



FEDERAL RESERVE SYSTEM

Agency Information Collection Activities: Announcement of Board Approval under Delegated Authority and Submission to OMB

AGENCY: Board of Governors of the Federal Reserve System.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) is adopting a proposal to extend for three years, with revision, the Market Risk Capital Rule (FR 4201; OMB No. 7100-0314).

DATES: The revisions are applicable immediately.

FOR FURTHER INFORMATION CONTACT: Federal Reserve Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC, 20551 (202) 452-3829.

Office of Management and Budget (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.

SUPPLEMENTARY INFORMATION: On June 15, 1984, OMB delegated to the Board authority under the Paperwork Reduction Act (PRA) to approve and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the PRA Submission, supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Board 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.

Final Approval Under OMB Delegated Authority of the Extension for Three Years, with Revision, of the Following Information Collection:

Report title: Market Risk Capital Rule.

Agency form number: FR 4201.

OMB control number: 7100-0314.

Effective Date: Immediately.

Frequency: Reporting, annually; Recordkeeping, annually; Disclosure, annually and quarterly.

Respondents: Bank holding companies (BHCs), savings and loan holding companies (SLHCs), intermediate holding companies (IHCs), and state member banks (SMBs) that meet certain risk thresholds. The market risk rule applies to any such banking organization with aggregate trading assets and trading liabilities equal to (1) 10 percent or more of quarter-end total assets or (2) \$1 billion or more.¹

Estimated number of respondents: 37.

Estimated average hours per response: Reporting, 1,088; Recordkeeping, 220;

Disclosure, 68.

Estimated annual burden hours: 13,148.

General description of report: The market risk rule, which requires banking organizations to hold capital to cover their exposure to market risk, is an important component of the Board's regulatory capital framework (12 CFR part 217; Regulation Q). The Board may exclude a banking organization that is subject to the market risk rule

¹ 12 CFR 217.201(b)(1).

if the Board determines that the exclusion is appropriate based on the level of market risk of the banking organization and is consistent with safe and sound banking practices.² The Board may further apply the market risk rule to any other banking organization if the Board deems it necessary or appropriate because of the level of market risk of the banking organization or to ensure safe and sound banking practices.³

The Board's market risk rule requires a subject banking organization to obtain the approval of the Board prior to (1) using any internal model to calculate its risk-based capital requirements under subpart F of the Board's Regulation Q; (2) including in its capital requirement for *de minimis* exposures the capital requirement for any *de minimis* exposures using alternative techniques that appropriately measure the market risk associated with those exposures; (3) including portfolios of equity positions in its incremental risk model if the banking organization measures the specific risk of a portfolio of debt positions using internal models; or (4) using the method specified in section 209(a) of Regulation Q to measure comprehensive risk for one or more portfolios of correlation trading positions. A subject banking organization also must obtain the prior approval of the Board for, and notify the Board if the banking organization makes any material changes to, the policies and procedures required by section 206(b)(3) of Regulation Q. Further, the market risk rule requires subject banking organizations to (1) have clearly defined policies and procedures for determining which trading assets and trading liabilities are trading positions and which trading positions are correlation trading positions; (2) have clearly defined trading and hedging strategies for trading positions; (3) retain certain financial and statistical information regarding the institution's Board-

² 12 CFR 217.201(b)(3).

³ 12 CFR 217.201(b)(2).

approved subportfolios of its portfolio exposures subject to the market risk rule; (4) have a formal disclosure policy that addresses the banking organization's approach for determining the market risk disclosures; and (5) make certain public quantitative disclosures.

The collections of information provide current statistical data identifying market risk areas on which to focus onsite and offsite examinations. They also allow the Board to assess the levels and components of each reporting institution's risk-based capital requirements for market risk and the adequacy of the institution's capital under the market risk rule. Finally, these collections of information ensure capital adequacy of banking organizations according to their level of market risk and assist the Board in implementing and validating the market risk framework. There are no required reporting forms associated with this information collection.

Legal authorization and confidentiality: The recordkeeping provisions of the Market Risk Capital Rule are authorized to be collected from SMBs pursuant to sections 9(6) and 11 of the Federal Reserve Act⁴; from BHCs pursuant to section 5(c) of the Bank Holding Company Act (BHC Act)⁵ and, in some cases, section 165 of the Dodd-Frank Act⁶; from foreign banking organizations (FBOs) pursuant to section 8(a) of the International Banking Act⁷ and section 165 of the Dodd-Frank Act; and from SLHCs pursuant to section 10(b)(2) and (g) of the Home Owners' Loan Act (HOLA)⁸. Sections 9(6) and 11 of the Federal Reserve Act authorize the Board to require SMBs to submit reports, as necessary. Section 5(c) of the BHC Act authorizes the Board to require BHCs to submit

⁴ 12 U.S.C. 324 and 248(a).

⁵ 12 U.S.C. 1844(c).

⁶ 12 U.S.C. 5365.

⁷ 12 U.S.C. 3106(a).

⁸ 12 U.S.C. 1467a(b)(2) and (g).

reports to the Board regarding their financial condition, and section 8(a) of the International Banking Act subjects FBOs to the provisions of the BHC Act. Section 10 of HOLA authorizes the Board to collect reports from SLHCs.

The information collections under FR 4201 are mandatory. The information collected through the FR 4201 is collected as part of the Board's supervisory process, and therefore may be afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act (FOIA).⁹ In addition, individual respondents may request that certain data be afforded confidential treatment pursuant to exemption 4 of the FOIA if the data has not previously been publically disclosed and the release of the data would likely cause substantial harm to the competitive position of the respondent.¹⁰ Determinations of confidentiality based on exemption 4 of the FOIA would be made on a case-by-case basis.

Current actions: On April 9, 2019, the Board published a notice in the Federal Register (84 FR 14113) requesting public comment for 60 days on the extension, with revision, of the Market Risk Capital Rule. The Board proposes to revise the collections of information associated with the market risk rule to include the prior approvals a banking organization must obtain from the Board pursuant to sections 203(c)(1) and 204(a)(2)(vi)(B) of Regulation Q. These revisions are intended to accurately reflect the information collection requirements of the market risk rule. The comment period for this notice expired on June 10, 2019. One public comment was received but it was outside the scope of the Board's review under the Paperwork Reduction Act (PRA). The revisions will be implemented as proposed.

⁹ 5 U.S.C. 552(b)(8)

¹⁰ 5 U.S.C. 552(b)(4)

Board of Governors of the Federal Reserve System, August 7, 2019.

Michele Taylor Fennell,

Assistant Secretary of the Board.

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