

**Supporting Statement for the  
Reporting Requirements Associated with Regulation KK  
(Margin and Capital Requirements for Covered Swaps Entities)  
(Reg KK; OMB No. to be obtained)**

***Prohibition Against Federal Assistance to Swaps Entities  
(Docket No. R-1458; RIN 7100 AD96)***

## **Summary**

The Board of Governors of the Federal Reserve System (Federal Reserve), under delegated authority from the Office of Management and Budget (OMB), proposes to implement the Reporting Requirements Associated with Regulation KK (Margin and Capital Requirements for Covered Swaps Entities) (Reg KK; OMB No. to be obtained). The Paperwork Reduction Act (PRA) classifies reporting, recordkeeping, or disclosure requirements of a regulation as an “information collection.”<sup>1</sup>

The Federal Reserve has adopted a final rule that would implement section 716 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Regulation KK treats an uninsured U.S. branch or agency of a foreign bank as an insured depository institution for purposes of section 716 of the Dodd-Frank Act and establishes a process by which a state member bank or uninsured state branch or agency of a foreign bank may request a transition period to conform its swaps activities to the Dodd-Frank Act. On June 10, 2013, the Federal Reserve published an interim final rule in the *Federal Register* for public comment (78 FR 34545). The interim final rule was effective on June 10, 2013, and the comment period expired on August 4, 2013. On January 3, 2014, the Federal Reserve published a notice of final rulemaking in the *Federal Register* (79 FR 340). The final rule is effective on January 31, 2014.

The reporting requirements are found in sections 237.22(a)(1) and 237.22(e) of the final rule. This information collection requirement would implement section 716 of the Dodd-Frank Act for state member banks and uninsured U.S. branches or agencies of foreign banks. The Federal Reserve estimates the total annual burden for this information collection to be 14 hours (84 hours for initial submissions for transition period relief) for the two types of entities (12 initial submissions for transition period relief) that are deemed respondents for purposes of the PRA. At this time, there are no required reporting forms associated with this information collection.

## **Background and Justification**

The structure, language, and purpose of section 716 of the Dodd-Frank Act create an ambiguity as to whether the term “insured depository institution” includes uninsured U.S. branches and agencies of foreign banks for purposes of the various provisions of section 716. The interim final rule resolves this ambiguity by providing that the term “insured depository institution” includes uninsured U.S. branches and agencies of foreign banks for purposes of

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<sup>1</sup> See 44 U.S.C. § 3501 *et seq.*

section 716 of the Dodd-Frank Act. Accordingly, uninsured branches and agencies of foreign banks are provided the same exceptions and opportunity for transition period relief provided to insured depository institutions. The requirements in section 237.22(a)(1) of Regulation KK establish a process by which a state member bank or uninsured state branch or agency of a foreign bank may request a transition period to conform its swaps activities to the Dodd-Frank Act. The requirements in section 237.22(e) of Regulation KK further establish a process by which such entity may request an extension of the transition period.

### **Description of Information Collection**

The reporting requirements are contained in sections 237.22(a)(1) and 237.22(e) of the final rule. This information collection requirement would implement section 716 of the Dodd-Frank Act for state member banks and uninsured U.S. branches or agencies of foreign banks. Compliance with the information collection is required in order for state member banks or uninsured branches and agencies of foreign banks to obtain the benefit of utilizing a transition period under section 716. No other Federal law mandates these reporting requirements. At this time, there are no required reporting forms associated with this information collection.

Section 237.22(a)(1) provides that an insured depository institution for which the Federal Reserve is the appropriate Federal banking agency may request a transition period of up to 24 months from the later of July 16, 2013, or the date on which it becomes a swaps entity, to conform its swaps activities to the requirements of section 716 of the Dodd-Frank Act.<sup>2</sup> Such insured depository institution may request a transition period by submitting a request in writing to the Federal Reserve. Any request submitted must, at a minimum, include the following information: (1) the length of the transition period requested; (2) a description of the quantitative and qualitative impacts of divestiture or cessation of swap or security-based swaps activities on the insured depository institution, including information that addresses the factors in section 237.22(c); and (3) a detailed explanation of the insured depository institution's plan for conforming its activities to the requirements of section 716 of the Dodd-Frank Act.<sup>3</sup>

Section 237.22(e) would allow the Federal Reserve to extend a transition period for a period of up to one additional year. To request an extension of the transition period, an insured depository institution must submit a written request containing the information set forth in section 237.22(a) no later than 60 days before the end of the transition period.

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

The information collection requirements in sections 237.22(a)(1) and 237.22(e) are event-generated.

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<sup>2</sup> The insured depository institution must also qualify as a "swaps entity" and be subject to the "Federal assistance" prohibition in section 716(a) of the Dodd-Frank Act.

<sup>3</sup> See section 237.22(a)(1).

## Legal Status

The Board's Legal Division has determined that this information collection is required in order for state member banks or uninsured branches and agencies of foreign banks to obtain the benefit of utilizing a transition period by section 716 of the Dodd-Frank Act (15 U.S.C. § 8305(f)) and Regulation KK (12 C.F.R. § 237.22). The data may be regarded as confidential under the Freedom of Information Act (5 U.S.C. §§ 552(b)(4) and (b)(8)).

## Consultation Outside the Agency and Discussion of Public Comment

On June 10, 2013, the Federal Reserve published an interim final rule in the *Federal Register* for public comment (78 FR 34545). The interim final rule was effective on June 10, 2013, and the comment period expired on August 4, 2013. The Federal Reserve received no comments on the PRA. On January 3, 2014, the Federal Reserve published a notice of final rulemaking in the *Federal Register* (79 FR 340). The final rule adopts the transition period procedures as proposed. The final rule is effective on January 31, 2014.

## Estimate of Respondent Burden

The Federal Reserve estimates the total annual burden for this information collection to be 14 hours (84 hours for initial submissions for transition period relief) for the two institutions (12 initial submissions for transition period relief) that are deemed respondents for purposes of the PRA. The reporting requirements represent less than 1 percent of the total Federal Reserve System's paperwork burden.

<b>Reg KK</b>	<i>Number of respondents<sup>4</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Initial</b>				
Reporting – Subpart B, sections 237.22(a)(1) and 237.22(e)	12	1	7	84
<b>Ongoing</b>				
Reporting – Subpart B, sections 237.22(a)(1) and 237.22(e)	2	1	7	14
		<i>Total</i>		98

<sup>4</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/content/table-small-business-size-standards](http://www.sba.gov/content/table-small-business-size-standards).

The total cost to the public for this information collection is estimated to be \$4,988.<sup>5</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 cost to the Federal Reserve System is negligible.

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<sup>5</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support at \$18, 45% Financial Managers at \$61, 15% Lawyers at \$63, and 10% Chief Executives at \$86). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages 2013*, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).