DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

FEDERAL RESERVE SYSTEM

FEDERAL DEPOSIT INSURANCE CORPORATION

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

Proposed Agency Information Collection Activities; Comment Request

AGENCIES: Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); and Office of Thrift Supervision (OTS), Treasury.

ACTION: Joint notice and request for comment.

SUMMARY: In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. chapter 35), the OCC, the Board, the FDIC, and the OTS (collectively, the agencies) may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Federal Financial Institutions Examination Council (FFIEC), of which the agencies are members, has approved the agencies' publication for public comment of proposed new regulatory reporting requirements for banks that qualify for and adopt the Advanced Capital Adequacy Framework to calculate their risk-based capital requirement or are in the parallel run stage of qualifying to adopt this framework. The proposal describes the scope of reporting and the proposed reporting requirements. At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the FFIEC should modify the proposed reporting requirements prior to giving its final approval. The agencies will then submit the proposed reporting requirements to OMB for review and approval and, upon approval, OMB will assign control numbers.

DATES: Comments must be received on or before January 23, 2007.

ADDRESSES: Interested parties are invited to submit written comments to any or all of the agencies. All comments will be shared among the agencies. OCC: You may submit comments, identified by “OMB Control No. 1557–NEW,” by any of the following methods:
- E-mail: regs.comments@occ.treas.gov. Include “OMB Control No. 1557–NEW” in the subject line of the message.
- Fax: (202) 874–4448.
- Mail: Public Information Room, Office of the Comptroller of the Currency, 250 E Street, SW., Mailstop 1–5, Washington, DC 20219; Attention: OMB Control No. 1557–NEW.

FDIC: You may submit comments, identified by “FDIC Control No. 1550–NEW,” by any of the following methods:
- E-mail: comment@FDIC.gov. Include “Advanced Capital Adequacy Framework Regulatory Reporting Requirements” in the subject line of the message.
- Mail: Steven F. Hanft, Clearance Officer (202–898–3907), Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

Board: You may submit comments, which should refer to “Advanced Capital Adequacy Framework Regulatory Reporting Requirements,” by any of the following methods:
- E-mail: regs.comments@fed.gov. Include “OMB Control No. 1557–NEW” in the subject line of the message.
- Fax: (202) 874–5043.

OTS: You may submit comments, identified by “Advanced Capital Adequacy Framework Regulatory Reporting Requirements (1550–NEW),” by any of the following methods:
- E-mail: eRulemakingPortal@otstreas.gov. Include “Advanced Capital Adequacy Framework Regulatory Reporting Requirements (1550–NEW)” in the subject line of the message and include your name and telephone number in the message.
- Fax: (202) 906–6518.
- Mail: Information Collection Comments, Chief Counsel’s Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552; Attention: “Advanced Capital Adequacy Framework Regulatory Reporting Requirements (1550–NEW).”

Instructions: All submissions received will include the agency name and “Advanced Capital Adequacy Framework Regulatory Reporting Requirements (1550–NEW).” All
Insurance Corporation, 550 17th Street, NW., Washington, DC 20429. 

OTS: Marilyn K. Burton, OTS Clearance Officer, at marilyn.burton@ots.treas.gov, (202) 906–6467, or facsimile number (202) 906–6518, Litigation Division, Chief Counsel’s Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION: The agencies are proposing to implement the following new information collections. 


Form Numbers: FFIEC 101.

Frequency of Response: Quarterly.

Affected Public: Business or other for-profit.

OCC

OMB Number: 1557–NEW.

Estimated Number of Respondents: 52 national banks.

Estimated Time per Response: 280 hours.

Estimated Total Annual Burden: 58,240 hours.

Board

OMB Number: 7100–NEW.

Estimated Number of Respondents: 6 state member banks.

Estimated Time per Response: 280 hours.

Estimated Total Annual Burden: 6,720 hours.

OMB Number: 7100–NEW.

Estimated Number of Respondents: 15 BHCs.

Estimated Time per Response: 280 hours.

Estimated Total Annual Burden: 16,800 hours.

FDIC

OMB Number: 3064–NEW.

Estimated Number of Respondents: 19 state nonmember banks.

Estimated Time per Response: 280 hours.

Estimated Total Annual Burden: 21,280 hours.

OTS

OMB Number: 1550–NEW.

Estimated Number of Respondents: 5 savings associations.

Estimated Time per Response: 280 hours.

Estimated Total Annual Burden: 5,600 hours.

General Description of Reports

These information collections would be mandatory for banks using the Advanced Capital Adequacy Framework: 12 U.S.C. 161 (for national banks), 12 U.S.C. 324 and 12 U.S.C. 1844(c) (for state member banks and BHCs, respectively), 12 U.S.C. 1817 (for insured state nonmember commercial and savings banks), and 12 U.S.C. 1464 (for savings associations). These information collections would be given confidential treatment (5 U.S.C. 552(b)(4)) except for selected data items to be released for data collected from a reporting entity during periods subsequent to its parallel run period (Schedules A and B, and data items 1–7 of Schedule V).

Abstract

Each bank that qualifies for and applies the advanced internal ratings-based approach for credit risk and the advanced measurement approach for operational risk would file quarterly regulatory data for the agencies’ use in assessing and monitoring the levels and components of each reporting entity’s risk-based capital requirements and the adequacy of the entity’s capital under the Advanced Capital Adequacy Framework. These data also would support the agencies’ efforts to evaluate the quantitative impact and competitive implications of the Advanced Capital Adequacy Framework on individual reporting entities and on an industry-wide basis. The reporting schedules would also assist banks in understanding expectations surrounding the system development necessary for implementation and validation of the Advanced Capital Adequacy Framework. The submitted data that is released publicly would also provide other interested parties with information about banks’ risk-based capital. In addition, the submitted data would supplement on-site examination processes.

Current Actions; Risk-Based Capital Standards: Advanced Capital Adequacy Framework: Regulatory Reporting Requirements

I. Background

The agencies have today published a joint notice of proposed rulemaking entitled Risk-Based Capital Standards: Advanced Capital Adequacy Framework (the NPR). The NPR describes a new regulatory capital framework for U.S. banks that qualify for and adopt the advanced internal ratings-based (AIRB) approach for credit risk and the advanced measurement approach (AMA) for operational risk (together, the advanced approaches). Included within the NPR are requirements for public

3 Terms used in this text and in the proposed regulatory reporting schedules and instructions are used as defined in the NPR.
The agencies, all of which would have access to both the public and confidential data submitted in these schedules by each bank, would use the data collected through this proposal to:

- Assess the components of each bank’s risk-based capital requirements;
- Assess each bank’s capital relative to inherent risks and the agencies’ minimum capital requirements;
- Monitor the levels and components of the risk-based capital requirements for banks through peer, outlier, and risk trend analyses;
- Evaluate the quantitative impact and competitive implications of the implementation of the Advanced Capital Adequacy Framework on risk-based capital levels within reporting banks and on an overall industry basis;
- Provide market participants, depositors, the public, supervisors, and other interested parties with information about banks’ risk-based capital; and
- Supplement on-site examination processes and decisions pertaining to the allocation of supervisory resources.

In addition, this proposal would assist supervised institutions in understanding expectations surrounding the system development necessary for implementation and validation of the Advanced Capital Adequacy Framework. The agencies require the ability to monitor and assess individual banks’ conformance with capital adequacy standards and understand the capital resulting from the implementation of the Advanced Capital Adequacy Framework. The current regulatory capital data submitted by banks would not provide relevant information regarding risk-based capital under the Advanced Capital Adequacy Framework. As a result, the agencies outline in this notice their proposed changes in regulatory capital reporting for banks using the Advanced Capital Adequacy Framework within the United States. Because the NPR includes transitional arrangements that involve capital floors linked to the general risk-based capital rules (as defined in the NPR), the agencies believe it is necessary to require data submissions under both the general risk-based capital rules and advanced risk-based capital frameworks for as long as a bank is subject to risk-based capital floors.

As noted in the NPR, the agencies intend to conduct analyses to gauge the impact of the Advanced Capital Adequacy Framework, and the preparedness of banks to compute risk-based capital consistent with those requirements, during the parallel run and transitional floor periods. Data submitted through this proposal, combined with dual reporting requirements for the general risk-based capital data, would provide quantitative support for these impact analyses. Such analyses would also help the agencies evaluate the competitive and cyclical implications of the Advanced Capital Adequacy Framework relative to capital requirements for banks subject to the general risk-based capital rules and the adequacy of capital generated under the Advanced Capital Adequacy Framework.

A bank that applies the proposed advanced approaches would generally use its internal risk measurement systems to estimate risk parameters for credit risk exposures and to estimate operational risk exposure. The bank would use specific risk-based capital formulas to transform the risk parameters into risk-weighted asset amounts for each wholesale credit exposure and segment of retail credit exposures. For each wholesale credit exposure and segment of retail credit exposures, a bank would assign three quantitative risk parameter estimates: Probability of default (PD), which measures the likelihood that an obligor will default over a one-year horizon; loss given default (LGD), which is an estimate of the economic loss if a default occurs during downturn economic conditions; and exposure at default (EAD), which is measured in dollars and is an estimate of the amount that would be owed to the bank at the time of default. For each wholesale credit exposure, the bank would also determine effective maturity (M), which is measured in years and reflects the effective remaining maturity of the exposure. These risk parameters are the drivers of the bank’s regulatory capital requirement for wholesale and retail credit exposures and the focus of much of the proposed regulatory reporting.

Under the advanced approaches, a bank would employ simple risk weights to determine regulatory capital requirements for certain equity and securitization exposures, and may use internal models to determine regulatory capital requirements for other equity and securitization exposures, as well as for operational risk. The associated proposed regulatory reporting schedules primarily relate to data on inputs to and outputs from these internal models and risk-weight functions.

Under the advanced approaches, a bank would use its internal systems and processes to assess its exposure to operational risk. The proposed operational risk reporting schedule would capture some of the critical inputs used by the bank to estimate its operational risk exposure.

The agencies believe it is necessary to develop surveillance tools to assist in monitoring banks’ risk-based capital measures. Such surveillance tools include the ability to perform bank-to-bank comparisons of the risk-based capital drivers underlying banks’ capital measures, the ability to identify potential outliers through bank-to-peer comparisons, and the ability to monitor banks’ capital measures over time relative to trends in other risk indicators.

The agencies believe that certain information about banks’ risk-based capital calculations that would be submitted under this proposal should be publicly available to market participants and that such disclosures at the bank level are consistent with the agencies’ objectives of promoting market discipline as described in part VII of the preamble of the NPR. The agencies intend that the public data items contained within this proposal would provide market participants with basic, summary-level standardized information about the main components of banks’ risk-based capital requirements. The standardized regulatory reporting information that would be available to the public should augment the disclosures required for other public financial reporting purposes.

As is true for any off-site surveillance system, the collection of advanced risk-based capital data is unlikely to capture the full range and complexity of bank activities. As a result, the agencies recognize that it will often not be possible to draw definitive conclusions from an analysis of data submissions without further follow-up through on-site supervisory activities. Nevertheless, the agencies believe that off-site...
analyses of the data described in this proposal would be helpful in focusing the activities of on-site examiners and deploying supervisory resources most effectively.

In developing this proposal, the agencies weighed several considerations. The factors the agencies considered included several trade-offs between reporting burden and the information needs of bank supervisors and market participants (for example, the level of reporting granularity necessary to produce meaningful comparisons of portfolio-level risks while minimizing reporting compliance costs and the potential for collected information to promote more informed decisions by market participants against the sensitive and confidential nature of risk estimates embedded within the advanced approaches). The agencies have also tried to anticipate and include data that meet their long-term data needs because comprehensive requests for data at the inception of a new reporting regime typically would be less costly to reporting institutions than the addition of items at a later date. The agencies believe this proposal appropriately balances these, and other, competing considerations.

The agencies are publishing the NPR and the regulatory reporting proposal described herein at the same time as their notice of proposed rulemaking for the Market Risk Framework and its associated regulatory reporting proposal so that the industry, and other interested parties, may assess the full impact of the proposed rules. Part of this assessment includes an understanding of the requirements of compliant data systems, including the ability to produce certain high-level capital information for the public and more detailed, but still aggregated, summary information about each bank’s capital risk estimates to augment supervisory processes.

II. Scope and Frequency of Reporting

The proposed regulatory reporting requirements associated with the NPR described herein would apply, on a consolidated basis, to each BHC and each DI that qualifies for and applies the advanced approaches (see Part I, Section 1. of the proposed regulatory text in the NPR for a detailed description of the institutions covered by this notice) as well as to those banks in the parallel run stage of qualifying to use the advanced approaches (see Part III, Section 21(c) of the proposed regulatory text in the NPR). Reporting BHCs and DIs would submit data primarily because efforts to monitor banks’ progress toward, and actions under, the Advanced Capital Adequacy Framework require regular and consistent reports from all of the institutions adopting this framework.

The agencies expect that the report due dates for the proposal described herein would be the same as the report due dates currently required of banks, savings associations, and BHCs when filing their respective Call Report, TFR, or BHC FR Y–9C report. In addition, the agencies expect all banks to meet the existing reporting standards for accuracy and other requirements as currently mandated by their primary Federal supervisor.

The first reporting period for Schedules A through V for each reporting entity seeking to qualify for the advanced approaches would correspond to the first quarter of its parallel run period. All data collected from each reporting entity on Schedules A through V, including those data items identified as public data items below, would remain confidential during the entity’s parallel run period. The data items identified below as public data elements would be available to the public for each reporting entity for data collected during reporting periods subsequent to the entity’s parallel run period.

Reporting banks would be required to submit capital information under both this reporting proposal and under the existing risk-based capital reporting requirements during both the relevant parallel run period and subsequent transitional floor periods. The purpose of this dual reporting requirement is threefold: (1) It would facilitate dialogue between supervisors and banks as banks bring their systems and data into compliance with supervisory expectations; (2) it would allow the agencies to monitor and ensure compliance with existing risk-based capital rules during the parallel run period and with those rules that would be in effect during subsequent transitional floor periods; and (3) it would aid in supervisors’ development of comparisons of risk-based capital results between the Advanced Capital Adequacy Framework and the existing risk-based capital frameworks for individual institutions and for the banking industry in the aggregate.

III. Overview of the Data Collection Proposal

The agencies believe that banks would produce the data necessary to support supervisory analyses as part of their calculation of regulatory capital requirements. Accordingly, the regulatory reporting proposal requires certain data that would be publicly available and other data that would not be publicly available. Although this reporting proposal has not been designed to satisfy the NPR’s Pillar 3 public disclosure requirements, banks may be able to use certain data items submitted through this proposal to help satisfy certain public disclosure requirements established in the Advanced Capital Adequacy Framework.

A. Publicly Available Risk-Based Capital Data for the Advanced Approaches

Regulatory reporting disclosures that would be publicly available for data collected from a reporting bank during periods subsequent to its parallel run period comprise various aggregated portfolio drivers of reporting banks’ risk-based capital levels. The intent of these disclosures is to provide market participants, depositors, supervisors, the public, and other interested parties with a sufficient level of detail (comparable, in principle, to risk-based capital information collected currently) about banks’ major capital and risk-weighted asset components as well as summary information about the composition of regulatory capital and the risk parameters that underlie risk-weighted asset calculations.

Proposed Schedules A and B (and data items 1–7 of proposed Schedule V, Operational Risk) show the data items that would be publicly available for each reporting entity for reporting periods subsequent to its parallel run period. Schedule A contains information about the components of Tier 1 capital, Tier 2 capital, and adjustments to regulatory capital as defined within the NPR. Schedule B contains summary information about risk-weighted assets by risk type, and, in the case of credit risk exposures, outstanding balances and aggregated information about the drivers and

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6 One version of Schedule A would apply to banks and BHCs and another version of Schedule A would apply to savings associations. The version for banks and BHCs is modeled after the portion of the Call Report and BHC FR Y–9C report used to capture information on the components of and adjustments to Tier 1 and Tier 2 capital under the existing risk-based capital standards. Similarly, the version of Schedule A for savings associations is modeled after the portion of the TFR used to capture such information under the existing standards. In addition, to the extent the information collected in the Call Report, BHC FR Y–9C report, and TFR on the components of and adjustments to Tier 1 and Tier 2 capital under the existing standards is revised, e.g., for changes in the fair value of liabilities to which a fair value option is applied that are attributable to changes in a reporting entity’s own creditworthiness, corresponding revisions would be made to Schedule A.
Schedules C through V describe the parameters, and focus on-site peer analyses of capital and risk capital calculations, perform trend off-site assessments of banks each portfolio. The proposed reports broadly reflect risk segments within at the level of supervisory PD bands that detailed reports is to collect information about credit portfolios, the focus of these more risk-based capital levels. With respect to exposures, the EAD of accounts under two years old is reported instead of weighted average age for each association. The confidential data submitted in these schedules by each bank would be shared among the four agencies but these schedules also incorporate risk weighted assets relating to early amortization features of securitizations as prescribed in the NPR.9

Equities
Schedule U provides information about a bank’s equity exposures by type of exposure and by approach to measuring required capital. Schedule U also provides information on equity exposures subject to specific risk weights and equity exposures to investment funds. A bank would also complete the appropriate section of the schedule based on whether it uses a simple risk-weight approach, a full internal models approach, or a partially modeled approach to measuring required capital for equity exposures.

Operational Risk
Schedule V shows the data items within the operational risk exposure class that banks would submit under this proposal. Data items submitted in this schedule include various details about historical operational losses, on a stand-alone and group-wide basis, for the current reporting period and those historical operational losses used to model operational risk capital. The schedule also contains data items related to scenarios, distribution assumptions, and loss caps used to model operational risk capital.

IV. Request for Comment
Public comment is requested on all aspects of this joint notice. The agencies wish to encourage banks and other interested parties to comment on such matters as data availability, data alternatives, and reporting thresholds for each proposal for new data. The agencies are particularly interested in responses to the questions that follow.

9 Amounts are further broken down by retail and non-retail.
relating to certain key aspects of the proposal and potential data collection alternatives.

(1) The agencies seek comment from the industry concerning the feasibility of collecting certain additional information beyond that described in this proposal. The purpose of this additional information is to help identify the causes of changes in credit risk regulatory capital requirements (for example, due to changes in exposure mix or changes in the bank’s assessment of risk).

To facilitate such analyses, reporting banks would be required to submit additional data items that summarize current and previous risk parameters for exposures that were in wholesale and retail credit portfolios as of the previous reporting period (for example, prior quarter, prior year)—the “lookback” portfolio. The intent of this lookback-portfolio approach would be to allow the agencies to better identify reasons for observed changes in regulatory risk capital requirements and allow for peer comparisons of changes from period to period.

A lookback-portfolio approach would require additional data collection and processing. For example, banks would need to retain data on the internal risk rating category to which each exposure was previously assigned, and the previous EAD of each exposure. The agencies believe that this data maintenance requirement is consistent with supervisory expectations described in the NPR and proposed AIRB guidance in that banks subject to the Advanced Capital Adequacy Framework are expected to be able to evaluate and explain changes in risk parameters in order to assess their risk parameter estimation procedures.

The agencies specifically seek industry comment on the following questions:

• What aggregate summary information might banks submit that best describes or characterizes period-to-period migration across internal rating grades or segments?
• If such information were required, are there particular formats or other considerations that would reduce the reporting burden for banks?

(2) The agencies are considering another alternative reporting treatment with respect to the wholesale and retail portions of the above proposal (Schedules C–R). This alternative treatment would complement the lookback-portfolio approach just described but could be implemented whether or not the lookback-portfolio approach was implemented. Under this approach, banks would submit data according to each of their internal obligor rating grades or segments, rather than in the fixed bands defined in the current regulatory reporting proposal. In this case, each reporting bank could submit a different number of rows corresponding to the number of internal risk rating/segmentation categories employed by that bank for the given portfolio.

The agencies specifically seek industry comment on the following question:

• Would reporting burden be lessened if banks submitted data using internally-defined obligor grades or segments, rather than aggregating the grades or segments in supervisory reporting bands?

(3) The agencies request comment on the appropriateness of making the data items on Schedules A and B and data items 1 through 7 of the operational risk reporting schedule (Schedule V) available to the public for each reporting entity for data collected during periods subsequent to its parallel run reporting periods as currently proposed.

Comments are requested on the extent to which banks are already providing these data to the public or are planning to make such data public as well as the timing of these disclosures. In addition, comments are requested on the perceived risks associated with public reporting of these data items.

(4) What changes in the proposed regulatory reporting requirements for the Advanced Capital Adequacy Framework, including additional data or definitions, would better assist the agencies in reaching their stated goals? In this regard, the agencies also seek input on possible alternative ways to capture the requested information and the appropriateness of the requested data given the stated purposes of the information collections and the associated reporting burden.

Paperwork Reduction Act

The agencies seek comment on:

(a) Whether the proposed collections of information are necessary for the proper performance of the agencies’ functions, including whether the information has practical utility;
(b) The accuracy of the agencies’ estimates of the burden of the proposed information collections, 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 the information collections 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.

Comments submitted in response to this joint notice will be shared among the agencies and will be summarized or included in the agencies’ requests for OMB approval. All comments will become a matter of public record.

Dated: September 6, 2006.

Stuart E. Feldstein,
Assistant Director, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency.

Jennifer J. Johnson,
Secretary of the Board.

Dated at Washington, DC, this 8th day of September, 2006.

Federal Deposit Insurance Corporation.

Robert E. Feldman,
Executive Secretary.


Deborah Dakin,
Senior Deputy Chief Counsel, Regulations and Legislation Division, Office of Thrift Supervision.

DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency

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ACTION: Joint notice and request for comment.

SUMMARY: In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C.