

SUPPORTING STATEMENT

Recordkeeping and Disclosure Provisions Associated with Annual Stress Test Final Rule; Stress Test Reporting for \$10-\$50 Billion Banks OMB Control No. 3064-0187

A. Justification

1. Circumstances that make the collection necessary:

The Federal Deposit Insurance Corporation (FDIC) issued a final rule on stress testing that is applicable to all state nonmember banks with over \$10 billion in assets pursuant to the requirements of section 165(i)(2) of the Dodd Frank Act. The Office of the Comptroller of the Currency (OCC), and the Board of Governors of the Federal Reserve System (Board), also issued stress test rules for their regulated entities near in time to the FDIC's final rule. The regulations across the banking agencies are consistent and comparable as required by the Dodd-Frank Act (Dodd-Frank). As required by Dodd-Frank, the regulation defined "stress test" as a process to assess the potential impact of FDIC-provided macroeconomic and market scenarios on the consolidated earnings, losses, and capital of a covered bank, and requires covered banks to perform annual stress tests, report their results to the FDIC and publish a summary of their test results.

2. Use of the information:

As required by section 165(i)(2) of Dodd-Frank, the Federal banking agencies provide three clearly defined macroeconomic and market scenarios (baseline, adverse, and severely adverse) each year. With those scenarios, covered banks use their own financial data as of September 30 to estimate pre-provision net revenue (PPNR), losses, loan loss provisions, net income and the potential impact on regulatory capital levels and ratios over a 9 quarter horizon. The board of directors and senior management of each covered bank must use the results of the stress tests in the normal course of business, including but not limited to, the covered bank's capital planning, assessment of capital adequacy, and risk management. The final rule also requires covered banks to establish and maintain a system of controls, oversight, and documentation, including policies and procedures, designed to ensure that the stress testing processes used by the bank are effective in meeting the requirements of the final rule. The final rule required covered banks to report data to their primary supervisors.

The FDIC DFAST 10–50 reporting form collects data through two primary schedules: (1) The Results Schedule (which includes the quantitative results of the stress tests under the baseline, adverse, and severely adverse scenarios for each quarter of the planning horizon) and (2) the Scenario Variables Schedule. In addition, respondents are required to submit a summary of the qualitative information supporting their quantitative projections. The FDIC proposes to revise the FDIC DFAST 10–50 Summary Schedule by modifying the financial as of date from

September 30th to December 31st. This revision is effective for the 2016 stress test cycle (with reporting in July 2016). In addition, the FDIC proposes to clarify the FDIC DFAST 10–50 reporting form instructions to change the submission date from March 31st to July 31st, to change references to the financial “as of” date from September 30th to December 31st, and to update the line items references to the new Call Report Instructions. The FDIC does not expect that the changes to the DFAST 10–50 Summary Schedule and reporting form instructions will result in a change in burden.

3. Consideration of the use of improved information technology:

Covered banks may use any information technology that permits review by FDIC examiners.

4. Efforts to identify duplication:

The information required is unique. It is not duplicated elsewhere.

5. Methods used to minimize burden if the collection has a significant impact on substantial number of small entities:

Not applicable. The information collection affects only large institutions that are greater than \$10 billion in consolidated assets.

6. Consequences to the Federal program if the collection were conducted less frequently:

Conducting the collection is required by law to be on an annual basis. Conducting the collection less frequently would also present safety and soundness risks.

7. Special circumstances necessitating collection inconsistent with 5 CFR Part 1320:

This information collection is conducted in a manner consistent with the guidelines in 5 CFR 1320.

8. Efforts to consult with persons outside the agency:

On October 7, 2015 (80 FR 60680), FDIC published a Federal Register notice seeking comment for 60 days. No comments were received.

9. Payment to respondents:

There is no payment to respondents.

10. Any assurance of confidentiality:

To the extent the FDIC collects information during an examination of a banking organization, confidential treatment may be afforded to the records under exemption 8 of the Freedom of Information Act, 5 U.S.C. 552(b)(8).

11. Justification for questions of a sensitive nature:

No questions of a sensitive nature are asked.

12. Burden estimate:

(a) Initial Stress Test - 1 respondent x 2,000 hours per respondent = 2000 burden hours

(b) Ongoing Annual Stress Test - 22 respondents x 469 hours per respondent = 10,318 burden hours

13. Estimate of annualized costs to respondents:

On average, FDIC staff estimates that 1 respondent will spend 2,000 hours at a cost of \$90¹ per hour to collect and prepare information for the initial submission, resulting in a cost of \$180,000.

FDIC staff expects that the costs of compliance are less in subsequent years, and are driven by the magnitude of the changes in activities and operations of each covered bank. Staff estimates that each of the 22 respondents spend 469 hours on ongoing stress testing activities after the initial annual stress test, resulting in an annual cost of \$928,620.

14. Estimate of annualized costs to the government:

None.

15. Changes in burden:

All but one of the respondents are now in an ongoing phase of reporting, resulting in a substantial decrease in burden.

16. Information regarding collections whose results are planned to be published for statistical use:

Not applicable.

¹To estimate hourly wages, we used the Office of the Comptroller of the Currency's estimate who used data from May 2011 for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for depository credit intermediation. To estimate compensation costs associated with the rule, they used \$90 per hour, which is based on the average of the 90th percentile for seven occupations (i.e., accountants and auditors, compliance officers, financial analysts, lawyers, management occupations, software developers, and statisticians) plus an additional 33 percent to cover inflation and private sector benefits.

17. Display of expiration date:

Not applicable.

18. Exceptions to certification statement:

None.

B. Collections of Information Employing Statistical Methods

Not applicable.