

**Supporting Statement for the  
Reporting Requirements Associated with Resolution Plans (Regulation QQ)  
(Reg QQ; OMB No. 7100-0346)**

## **Summary**

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend, with revision, the mandatory Reporting Requirements Associated with Regulation QQ (Reg QQ; OMB No. 7100-0346). Regulation QQ (12 CFR part 243) requires each bank holding company (BHC) with assets of \$50 billion or more<sup>1</sup> and nonbank financial firms designated by the Financial Stability Oversight Council (FSOC) for supervision by the Board (each a covered company) to report annually to the Board and the Federal Deposit Insurance Corporation (FDIC) the plan of such company for rapid and orderly resolution under the U.S. Bankruptcy Code in the event of the company's material financial distress or failure.

The annual burden for this information collection is estimated to be 1,171,877 hours. This represents an increase of 316,573 hours from the current burden estimate of 855,304 hours. The burden increase is due to a reassessment of the burden hours associated with responding to the informational requirements of Regulation QQ and to guidance, feedback, and additional requests for information by the agencies as part of the iterative resolution planning process. The increase in burden is mitigated by the postponement of the July 2018 submission date for the resolution plans of the complex domestic filers, which account for the largest percentage of overall burden hours.

## **Background and Justification**

To promote financial stability, section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires each covered company to periodically submit a plan for such company's rapid and orderly resolution under the Bankruptcy Code in the event of the company's material financial distress or failure.<sup>2</sup>

On November 1, 2011, the agencies published Regulation QQ as a final rule in the *Federal Register* (76 FR 67323), to implement the resolution plan requirement set forth in section 165(d)(1) of the Dodd-Frank Act. The effective date for Regulation QQ was November 30, 2011, and the first set of resolution plans were submitted in July 2012, as required by the regulation.

Resolution plans filed under section 165(d) and Regulation QQ assist covered companies and regulators in conducting advance resolution planning for a covered company. Through the FDIC's experience in failed bank resolutions, as well as the Board's and the FDIC's experience in the most recent crisis, it became apparent that advance planning improves the efficient

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<sup>1</sup> This includes any foreign bank or company that is a bank holding company or is treated as a bank holding company under section 8(a) of the International Banking Act of 1978, and that has \$50 billion or more in total consolidated assets.

<sup>2</sup> 12 U.S.C. § 5365.

resolution of a covered company. Advance planning has long been a component of resiliency and recovery planning by financial companies. The resolution plan required of covered companies under Regulation QQ supports the FDIC's planning for the exercise of its resolution authority under the Dodd-Frank Act and the Federal Deposit Insurance Act by providing the FDIC with an understanding of the covered companies' structures and complexity as well as their resolution strategies and processes. The resolution plans also keep the agencies apprised of relevant changes to the covered companies' structure, complexity, and other factors that may affect resolvability. Annual resolution plans required of covered companies under Regulation QQ assist the Board in its supervisory efforts to ensure that covered companies operate in a manner that is both safe and sound and that does not pose risks to financial stability generally. In addition, these plans enhance the agencies' understanding of the U.S. operations of foreign banks and improve efforts to develop a comprehensive and coordinated resolution strategy for a cross-border firm.

Regulation QQ requires each resolution plan to contain certain information, including information regarding the manner and extent to which any insured depository institution affiliated with the covered company is adequately protected from risks arising from the activities of nonbank subsidiaries of the company; detailed descriptions of the ownership structure, assets, liabilities, and contractual obligations of the company; identification of the cross-guarantees tied to different securities; identification of major counterparties; a process for determining to whom the collateral of the company is pledged; and other information that the Board and the FDIC jointly require by rule or order. Regulation QQ also requires a strategic analysis by the covered company of how it can be resolved under the Bankruptcy Code within a reasonable period of time and in a manner that substantially mitigates the risk that the failure of the covered company would have serious adverse effects on financial stability in the United States. Since the implementation of Regulation QQ in 2011, the agencies have provided additional guidance to covered companies regarding the information that should be included in, or that can be omitted from, a company's resolution plan.

The information collected under Regulation QQ has been helpful for identifying obstacles to a rapid and orderly resolution under the U.S. Bankruptcy Code. The agencies have used this information to direct covered companies to make improvements to their resolution plans and planning processes. The resolution plan submissions have also provided information about covered companies' structure and operations that has been useful to the Board in its supervisory role and to the FDIC in planning for any actions it would take with respect to its authority under the Dodd-Frank Act or the Federal Deposit Insurance Act.

## **Description of Information Collection**

The reporting requirements are found in sections 243.3, 243.4, and 243.5 of Regulation QQ. Compliance with the information collections is mandatory. No other federal law mandates these reporting requirements.

## **General Requirements**

**Section 243.3 - Resolution plan required** sets forth a staggered schedule for submission of initial resolution plans by covered companies, and requires that covered companies annually submit an updated resolution plan on the anniversary of the initial submission date. In addition, section 243.3 establishes a requirement that a covered company provide notice to the Board and FDIC of material events that have the potential to affect its resolution plan.

**Section 243.4 - Informational content of a resolution plan** describes the required informational content of both a full resolution plan and the tailored resolution plan available to smaller, less complex covered companies. In providing organizational structure information required in section 243.4, a covered company may rely on the information it previously reported to the Board (FR Y-6, Annual Report of Holding Companies; FR Y-7, Annual Report of Foreign Banking Organizations; and FR Y-10, Report of Changes in Organizational Structure; OMB No. 7100-0297).

**Section 243.5 - Review of resolution plans; resubmission of deficient resolution plans** requires a covered company to resubmit an informationally complete resolution plan or additional information as jointly requested by the Board and FDIC to facilitative review of the covered company's resolution plan within 30 days of receiving notice that its resolution plan is deemed incomplete.

In addition, section 243.5 requires that, if the Board and FDIC jointly determine that a resolution plan of a covered company is not credible or would not facilitate an orderly resolution of the covered company under the Bankruptcy Code, a covered company must resubmit a revised plan within 90 days of receiving notice that its resolution plan is deemed deficient. A covered company may also submit a written request for an extension of time to resubmit additional information or a revised resolution plan.

As noted, since the initial implementation of Regulation QQ in 2011, the agencies have provided additional guidance to covered companies about the informational requirements of Regulation QQ that clarifies the information that should be included in, or that can be omitted from, the plans the companies must submit under the regulation. An example of clarifying guidance is the April 2016 guidance to the complex, domestic full reporters, which includes a form that a subset of these firms are expected to use to satisfy the informational requirements of Regulation QQ concerning the firms' derivatives activities. All of these requirements implement the resolution plan requirement set forth in section 165(d)(1) of the Dodd-Frank Act.

## **Reporting Panel**

The reporting panel consists of the covered companies, as defined in Regulation QQ and includes any nonbank financial company supervised by the Board; any bank holding company, as that term is defined in section 2 of the Bank Holding Company Act, as amended (12 U.S.C. § 1841), and the Board's Regulation Y (12 CFR part 225), that has \$50 billion or more in total consolidated assets, as determined based on the average of the company's four most recent Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128);

and any foreign bank or company that is a bank holding company or is treated as a bank holding company under section 8(a) of the International Banking Act of 1978 (12 U.S.C. § 3106(a)), and that has \$50 billion or more in total consolidated assets, as determined based on the foreign bank's or company's most recent annual report or, as applicable, the average of the four most recent Capital and Asset Reports for Foreign Banking Organizations (FR Y-7Q; OMB No. 7100-0128).

## Time Schedule for Information Collection and Publication

After filing its initial resolution plan, each covered company shall annually submit a resolution plan to the Board and the FDIC on or before each anniversary date of its Initial Submission Date, unless otherwise determined by the agencies. To date, the agencies have changed the annual filing dates of all firms except the largest and most complex BHCs to December 31st.

On September 28, 2017, the Board and the FDIC announced the postponement of the next plan submission of the largest and most complex domestic BHCs from July 1, 2018, to July 1, 2019, to permit the agencies to provide meaningful feedback on the July 2017 plans and provide the BHCs with sufficient time to incorporate the feedback into their next plans. Due to the postponement of the next plan submission for large, complex domestic firms, these firms will submit two resolution plans over the period covered by the extension of this collection of information.

In general, respondents submitted their initial resolution plans on a staggered basis pursuant to section 243.3 of Regulation QQ:

- Respondents with \$250 billion or more in non-bank assets (or in the case of a foreign-based company, in total U.S. nonbank assets), were required to submit their initial plans on or before July 1, 2012;
- Respondents with \$100 billion or more, but less than \$250 billion, in total non-bank assets (or in the case of a foreign-based company, in total U.S. nonbank assets), were required to submit their initial plans on or before July 1, 2013; and
- Respondents with less than \$100 billion in total non-bank assets were required to submit their initial plans on or before December 31, 2013.

The agencies approved a series of modifications to the timing of filing requirements pursuant to section 243.3(a)(4) of Regulation QQ following the initial filings in 2012 and 2013. Twelve banks in the Large Institution Supervision Coordinating Committee (LISCC) portfolio (July filers) are required to file annual updates to their resolution plans on July 1 of each year.<sup>3</sup> The remaining firms subject to the rule (December filers) are required to file annual updates to their resolution plans on December 31 of each year. As of December 31, 2016, this group includes 18 U.S. BHCs and over 100 Foreign Banking Organizations (FBOs), as well as the

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<sup>3</sup> Information about LISCC and the list of July filers may be found at [www.federalreserve.gov/bankinforeg/large-institution-supervision.htm](http://www.federalreserve.gov/bankinforeg/large-institution-supervision.htm).

FSOC-designated nonbank financial firms: American International Group Inc. and Prudential Financial.<sup>4</sup>

The resolution plans must be submitted annually after the initial submission. The above modified schedule generally applies to any company that is a covered company as of November 30, 2011. A company that becomes a covered company after the effective date, *e.g.*, a company the FSOC has designated for supervision by the Board or a BHC that grows, organically or by merger or acquisition, over the \$50 billion threshold, must submit its resolution plan by the next July 1 following the date the company becomes a covered company, provided such date is at least 270 days after the date the company becomes a covered company. New filers are technically required to file their initial plans on July 1, but it has been the practice of the agencies to move that filing date to December 31 if the firm resembles those that are filing on December 31. Additional information submitted at the request of the agencies, notices of material events, and requests for extensions to resubmit resolution plans would all be filed on occasion.

## **Legal Status**

The Board's Legal Division has determined that section 165(d)(8) of the Dodd-Frank Act specifically authorizes the Board and the FDIC to "jointly issue final rules implementing" the resolution plan requirements for their supervised institutions (12 U.S.C. § 5365(d)(8)). The obligation to respond is mandatory.

Under section 243.8(c) of Regulation QQ, a portion of the resolution plan is designated as confidential. The Board and the FDIC, in a manner consistent with the Dodd-Frank Act, will assess the confidentiality of resolution plans and related material in accordance with the Freedom of Information Act (FOIA) and the Board's and the FDIC's implementing regulations (12 CFR part 261 (Board); 12 CFR part 309 (FDIC)). As noted in the Preamble to the Final Rule (76 FR 67332), section 112(d)(5)(A) of the Dodd-Frank Act (12 U.S.C. 5322(d)(5)(A)), requires the Board to "maintain the confidentiality of any data, information, and reports submitted under" Title I of Dodd-Frank, which includes section 165(d). Section 243.8(d) of Regulation QQ specifically provides that "the confidentiality of resolution plans and related materials shall be determined in accordance with applicable exemptions under FOIA (5 U.S.C. 552(b)) and the Board's Rules Regarding Availability of Information (Board's Rules) (12 CFR part 261) .... Any covered company submitting a resolution plan ... that desires confidential treatment under [FOIA and the Board's Rules] ... may file a request for confidential treatment in accordance with those rules" (12 CFR 243.8(d)(1), (d)(2)). "To the extent permitted by law, information comprising the Confidential Section of a resolution plan will be treated as confidential" (12 CFR 243.8(d)(3)).

The Board and the FDIC have noted that the agencies certainly expect that large portions of the resolution plan submissions will contain or consist of 'trade secrets and commercial or financial information obtained from a person and privileged or confidential' and information that

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<sup>4</sup> On September 29, 2017, the Financial Stability Oversight Council decided to remove AIG's designation as a Systemically Important Financial Institution.

is ‘contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of an agency responsible for the regulation or supervision of financial institutions.’ This information is subject to withholding under exemptions 4 and 8 of the FOIA (5 U.S.C. 552(b)(4) and (b)(8)). As required information, the confidential commercial and financial information submitted in resolution plans by covered companies may be withheld under exemption 4 only if public disclosure could result in substantial competitive harm to the submitting institution, under *National Parks and Conservation Association v. Morton*, 498 F.2d 765 (D.C. Cir. 1974).

## **Consultation Outside of the Agency**

The Board consulted with FDIC staff regarding the estimated burden of this information collection. In addition, to inform the Board’s estimates, Board staff sought information from respondents concerning each respondent’s estimate of the burden associated with this collection. Comments from respondents were considered when revising the estimates.

## **Estimate of Respondent Burden**

As shown in the table below, the proposed annual burden for the reporting requirements of this information collection is estimated to be 1,171,877 hours, an increase of 316,573 hours from the current estimate of 855,304 hours. As explained in more detail below, the increase in estimated burden hours reflects that the original estimate: (i) underestimated the burden hours of complying with the basic informational requirements of the rule and (ii) did not fully account for the burden associated with responding to guidance, feedback, and requests for additional information by the agencies as part of the resolution planning process. Additionally, the burden estimate accounts for the postponement of the next submission by the largest and most complex BHCs of their resolution plans until July 1, 2019, announced by the Board and the FDIC on September 28, 2017. If these firms were filing each year covered by this notice, instead of only twice, the total estimated annual burden for the reporting of this information collection would be 1,473,180 hours.

The original estimate reflected the estimated burden hours associated with satisfying the basic informational requirements contained in Regulation QQ, such as the burden hours of producing information about organizational structure. This estimate did not adequately account for the complexity involved in producing information such as that on the interconnections and interdependencies—*e.g.*, service agreements and arrangements for capital, funding, liquidity, cross guarantee, and cross affiliate netting—among covered companies and their material entities that could materially affect the funding or operations of the covered companies in resolution. Thus, the original estimate underestimated the time it would take to comply with the informational requirements of Regulation QQ. The increase in the burden estimate reflects a better understanding of the time necessary to comply with the basic informational requirement of Regulation QQ.

Since its initial implementation, the agencies have, consistent with Regulation QQ and the Dodd-Frank Act, provided additional guidance and feedback to covered companies about the informational requirements of the regulation that clarifies the information to be included in their

resolution plans. The agencies also have requested additional analysis from the covered companies to support the conclusions drawn, and assumptions made, in their plans. The increase in the burden estimate also reflects a better accounting of the time associated with responding to the agencies' guidance and requests for additional information.

The Board did not previously estimate a separate burden amount for reduced reporters as this filing option was approved by the agencies starting in 2014. The Board estimates that each reduced reporter will take 60 hours to comply. The total annual burden for the 82 reduced reporters is estimated to be 4,920 hours.

Based on additional information and its experience, the Board is also revising the estimated burden for the 34 smaller, less complex firms that currently file either tailored or full resolution plans by December 31 of each year (December filers). These firms include both domestic and foreign firms subject to the resolution planning rule. As noted in the original rulemaking process, the Board created the option of submitting a tailored resolution plan to reduce burden associated with resolution planning on smaller, less complex firms. Thus, by design, a full plan submission has more burden than a tailored plan submission. Moreover, the nature of the plan of a domestic filer is fundamentally different from that of a foreign filer: the former generally must address the entire operations of the firm, while the latter is generally focused on the U.S. operations of the firm. Thus, as a general matter, there is less burden associated with the resolution plan submissions of foreign filers compared to domestic filers.

The Board estimates that each domestic December filer that files a full plan will take approximately 26,000 hours to comply, while a domestic December filer that files a tailored plan will take approximately 9,000 hours to comply. Likewise, the Board estimates that a foreign full plan December filer will take approximately 2,000 hours to comply, while their tailored plan counterparts will take approximately 1,130 hours to comply. Accordingly, the total annual burden for the 19 full reporters, both foreign and domestic, is estimated to be approximately 110,000 hours. The total annual burden for the 15 tailored reporters is estimated to be approximately 119,260 hours, which reflects, in part, the fact that a large number of domestic December filers submit tailored plans.

The Board did not previously estimate a separate burden amount for complex, full reporters, which also include both foreign and domestic institutions. The Board estimates that each complex, domestic full reporter will take approximately 113,000 hours to comply. The total annual burden for the nine complex domestic full reporters is therefore estimated to be approximately 1,017,000 hours. The Board estimates that each of the four complex foreign full reporters will take approximately 55,500 hours to comply, generating a total burden of approximately 222,000 hours. These estimates include the Board's estimates of the burden hours of complying with clarifying guidance and related information requests that are made in connection with the review of resolution plans.

On September 28, 2017, the Board and the FDIC announced the postponement of the next plan submission of the largest and most complex domestic BHCs from July 1, 2018, to July 1, 2019, to permit the agencies to provide meaningful feedback on the July 2017 plans and provide the BHCs with sufficient time to incorporate the feedback into their next plans. As a

result, the number of burden hours attributable to each complex, domestic reporter declines to an average annual burden hours of 79,522 and a total annual burden of 715,697. This leads to an overall estimated burden of 1,171,877 hours, which is an increase of 316,573 over the previously estimated burden of 855,304 hours.

These reporting requirements represent approximately 11 percent of total Federal Reserve System paperwork burden.

Reg QQ (as of 12/2016)	Number of respondents <sup>5</sup>	Annual frequency	Estimated average hours per response	Estimated annual burden hours
<b>Current</b>				
<i>Implementation</i>				
Resolution Plan – Tailored				
Reporters	104	1	4,500	468,000
Resolution Plan – Full Reporters	20	1	9,200	184,000
Additional Information Requests	24	2	1,000	48,000
<i>Ongoing</i>				
Resolution Plan – Tailored				
Reporters	104	1	1,000	104,000
Resolution Plan – Full Reporters	20	1	2,561	51,220
Notice of Material Events	3	1	20	60
Extension Requests	24	1	1	<u>24</u>
<i>Current Total</i>				855,304
<b>Proposed</b>				
Reduced Reporters	82	1	60	4,920
December Filers:				
Tailored Reporters				
Domestic	13	1	9,000	117,000
Foreign	2	1	1,130	2,260
Full Reporters				
Domestic	3	1	26,000	78,000
Foreign	16	1	2,000	32,000
Complex Filers				
Domestic	9	1	79,522 <sup>6</sup>	715,697
Foreign	4	1	55,500	<u>222,000</u>
<i>Proposed Total</i>				1,171,877
<i>Change</i>				316,573

<sup>5</sup> Of these respondents, none are small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) [www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards](http://www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards).

<sup>6</sup> This estimate captures the annual time that complex domestic filers will spend complying with this collection, given that eight of these filers will only submit two resolution plans over the three-year period covered by this notice. The estimate therefore represents two-thirds of the time these firms are estimated to spend on each resolution plan submission.

The total cost to the public is estimated to increase from \$45,459,408 to \$64,336,047.<sup>7</sup>

## **Sensitive Questions**

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

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

The estimate of cost to the Federal Reserve System for the reporting requirements associated with Regulation QQ is \$6 million.

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<sup>7</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$18, 45% Financial Managers at \$67, 15% Lawyers at \$67, and 10% Chief Executives at \$93). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages May 2016, published March 31, 2017 [www.bls.gov/news.release/ocwage.t01.htm](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).