

FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System

SUMMARY: On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board of Governors of the Federal Reserve System (Board) its approval authority under the Paperwork Reduction Act (PRA), pursuant to 5 CFR 1320.16, to approve of and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board under conditions set forth in 5 CFR 1320 Appendix A.1. 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 instruments 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.

DATES: Comments must be submitted on or before April 23, 2012.

ADDRESSES: You may submit comments, identified by *FR Y-14A/Q/M*, by any of the following methods:

- Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: regs.comments@federalreserve.gov. Include OMB number in the subject line of the message.
- FAX: 202/452-3819 or 202/452-3102.
- Mail: Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, DC 20551.

All public comments are available from the Board's web site at www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room MP-500 of the Board's Martin Building (20th and C Streets, N.W.) between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer — Shagufta Ahmed — Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235 725 17th Street, NW., Washington, DC 20503 or by fax to 202-395-6974.

FOR FURTHER INFORMATION CONTACT: A copy of the PRA OMB submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB's public docket files, once approved. These documents will also be made available on the Federal Reserve Board's public website at: <http://www.federalreserve.gov/boarddocs/reportforms/review.cfm> or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer — Cynthia Ayouch — Division of Research and Statistics, 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.

SUPPLEMENTARY INFORMATION:**Request for Comment on Information Collection Proposal**

The following information collection, which is being handled under this delegated authority, has received initial Board approval and is hereby published for comment. At the end of the comment period, the proposed information collection, along with an analysis of comments and recommendations received, will be submitted to the Board for final approval under OMB delegated authority. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and

e. Estimates of capital or start up costs and costs of operation, maintenance, and purchase of services to provide information.

Proposal to approve under OMB delegated authority the revision, without extension of the following report:

Report title: Capital Assessments and Stress Testing information collection

Agency form number: FR Y-14A/Q/M

OMB control number: 7100-0341

Frequency: Annually, Quarterly, and Monthly

Reporters: Large banking organizations that meet an annual threshold of \$50 billion or more in total consolidated assets (large Bank Holding Companies or large BHCs), as defined by the Capital Plan rule (12 CFR 225.8).¹

Estimated annual reporting hours: FR Y-14A: Summary, 24,600 hours; Macro scenario, 930 hours; Counterparty credit risk (CCR), 2,292 hours; Basel III, 600 hours; and Regulatory capital instruments, 600 hours.

FR Y-14 Q: Securities risk, 1,200 hours; Retail risk, 456,000 hours;

Pre-provision net revenue (PPNR), 75,000 hours; Wholesale corporate loans, 6,720 hours; Wholesale commercial real estate (CRE) loans, 6,480 hours;

¹ The Capital Plan rule applies to every top-tier large BHC. This asset threshold is consistent with the threshold established by section 165 of the Dodd-Frank Act relating to enhanced supervision and prudential standards for certain BHCs.

Trading, private equity, and other fair value assets (Trading risk), 41,280 hours; Basel III, 1,800 hours; Regulatory capital instruments, 3,600 hours; and Operational risk, 3,360 hours. FR Y-14M: Retail 1st lien mortgage, 129,000 hours; Retail home equity, 123,840 hours; and Retail credit card, 77,400 hours.

Estimated average hours per response: FR Y-14A: Summary, 820 hours; Macro scenario, 31 hours; CCR, 382 hours; Basel III, 20 hours; and Regulatory capital instruments, 20 hours. FR Y-14Q: Securities risk, 10 hours; Retail risk, 3,800 hours; PPNR, 625 hours; Wholesale corporate loans, 60 hours; Wholesale CRE loans, 60 hours; Trading risk, 1,720 hours; Basel III, 20 hours; Regulatory capital instruments, 40 hours; and Operational risk, 28 hours. FR Y-14M: Retail 1st lien mortgage, 430 hours; Retail home equity, 430 hours; and Retail credit card, 430 hours.

Number of respondents: 30

General description of report: The FR Y-14 series of reports are authorized by section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act), which requires the Federal Reserve to ensure that certain BHCs and nonbank financial companies supervised by the Federal Reserve are subject to enhanced risk-based and leverage standards in order to mitigate risks to the financial stability of the

United States (12 U.S.C. 5365). Additionally, section 5 of the BHC Act authorizes the Board to issue regulations and conduct information collections with regard to the supervision of BHCs (12 U.S.C. 1844).

As these data are collected as part of the supervisory process, such information may be afforded confidential treatment under exemption 8 of the Freedom of Information Act (5 U.S.C. 552(b)(8)). In addition, commercial and financial information contained in these information collections may be exempt disclosure under exemption 4 (5 U.S.C. 552(b)(4)). Such exemptions would be made on a case-by-case basis.

Abstract: The data collected through the current FR Y-14A/Q provides the Federal Reserve with the information and perspective needed to help ensure that large BHCs have strong, firm-wide risk measurement and management processes supporting their internal assessments of capital adequacy and that their capital resources are sufficient given their business focus, activities, and resulting risk exposures. The Comprehensive Capital Analysis and Review is also complemented by other Federal Reserve supervisory efforts aimed at enhancing the continued viability of large BHCs, including continuous monitoring of BHCs' planning and management of liquidity and funding resources, and regular assessments of credit, market and operational risks, and associated risk management practices. Information gathered in

this data collection is also used in the supervision and regulation of these financial institutions. In order to fully evaluate the data submissions, the Federal Reserve may conduct follow up discussions with or request responses to follow up questions from respondents, as needed. Currently, respondents are required to complete and submit five filings each year: one annual FR Y-14A filing and four quarterly FR Y-14Q filings. Compliance with these information collections is mandatory.

The FR Y-14A collects annually BHCs' quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios. At least one of the scenarios may include a market shock that the BHCs include in their trading and counterparty loss projections. The FR Y-14Q collects granular data on BHCs' various asset classes and PPNR for the reporting period, which are used to support supervisory stress test models and for continuous monitoring efforts, on a quarterly basis. These data are used to assess the capital adequacy of large BHCs using forward-looking projections of revenue and losses.

Under section 165 of the Dodd-Frank Act, the Federal Reserve is required to issue regulations relating to stress testing (DFAST) for certain

BHCs and nonbank financial companies supervised by the Board. On January 5, 2012, the Board published rulemakings (77 FR 594) which would include new reporting requirements found in 12 CFR 252.134(a), 252.146(a), and 252.146(b) related to stress testing. The Federal Reserve anticipates that these new reporting requirements and the PRA burden associated with these requirements would be addressed in detail in a future FR Y-14 proposal.²

Current Actions: The Federal Reserve proposes revising the information collection, effective June 30, 2012, based on the need to expand the respondent panel, enhance data items previously collected, and implement new reporting schedules. The proposed revisions include the following:

- Implementing a new monthly schedule, the FR Y-14M, which would collect data previously collected on several quarterly Retail Risk

² The proposed rules would implement the enhanced prudential standards required to be established under section 165 of the Dodd-Frank Act and the early remediation framework established under section 166 of the Act. The enhanced standards include risk-based capital and leverage requirements, liquidity standards, requirements for overall risk management, single-counterparty credit limits, DFAST requirements, and debt-to-equity limits for companies that the Financial Stability Oversight Council has determined pose a grave threat to financial stability. The 2011 proposal implementing the FR Y-14A and Q acknowledged the impending publication of the DFAST reporting requirements under section 165 of the Dodd-Frank Act. That proposal included a statement noting that revisions to the quarterly and annual data collections, based on the enhanced standards rulemaking, would be incorporated into the FR Y-14A and Q information collection.

- portfolio-level worksheets (into two loan-level only collections and one loan- and portfolio-level collection), and collecting detailed address matching data for the two loan-level collections;
- Revising the quarterly Wholesale Risk schedule (corporate loan data collection) by adding data items that would allow the Federal Reserve to derive an independent probability of default, expanding the scope of loans included in the collection by moving loans from the Commercial Real Estate (CRE) data collection to the corporate loan data collection, clarifying definitions of existing data items, and requesting additional detail about collateral securing a facility;
Revising the quarterly Wholesale Risk schedule (CRE collection) by moving loans to the corporate loan data collection, adding a non-accrual data item, and modifying the loan status data item to include the number of days past due;
 - Implementing a new quarterly Operational Risk schedule to gather data that would support supervisory stress test models to forecast the BHCs' operational loss levels under various macroeconomic conditions; and
 - Expanding the respondent panel (for the FR Y-14 A/Q/M) to include large banking organizations that meet an asset threshold of \$50 billion

or more in total consolidated assets (large BHCs), as defined by the Capital Plan rule (12 CFR 225.8).

Draft files illustrating the proposed new schedules and instructions, and the proposed revisions to the current reporting schedules and instructions are available on the Federal Reserve Board's public Website at:

<http://www.federalreserve.gov/boarddocs/reportforms/review.cfm>

FR Y-14Q and M (Quarterly and Monthly Collection)

Retail Risk Schedule (First Lien Closed-End 1-4 Family Residential Mortgages, Home Equity Residential Mortgage, and Credit Card data collections)

The Federal Reserve proposes increasing the frequency of reporting for three retail portfolios from quarterly to monthly (the proposed FR Y-14M). The current quarterly Retail Risk schedule collects data on several portfolio-level worksheets, including: one domestic closed-end first lien residential mortgage worksheet, two domestic home equity worksheets (domestic closed-end home equity loans and domestic home equity lines of credit), and two domestic credit card worksheets (domestic charge card and domestic small and medium size enterprise (SME) corporate cards). The portfolio-level data collected was highly segmented and provided substantial insight into BHCs' home equity, first lien residential, and credit card

portfolios. However, given the micro- and macro-prudential importance of the portfolios and the benefit of more granular information to supervisory model development and risk assessment, the Federal Reserve proposes replacing these quarterly portfolio-level worksheets with the following new monthly collections:

- one loan-level collection for *Domestic First Lien Closed-End 1-4 Family Residential Mortgage* data,
- one loan-level collection for *Domestic Home Equity Residential Mortgage* data, and
- one account- and portfolio-level collection for *Domestic Credit Card* data.

For these new retail portfolio collections, the Federal Reserve proposes collecting month-end data on a monthly frequency. Currently, all of the retail risk worksheets collect monthly data on a quarterly frequency, even though the Capital Plan rule allows for the collection of data as frequently as needed. The proposed monthly data collection would improve the Federal Reserve's ability to perform its continuous risk monitoring function by providing more timely data. In a time of crisis or market downturn where risk characteristics could change in an unpredictable manner, monthly data collection would be especially valuable for these retail

portfolios with relatively short credit cycles. (For example, a credit card account could go from current to charged-off within one quarter.)

Collecting data on a quarterly frequency could hinder the ability of the Federal Reserve to respond to issues of immediate supervisory concern or to requests from policy makers. Furthermore, BHCs generally produce data and internal risk management reports for these portfolios monthly, and often provide similar data for supervisory purposes on a monthly basis. The Federal Reserve, at this time, does not propose requiring monthly reporting for the other retail portfolios with longer credit cycles, as the burden of reporting at the increased frequency currently outweighs the value of the additional data.

These collections would gather one record per loan. Due to the volume of data that would be collected, these data would not be gathered in Excel worksheets as in the previous quarterly data collection; rather file specifications would be provided to respondents in order to transmit the data, as appropriate.

The proposed *Domestic First Lien Closed-End 1-4 Family Residential Mortgage* collection would gather monthly detailed loan-level data and would capture the following loans:

- all loans in the active inventory as-of the last day of the month;

- all loans in the inventory that were transferred to another servicer during the month; and
- all loans in the inventory that were liquidated during the month.

The reported data items would include: loan number, property information, loan amount, documentation information, loan-to-value and debt-to-income ratios, borrower information, bankruptcy or foreclosure status, and other detailed loan information.

The proposed *Domestic Home Equity Residential Mortgage* collection would gather monthly detailed loan-level data and would capture the following loans:

- all loans in the active inventory as-of the last day of the month;
- all loans in the inventory that were transferred to another servicer during the month; and
- all loans in the inventory that were liquidated during the month.

The reported data items would include: loan number; property information; loan, line, and appraisal amounts; loan documentation information; loan-to-value and debt-to-income ratios; borrower information; bankruptcy or foreclosure status; and other detailed loan information.

In order to match senior and junior lien residential mortgages on the same collateral, the Federal Reserve also proposes gathering additional

information (loan number, property and mailing address information, liquidation status, original lien position, and census tract) on the residential mortgage loans reported in the *Domestic First Lien Closed-End 1-4 Family Residential Mortgage and Domestic Home Equity Residential Mortgage* collections. By matching senior and junior lien loans by property ID, the Federal Reserve would glean valuable insights into the level of risk of both credits, especially in cases where current (or performing) junior lien loans are behind delinquent first lien loans.

The proposed *Domestic Credit Card* collection would gather monthly detailed account-level data and new portfolio-level data. The account-level collection would capture detailed data regarding domestic credit cards: general purpose credit cards³, private label credit cards⁴, business credit

³ General purpose credit cards can be used at a wide variety of merchants, including any who accept MasterCard, Visa, American Express or Discover credit cards. Affinity and co-brand cards should be included in this category, and student cards if applicable. This credit card type includes loans reported on line 6.a of schedule HC-C of the Consolidated Financial Statements of Bank Holding Companies (FR Y-9C; OMB No. 7100-0128).

⁴ Private label credit cards, also known as proprietary credit cards, are tied to the retailer issuing the card and can only be used in that retailer's stores. Oil & gas cards should be included in this loan type, and student cards if applicable. This credit card type includes loans reported on line 6.a of schedule HC-C of the FR Y-9C.

cards⁵, and corporate credit cards.⁶ The new portfolio-level data would capture key information about portfolio characteristics including information that is unlikely to be captured at the account-level. (For example, certain collection costs are not typically assigned at the account-level.) The portfolio-level data would be primarily relevant for pools of credit card loans rather than individual accounts. Like the other new retail collections, the proposed *Domestic Credit Card* collection would collect mandatory data. However, some data items that are not directly available would be permitted to be reported on a best effort basis. For example, if the BHCs do not use the data in the course of their risk management practices or otherwise generate or store the data, they would not be required to generate the data for this collection.

FR Y-14Q (Quarterly Collection)

Wholesale Risk Schedule (CRE and Corporate Loan data collections)

The current corporate loan collection gathers loan-level data that focuses on data stored in BHCs' systems of records, particularly their loan

⁵ Business credit cards include small business credit card accounts where the loan is underwritten with the sole proprietor or primary business owner as the applicant. This credit card type includes SME credit card loans that are reported on line 4.a of schedule HC-C of the FRY-9C.

⁶ Corporate credit cards are employer-sponsored credit cards for use by a company's employees. This credit card type includes US corporate credit card loans that are reported on line 4.a of schedule HC-C of the FRY-9C.

accounting systems. While the granular loan-level data provides additional insights into certain credit risk characteristics, the data items in the initial FR Y-14Q collection were not sufficient to evaluate all aspects of credit risk or produce an independent probability of default (PD). In order to better understand the credit risk associated with BHCs' corporate loan exposures, the Federal Reserve proposes adding approximately 35 data items to the collection. These data items would allow the Federal Reserve to derive an independent PD for both public and private firms and better track underwriting standards and emerging risks in BHCs' loan portfolios. To reduce the burden of reporting the additional data items, the Federal Reserve also proposes allowing BHCs to exclude from reporting (or make optional the reporting of) obligor financial data (data items 51-79) for loans extended to an obligor (1) domiciled outside of the U.S.; (2) that is a natural person, a non-profit federal, state or local governmental agency; or (3) that has a NAICS industry code⁷ beginning with 52 (Finance and Insurance) or 5312 (Real Estate Agents and Brokers).

In addition, the Federal Reserve proposes amending the scope of loans in the corporate loan collection to include owner-occupied non-farm, non-

⁷ The North American Industry Classification System is used by business and government to classify business establishments according to type of economic activity (process of production) in Canada, Mexico, and the U.S.

residential (NFNR) CRE loans (reported on the FR Y-9C, Schedule HC-C 1.e(1)). These loans, currently reported in the CRE collection, would be moved to the corporate loan collection so overall this does not represent an expansion of the wholesale collection. The data items gathered in the corporate loan collection better capture the elements indicative of risk in owner-occupied NFNR CRE loans than those in the CRE collection. The Federal Reserve proposes revisions to the corporate loan data collection to clarify definitions of existing data items and request additional detail about collateral securing a facility.

The Federal Reserve also proposes revising the CRE data collection to add a non-accrual data item and to modify the loan status data item to include the number of days past due. These revisions to the CRE data collection would allow the Federal Reserve to better model the credit risk of CRE loans and these data would be readily available in BHCs' loan servicing systems.

Although no changes are being proposed to the reference in the instructions for the wholesale data collections regarding the use of the International Organization for Standardization country code list, the Federal Reserve solicits feedback regarding whether this reference should be changed to direct respondents to use U.S. Department of Treasury

(Treasury) country code list instead. At present, the Treasury list is referenced in the instructions for the Quarterly Report of Assets and Liabilities of Large Foreign Offices of U.S. Banks (FR 2502q; OMB No. 7100-0079) and is used by institutions that submit data on the Treasury International Capital reporting forms and data on certain Federal Financial Institutions Examination Council (FFIEC) reporting forms.

Operational Risk Schedule

The current FR Y-14A *Operational Risk worksheets* (contained within the annual Summary schedule) collect BHCs' projections for operational losses. Additional detail is also collected on translating historical loss experience into operational loss projections and on budgeting processes used to project operational losses.

During the drafting of the September 2011 proposal implementing the FR Y-14A/Q, the Federal Reserve was aware of the need to also collect actual operational loss data on a quarterly basis; however, more time was needed in order to conduct a comprehensive analysis before determining the appropriate data items that would be collected. As part of that analysis, the Federal Reserve reviewed the reporting requirements in Schedule S (Operational Risk) of the interagency Advanced Capital Adequacy Framework Regulatory Reporting Requirements (FFIEC 101;

OMB No. 7100-0319) to determine the data items collected and the level of granularity to which they are collected. The data collected on Schedule S is summary or aggregate-level information, while the proposed FR Y-14Q schedule requests data on an individual loss event level. Based on the analysis conducted, the Federal Reserve proposes a new quarterly operational loss data collection. The data collected would include the type of loss event, when it occurred, the loss amount, the business line in which it occurred, and other relevant information. Obtaining these data on an individual loss event level would help achieve key objectives that could otherwise not be effectively realized with summary level data only and would enhance the Federal Reserve's ability to (1) assess the BHCs' operational loss exposures in relation to the risks faced by the BHCs and (2) ensure safety and soundness. These data would also be used to develop and calibrate supervisory stress test models, evaluate the projections that BHCs submit as part of the FR Y-14A, and support continuous monitoring and analysis of BHCs operational loss activity and trends. These data are not currently available on a standardized basis.

Additional Request for Comment

Although no changes are being proposed to the submission due dates for the FR Y-14Q data, the Federal Reserve is soliciting feedback as to

whether the quarterly submission schedule, which mirrors the FR Y-9 submission schedule, is problematic for institutions. The Federal Reserve specifically requests feedback as to whether additional time would be helpful, and if so, how many days.

FR Y-14 A, Q, and M (Annually, Quarterly, and Monthly Collections)

Respondent Panel Revisions

As mentioned above, the Capital Plan rule, which contains the authority for these reporting requirements, applies to large BHCs. As of September 30, 2011, there were approximately 34 large BHCs; however, at this time, only 30 are required to report. The asset threshold of \$50 billion is consistent with the threshold established by section 165 of the Dodd-Frank Act relating to enhanced supervision and prudential standards for certain BHCs. Therefore, the Federal Reserve proposes to expand the scope of the respondent panel required to complete the reporting schedules and worksheets to include all BHCs subject to the Capital Plan rule, except for SR 01-01 firms.⁸

⁸ SR 01-01 (Application of the Board's Capital Adequacy Guidelines to BHCs owned by Foreign Banking Organizations) states, "as a general matter, a U.S. BHC that is owned and controlled by a foreign bank that is a Financial Holding Company that the Board has determined to be well-capitalized and well-managed will not be required to comply with the Board's capital adequacy guidelines."

Board of Governors of the Federal Reserve System, February 15,
2012.

(signed)
Jennifer J. Johnson,
Secretary of the Board.