

**Supporting Statement for the
Financial Statements for Holding Companies
(FR Y-9 family of reports; OMB No. 7100-0128)**

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 for three years, with revision the mandatory Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128).

The Board is also proposing to extend, without revision, the following mandatory reports:

- The Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP)
- The Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP)
- The Financial Statements for Employee Stock Ownership Plan Holding Companies (FR Y-9ES),
- The Supplement to the Consolidated Financial Statements for Holding Companies (FR Y-9CS).

The Board requires bank holding companies, savings and loan holding companies, securities holding companies, and U.S. Intermediate Holding Companies (collectively “holding companies” (HCs)) to provide standardized financial statements to fulfill the Board’s statutory obligation to supervise these organizations. HCs file the FR Y-9C and FR Y-9LP quarterly, the FR Y-9SP semiannually, the FR Y-9ES annually, and the FR Y-9CS on a schedule that is determined when this supplement is used.

Board staff is proposing a number of revisions to the FR Y-9C, which are consistent with proposed changes to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031, FFIEC 041, and FFIEC 051; OMB No. 7100-0036).¹ The proposed revisions to the FR Y-9C include deleting certain data items, consolidating existing data items into new data items, and adding new or raising existing reporting thresholds for certain data items. The proposed revisions would be effective beginning with the reports reflecting the June 30, 2018, report date. No changes are proposed for the FR Y-9LP, FR Y-9SP, FR Y-9ES, or FR Y-9CS. The total annual reporting burden for the proposed FR Y-9 family of reports is estimated to be 174,354 hours, a decrease of 2,102 hours from the current burden of 176,456 hours.

Background and Justification

The FR Y-9C, FR Y-9LP, and FR Y 9SP serve as standardized financial statements for the consolidated HC; the FR Y-9ES is a financial statement for HCs that are Employee Stock

¹ See 82 FR 51908 (November 08, 2017).

Ownership Plans (ESOPs). The Board uses the FR Y-9CS (a free-form supplement) to collect additional information deemed to be critical and needed in an expedited manner.

The FR Y-9 family of reporting forms continues to be the primary source of financial data on HCs that examiners rely on between on-site inspections. Financial data from these reporting forms is used to detect emerging financial problems, review performance, conduct pre-inspection analysis, monitor and evaluate capital adequacy, evaluate HC mergers and acquisitions, and analyze an HC's overall financial condition to ensure the safety and soundness of its operations.

Description of Information Collection

The FR Y-9C consists of standardized financial statements similar to the Call Reports 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.²

The FR Y-9LP includes standardized financial statements filed quarterly on a parent company only basis from each HC that files the FR Y-9C. In addition, for tiered HCs, a separate FR Y-9LP must be filed for each lower-tier HC.

The FR Y-9SP is a parent company only financial statement filed semiannually by HCs with total consolidated assets of less than \$1 billion. This report is designed to obtain basic balance sheet and income data for the parent company, and data on its intangible assets and intercompany transactions.

The FR Y-9ES collects financial data annually from ESOPs that are also HCs on their benefit plan activities. It consists of four schedules: a Statement of Changes in Net Assets Available for Benefits, a Statement of Net Assets Available for Benefits, Memoranda, and Notes to the Financial Statements.

The FR Y-9CS is a supplemental report that the Board may utilize to collect additional data deemed to be critical and needed in an expedited manner from HCs. The data are used to assess and monitor emerging issues related to HCs, and the report is intended to supplement the other FR Y-9 reports, which are used to monitor HCs between on-site inspections. The data items included on the FR Y-9CS may change as needed.

Summary of Proposed Revisions

Based on the agencies' review of the Call Report and Board staff's review of comparable information that HCs are required to report in the FR Y-9C, Board staff has determined that it no longer needs the current level of detail for certain information and proposes to delete and/or combine a number of data items. Board staff also proposes to add one new reporting threshold and raise two existing reporting thresholds. These proposed revisions to the FR Y-9C reporting

² Under certain circumstances described in the General Instructions, HCs with assets under \$1 billion may be required to file the FR Y-9C.

requirements are consistent with proposed changes to the Call Report that would become effective on June 30, 2018. Additional detail on specific line items that will be revised are discussed below in the Discussion of Proposed Revisions section. The proposed changes consist of:

- Combining certain data items into new or existing data items pertaining to (1) Interest-only strips on Schedule HC-F – Other Assets; (2) Certain 1-4 family residential mortgage banking activities on Schedule HC-P; (3) Loans measured at fair value and the unpaid principal balances of such loans on HC-Q – Memoranda; (4) Certain types of credit exposures, ownership interests, credit exposures to securitization facilities sponsored by HCs, and transactions involving small business obligations on Schedule HC-S; (5) Certain detail on Schedule HC-V – Variable Interest Entities (VIEs), on consolidated VIEs used as asset-backed commercial paper (ABCP) conduits and certain detail on other VIEs;
- Deleting certain data items on Schedules HC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets; HC-P – 1-4 Family Residential Mortgage Banking Activities in Domestic Offices; HC-Q – Assets and Liabilities Measured at Fair Value on a Recurring Basis-Memoranda; and HC-S – Servicing, Securitization, and Asset Sale Activities; and
- Adding new and revising existing reporting thresholds for certain data items on Schedule HC-P, HC-Q, and HC-S.

Detailed Discussion of Proposed Revisions

Schedule HC-F – Other Assets

Board staff proposes to combine the reporting of interest-only strips receivable on Schedule HC-F, which are currently reported in data items 3(a) for those on mortgage loans and 3(b) for those on other financial assets, into a single new item 3, Interest-only strips receivable.

Schedule HC-N – Past Due and Nonaccrual Loans, Leases, and Other Assets

Board staff proposes to delete Schedule HC-N, Memoranda, data items 5(b)(1) and 5(b)(2), columns A through C pertaining to past due and nonaccrual status of the fair value and unpaid principal balance of held-for-investment loans measured at fair value. Memorandum item 5(a), “Loans and leases held for sale,” would be renumbered as item 5 for columns A through C.

Schedule HC-P – 1-4 Family Residential Mortgage Banking Activities in Domestic Offices

Board staff proposes to modify the reporting criteria for Schedule HC-P by removing the current \$1 billion asset-sized threshold and applying only the existing activity-based threshold to all HCs, regardless of size. As proposed, Schedule HC-P would be completed by HCs where any of the following residential mortgage banking activities (in domestic offices) exceeds \$10 million for two consecutive quarters:

- Closed-end and open-end first lien and junior lien 1-4 family residential mortgage loan originations and purchases for resale from all sources during a calendar quarter;
- Closed-end and open-end first lien and junior lien 1-4 family residential mortgage loan sales during a calendar quarter; or
- Closed-end and open-end first lien and junior lien 1-4 family residential mortgage loans held for sale or trading at calendar quarter-end.

Board staff also proposes to combine a number of data items pertaining to 1-4 family residential mortgage banking activity detail collected in this schedule for closed-end loans and commitments under open-end loans for retail originations (item 1), wholesale originations and purchases (item 2), mortgage loans sold (item 3), mortgage loans held for sale or trading (item 4), and repurchases and indemnifications of mortgage loans (item 6). Specifically, the Board proposes to:

- Combine 1(a), 1(b), and 1(c)(1) into new data item 1;
- Combine 2(a), 2(b), and 2(c)(1) into new data item 2;
- Combine 3(a), 3(b), and 3(c)(1) into new data item 3;
- Combine 4(a), 4(b), and 4(c)(1) into new data item 4; and
- Combine 6(a), 6(b), and 6(c)(1) into new item 6.

Board staff also proposes to combine data items 5(a) and 5(b) pertaining to noninterest income from the sale, securitization, and servicing of closed-end and open-end 1-4 family residential mortgage loans into new data item 5. In addition, Board staff proposes to remove data items 1(c)(2), 2(c)(2), 3(c)(2), 4(c)(2), and 6(c)(2) pertaining to the principal amount funded for open-end loans extended under lines of credit for each of the above listed categories.

Schedule HC-Q – Assets and Liabilities Measured at Fair Value on a Recurring Basis

Board staff proposes to modify the reporting criteria for Schedule HC-Q by applying an activity threshold. Schedule HC-Q would be completed only by HCs that (1) have elected to report financial instruments or servicing assets and liabilities at fair value under a fair value option with instruments or servicing assets and liabilities at fair value under a fair value option with changes in fair value recognized in earnings, or (2) are required to complete Schedule HC-D, Trading Assets and Liabilities. HCs that do not meet either of these criteria would no longer need to complete this schedule, regardless of asset size.

Board staff also proposes to delete column B (domestic offices) on Schedule HC-Q, for the fair value and the unpaid principal balance of such loans currently collected in Memorandum items 3 and 4, respectively. Board staff proposes to combine certain existing loan categories in Memorandum items 3 and 4 for fair value option loans secured by 1-4 family residential properties, detail on revolving, open-end loans secured by 1-4 family residential properties and extended under lines of credit; closed-end loans secured by first liens on 1-4 family residential properties; and closed-end loans secured by junior liens on 1-4 family residential properties that currently are reported for domestic offices in column B would be consolidated into a single category and collected for the consolidated HC. For fair value option loans secured by real estate other than 1-4 family residential properties, detail on construction, land development, and

other land loans; loans secured by farmland; loans secured by multifamily (5 or more) residential properties; and loans secured by nonfarm nonresidential properties that currently are reported for domestic offices in column B would be consolidated into a single category and collected for the consolidated HC. These proposed revisions would replace the existing items for total fair value option loans secured by real estate for the consolidated HC. For fair value option consumer loans, detail for the consolidated HC on credit cards, other revolving credit plans, automobile loans, and other consumer loans would be consolidated into a single category. More specifically, Board staff proposes to:

- Delete existing Memoranda items 3(a) and 4(a), column A, on the fair value and the unpaid principal balance of consolidated loans secured by real estate;
- Combine existing Memorandum items 3(a)(3)(a), 3(a)(3)(b)(i), and 3(a)(3)(b)(ii), column B, into new Memorandum item 3(a)(1) for the fair value of consolidated loans secured by 1-4 family residential properties measured at fair value;
- Combine existing Memorandum items 3(a)(1), 3(a)(2), 3(a)(4), and 3(a)(5), column B, into new Memorandum item 3(a)(2) for the fair value of all other loans secured by real estate measured at fair value;
- Combine existing Memorandum items 3(c)(1) through 3(c)(4) into new Memorandum item 3(c) pertaining to the fair value of all consumer loans measured at fair value;
- Combine existing Memorandum items 4(a)(3)(a), 4(a)(3)(b)(i), and 4(a)(3)(b)(ii), column B, into new Memorandum item 4(a)(1) pertaining to the unpaid principal balance of consolidated loans secured by 1-4 family residential properties that are measured at fair value;
- Combine existing Memorandum items 4(a)(1), 4(a)(2), 4(a)(4), and 4(a)(5), column B, into new Memorandum item 4(a)(2) pertaining to the unpaid principal balance of all other loans secured by real estate measured at fair value for the consolidated HC; and
- Combine existing Memorandum items 4(c)(1) through 4(c)(4) into new Memorandum item 4(c) pertaining to the unpaid principal balance of all consumer loans measured at fair value.

Schedule HC-S – Servicing, Securitization, and Asset Sale Activities

Board staff proposes the following revisions to Schedule HC-S:

- Combine data items 2(a), 2(b), and 2(c) into new item 2, columns A through G, pertaining to the maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements in the form of retained interest-only strips, subordinated securities and other residual interests, and standby letters of credit and other enhancements;
- Add a reporting threshold of \$100 billion or more in total assets before HCs must complete Schedule HC-S, data item 3, which is used for reporting unused commitments to provide liquidity to structures reported in item 1 involving assets sold and securitized by the reporting HC with servicing retained or with recourse or other seller-provided credit enhancements;
- Combine data items 6(a) and 6(b) pertaining to ownership (or seller's) interests carried as securities or loans into new data item 6. Board staff also proposes to add a reporting

threshold of \$10 billion or more in total consolidated assets before HCs must complete data item 6;

- Delete data items 7(a) and 7(b) pertaining to loan amounts included in ownership (or seller's) interests carried as securities that are 30-89 days past due and 90 days or more past due, respectively;
- Delete data items 8(a) and 8(b) pertaining to charge-offs and recoveries, respectively, on loan amounts included in the ownership (or seller's) interests carried as securities that are currently reported in 6(a);
- Combine data item 9, columns B (home equity lines) and C (credit card receivables), pertaining to the maximum amount of credit exposures arising from credit enhancements in the form standby letters of credit, purchased subordinated securities, and other enhancements provided by the reporting HC to other institutions' securitization structures, into existing column G, All other loans, all leases, and all other assets;
- Add a reporting threshold of \$10 billion or more in total assets for reporting unused commitments to provide liquidity to other institutions' securitization structures in item 10. Board staff also proposes to combine data item 10, columns B (home equity lines) and C (credit card receivables), pertaining to a reporting institution's unused commitments to provide liquidity to other institutions' securitization structures, respectively, into existing column G;
- Combine data item 11, columns B through F, pertaining to assets sold with recourse or other seller-provided credit enhancements and not securitized, into existing column G. The activities reported in columns B through F pertain to home equity lines, credit card receivables, auto loans, other consumer loans, and commercial and industrial loans, respectively;
- Combine data item 12, columns B through F, pertaining to the maximum amount of credit exposure arising from recourse or other seller-provided credit enhancements on assets sold with recourse or other seller-provided credit enhancements and not securitized, into existing column G;
- Delete Memorandum items 1(a) and 1(b) pertaining to the outstanding principal balance and the amount of retained recourse, respectively, on small business obligations transferred with recourse under Section 208 of the Riegle Community Development and Regulatory Improvement Act of 1994, and include the amounts previously reported in these two memorandum items in either items 1 or 2 (column F) or items 11 and 12 (column G), depending on whether the obligations were securitized or not securitized, respectively; and
- Add a reporting threshold of \$10 billion or more in total assets for reporting the detail on ABCP conduits in Memorandum items 3(a)(1) through 3(b)(2), and the amount of outstanding credit card fees and finance charges included in credit card receivables sold and securitized with servicing retained or with recourse or other seller-provided credit enhancements in Memorandum item 4. To complete Memorandum item 4, a HC with \$10 billion or more in total assets would also need to meet one of the existing criteria for reporting this information, i.e., the HC, together with affiliated institutions, has outstanding credit card receivables that exceed \$500 million as of the report date, or the HC is a credit card specialty HC (as defined in the instructions).

Schedule HC-V– Variable Interest Entities

Board staff proposes to consolidate information collected on consolidated VIEs used as ABCP conduits (column B) and other VIEs (column C) for all items into a single column B covering all VIEs other than those used as securitization vehicles (which will continue to be reported in column A). In lieu of the detailed breakdown of assets and liabilities of ABCP conduit VIEs currently reported in column B, Board staff proposes to collect data on the total assets and total liabilities of such VIEs in new data items 5 and 6, respectively. For these ABCP conduit VIEs, the total assets item would include the assets that could be used only to settle these VIEs' obligations, which are currently reported in items 1(a) through 1(k), column B, and all other assets of these VIEs, which are currently reported in item 3, column B; the total liabilities items would include these VIEs, liabilities for which creditors do not have recourse to the general credit of the reporting bank, which are currently reported in items 2(a) through 2(e), column B, and all other liabilities of the VIEs, which are currently reported in item 4, column B. In the two columns that would remain, Board staff proposes to:

- Combine data items 1(b) and 1(c), pertaining to held-to-maturity and available-for-sale securities, into a single new item 1(b), Securities not held for trading;
- Combine data items 1(e) through 1(g), pertaining to loans and leases held for sale, loans and leases held for investment, and the allowance for loan and lease losses, into a single new item 1(c), Loans and leases held for investment, net of allowance, and held for sale;
- Combine data items 2(c) and 2(d), pertaining to commercial paper and other borrowed money, into a single new item 2(a), Other borrowed money;
- Delete data items 1(d), 1(h), and 1(i), pertaining to securities purchased under agreements to resell, trading assets (other than derivatives), and derivative trading assets. The data currently reported in these items would be included in existing data item 1(k), Other assets, which would be renumbered as data item 1(e). Existing data item 1(j) Other real estate owned would be renumbered 1(d); and
- Delete VIE detail on data items 2(a) and 2(b), pertaining to securities sold under agreements to repurchase and derivative trading liabilities. The data currently reported in these items would be included in existing data item 2(e), Other liabilities, which would be renumbered as data item 2(b).

Frequency

The Board is proposing no changes to the reporting frequency for the FR Y-9 family of reports. The current reporting frequencies provide adequate timely data to meet the analytical and supervisory needs of the Board.

Time Schedule for Information Collection and Publication

The FR Y-9C and FR Y-9LP are filed quarterly as of the last calendar day of March, June, September, and December. The filing deadline for the FR Y-9C is 40 calendar days after the March 31, June 30, and September 30 as-of dates and 45 calendar days after the December 31 as-of date. The filing deadline for the FR Y-9LP is 45 calendar days after the

quarter-end as-of date. The FR Y-9SP is filed semiannually as of the last calendar day of June and December. The filing deadline for the FR Y-9SP is 45 calendar days after the as-of date. The annual FR Y-9ES is collected as of December 31 and the filing deadline is July 31, unless an extension is granted for filing by October 15.

The data from the FR Y-9 family of reports that are not given confidential treatment are available to the public on the FFIEC website: www.ffiec.gov/nicpubweb/nicweb/NicHome.aspx.

Legal Status

The FR Y-9 family of reports is authorized by section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)), section 10 of Home Owners' Loan Act (12 U.S.C. § 1467a(b)), section 618 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") (12 U.S.C. § 1850a(c)(1)), and section 165 of the Dodd-Frank Act (12 U.S.C. § 5365). These reports are mandatory.

With respect to FR Y-9LP, FR Y-9SP, FR Y-ES, and FR Y-9CS, as well as most items on the FR Y-9C, the information collected would generally not be accorded confidential treatment. If confidential treatment is requested by a respondent, the Board will review the request to determine if confidential treatment is appropriate.

With respect to FR Y-9C, Schedule HI's item 7(g) "FDIC deposit insurance assessments," Schedule HC-P's item 7(a) "Representation and warranty reserves for 1-4 family residential mortgage loans sold to U.S. government agencies and government sponsored agencies," and Schedule HC-P's item 7(b) "Representation and warranty reserves for 1-4 family residential mortgage loans sold to other parties" are considered confidential. Such treatment is appropriate because the data is not publicly available and could cause substantial harm to the competitive position of the respondent. The public release of this confidential data may impair the Board's future ability to collect similarly confidential data. Thus, this information may be kept confidential under exemptions (b)(4) of the Freedom of Information Act, which exempts from disclosure "trade secrets and commercial or financial information obtained from a person and privileged or confidential" (5 U.S.C. § 552(b)(4)), and (b)(8) of the Freedom of Information Act, which exempts from disclosure information 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 (5 U.S.C. § 552(b)(8)). If confidential treatment is requested by a respondent for other items in the FR Y-9C, the Board will review the request to determine if confidential treatment is appropriate.

Consultation Outside the Agency

There has been consultation with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency regarding the FR Y-9 proposed changes.

On April 30, 2018, the Board published a notice in the *Federal Register* (83 FR 18843) requesting public comment for 60 days on the proposal to extend with revision the FR Y-9C and

to extend without revision the FR Y-9LP, FR Y-9SP, FR Y-9ES and the FR Y-9CS. The comment period expires on June 29, 2018.

Estimate of Respondent Burden

The current annual reporting burden for the FR Y-9 family of reports is estimated to be 176,456 hours and would decrease to 174,354 hours as shown in the following table. The average estimated hours per response for non-advanced approaches FR Y-9C filers would decrease from 47.11 hours to 46.29 hours, a decrease of 0.82 hours associated with the proposed revisions to the FR Y-9C requirements. The average estimated hours per response for advanced approaches FR Y-9C filers would decrease from 48.36 hours to 47.54 hours, a decrease of 0.82 hours associated with the proposed revisions to the FR Y-9C requirements. These reporting requirements represent less than 3 percent of total Federal Reserve System's paperwork burden.

| | <i>Number of respondents³</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|----------------------|--|-----------------------------|---|--|
| Current | | | | |
| FR Y-9C – non AA HCs | 623 | 4 | 47.11 | 117,398 |
| FR Y-9C – AA HCs | 18 | 4 | 48.36 | 3,482 |
| FR Y-9LP | 761 | 4 | 5.27 | 16,042 |
| FR Y-9SP | 3,613 | 2 | 5.40 | 39,020 |
| FR Y-9ES | 840 | 1 | 0.50 | 42 |
| FR Y-9CS | 236 | 4 | 0.50 | 472 |
| <i>Total</i> | | | | 176,456 |
| Proposed | | | | |
| FR Y-9C – non AA HCs | 623 | 4 | 46.29 | 115,355 |
| FR Y-9C – AA HCs | 18 | 4 | 47.54 | 3,423 |
| FR Y-9LP | 761 | 4 | 5.27 | 16,042 |
| FR Y-9SP | 3,613 | 2 | 5.40 | 39,020 |
| FR Y-9ES | 84 | 1 | 0.50 | 42 |
| FR Y-9CS | 236 | 4 | 0.50 | 472 |
| <i>Total</i> | | | | 174,354 |
| <i>Change</i> | | | | (2,102) |

³ Of these respondents, 3,750 are considered a small entity (7 FR Y-9C, 515 FR Y-9LP, 3,144 FR Y-9SP, and 84 FR Y-9ES) as defined by the Small Business Administration (i.e., entities with \$550 million or less in total assets), www.sba.gov/content/small-business-size-standards. Respondent count is as of 12/31/2017 for the FR Y-9C, FR Y-9LP, and the FR Y-9SP. The FR Y-9ES count is an estimate based on current NIC structure, and the FR Y-9CS count is based on the last use of the report.

The total cost to the public is estimated to decrease from the current level of \$10,791,252 to \$9,572,035 for the revised FR Y-9.⁴

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The cost to the Federal Reserve System for collecting and processing the FR Y-9 reports is estimated to be \$2,221,100.

⁴ Total cost to the public is 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.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.