

## **Supporting Statement for the Reporting, Recordkeeping, and Disclosure Requirements Associated with Regulation LL (FR LL; OMB No. 7100-0380)**

### **Summary**

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the Reporting, Recordkeeping, and Disclosure Requirements Associated with Regulation LL (FR LL; OMB No. 7100-0380). Regulation LL - Savings and Loan Holding Companies (12 CFR Part 238) requires certain large savings and loan holding companies (SLHCs) to submit a capital plan to the Board on an annual basis, request prior approval from the Board under certain circumstances before making a capital distribution, conduct company-run periodic stress tests, report the results of its company-run stress tests to the Board, publicly disclose a summary of the results of such stress tests, and comply with certain other reporting and recordkeeping requirements.<sup>1</sup>

The Board proposes to revise the FR LL information collection to account for reporting and recordkeeping provisions, which have not been previously cleared by the Board under the Paperwork Reduction Act (PRA).

The current estimated total annual burden for the FR LL is 14,399 hours and would increase to 14,430 hours. The revisions would result in an increase of 31 hours. There is no formal reporting form for this collection of information.

### **Background and Justification**

Capital is central to a firm's ability to absorb unexpected losses and continue to lend to creditworthy businesses and consumers. The Board's capital planning requirements for large bank holding companies help to ensure that these firms have robust systems and processes that incorporate forward-looking projections of revenue and losses to monitor and maintain their internal capital adequacy. The stress capital buffer requirement helps ensure that a firm can meet its obligations to creditors and other counterparties, as well as continue to serve as a financial intermediary through periods of financial and economic stress. Covered savings and loan holding companies engage in many of the same activities and face similar risks as bank holding companies. Accordingly, the Board applies capital planning and stress capital buffer requirements to covered savings and loan holding companies subject to Category II, III, or IV standards in the same manner as they do to large bank holding companies subject to Category II, III, or IV standards.

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<sup>1</sup> The SLHCs that are subject to these requirements are "covered SLHCs" with average total consolidated assets of \$100 billion or more, as categorized into Category II, III, or IV SLHCs under 12 CFR 238.10. "Covered SLHCs" include any SLHC other than: (1) a top-tier SLHC that is either a grandfathered unitary SLHC or derived more than 50 percent of its assets or revenue from nonfinancial activities; (2) a top-tier depository institution holding company that is an insurance underwriting company; or (3) a top-tier depository institution holding company that holds more than 25 percent of its total consolidated assets in subsidiaries that are insurance underwriting companies. 12 CFR 238.2(ff). For purposes of the company-run stress testing requirements, a respondent SLHC also includes foreign SLHCs with average total consolidated assets of more than \$250 billion. See 12 CFR 238, Subpart R.

Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)<sup>2</sup> requires nonbank financial companies supervised by the Board and bank holding companies with total consolidated assets equal to or greater than \$250 billion to conduct periodic company-run stress tests and to provide to the Board and their primary federal regulator reports regarding such stress tests. Although section 165 does not directly apply to SLHCs, it does not prohibit the application of similar standards to SLHCs or BHCs pursuant to other statutory authorities available to the Board.<sup>3</sup> Pursuant to section 10(g) of the Home Owners' Loan Act (HOLA),<sup>4</sup> the Board has established rules regarding company-run stress tests conducted by SLHCs with total consolidated assets equal to or greater than \$250 billion.

Additionally, section 165 permits the Board, subject to certain conditions, to apply any prudential standard established under that section, including company-run stress tests, to bank holding companies with total consolidated assets equal to or greater than \$100 billion.<sup>5</sup> Pursuant to this authority, the Board has established rules requiring certain bank holding companies with less than \$250 billion in total consolidated assets to conduct company-run stress tests. Pursuant to section 10(g) of HOLA, the Board has established requirements regarding company-run stress tests for similarly-situated SLHCs with less than \$250 billion in total consolidated assets. This information is not available from other sources.

## **Description of Information Collection**

### *Reporting Requirements*

Section 238.132(c)(2)(ii) permits that a Category IV SLHC may elect to have the Board conduct a stress test with respect to the company in a year ending in an odd number by providing notice to the Board and the appropriate Federal Reserve Bank by January 15 of that year. Such a request would be submitted through the Federal Reserve Board's secure SharePoint site, CCAR Library.

Section 238.162(b)(1)(ii) requires that, unless the Board otherwise determines in writing, a foreign SLHC must conduct an annual stress test of its U.S. subsidiaries. The test must address whether those subsidiaries have the capital necessary to absorb losses as a result of adverse economic conditions. The foreign SLHC must report on at least a biennial basis a summary of the results of the stress test to the Board. The summary must include a description of the types of risks included in the stress test, a description of the conditions or scenarios used in the stress test, a summary description of the methodologies used in the stress test, estimates of aggregate losses, pre-provision net revenue, total loan loss provisions, net income before taxes and pro forma regulatory capital ratios required to be computed by the home-country supervisor of the foreign SLHC and any other relevant capital ratios, and an explanation of the most significant causes for any changes in regulatory capital ratios. This information must be submitted through the Federal

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<sup>2</sup> 12 U.S.C. § 5365.

<sup>3</sup> See Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) § 402(b)(1), Pub. L. No. 115-174, 132 Stat. 1356 (2018) (codified at 12 U.S.C. § 5365 note).

<sup>4</sup> 12 U.S.C. § 1467a(g).

<sup>5</sup> See 12 U.S.C. § 5365(a)(2)(C).

Reserve Board's secure Sharepoint site, CCAR Library.

Section 238.145 requires a domestic SLHC that is required to conduct company-run stress tests to report the results of its company-run stress tests to the Board. Such SLHCs report their stress test results using the Capital Assessments and Stress Testing (FR Y-14A; OMB No. 7100-0341). Because this reporting requirement is accounted for by the FR Y-14 clearance, it is not accounted for in the FR LL.

Section 238.170(e)(1) requires a covered SLHC to develop and submit to the Board and the appropriate Reserve Bank a written capital plan. The required elements of a capital plan are set forth in section 238.170(e)(2). Capital plans are submitted to the Federal Reserve's IntraLinks system.

Section 238.170(e)(3) requires a covered SLHC to provide certain data to the Board or appropriate reserve bank upon request, including:

- The covered SLHC's financial condition, including its capital,
- The covered SLHC's structure,
- Amount and risk characteristics of the covered SLHC's on- and off-balance sheet exposures, including exposures within the covered SLHC's trading account, other trading-related exposures (such as counterparty-credit risk exposures) or other items sensitive to changes in market factors, including, as appropriate, information about the sensitivity of positions to changes in market rates and prices,
- The covered SLHC's relevant policies and procedures, including risk management policies and procedures,
- The covered SLHC's liquidity profile and management,
- The loss, revenue, and expense estimation models used by the covered SLHC for stress scenario analysis, including supporting documentation regarding each model's development and validation, and
- Any other relevant qualitative or quantitative information requested by the Board or the appropriate Reserve Bank to facilitate review of the covered SLHC's capital plan.

This data is submitted via the Federal Reserve's IntraLinks system.

Section 238.170(e)(4) requires the covered SLHC to update and resubmit its capital plan to the appropriate Reserve Bank within 30 calendar days of the occurrence of certain events. Capital plans are submitted to the Federal Reserve's IntraLinks system.

Section 238.170(h)(2)(ii)(B) requires that within two business days of receipt of notice of a stress capital buffer requirement, a covered SLHC must notify the Board (using the Federal Reserve's IntraLinks system) of any adjustments made to planned capital distributions for the fourth through seventh quarters of the planning horizon under the internal baseline scenario. Because planned capital distributions are a component in the calculation of covered SLHCs' stress capital buffer requirements, such adjustments can impact the stress capital buffer requirement that would ultimately become effective for the firm. The two-day deadline ensures that covered SLHCs are able to adjust their planned capital distributions and inform the Board of such adjustments before they may be required, under securities law, to publicly disclose

information regarding the firm's forthcoming stress capital buffer requirement.

Section 238.170(h)(2)(i) allows a covered SLHC to request reconsideration of its stress capital buffer requirement within 15 calendar days of receipt, and section 238.170(i) sets forth the required timing and contents of such a request. A request for reconsideration must include a detailed explanation of why reconsideration should be granted (that is, why a stress capital buffer requirement should be reconsidered). With respect to any information that was not previously provided to the Federal Reserve in the SHLCs capital plan, the request should include an explanation of why the information should be considered. The SLHC may include a request for an informal hearing. All requests for reconsideration are submitted to the Federal Reserve's IntraLinks system.

Under section 238.170(j)(1), in certain circumstances, covered SLHCs will be required to obtain prior approval from the Board before making capital distributions. A covered SLHC may submit a request for non-objection that includes all the information from 238.170(j)(2). Such prior approval requests should be submitted through the Federal Reserve's IntraLinks system and must contain the following information:

- The covered SLHC's capital plan or a discussion of changes to the covered SLHC's capital plan since it was last submitted to the Federal Reserve,
- The purpose of the transaction,
- A description of the capital distribution, including for redemptions or repurchases of securities, the gross consideration to be paid and the terms and sources of funding for the transaction, and for dividends, the amount of the dividend(s), and
- Any additional information requested by the Board or appropriate Reserve Bank (which may include, among other things, an assessment of the covered SLHC's capital adequacy under a severely adverse scenario, a revised capital plan, and supporting data).

Section 238.170(j)(4) provides that if the Board or appropriate Reserve Bank disapproves of a covered SLHC's capital distribution, the covered SLHC within 15 calendar days of receipt of a notice of disapproval by the Board may submit a written request for a hearing using the Federal Reserve's IntraLinks system.

#### *Recordkeeping Requirements*

Section 238.170(e)(1) requires covered SLHCs to maintain a capital plan. This requirement is ongoing, for as long as the SLHC is subject to the Board's capital plan rule. The Board believes this ongoing requirement is necessary, given the importance of continued capital management at covered SLHCs.

#### *Disclosure Requirements*

Section 238.146 requires that a domestic SLHC that is required to conduct a company-run stress test must publicly disclose a summary of the results of the stress test within the period that is 15 calendar days after the Board publicly discloses the results of its supervisory stress test of the covered company pursuant to section 238.134 of Regulation LL, or, if the company is not subject to the supervisory stress test, in the period beginning on June 15 and June 30 of the year

in which the stress test is conducted. The summary required under this section may be disclosed on the website of a covered company, or in any other forum that is reasonably accessible to the public.

### **Respondent Panel**

The FR LL panel comprises foreign SLHCs with average total consolidated assets of greater than \$250 billion and domestic covered SLHCs with average total consolidated assets of greater than \$100 billion.

### **Frequency and Time Schedule**

The FR LL is submitted, retained, and disclosed on an ongoing, annual, bi-annual, or event-generated basis. The time schedule for the reporting and disclosure requirements under this information collection are established by the regulation:

- Section 238.132(c)(2)(ii) allows a Category IV SLHC to elect to have the Board conduct a stress test with respect to the company in a year ending in an odd number by providing notice to the Board and the appropriate Federal Reserve Bank by January 15 of that year.
- Sections 238.132(c)(3)(iii) and Section 238.143(a)(3)(ii) provide that covered SLHCs may submit a written request for reconsideration within 14 days of a receipt of a notice from the Board to conduct a stress test more or less frequently than would normally be required.
- Section 238.143(b)(4) provides that covered SLHCs may submit a written request for reconsideration within 14 days of a receipt of a notice from the Board to include additional component(s) or additional scenario(s) in the stress test.
- Section 238.162(b)(1)(ii) requires a foreign SLHCs that must conduct a company-run stress test to report a summary of their stress test results to the Board at least every other year.
- Section 238.146 requires domestic SLHCs that must conduct a company-run stress test to disclose publicly a summary of the results of such tests within 15 days of the Board disclosing the results of its supervisory stress test of that company.
- Section 238.170(e)(1)(ii) requires a covered SLHC to submit its complete capital plan to the Board and the appropriate Reserve Bank each year by April 5<sup>th</sup>, or such later date as directed by the Board or by the appropriate Reserve Bank with concurrence of the Board,
- Section 238.170(e)(3) requires a covered SLHC to provide certain data to the Board, upon the request of the Board or appropriate Reserve Bank,
- Section 238.170(e)(4) requires a covered SLHC to update and resubmit its capital plan within 30 calendar days of the occurrence of certain events,
- Section 238.170(h)(2)(ii)(B) requires that within two business days of receipt of notice of a stress capital buffer requirement, a covered SLHC must notify the Board of any adjustments made to planned capital distributions for the fourth through seventh quarters of the planning horizon under the internal baseline scenario,
- Section 238.170(i) provides that a covered SLHC may submit a written request for reconsideration within 15 calendar days of receipt of a notice of a SLHC's stress capital buffer requirement,

- Section 238.170(j)(1) provides that, in certain circumstances, covered SLHCs will be required to obtain prior approval from the Board before making capital distributions, and Section 238.170(j)(4) provides that if the Board or appropriate Reserve Bank disapproves of a covered SLHC's capital distribution, the covered SLHC within 15 calendar days of receipt of a notice of disapproval by the Board may submit a written request for a hearing.

## **Proposed Revisions to the FR LL**

The Board is proposing to revise the FR LL to account for several reporting provisions and one recordkeeping provision which have not been previously cleared by the Board under the PRA.

### *Reporting Requirements*

Section 238.132(c)(2)(i) provides that the Board may conduct a stress test on an SLHC (other than an FBO) with average total consolidated assets of \$100 billion or more on a more or less frequent basis than would be required under paragraph (c)(1). Section 238.132(c)(3)(iii) permits an SLHC to request in writing that the Board reconsider the requirement to conduct a stress test on a more or less frequent basis than would be required under (c)(1). This request must include an explanation as to why the request for reconsideration should be granted. The Board will respond in writing within 14 calendar days of receipt of the request. This request would be submitted via the Federal Reserve's IntraLinks system.

Section 238.143(a)(3)(ii) permits a Category II SLHC, Category III SLHC, or a SLHC with average total consolidated assets of greater than \$250 billion to request in writing that the Board reconsider the requirement to conduct a stress test on a more or less frequent basis than would be required under paragraph (a)(2)(i). This request must include an explanation as to why the request for reconsideration should be granted. The Board will respond in writing within 14 calendar days of receipt of the request. This request would be submitted via the Federal Reserve's IntraLinks system.

Section 238.143(b)(4) provides that if the Board requires a Category II SLHC, Category III SLHC, or a SLHC with average total consolidated assets of greater than \$250 billion to include one or more additional components in certain of its stress testing scenarios the Board will notify the company in writing and include a basis for its determination. Within 14 calendar days of receipt of this notification the company may request in writing that the Board reconsider the requirement that company include the additional component(s) or additional scenario(s), including an explanation as to why the request for reconsideration should be granted. The Board will respond in writing within 14 calendar days of receipt of the company's request. This request would be submitted via the Federal Reserve's IntraLinks system.

### *Recordkeeping Requirements*

Section 238.144(c)(1) requires a Category II SLHC, Category III SLHC, or a SLHC with average total consolidated assets of greater than \$250 billion to establish and maintain a system

of controls, oversight, and documentation, including policies and procedures, that are designed to ensure that its stress testing processes are effective in meeting the relevant requirements. These policies and procedures must, at a minimum, describe the covered company's stress testing practices and methodologies, and processes for validating and updating the company's stress test practices and methodologies consistent with applicable laws and regulations.

### **Public Availability of Data**

Domestic SLHCs make a summary of the results of their stress tests publicly available, either on their website or in any other forum that is reasonably accessible to the public. Other information that is provided to the Federal Reserve in connection with the FR LL is not customarily released to the public.

### **Legal Status**

The FR LL is authorized by section 10(g) of the Home Owners' Loan Act (HOLA).<sup>6</sup> Section 10(g) of HOLA authorizes the Board to issue regulations, including regulations regarding capital requirements for SLHCs, as are appropriate to carry out the purposes of section 10 of HOLA. Pursuant to this authority, the Board has applied company-run stress testing requirements, including reporting and disclosure requirements, for all covered SLHCs with total consolidated assets of more than \$250 billion, as well as certain covered SLHCs with total consolidated assets of more than \$100 billion. The Board has also applied capital planning requirements to certain covered SLHCs with total consolidated assets of \$100 billion or more pursuant to section 10(g) of HOLA.

The information collected through the FR LL is collected as part of the Board's supervisory process and therefore is afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act ("FOIA"), which protects information contained in "examination, operating, or condition reports" obtained in the bank supervisory process.<sup>7</sup> In addition, the information may also be kept confidential under exemption 4 of FOIA, which protects commercial or financial information obtained from a person that is privileged or confidential.<sup>8</sup>

### **Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

### **Public Comments**

On September 28, 2023, the Board published an initial notice in the *Federal Register* (88 FR 66848) requesting public comment for 60 days on the extension, with revision, of the FR LL. The comment period for this notice expires on November 27, 2023.

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<sup>6</sup> 12 U.S.C. § 1467a(g). The Board is also authorized to collect information from SLHCs under section 10(b)(2) of HOLA. 12 U.S.C. § 1467a(b)(2).

<sup>7</sup> 5 U.S.C. § 552(b)(8).

<sup>8</sup> 5 U.S.C. § 552(b)(4).

## Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR LL is 14,399 hours. Currently, there are no foreign SLHCs in existence, and only one domestic covered SLHC. The table shows an estimate of one respondent per requirement. These reporting, recordkeeping, and disclosure requirements represent less than 1 percent of the Board's total paperwork burden.

FR LL	<i>Estimated number of respondents<sup>9</sup></i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b><i>Current</i></b>				
<b>Reporting</b>				
Section 38.132(c)(2)(ii)	1	1	0.25	0
Section 38.162(b)(1)(ii)	1	0.5	80	40
Sections 238.170(e)(1) and (2) (Initial setup)	1	1	9,000	9,000
Sections 238.170(e)(1) and (2)	1	1	4,000	4,000
Section 238.170(e)(3)	1	1	1,005	1,005
Section 238.170(e)(4)	1	1	100	100
Section 38.170(h)(2)(ii)(B)	1	1	2	2
Section 238.170(i)	1	1	16	16
Sections 238.170(j)(1) and (2)	1	1	100	100
Section 238.170(j)(4)	1	1	16	16
<b>Recordkeeping</b>				
Section 238.170(e)(1)	1	1	30	30
<b>Disclosure</b>				
Section 238.146 (Initial setup)	1	0.5	150	75
Section 238.146	1	0.5	30	<u>15</u>
<i>Current Total</i>				14,399
<b><i>Proposed</i></b>				
<b>Reporting</b>				
Section 38.132(c)(2)(ii)	1	1	0.25	0.25
Section 38.132(c)(3)(iii)	1	1	0.25	0.25
Section 38.143(a)(3)(ii)	1	1	0.25	0.25
Section 238.143(b)(4)	1	1	0.25	0.25
Section 38.162(b)(1)(ii)	1	0.5	80	40
Sections 238.170(e)(1) and (2) (Initial setup)	1	1	9,000	9,000

<sup>9</sup> Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$850 million in total assets), <https://www.sba.gov/document/support-table-size-standards>.



Sections 238.170(e)(1) and (2)	1	1	4,000	4,000
Section 238.170(e)(3)	1	1	1,005	1,005
Section 238.170(e)(4)	1	1	100	100
Section 238.170(h)(2)(ii)(B)	1	1	2	2
Section 238.170(i)	1	1	16	16
Sections 238.170(j)(1) and (2)	1	1	100	100
Section 238.170(j)(4)	1	1	16	16
<b>Recordkeeping</b>				
Section 238.144(c)(1)	1	1	30	30
Section 238.170(e)(1)	1	1	30	30
<b>Disclosure</b>				
Section 238.146 (Initial setup)	1	0.5	150	75
Section 238.146	1	0.5	30	<u>15</u>
<i>Proposed Total</i>				14,430
<i>Change</i>				<u>31</u>

The estimated total annual cost to the public for the FR LL is \$953,934 and increase to \$955,988 with the proposed revisions.<sup>10</sup>

## Sensitive Questions

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

## Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing this information collection is negligible.

<sup>10</sup> Total cost to the responding public is estimated using the following formula: total burden hours, multiplied by the cost of staffing, where the cost of staffing is calculated as a percent of time for each occupational group multiplied by the group's hourly rate and then summed (30% Office & Administrative Support at \$22, 45% Financial Managers at \$80, 15% Lawyers at \$79, and 10% Chief Executives at \$118). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), Occupational Employment and Wages, May 2022, published April 25, 2023, <https://www.bls.gov/news.release/ocwage.t01.htm#>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.