

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 credit 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 retail 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.*

Board of Governors of the Federal Reserve System, September 11, 2006.

**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.*

Dated: September 7, 2006.

**Deborah Dakin,**

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

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## 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<sup>1</sup> that are subject to the agencies' revised market risk capital rules. 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](mailto: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.

**Public Inspection:** You may inspect and photocopy comments at the Public Information Room. You can make an appointment to inspect the comments by calling (202) 874-5043.

**Board:** You may submit comments, which should refer to "Market Risk Framework Regulatory Reporting Requirements," by any of the following methods:

- **Agency Web Site:** <http://www.federalreserve.gov>. Follow the instructions for submitting comments on the <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](mailto:regs.comments@federalreserve.gov). Include "Market Risk Framework Regulatory Reporting Requirements" 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, NW., Washington, DC 20551.

All public comments are available from the Board's Web site at <http://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 in Room MP-500 of the Board's Martin Building (20th and C Streets, NW.) between 9 a.m. and 5 p.m. on weekdays.

**FDIC:** You may submit comments, which should refer to "Market Risk Framework Regulatory Reporting Requirements," by any of the following methods:

- <http://www.FDIC.gov/regulations/laws/federal/notices.html>.

- **E-mail:** [comments@FDIC.gov](mailto:comments@FDIC.gov).

Include "Market Risk 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.

- **Hand Delivery:** Comments may be hand delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m.

**Public Inspection:** All comments received will be posted without change to <http://www.fdic.gov/regulations/laws/federal/propose.html> including any personal information provided.

Comments may be inspected at the FDIC Public Information Center, Room E-1002, 3502 North Fairfax Drive, Arlington, VA 22226, between 9 a.m. and 5 p.m. on business days.

**OTS:** You may submit comments, identified by "Market Risk Framework Regulatory Reporting Requirements (1550-NEW)," by any of the following methods:

- **Federal eRulemaking Portal:** <http://www.regulations.gov>. Follow the instructions for submitting comments.

- **E-mail address:**

[infocollection.comments@ots.treas.gov](mailto:infocollection.comments@ots.treas.gov). Please include "Market Risk 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: "Market Risk Framework Regulatory Reporting Requirements (1550-NEW)."

- **Hand Delivery/Courier:** Guard's Desk, East Lobby Entrance, 1700 G Street, NW., from 9 a.m. to 4 p.m. on business days, Attention: Information Collection Comments, Chief Counsel's Office, Attention: "Market Risk Framework Regulatory Reporting Requirements (1550-NEW)."

**Instructions:** All submissions received must include the agency name and "Market Risk Framework Regulatory Reporting Requirements (1550-NEW)." All comments received will be posted without change to the OTS Internet Site at <http://www.ots.treas.gov/pagehtml.cfm?catNumber=67&an=1>, including any personal information provided.

**Docket:** For access to the docket to read background documents or comments received, go to <http://www.ots.treas.gov/pagehtml.cfm?catNumber=67&an=1>.

In addition, you may inspect comments at the Public Reading Room, 1700 G Street, NW., by appointment. To make an appointment for access, call (202) 906-5922, send an e-mail to [public.info@ots.treas.gov](mailto:public.info@ots.treas.gov), or send a facsimile transmission to (202) 906-7755. (Prior notice identifying the materials you will be requesting will assist us in serving you.) We schedule appointments on business days between 10 a.m. and 4 p.m. In most cases, appointments will be available the next business day following the date we receive a request.

A copy of the comments may also be submitted to the OMB desk officer for the agencies by mail to the Office of Information and Regulatory Affairs, U.S. 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:** For further information about the proposed regulatory reporting requirements discussed in this notice, please contact

<sup>1</sup> For simplicity, and unless otherwise indicated, this notice uses the term "bank" to include banks, savings associations, and bank holding companies (BHCs). The terms "bank holding company" and "BHC" refer only to bank holding companies regulated by the Board and do not include savings and loan holding companies regulated by the OTS. For a detailed description of the institutions covered by this notice, refer to Section 1(b) of the proposed regulatory text in the notice of proposed rulemaking entitled Risk-Based Capital Standards: Market Risk.

any of the agency clearance officers whose names appear below. In addition, copies of the reporting schedule and instructions can be obtained at each agency's web site as well as the FFIEC's Web site.<sup>2</sup>

**OCC:** Please direct substantive questions to Margot Schwadron, Risk Expert, Capital Policy Division, (202) 874-6022, and requests for copies of the collection to Mary Gottlieb, OCC Clearance Officer, or Camille Dickerson, (202) 874-5090, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

**Board:** Michelle Long, Federal Reserve Board Clearance Officer, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202-452-3829).

**FDIC:** Steven F. Hanft, Clearance Officer, at [shanft@fdic.gov](mailto:shanft@fdic.gov), (202-898-3907), Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

**OTS:** Marilyn K. Burton, OTS Clearance Officer, at [marilyn.burton@ots.treas.gov](mailto: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.

**Report Title:** Market Risk Regulatory Reporting Requirements.

**Form Numbers:** FFIEC 102.

**Frequency of Response:** Quarterly.

**Affected Public:** Business or other for-profit.

## OCC

**OMB Number:** 1557-NEW.

**Estimated Number of Respondents:** 10 national banks.

**Estimated Time per Response:** 11.75 burden hours.

**Estimated Total Annual Burden:** 470 hours.

## Board

**OMB Number:** 7100-NEW.

**Estimated Number of Respondents:** 4 state member banks.

**Estimated Time per Response:** 11.75 hours.

**Estimated Total Annual Burden:** 188 hours.

**OMB Number:** 7100-NEW.

<sup>2</sup> For the OCC: <http://www.occ.treas.gov>; for the FDIC: <http://www.fdic.gov>; for the OTS: <http://www.ots.treas.gov>; for the Board: <http://www.federalreserve.gov/boarddocs/reportforms/review.cfm>; and for the FFIEC: [http://www.ffiec.gov/ffiec\\_report\\_forms.htm](http://www.ffiec.gov/ffiec_report_forms.htm).

**Estimated Number of Respondents:** 18 BHCs.

**Estimated Time per Response:** 11.75 hours.

**Estimated Total Annual Burden:** 846 hours.

## FDIC

**OMB Number:** 3064-NEW.

**Estimated Number of Respondents:** 3 state nonmember banks.

**Estimated Time per Response:** 11.75 burden hours.

**Estimated Total Annual Burden:** 141 hours.

## OTS

**OMB Number:** 1550-NEW.

**Estimated Number of Respondents:** 1 savings association.

**Estimated Time per Response:** 11.75 hours.

**Estimated Total Annual Burden:** 47 hours.

## General Description of Reports

These information collections would be mandatory for banks that meet the market risk requirements within the agencies' risk-based capital standards: 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)).

## Abstract

Each bank that meets the market risk requirements within the agencies' risk-based capital standards would file quarterly regulatory reports for the agencies' use in assessing the reasonableness and accuracy of a reporting entity's calculation of its minimum capital requirements under the market risk rules and in evaluating an entity's capital in relation to its risks.

## Current Actions

**Risk-Based Capital Standards: Market Risk Framework: Regulatory Reporting Requirements**

### I. Background

The agencies have today published a joint notice of proposed rulemaking entitled Risk-Based Capital Standards: Market Risk (the Market Risk NPR).<sup>3</sup> The Market Risk NPR, which would apply to all banks that meet the market risk requirements, describes proposed

<sup>3</sup> Terms used in this text and in the proposed regulatory reporting schedule and instructions are used as defined in the Market Risk NPR.

changes to the agencies' existing market risk rules.<sup>4</sup> Included within the Market Risk NPR are requirements for public disclosure of certain information at the consolidated banking organization level as well as a reference to certain additional regulatory reporting by depository institutions (DIs) and BHCs. The additional regulatory reporting referenced within the Market Risk NPR, and described more fully herein, comprise the agencies' proposed regulatory reporting requirements.

The agencies are publishing the Market Risk NPR and the regulatory reporting proposal described herein at the same time as their notice of proposed rulemaking for the Advanced Capital Adequacy Framework for risk-based capital and its associated regulatory reporting proposal so that the industry, and other interested parties, may assess the full impact of the two proposed rules.

At present, banks and BHCs that are subject to the existing market risk rules report the amount of their market risk equivalent assets in their respective quarterly regulatory reports.<sup>5</sup> This current reporting requirement reveals only the end result of the market risk calculations without providing any information concerning the key inputs to the measure for market risk. Accordingly, the agencies are proposing the standardized regulatory reporting requirements described herein in order to assess the reasonableness and accuracy of a bank's calculation of its minimum capital requirements under the proposed revised Market Risk rule and to evaluate a bank's capital in relation to its risks. Importantly, the new reports will allow the agencies to better track growth in more credit-risk related, less liquid, and less actively traded products in the trading book that, in the past, have had risks that have been difficult to capture and measure. These reports should assist the agencies in ensuring that these risks are adequately reflected for safety and soundness purposes.

In this regard, the reported data will enable the agencies to monitor the levels

<sup>4</sup> For the OTS, the Market Risk NPR provides a new framework for assessing capital for market risk.

<sup>5</sup> For banks, the Consolidated Reports of Condition and Income (Call Report) (Form FFIEC 031 or FFIEC 041; OMB No. 1557-0081 for the OCC, 7100-0036 for the Board, and 3064-0052 for the FDIC) and, for BHCs, the Consolidated Financial Statements for Bank Holding Companies (Board Form FR Y-9C; OMB No. 7100-0128). As mentioned in footnote 4, for the OTS, the Market Risk NPR provides a new framework for assessing capital for market risk. As a consequence, savings associations currently are not subject to a regulatory reporting requirement related to market risk in the Thrift Financial Report (OTS Form 1313; OMB No. 1550-0023).

of and trends in components that comprise the market risk measure under the proposed revised rule within and across reporting banks. Such component reporting will allow supervisors to better understand, on an ongoing basis, model implied diversification benefits for individual banks. The agencies also will gain the ability to perform bank-to-bank comparisons of the drivers underlying banks' measures for market risk, identify potential outliers through bank-to-peer comparisons, track these drivers at banks over time relative to trends in other risk indicators, and focus onsite examination efforts. Furthermore, the agencies believe that requiring certain common reporting across banks would facilitate comparable application of the proposed revised Market Risk rule.

### Scope and Frequency of Regulatory Reporting

The proposed regulatory reporting requirements associated with the Market Risk NPR would apply, on a consolidated basis, to each BHC and each DI that is required to calculate its risk-based capital using the market risk rules (see Section 1(b) of the proposed regulatory text in the Market Risk NPR for a detailed description of the institutions covered by this notice). Reporting BHCs and DIs would submit reports quarterly because efforts to monitor banks' progress toward, and actions under, the Market Risk rules require regular and consistent reports from all of the institutions subject to this rule.

The agencies expect that the report due dates for the proposal described herein would be the same as the report due dates currently required by banks, savings associations, and bank holding companies when filing their respective quarterly regulatory reports. 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.

Schedule 1, for market risk, would first be reported at the end of the first calendar quarter in which the market risk rule becomes effective.

### II. Overview of the Data Collection Proposal

Schedule 1 shows the data elements within the market risk exposure class that would be reported under the Market Risk NPR. The data submitted in Schedule 1 will be shared among the four agencies but will not be released to the public. The schedule is subdivided into sections. The first section contains data elements relating to banks' approved regulatory market risk models including details of value at risk (VaR) measures (as of the reporting date and averaged over 60 days) broken down by associated risk categories (interest rate, equity, foreign exchange, commodities, and credit) and specific risk charges. The second section contains data elements relating to market risk exposures covered under the standard method broken down by covered debt and equity positions. Other sections contain data elements relating to summary information on default risk charges and valuation adjustments.

In developing this proposal, the agencies considered several trade-offs between reporting burden and the information needs of bank supervisors. One issue that the agencies identified was that banks have exposures in certain products that might fit into more than one of the specified risk categories (interest rate, equity, foreign exchange, commodities, and credit). For example, convertible securities will mostly be subject to interest rate risk unless their value converges with that of the underlying equity. Similarly, foreign exchange swaps are primarily interest rate positions, but it is possible that a bank might classify some as foreign exchange risk. As a result, the agencies propose that banks may classify their exposures in the same categories in which they are reported internally for purposes of calculating the VaRs for this reporting schedule. Similarly, the agencies, for purposes of this reporting schedule, have defined correlation benefit as any adjustment to VaR that a bank makes to reflect statistical correlation between the values of the underlying positions. The agencies also recognize that some banks may not adjust for correlation benefits in their VaR estimates, and in that case a bank need not estimate it for purposes of this reporting schedule.

### III. 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 and data alternatives. In addition, comments are invited 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 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.*

Board of Governors of the Federal Reserve System, September 11, 2006.

#### Jennifer J. Johnson

*Secretary of the Board.*

Federal Deposit Insurance Corporation.

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

#### Robert E. Feldman,

*Executive Secretary.*

Dated: September 7, 2006.

#### Deborah Dakin,

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

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