntary respondents would be required to meet certain qualification requirements before they could use the advanced approaches for risk-based capital purposes.

### *Overview of the Data Collection*

Respondents are required to submit detailed data on the components of their capital and risk-weighted assets in nineteen schedules (A through S). A limited portion of this data is publicly available (Schedules A and B and data items 1 and 2 of Schedule S). The majority of the data is not publicly available.

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<sup>5</sup> The Federal Reserve's OMB Control Number for the FFIEC 009 is 7100-0035.

## Publicly Available Data

Schedules A and B (and data items 1 and 2 of proposed Schedule S, Operational Risk) include data items that are publicly available for each reporting entity for reporting periods subsequent to its parallel run period. Schedule A contains information about the components of Tier 1 capital, Tier 2 capital, and adjustments to regulatory capital as defined within the NPR. Schedule B contains summary information about risk-weighted assets by risk type, and, in the case of credit risk exposures, outstanding balances and aggregated information about the drivers and estimates that underlie the calculation of risk-weighted assets.

The general exposure breakdowns in Schedule B are as follows:

- Wholesale Exposures, including separate reporting for the following types of exposures: Corporate; Bank; Sovereign; Income Producing Real Estate; High Volatility Commercial Real Estate; Eligible Margin Loans, Repo-Style Transactions, and OTC Derivatives with Cross Product Netting; Eligible Margin Loans, Repo-Style Transactions, and OTC Derivatives without Cross Product Netting;
- Retail Exposures, including separate reporting for the following types of exposures: Residential Mortgage Closed-end First Liens, Residential Mortgage Closed-end Junior Liens, Residential Mortgage Revolving Exposures, Qualifying Revolving Exposures, and Other Retail Exposures;
- Securitization Exposures;
- Equity Exposures;
- Other Assets;
- Excess Eligible Credit Reserves Not Included in Tier 2 Capital;
- Market Risk Equivalent Assets; and
- Operational Risk.

Some of the aggregate data items submitted in Schedule B are derived from information contained in the more detailed confidential supporting schedules described below. The data contained in Schedule B describe the main summary-level components of banks' risk-weighted assets, but would not allow users to exactly replicate banks' risk-weighted asset calculations since the data are averaged, weighted, and rounded.

Schedule S shows the data items within the operational risk exposure class that banks submit. Data items 1 and 2 are publicly available and include high-level information on operational risk capital, expected operational loss, eligible operational risk offsets, and total risk-based capital requirements for operational risk.

The intent of these disclosures is to provide market participants, depositors, supervisors, the public, and other interested parties with a sufficient level of detail (comparable, in principle, to risk-based capital information collected currently) about banks' major capital and risk-weighted asset components as well as summary information about the composition of regulatory capital and the risk parameters that underlie risk-weighted asset calculations.

## Non-publicly Available Data

The data items contained in Schedules C through S describe the main components of banks' risk-weighted assets and are essentially expanded detail of the more summary information contained in the public data items shown in Schedule B. The data submitted in these schedules are not made available to the public (except for data items 1 and 2 of Schedule S, Operational Risk). Supervisors request these data to support comparisons of certain critical capital drivers across banks and across time. For the reasons cited previously, however, the information contained in the columns of the tables would not allow users to exactly replicate banks' risk-weighted asset calculations. A brief description of the content of Schedules C through S follows.

**Wholesale Exposures.** Schedules C through J show data items within the wholesale exposure category that are submitted. Each schedule represents a sub-portfolio of the wholesale exposure category as listed on the public Schedule B. For each reported sub-portfolio, the schedule groups exposures into sub-portfolio segments using supervisor-defined probability of default (PD) ranges. The reported cells within these schedules then describe the main risk parameters and characteristics of each sub-portfolio segment.

**Retail Exposures.** Schedules K through O show data items within the retail exposure category that are submitted. Again, each schedule represents a sub-portfolio of the retail exposure category as listed on the public Schedule B. PD ranges are used to sub-divide each sub-portfolio into segments.<sup>6</sup> The reported cells within these schedules then describe the main risk parameters and characteristics of each sub-portfolio segment. The retail schedules also incorporate risk characteristics that are believed to be commonly used drivers within banks' risk management and measurement processes, including the distribution of each sub-portfolio segment by loan-to-value ranges (applies only to real estate exposures), weighted average credit bureau score, and weighted average account age.<sup>7</sup>

**Securitization Exposures.** Schedules P and Q show data items within the securitization exposure class that are submitted. Schedule P provides information by rating categories about exposures subject to either the Ratings-Based Approach (RBA) or the Internal Assessment Approach (IAA). Schedule Q provides certain memoranda information about unrated securitization exposures, exposures treated under the Supervisory Formula Approach, synthetic securitizations, and risk-weighted assets relating to early amortization features of securitizations as prescribed in the NPR.

**Equities.** Schedule R provides information about a bank's equity exposures by type of exposure and by approach to measuring required capital. Schedule R also provides information on equity exposures subject to specific risk weights and equity exposures to investment funds. A bank also completes the appropriate section of the schedule based on whether it uses a simple risk-weight approach, a full internal models approach, or a partially modeled approach to measuring required capital for equity exposures.

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<sup>6</sup> Unlike the wholesale credit exposure reporting schedules, the PD ranges for retail exposures differ from sub-portfolio to sub-portfolio.

<sup>7</sup> For qualifying revolving exposures and other (non-mortgage) retail exposures, the exposure at default (EAD) of accounts under two years old is reported instead of weighted average age for each sub-portfolio exposure segment.

**Operational Risk.** Schedule S shows the data items within the operational risk exposure class that banks submit. Data items submitted in this schedule, which are confidential, include various details about historical operational losses, on a stand-alone and group-wide basis, for the current reporting period and those historical operational losses used to model operational risk capital. The schedule also contains confidential data items related to scenarios, distribution assumptions, and loss caps used to model operational risk capital.

### *Proposed Revisions*

**Reporting of information about the numerator of a bank holding company's risk-based capital ratios.** For BHCs subject to these reporting requirements, the agencies propose to recaption data item 6.b of Schedule A, Part 1 of the FFIEC 101 report and to add data item 6.c. Data item 6.b is currently intended to capture two components of capital that are reported separately on Schedule HC-R of the FR Y-9C: the amount of qualifying restricted core capital elements (other than cumulative perpetual preferred stock) held by BHCs (as reported in data item 6.b of Schedule HC-R) and qualifying mandatory convertible preferred securities held by internationally active BHCs (as reported in data item 6.c of Schedule HC-R). The agencies propose to align the reporting of these capital elements to that of Schedule HC-R of the FR Y-9C by separately including both capital elements in the FFIEC 101. These two capital elements would replace the current data item 6.b and would appear, as they do on Schedule HC-R in the FR Y-9C, as data items 6.b and 6.c of Schedule A, Part 1, respectively. Reporting instructions for the FFIEC 101 would be revised accordingly. The change in reporting would apply only to BHCs.

**Reporting of information about the numerator of a savings association's risk-based capital ratios.** For the purposes of simplicity and comparability of reporting financial information among banks and savings associations under the Advanced Capital Adequacy Framework, the Agencies propose to delete Part 2 of Schedule A for savings associations. Instead, all banks, BHCs, and savings associations reporting under the Advanced Capital Adequacy Framework would report on the same Schedule A form (see [www.ffiec.gov/forms101.htm](http://www.ffiec.gov/forms101.htm)). Reporting instructions for the FFIEC 101 would be revised accordingly.

**Reporting of information on equity exposures.** Banks subject to these reporting requirements currently provide information about equity exposure amounts and the risk-weighted asset amount of these exposures in Schedule R of the FFIEC 101. This schedule currently contains 22 data items (exposure categories, subtotals, and totals) and two columns (exposure and risk-weighted asset amounts) in which data are reported. A number of the line items listed on the schedule only apply to certain approaches contained within the final rule for calculating risk-weighted asset amounts for equity exposures. The agencies propose to reformat Schedule R to clarify what data items need to be reported based on which of the three approaches the bank uses to calculate risk-weighted asset amounts for its equity exposures: the simple risk weight approach (SRWA), the full internal models approach (full IMA), or the IMA applied to only publicly traded equity exposures (publicly traded or partial IMA).

The reformatted version of Schedule R does not alter any of the existing line items in the current schedule. More specifically, neither the exposure categories nor the number of equity exposure items completed by banks using a given approach would change as a result of this proposal. Rather, the proposal is to expand the number of columns shown on the schedule from two to six to allow for reporting of a distinct set of exposure and risk-weighted asset information for banks using the SRWA, a distinct set of exposure and risk-weighted asset information for banks using the full IMA, and a distinct set of exposure and risk-weighted asset information for banks using the partial IMA. Each set of exposure and risk-weighted asset columns would appear with the heading of the applicable final rule approach used by the bank and only those exposure categories (including subtotals and totals) applicable to a given approach would appear within each columnar section of the reformatted schedule (see [www.ffiec.gov/forms101.htm](http://www.ffiec.gov/forms101.htm)). Reporting instructions for the FFIEC 101 would be revised accordingly.

### **Time Schedule for Information Collection**

The FFIEC 101 is collected quarterly as of the end of the last calendar day of March, June, September, and December. Reporting BHCs and banks submit data quarterly because efforts to monitor banks' progress toward, and actions under, the framework require regular and consistent data submissions from all of the institutions adopting this framework. The first reporting period for Schedules A through S for each reporting entity seeking to qualify for the advanced approaches corresponds to the first quarter of its parallel run period.

The report due dates are 60 days following the end of a quarter while a state member bank or BHC is in its parallel run period. After completing its parallel run period, the report due dates are the same as the report due dates currently required of banks and BHCs when filing their respective Call Report or FR Y-9C. State member banks must submit the FFIEC 101 to the appropriate Federal Reserve Bank within thirty calendar days following the as-of date; a five-day extension may be given to banks with more than one foreign office. BHCs must submit the FFIEC 101 to the appropriate Federal Reserve Bank within forty calendar days after the March 31, June 30, and September 30 as of dates unless that day falls on a weekend or holiday and within forty-five calendar days after the December 31 as of date.

Individual respondent data, excluding confidential information, would be available on the National Information Center public website.

### **Sensitive Questions**

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

### **Consultation Outside the Agency**

On October 22, 2010, the agencies published a notice in the *Federal Register* (75 FR 65402) requesting public comment for 60 days on the extension, with revision, of the FFIEC 101. The comment period for the notice expired on December 21, 2010. The agencies did not

receive any comments. The revisions will be implemented as proposed. On January 28, 2011, the agencies published a final notice in the *Federal Register* (76 FR 5251).

### Legal Status

The Board's Legal Division has determined that 12 U.S.C. § 324 and 12 U.S.C. 1844 (c) authorize the Board to require the information collection. All data collected from each reporting entity on Schedules A through S, including those data items identified as public data items above, would remain confidential during the entity's parallel run period under the Freedom of Information Act (FOIA) exemption 4 (5 U.S.C. § 552(b)(4)). The release of this data could cause substantial competitive harm to respondents. Subsequent to the entity's parallel run period, Schedules A and B and data items 1 and 2 of Schedule S, would be available to the public and Schedules C through R and data items 3 through 24 on Schedule S would be shared among the four agencies but would not be released to the public. The release of the data on the latter schedules could cause substantial competitive harm to respondents and thus would be covered by exemption 4 of FOIA.

If an institution can justify any other information to be trade secrets and/or privileged, such information could be withheld from the public under the authority of the exemption 4 of FOIA. Additionally, to the extent that such information may be contained in an examination report such information maybe also be withheld from the public, 5 U.S.C. § 552 (b)(8).

### Estimate of Respondent Burden

The total annual burden for the FFIEC 101 is estimated to be 52,500 hours, as shown in the table below. There would be no net change in the reporting burden associated with the proposed revisions. The Federal Reserve estimates that, on average, it would take each respondent 625 hours to provide the data each quarter. This reporting burden represents less than 1 percent of the total Federal Reserve System paperwork burden.

	<i>Number of respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated response time</i>	<i>Estimated annual burden hours</i>
State Member Banks	6	4	625 hours	15,000
BHCs	15	4	625 hours	37,500
<i>Total</i>	21			52,500

The estimated cost to the public for this information collection is \$2,210,250.<sup>8</sup>

<sup>8</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support @ \$16, 45% Financial Managers @ \$48, 15% Legal Counsel @ \$54, and 10% Chief Executives @ \$76). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment

## **Estimate of Cost to the Federal Reserve System**

The ongoing costs for collecting and processing the data are estimated to be \$157,694 per year.