



Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice, request for comment.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) invites comment on a proposal to extend for three years, with revision, the Single-Counterparty Credit Limits (FR 2590; OMB No. 7100-0377).

DATES: Comments must be submitted on or before [INSERT DATE 60 DAYS AFTER PUBLICATION IN THE *FEDERAL REGISTER*].

ADDRESSES: You may submit comments, identified by FR 2590, by any of the following methods:

- Agency Website: <https://www.federalreserve.gov/>. Follow the instructions for submitting comments at <https://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- E-mail: regs.comments@federalreserve.gov. Include the OMB number or FR number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Federal Reserve Board of Governors, Attn: Ann E. Misback, Secretary of the Board, Mailstop M-4775, 2001 C St NW, Washington, DC 20551.

All public comments are available from the Board's website at <https://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons or to remove personally identifiable information at the commenter's request. Accordingly, comments will not be edited to remove any confidential business information, identifying information, or contact information. Public comments may also be viewed electronically or in paper in Room M-4365A, 2001 C St NW, Washington, DC 20551, between 9:00 a.m. and 5:00 p.m. on weekdays, except for Federal holidays. For security reasons, the Board requires that visitors make an appointment to inspect comments. You may do so by calling

(202) 452-3684. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

Additionally, commenters may send a copy of their comments to the Office of Management and Budget (OMB) Desk Officer for the Federal Reserve Board, 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.

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, nuha.elmaghrabi@frb.gov, (202) 452-3884.

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 collections of information conducted or sponsored by the Board. In exercising this delegated authority, the Board is directed to take every reasonable step to solicit comment. In determining whether to approve a collection of information, the Board will consider all comments received from the public and other agencies.

During the comment period for this proposal, a copy of the proposed PRA OMB submission, including the draft reporting form and instructions, supporting statement (which contains more detail about the information collection and burden estimates than this notice), and other documentation, will be made available on the Board's public website at <https://www.federalreserve.gov/apps/reportingforms/home/review> or may be requested from the agency clearance officer, whose name appears above. Final versions of these documents will be made available at <https://www.reginfo.gov/public/do/PRAMain>, if approved.

Request for Comment on Information Collection Proposal

The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Board's functions, including whether the information has practical utility;
- b. The accuracy of the Board's estimate of the burden of the proposed information collection, 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 collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Board should modify the proposal.

Proposal under OMB Delegated Authority to Extend for Three Years, With Revision, the Following Information Collection

Collection title: Single-Counterparty Credit Limits.

Collection identifier: FR 2590.

OMB control number: 7100-0377.

General description of collection: The FR 2590 was implemented in connection with the Board's single-counterparty credit limits rule (SCCL rule),¹ codified in the Board's Regulation YY - Enhanced Prudential Standards (12 CFR Part 252)² and the Board's Regulation LL – Savings and Loan Holding Companies (12 CFR Part 238).³

¹ 83 FR 38460 (August 6, 2018). See also 84 FR 59032 (November 1, 2019) (finalizing the SCCL rule for SLHCs).

² See 12 CFR part 252, subparts H and Q.

³ See 12 CFR part 238, subpart Q.

The information collected by the FR 2590 reporting form allows the Board to monitor a covered company's or a covered foreign entity's compliance with the SCCL rule. A covered company is any U.S. bank holding company (BHC) that is subject to Category I, II, or III standards or any savings and loan holding company (SLHC) that is subject to Category II or III standards. A covered foreign entity is a foreign banking organization (FBO) that is subject to Category II or III standards or that has total global consolidated assets of \$250 billion or more, and any U.S. intermediate holding company (IHC) that is subject to Category II or III standards. In addition to the reporting form, the FR 2590 information collection incorporates notice requirements pertaining to requests that may be made by a covered company or covered foreign entity to request temporary relief from specific requirements of the SCCL rule, as well as a requirement that filers of the FR 2590 reporting form retain an exact copy of each completed FR 2590.

Proposed revisions: The Board proposes to make four clarifications and one revision to the FR 2590 form and instructions. The Board proposes to clarify that a respondent that is an FBO subject to a large exposure standard on a consolidated basis established by its home-country supervisor that is consistent with the framework established by the Basel Committee on Banking Supervision (BCBS) may simply report that on line 1 of the FR 2590 and is not required to submit additional documentation of compliance. This clarification is intended to confirm the intention expressed in the *Federal Register* notice for the final FR 2590 form, which states that “submission of the FR 2590 report with this [certification] box checked generally will be sufficient to meet the reporting requirement of the SCCL rule.”⁴ The proposed revised instructions specify that a respondent may be required to provide additional information or reporting concerning its counterparty credit exposures upon written request by the Board, consistent with the SCCL rule.

⁴ 84 FR 64070, 64071 (November 20, 2019).

The Board further proposes to clarify that a respondent organization should use the tier 1 capital amount reported on the Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128) or on the Capital and Asset Report for Foreign Banking Organization (FR Y-7Q; OMB No. 7100-0125) for the same reporting period as the FR 2590 form being submitted when calculating and reporting compliance with the SCCL rule (meaning that the FR 2590 form reporting compliance for Q1 of a given year should use the tier 1 capital amount reported by the firm on the FR Y-9C or FR Y-7Q for Q1 of that same year). Similarly, the amount included for the most recent quarter for calculating total consolidated assets on the FR Y-9C or FR Y-7Q should be that which is reported for the same reporting period as the FR 2590 form being submitted. To the extent that a firm's tier 1 capital or total consolidated assets change significantly within a given quarter due to unplanned events (e.g., asset deterioration), the Board believes that it would be appropriate for a respondent organization to manage and to limit its net credit exposure to counterparties based on its actual tier 1 capital or assets, including, if necessary, by reducing net credit exposure to a specific counterparty. This would be consistent with the purpose of the SCCL rule, which is to limit the risks posed to covered companies by the failure of any individual firm.⁵

The Board also proposes to clarify that a respondent organization must maintain in their files a physical or electronic scanned copy of the manually signed and attested printout of the data being submitted for a period of three years after submission, with the signed cover page of the FR 2590 being sufficient to fulfill the signature and attestation requirement. This requirement is aligned with other regulatory reporting forms and is intended to ensure appropriate oversight and accountability regarding submitted data. Currently, FR 2590 respondents are required to maintain these records, but the instructions do not specify the duration of the recordkeeping requirement.

⁵ 83 FR 38460, 38461 (August 6, 2018); see also 12 U.S.C. 5365(e)(1).

The Board also proposes to clarify in the FR 2590 form that the order of counterparties should be the same across Schedules G-1 through G-4, M-1 through M-2, and the Summary of Net Credit Exposures.

The Board also proposes to revise Schedule M-1 of the FR 2590 to allow respondents calculating derivative transaction exposures using standardized approach for counterparty credit risk (SA-CCR) to report collateral received in connection with those derivative transactions in a new Table B. Table B would not be included in the respondent's summary of net credit exposures. For valuing credit exposure resulting from derivative transactions, firms are authorized to use any method they would be authorized to use for purposes of calculating compliance with the Board's risk-based capital requirements, including the internal models method (IMM), the current exposure method (CEM), or SA-CCR.⁶ Firms using either CEM or IMM are currently able to report accurate derivative exposures.⁷ Firms calculating derivative exposures under SA-CCR, however, have experienced difficulties under the FR 2590 and current instructions in reporting accurately their gross credit exposure, collateral, and net credit exposure because collateral is factored directly into the SA-CCR calculation and cannot truly be separated out into the elements specified on FR 2590.⁸ For example, a respondent reporting both its gross credit exposure as calculated using SA-CCR and collateral received as separate items would cause collateral to be double-counted when calculating its net credit exposures, resulting in artificially lower net credit exposures with respect to the SCCL rule. To avoid this double-counting, some respondents chose to not report collateral in such cases.

Because of the importance of collateral as a risk mitigant, especially in exiting defaulted positions, the Board proposes creating a new table (Table B) in Schedule M-1 to allow

⁶ Note that only advanced approaches firms may request to use internal models. See 12 CFR 217, subpart E.

⁷ Firms using IMM use two dedicated columns on Schedule G-4. A firm using CEM would report the gross credit exposure of derivative netting sets (pre-collateral exposure at default) on Schedule G-4, report collateral on Schedule M-1, report net credit exposures by deducting the collateral reported on Schedules M-1 from the gross credit exposures in Schedule G-4, and report risk-shifted exposures on Schedule G-5 for the adjusted market value of non-cash collateral.

⁸ Under SA-CCR, collateral is included in both the recovery cost and the potential future exposure. See 12 CFR 217, subpart D.

respondents calculating derivative transaction exposures using SA-CCR to accurately report their exposure and collateral in connection with those derivative transactions. This information is consistent with other information requested by FR 2590 and is not readily available through other regulatory reporting forms.

Frequency: Quarterly, event-generated.

Respondents: U.S. BHCs that are subject to Category I, II, or III standards, FBOs that are subject to Category II or III standards or that have total global consolidated assets of \$250 billion or more, and SLHCs and U.S. IHCs that are subject to Category II or III standards.

Total estimated number of respondents: 83.

Estimated average hours per response:

Reporting FR 2590 Form: 170.56

Reporting Requests for temporary relief: 10

Recordkeeping: 0.25.

Total estimated change in burden: 0.

Total estimated annual burden hours: 56,719.⁹

Board of Governors of the Federal Reserve System, September 5, 2023.

Michele Taylor Fennell,

Deputy Associate Secretary of the Board.

Billing Code 6210-01-P

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⁹ More detailed information regarding this collection, including more detailed burden estimates, can be found in the OMB Supporting Statement posted at <https://www.federalreserve.gov/apps/reportingforms/home/review>. On the page displayed at the link, you can find the OMB Supporting Statement by referencing the collection identifier, FR 2590.