

**Supporting Statement for  
OMB Control Number 1557-0205  
Investment Securities**

**A. Justification.**

**1. Circumstances that make the collection necessary:**

Under 12 CFR 1.3(h)(2), a national bank may request an OCC determination that it may invest in an entity that is exempt from registration under section 3(c)(1) of the Investment Company Act of 1940<sup>1</sup> if the portfolio of the entity consists exclusively of assets that a national bank may purchase and sell for its own account.

Under 12 CFR 1.7(b), a national bank may request OCC approval to extend the five-year holding period of securities held in satisfaction of debts previously contracted for up to an additional five years. In its request, the bank must provide a clearly convincing demonstration of why any additional holding period is needed.

**2. Use of the information:**

The OCC uses the information contained in requests submitted pursuant to 12 CFR 1.3(h)(2) as a basis for determining that the bank's investment is consistent with its investment authority under applicable law and does not pose unacceptable risk.

The OCC uses the information in requests submitted pursuant to 12 CFR 1.7(b) to ensure, on a case-by-case basis, that a bank's purpose in retaining the securities is not speculative, that the bank's reasons for requesting the extension are adequate, and to evaluate the risks to the bank of extending the holding period, including potential effects on bank safety and soundness.

**3. Consideration of the use of improved information technology:**

The information is unique and non-recurring. Therefore, the use of improved information technology does not appear to reduce burden or cost. However, the OCC would consider a bank's proposal to use any existing technology relevant to producing or delivering the information.

**4. Efforts to identify duplication:**

This information collection is unique to the bank and the particular filing. It is not duplicated anywhere.

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<sup>1</sup> 15 U.S.C. 80a-3(c)(1).

**5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.**

There are no alternatives that would result in lowering the burden on small institutions, while still accomplishing the purpose of the rules.

**6. Consequences to the federal program if the collection were collected less frequently:**

The information is collected infrequently, as covered situations arise. Less frequent collection could impair OCC's bank supervisory activities and would limit the utility of the information to bank management. Less frequent collection could result in unsafe and unsound bank operations.

**7. Explain any special circumstances necessitating collection inconsistent with 5 CFR part 1320.**

Not applicable.

**8. Efforts to consult with persons outside the agency:**

**60-Day Notice**

The OCC issued a notice for 60 days of comment regarding this collection on November 21, 2017, 82 FR 55487. The OCC received one comment from an individual. The comment related to 12 CFR 1.7(b). Twelve CFR 1.7(b) provides that a bank may hold securities in satisfaction of debts previously contracted for a period of five years and permits the OCC to extend the holding period up to an additional five years if the bank provides a clearly convincing demonstration as to why an additional holding period is needed.

The commenter stated that banks should rarely need to hold securities in satisfaction of debts previously contracted longer than five years. The commenter requested that the OCC conduct a retrospective analysis on the need, fairness, and appropriateness of the text in 12 CFR 1.7(b) that permits the OCC to extend the holding period beyond five years. The commenter stated that this retrospective analysis would enable the OCC to narrow the requirements for an extended holding period and to specify in 12 CFR 1.7(b) the rare and unusual reasons why banks may need more than five years to dispose of a security. The commenter further stated that 12 CFR 1.7(b) currently encourages banks to speculate on securities acquired in satisfaction of debts previously contracted.

In response to this comment, the OCC notes that the OCC cannot rescind regulations through the PRA renewal process. Moreover, as part of the OCC's ten-year regulatory review required under by section 222 of the Economic Growth and Regulatory Paperwork Reduction Act ("EGRPRA"), the OCC issued notices soliciting comments on all OCC regulations, including 12 CFR Part 1.<sup>2</sup> The OCC did not receive any comments regarding 12 CFR Part 1 in

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<sup>2</sup> See Regulatory Publication and Review Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996, 79 FR 32172, 32178 (Jun. 4, 2014).

response to the relevant OCC notice. The OCC therefore did not propose any revisions to Part 1 in connection with the review required under EGRPRA. Furthermore, the text of 12 CFR 1.7(d) explicitly states that banks may not hold securities under 12 CFR 1.7 for speculative purposes. Finally, 12 CFR 1.7(b) makes clear that the burden is on the bank to provide “a clearly convincing demonstration as to why an additional holding period is needed.” In light of the prohibition on holding securities acquired under 12 CFR 1.7 for speculative purposes, as well as the high standard that a bank must meet to receive an extended holding period under 12 CFR 1.7(b), the OCC does not believe that a retrospective analysis on the need, fairness, and appropriateness of the text in 12 CFR 1.7(b) is warranted at this time.

### ***30-Day Notice***

The OCC issued a notice for 30 days of comment concerning the collection on March 19, 2018, 83 FR 7104. The OCC received one comment from an individual in response to the proposed renewal. The comment related to 12 CFR 1.7. Twelve CFR 1.7 provides that a bank may hold securities in satisfaction of debts previously contracted for a period of five years and permits the OCC to extend the holding period up to an additional five years if the bank provides a clearly convincing demonstration as to why an additional holding period is needed. Banks may not hold securities under 12 CFR 1.7 for speculative purposes.

The commenter stated that 12 CFR 1.7 is unduly burdensome because the OCC has not defined “speculative purposes” or what constitutes a “clearly convincing demonstration.” The commenter stated that the OCC should reassess the reasonableness of the OCC’s unlimited discretion in interpreting 12 CFR 1.7. The commenter further stated that the OCC is not restricted to removing outdated or unnecessary regulations only on a decennial basis through the EGRPRA process.

In response to this comment, the OCC notes that the OCC cannot rescind regulations through the PRA renewal process. Moreover, as part of the OCC’s ten-year regulatory review required under section 222 of EGRPRA, the OCC issued notices soliciting comments on all OCC regulations, including 12 CFR Part 1.<sup>3</sup> The OCC did not receive any comments regarding 12 CFR Part 1 in response to the relevant OCC notice. The OCC therefore did not propose any revisions to Part 1 in connection with the review required under EGRPRA. In light of the OCC’s supervisory experience with 12 CFR 1.7 and the lack of comment on 12 CFR Part 1 during the most recent EGRPRA review, the OCC does not believe that further clarification on the meaning of “speculative purposes” or “clear and convincing demonstration” is necessary at this time.

#### **9. *Payment or gift to respondents:***

There is no payment to respondents.

#### **10. *Any assurance of confidentiality:***

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<sup>3</sup> See Regulatory Publication and Review Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996, 79 Fed. Reg. 32172, 32178 (Jun. 4, 2014).

The information collected is kept private to the extent permitted by law.

**11. Justification for questions of a sensitive nature:**

Not applicable.

**12. Burden estimates:**

<b>Cite and Burden Type</b>	<b>Information Collection Requirements in 12 CFR Part 1</b>	<b>Number Of Respondents</b>	<b>Number Of Responses</b>	<b>Average Hours Per Response</b>	<b>Estimated Burden Hours</b>
12 CFR 1.3(h) (2) Reporting	<i>Limitations on dealing in, underwriting, and purchase and sale of securities – Pooled Investment – Other issuers</i> – A national bank may request an OCC determination that it may invest in an entity that is exempt from registration under section 3(c)(1) of the Investment Company Act of 1940 if the portfolio of the entity consists exclusively of assets that a national bank may purchase and sell for its own account.	15	1	24	360 hours
12 CFR 1.7(b)	<i>Securities held in satisfaction of debts previously contracted; holding period; disposal; accounting treatment; non-speculative purpose – Holding period</i> – A national bank may request OCC approval to extend the five-year holding period of securities held in satisfaction of debts previously contracted for up to an additional five years. The bank must provide a clearly convincing demonstration of why any additional holding period is needed.	10	1	10	100
<b>Totals</b>		<b>25</b>	<b>1</b>		<b>460</b>

**Cost of hour burden:**

460 hours x \$114 = \$52,440

To estimate average hourly wages we reviewed data from May 2016 (released in March 2017) for wages (by industry and occupation) from the U.S. Bureau of Labor Statistics (BLS) for depository credit intermediation (NAICS 522100). To estimate compensation costs associated with the rule, we use \$114 per hour, which is based on the average of the 90th percentile for seven occupations adjusted for inflation (2 percent), plus an additional 30 percent to cover private sector benefits. Thirty percent represents the average private sector costs of employee benefits.

**13. *Estimate of total annual costs to respondents (excluding cost of hour burden in item #12):***

Not applicable.

**14. *Estimates of annualized cost to the Federal Government:***

Not applicable.

**15. *Change in burden:***

There is no change in burden.

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

Not applicable.

**17. *Reasons for not displaying OMB approval expiration date:***

Not applicable.

**18. *Exceptions to the certification statement:***

None.

**B. *Collections of Information Employing Statistical Methods.***

Not applicable.