

## **FEDERAL RESERVE SYSTEM**

### **Agency information collection activities: Announcement of Board approval under delegated authority and submission to OMB**

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

#### **SUMMARY:**

Notice is hereby given of the final approval of proposed information collections by the Board of Governors of the Federal Reserve System (Board) under OMB delegated authority, as per 5 CFR 1320.16 (OMB Regulations on Controlling Paperwork Burdens on the Public). Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

#### **FOR FURTHER INFORMATION CONTACT:**

Federal Reserve Board Acting Clearance Officer, Mark Tokarski, Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

OMB Desk Officer, Shagufta Ahmed, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17<sup>th</sup> Street, NW., Washington, DC 20503.

#### **Final approval under OMB delegated authority of the revision, without extension, of the following reports:<sup>1</sup>**

*1. Report title:* Consolidated Financial Statements for Holding Companies.

*Agency form number:* FR Y-9C.

*OMB Control number:* 7100-0128.

*Frequency:* Quarterly.

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<sup>1</sup> The family of FR Y-9 reporting forms also contains three other mandatory reports, which are not being revised at this time: The Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP), The Financial Statements for Employee Stock Ownership Plan Holding Companies (FR Y-9ES), and The Supplement to the Consolidated Financial Statements for Holding Companies (FR Y-9CS).

*Reporters:* Bank holding companies (BHCs), savings and loan holding companies (SLHCs), and securities holding companies (SHCs) (collectively, “holding companies” (HCs)).

*Estimated annual reporting hours:* 133,464 hours.

*Estimated average hours per response:* Non-advanced approaches HCs: 50.84 hours, and advanced approaches HCs: 52.09 hours.

*Number of respondents:* Non-advanced approaches HCs: 644, and advanced approaches HCs: 12.

*General description of report:* This information collection is mandatory for BHCs (12 U.S.C. 1844(c)(1)(A)). Additionally, 12 U.S.C. 1467a(b)(2)(A) and 1850a(c)(1)(A), respectively, authorize the Federal Reserve to require that SLHCs and supervised SHCs file the FR Y-9C with the Federal Reserve. Confidential treatment is not routinely given to the financial data in this report. However, confidential treatment for the reporting information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6), or (b)(8) of FOIA (5 U.S.C. §§522(b)(4), (b)(6), and (b)(8)).

*Abstract:* The FR Y-9C consists of standardized financial statements similar to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No. 7100-0036) filed by commercial banks. It collects consolidated data from HCs and is filed quarterly by top-tier HCs with total consolidated assets of \$1 billion or more. (Under certain circumstances defined in the General Instructions, BHCs under \$1 billion may be required to file the FR Y-9C.)

*Current Actions:* On August 6, 2014, the Federal Reserve published a notice in the *Federal Register* (79 FR 45808) requesting public comment for 60 days on the revision, without extension, of the FR Y-9C. The comment period for this notice expired on October 6, 2014. The Federal Reserve received three comment letters regarding proposed revisions to the FR Y-9C from two banking organizations and one bankers’ association. In addition, three commenters submitted comments on the proposed revisions to the Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No. 7100-0036), which parallel proposed revisions to the FR Y-9C. Because these changes to the Call Report parallel the proposed revisions to the FR Y-9C, the Federal Reserve also considered the comments on the Call Report in developing the final notice. In summary, the commenters asked that the Federal Reserve (1) clarify the applicability of the proposed reporting requirements, (2) add additional items, (3) combine two items, (4) provide additional risk-weight categories for some items, and (5) clarify the instructions for certain line items.<sup>2</sup>

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<sup>2</sup> In addition, one of the commenters on the proposal requested the collection of new information unrelated to the scope of this proposal.

## Detailed Discussion of Public Comments and Recommended Responses

### **1. Proposed FR Y-9C, Schedule HC-R, Part II**

In the March 2015 proposal, Schedule HC-R, Part II – the portion of the Y-9C that risk-weighted assets (RWAs) – would be modified to ensure that all banking organizations are reporting RWAs consistent with the standardized approach outlined in the 2013 revisions to the regulatory capital rules. All HCs that are subject to FR-Y9C filing requirements would submit this revised Schedule HC-R, Part II. Compared to the current schedule, the proposed Schedule HC-R, Part II, would provide a more detailed breakdown of on-balance sheet asset and off-balance sheet item categories, remove the ratings-based approach from the calculation of risk-weighted assets, reflect reporting of alternative risk-weighting approaches not reliant on credit ratings, and include an expanded number of risk-weight categories, consistent with the revised regulatory capital rules.

The final version of Schedule HC-R, Part II, would be divided into the following sections: (A) balance sheet asset categories; (B) on- and off-balance-sheet securitization exposures; (C) total balance sheet assets; (D) derivatives, off-balance sheet, and other items subject to risk weighting; (E) totals; and (F) memoranda. These distinct category headings would be added in order to enhance the clarity of the reporting form and do not affect the number of line items banking organizations would be required to complete.

One commenter noted that the proposed reporting instructions refer the reader to the Federal Reserve's regulatory capital rules for additional information and requested that the Federal Reserve incorporate the information from the regulatory capital rules into the reporting instructions. The Federal Reserve will clarify the cross-references to the regulatory capital rules in the final reporting instructions. However, the Federal Reserve believes that incorporating the additional information from the Board's regulatory capital rules into the reporting instructions would unduly add significant length to the instructions, and condensing the information would likely omit significant details.

One commenter requested the addition of a separate line item for total equity exposures, while another commenter requested the addition of a three-way breakout of equity exposures to investment funds similar to that found in the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101).<sup>3</sup> The FFIEC 101 requires institutions to report equity exposures to investment funds by the methodology used to risk weight these exposures. The Federal Reserve believes that importing the equity exposure reporting template found in the FFIEC 101 into the FR Y-9C Schedule HC-R, Part II, would add complexity and undue burden for smaller institutions required to complete the FR Y-9C. However, because of the approaches available for risk weighting investments in investment funds (including mutual funds), the Federal Reserve will add data items for reporting the exposure and risk-weighted asset amount of such investments to the appropriate balance sheet asset

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<sup>3</sup> FFIEC 101 – Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework: for the OCC, OMB No. 1557-0239; for the Board, OMB No. 7100-0319; and for the FDIC, OMB No. 3064-0159.

categories. The Federal Reserve will add detailed guidance related to equity exposure reporting in the final instructions for Schedule HC-R, Part II.

*A brief description of the proposed revisions and the comments received on specific line items in Schedule HC-R, Part II, is provided below.*

**A. Proposed Schedule HC-R, Part II, items 1-11: Balance sheet asset categories**

Proposed line items 1 through 8 reflect balance sheet asset categories (excluding those assets within each category that meet the definition of a securitization exposure), similar to the asset categories included in the current version of Schedule HC-R, Part II. However, the proposed data items would capture greater detail. The number of risk-weight categories to which the individual assets in each asset category would be allocated would be expanded consistent with the revised regulatory capital rules. On-balance sheet assets and off-balance sheet items that meet the definition of a securitization exposure would be reported in items 9 and 10, respectively.

Two commenters noted that several risk-weight categories for item 8, “Other assets,” on the proposed reporting form are not available for data input (i.e., the categories are shaded out). However, the commenters stated the categories may be applicable, particularly to address the exposures underlying separate account bank-owned life insurance (BOLI) assets. In response to these comments, the Federal Reserve will add data items to collect the exposure amount and risk-weighted asset amount of these BOLI assets, which would be reported separately from the other risk weightings within item 8, “Other assets.” In addition, the Federal Reserve will clarify the instructions to allow for the reporting of 150 percent and 300 percent risk-weight categories for item 8, “Other assets.”

One commenter requested clarification of the reporting of default fund contributions (DFCs) made by the reporting banking organization to qualifying central counterparties (QCCPs) in item 8, “Other assets.” The commenter noted that the proposed reporting instructions for item 8 stated that such contributions should be allocated to the risk-weight categories defined for column B through column Q. However, the commenter observed that DFCs to QCCPs are subject to two alternative methodologies (Methods 1 and 2) for calculating risk-weighted assets, one of which may result in risk-weightings not captured in column B through column Q. In response to this comment, the Federal Reserve will add data items to collect the exposure amount and risk-weighted asset amount of DFCs to QCCPs, which would be reported separately from the risk weightings otherwise captured in item 8. The Federal Reserve will clarify the instructions to describe how respondents should report DFCs under Method 1 as well as Method 2.

One commenter noted that items 2 through 8 could include securitization exposures, and when added with item 9, “On-balance sheet securitization exposures,” it would double count such exposures in reporting item 11, “Total assets.” The Federal Reserve notes that the reporting instructions for each proposed balance sheet asset

category (items 1 through 8) explicitly state that the reporting banking organization must exclude securitization exposures. The Federal Reserve will clarify the proposed reporting form to explicitly state that these data items should exclude securitization exposures from items 2 through 8 and be reported in item 9.<sup>4</sup>

The Federal Reserve notes that, although the proposed reporting form and instructions addressed the reporting of an institution's securitization exposures and the treatment of financial collateral, a subsequent review found the proposal did not clearly articulate the risk weighting and reporting of assets and certain other items secured by financial collateral in the form of securitization exposures or mutual funds. In addition, the proposed reporting form and instructions did not fully address the two approaches for recognizing the effects of qualifying financial collateral. The approaches for risk weighting securitization exposures and investments in mutual funds also are applicable to such exposures when they serve as financial collateral. To account for the possible risk weight outcomes when exposures are secured by these types of collateral, the Federal Reserve will add data items to columns R and S for reporting the exposure amount and risk-weighted asset amount of these collateralized exposures separately from the other risk weightings within appropriate balance sheet asset categories (and derivative and off-balance sheet item categories).

#### **B. Schedule HC-R, Part II, items 12 through 22: Derivatives, off-balance sheet, and other items subject to risk weighting**

Proposed line items 12 through 22 pertain to the reporting of derivatives, off-balance sheet, and other items subject to risk weighting, excluding those that meet the definition of a securitization exposure (which are reported in item 10).

One commenter noted that in accordance with section 37 of the Federal Reserve's revised regulatory capital rules, banking organizations must calculate the exposure amount and risk-weighted assets for repo-style transactions on a netting set basis. A netting set may contain transactions that are reported as assets, liabilities, and off-balance sheet items (as long as they are executed under the same master netting agreement), and the basis for the risk-weighted assets calculation is the net exposure, adjusted for volatility and foreign exchange haircuts. As proposed, Schedule HC-R, Part II, would have split the reporting of repo-style transactions between assets (reported in item 3, "Federal funds sold and securities purchased under agreements to resell," i.e., reverse repos) and liabilities and off-balance sheet items (reported in item 16, "Repo-style transactions (excluding reverse repos)"). However, since risk-weighted assets for repo-style transactions are based on the net exposure at a netting set level (inclusive of volatility and foreign exchange haircuts), the method proposed for allocating repo-style transaction exposures between two reporting items and across the risk-weight categories in a way that would tie back to the amounts required to be reported in column A of Schedule RC-R, Part II (i.e., for item 3, the balance sheet carrying amount, and for item 16, the notional value), does not align with the treatment of repo-style transactions under

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<sup>4</sup> The Federal Reserve also will add a similar clarification to the proposed reporting form regarding derivatives and off-balance sheet items that are securitization exposures by explicitly stating that institutions should exclude them from items 12 through 21 and report them in item 10.

the revised regulatory capital rules. The commenter recommended that the Federal Reserve amend the reporting form to collect all repo-style transactions in a single item, and amounts attributed to risk-weighting categories for this item would tie to an “exposure” amount reported in Column A.

In response to this comment, the Federal Reserve will revise proposed item 16 of Schedule HC-R, Part II, to include all repo-style transactions in item 16, re-titled as “Repo-style transactions,” which would also include securities purchased under agreements to resell (reverse repos) in order for banking organizations to calculate their exposure based on master netting set agreements. In addition, the Federal Reserve will split proposed item 3 of Schedule HC-R, Part II, into item 3(a), “Federal funds sold (in domestic offices),” and item 3(b), “Securities purchased under agreements to resell.” However, after an institution reports the balance sheet carrying amount of its reverse repos in column A of item 3(b), it would report this same amount as an adjustment in column B of item 3(b), resulting in no allocation of the balance sheet carrying amount of reverse repos across the risk-weight categories in item 3. This reporting methodology would ensure that the sum of the balance sheet asset amounts reported in items 1 through 9, column A, of Schedule HC-R, Part II, that an institution would report in item 11 of Schedule HC-R, Part II, continues to equal the “Total assets” reported in item 12 of the FR Y-9C balance sheet (Schedule HC).

Another commenter noted that, under the Federal Reserve’s revised regulatory capital rules, a banking organization is required to hold risk-based capital against all repo-style transactions, regardless of whether the transactions generate on-balance sheet exposures. The commenter also noted that the proposed reporting instructions for Schedule HC-R, Part II, state that “Although securities sold under agreements to repurchase are reported on the balance sheet (Schedule HC) as liabilities, they are treated as off-balance sheet items under the regulatory capital rules.” The commenter then questioned the intent of the Federal Reserve’s proposed reporting form that would require an institution to calculate a capital charge for these “off-balance sheet items” despite the fact that the security pledged by the institution as collateral for the repo remains on the balance sheet for accounting purposes and would therefore require a separate on-balance sheet risk-weighting. The Federal Reserve adopted this reporting approach for consistency with the revised regulatory capital rules, which recognize that institutions face counterparty credit risk when engaging in repo-style transactions. However, under certain conditions, the Federal Reserve’s revised regulatory capital rules also allow banking organizations to recognize the risk mitigating effects of financial collateral when risk weighting their repo-style exposures. The final reporting form and instructions for Schedule HC-R, Part II, will implement this treatment of repo-style transactions, which is set forth in the revised regulatory capital rules.

Although the proposed reporting form and instructions addressed the reporting of a banking organization’s unsettled transactions as part of item 8, “All other assets,” the Federal Reserve notes that during a subsequent review of the proposal it did not clearly address the fact that a banking organization’s unsettled transactions could potentially be composed of both on- and off-balance sheet exposures. In order to more clearly assess risk-based capital against delayed trades where the counterparty has failed to deliver an

instrument or make a payment in a timely manner, the Federal Reserve will modify Schedule HC-R, Part II, by adding line item 22, “Unsettled transactions (failed trades).”

### **C. Schedule HC-R, Part II, items 23 through 31: Totals**

Proposed items 23 through 31 would apply the risk-weight factors to the exposure amounts reported for assets, derivatives, and off-balance sheet items in items 11 through 23 to calculate a banking organization’s total risk-weighted assets. The Federal Reserve did not receive any comments on these line items and will implement as proposed.

### **D. Schedule HC-R, Part II, memoranda items 1 through 4: Memoranda**

In proposed memoranda items 1 through 3, a banking organization would report the current credit exposure and notional principal amounts of its derivative contracts. Memorandum item 4 would require those banking organizations subject to the Market Risk Rule to report the portion of their standardized market risk weighted assets (as reported in Schedule HC-R, item 27) that is attributable to specific risk.

Memorandum item 1 would continue to collect the “Current credit exposure across all derivative contracts covered by the risk-based capital standards.” One commenter noted that, prior to the proposed revisions, the instructions for Memorandum item 1 stated that all written option contracts (except those that are, in substance, financial guarantees) are not covered by the risk-based capital standards. The commenter asked if this was an explicit change in the reporting of written option contracts. The Federal Reserve notes that this exclusion was inadvertently omitted from the proposed instructions for Memorandum item 1 and will clarify the instructions to note that written option contracts will continue to be excluded from reporting in Memorandum item 1, consistent with the revised regulatory capital rules.

The Federal Reserve did not receive any comments on memoranda items 2, 3 or 4, and will implement as proposed.

## **2. Proposed FR Y-9C, Schedule HC-L**

FR Y-9C, Schedule HC-L collects regulatory data on derivatives and off-balance sheet items. The Federal Reserve proposed to revise the reporting requirements for off-balance sheet exposures related to securities lent and borrowed, consistent with the revised regulatory capital rules. Compared to the current schedule, the proposed changes to Schedule HC-L would require all banking organizations to report the amount of securities borrowed. At present, banking organizations include the amount of securities borrowed in the total amount of all other off-balance sheet liabilities reported in item 9 of Schedule HC-L if the amount of securities borrowed is more than 10 percent of total holding company equity capital and they disclose the amount of securities borrowed if that amount is more than 25 percent of total holding company equity capital. In addition, the proposed changes to Schedule HC-L would require institutions to report securities borrowed in a new item 6.b immediately after the line item for securities lent, which would be renumbered from item 6 to item 6.a.

One commenter noted that the current instructions for item 9 state to “report all securities borrowed against collateral (other than cash)” for such purposes as serving “as a pledge against deposit liabilities or delivery against short sales,” whereas the current instructions for item 6 state to report all securities owned that are “lent against collateral or on an uncollateralized basis.” The commenter characterizes current item 9 as inclusive of only certain types of securities borrowings such as those collateralized by “other than cash” and those “for purposes as a pledge against deposit liabilities or short sales,” whereas current item 6 covers all types of securities lending regardless of the type of collateral. The commenter suggested clarifying the scope of these two items.

The Federal Reserve will clarify the instructions for new item 6(b) to state that institutions should report all types of securities borrowing, regardless of collateral type or purpose. The phrases “other than cash” and “for such purpose as a pledge against deposit liabilities or delivery against short sales” will be deleted from the final instructions for new item 6(b).

### **3. Initial Reporting**

For the March 31, 2015, report date, institutions may provide reasonable estimates for any new or revised FR Y-9C items initially required to be reported as of that date for which the requested information is not readily available.

*2. Report Title:* Parent Company Only Financial Statements for Small Holding Companies.

*Agency form number:* FR Y-9SP.

*OMB control number:* 7100-0128.

*Frequency:* Semiannually, as of the last calendar day of June and December.

*Reporters:* BHCs, SLHCs and SHCs with total consolidated assets of less than \$1 billion (small BHCs, small SLHCs and small SHCs).

*Estimated average hours per response:* 5.40 hours.

*Estimated annual reporting hours:* 47,412.

*Number of respondents:* 4,390.

*General description of report:* This information collection is mandatory for BHCs [12 U.S.C. 1844(c)(1)(A).] Additionally, 12 U.S.C. 1467a(b)(2)(A) and 1850a(c)(1)(A), respectively, authorize the Federal Reserve to require that SLHCs and supervised SHCs file the FR Y-9SP with the Federal Reserve. Confidential treatment is not routinely given to the financial data in this report. However, confidential treatment for the reporting

information, in whole or in part, can be requested in accordance with the instructions to the form, pursuant to sections (b)(4), (b)(6), or (b)(8) of the Freedom of Information Act (5 U.S.C. 552(b)(4), (b)(6), and (b)(8)).

*Abstract:* The FR Y-9SP is a parent company only financial statement filed semiannually by smaller HCs. Respondents include HCs with total consolidated assets of less than \$1 billion. This form is a simplified or abbreviated version of the FR Y-9LP. This report is designed to obtain basic parent company balance sheet and income data, data on intangible assets, and data on intercompany transactions.

*Current Actions:* On August 6, 2014, the Federal Reserve published a notice in the *Federal Register* (79 FR 45808) requesting public comment for 60 days on the revision, without extension, of the FR Y-9SP. The comment period for this notice expired on October 6, 2014. The Federal Reserve did not receive any comments. However, in light of the legislation adopted by Congress on December 11, 2014, the Federal Reserve will not finalize the proposed revisions to FR Y-9SP Schedule SC-R, Part II, for SLHCs that otherwise would have been subject to the Small BHC Policy Statement in effect as of the filing date for the FR Y-9SP.

### **Discussion of Recent Legislation and Rulemaking Affecting Proposed Revisions to the FR Y-9SP**

In December 2014, Congress enacted and the President signed into law Public Law 113-250. Public Law 113-250 directs the Board to publish in the *Federal Register* proposed revisions to the Small Bank Holding Company Policy Statement to, in part, exempt small SLHCs from the minimum capital requirements mandated by section 171 of the Dodd-Frank Wall Street Reform and Consumer Protection Act as if they were BHCs subject to the Small BHC Policy Statement.

On January 29, 2015, the Board issued an interim final rule that would exclude SLHCs that have total consolidated assets of less than \$500 million and that meet other qualitative requirements from the Board's regulatory capital requirements (Regulation Q). In light of Public Law 113-250 and the rulemaking, the Federal Reserve will not finalize the proposed revisions to the FR Y-9SP, Part II, for SLHCs with total consolidated assets of less than \$500 million that meet the qualitative requirements of the Policy Statement.

Board of Governors of the Federal Reserve System, February 23, 2015.

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Robert deV. Frierson  
Secretary of the Board.