Supporting Statement for
Financial Statements for Bank Holding Companies
(FR Y-9C, FR Y-9LP, FR Y-9SP, FR Y-9CS and FR Y-9ES; OMB No. 7100-0128)

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to revise, without extension, the mandatory Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) (OMB No. 7100-0128). This family of reports also contains the following mandatory reports, which are not being revised:

(1) the Parent Company Only Financial Statements for Large Bank Holding Companies (FR Y-9LP),
(2) the Parent Company Only Financial Statements for Small Bank Holding Companies (FR Y-9SP),
(3) the Financial Statements for Employee Stock Ownership Plan Bank Holding Companies (FR Y-9ES), and
(4) the Supplement to the Consolidated Financial Statements for Bank Holding Companies (FR Y-9CS).

Pursuant to the Bank Holding Company Act of 1956, as amended, the Federal Reserve requires bank holding companies (BHCs) to provide standardized financial statements to fulfill the Federal Reserve's statutory obligation to supervise these organizations. BHCs file the FR Y-9C and FR Y-9LP quarterly, the FR Y-9SP semiannually, the FR Y-9ES annually, and the FR Y-9CS on a schedule that is determined when the supplement is used.

The Federal Reserve proposes to implement a new Schedule HI-C, Disaggregated Data on the Allowance for Loan and Lease Losses (ALLL), which would be completed by institutions with $1 billion or more in total assets beginning March 31, 2013, to the FR Y-9C. Institutions would report a breakdown by key loan category of the end-of-period ALLL disaggregated on the basis of impairment method and the end-of-period recorded investment in held-for-investment loans and leases related to each ALLL balance. For the March 31, 2013, report date, the Federal Reserve will allow institutions to provide reasonable estimates for any Schedule HI-C item for which the requested information is not readily available. The total current annual paperwork burden for the FR Y-9 family of reports is estimated to be 288,542 hours and is estimated to increase by 2,266 hours for a proposed annual paperwork burden of 290,808 hours.

Background and Justification

The FR Y-9C, FR Y-9LP, and FR Y-9SP are standardized financial statements for the consolidated BHC and its parent. The FR Y-9ES is a financial statement for BHCs that are Employee Stock Ownership Plans (ESOPs). The Federal Reserve also has the authority to use the FR Y-9CS, a free form supplement, to collect any additional information deemed to be critical and needed in an expedited manner. The FR Y-9 family of reports historically has been, and continues to be, the primary source of financial information on BHCs between on-site inspections. Financial information from these reports is used to detect emerging financial problems, to review performance and conduct pre-inspection analysis, to monitor and evaluate capital adequacy, to evaluate BHC mergers and acquisitions, and to analyze a BHC's overall financial condition to ensure safe and sound operations.

Description of the Information Collection

FR Y-9C

The FR Y-9C consists of standardized financial statements similar to the Federal Financial Institutions Examination Council (FFIEC) Consolidated Reports of Condition and Income (Call Reports) (FFIEC 031 & 041; OMB No. 7100-0036) filed by commercial banks. The FR Y-9C collects consolidated data from BHCs. The FR Y-9C is filed by top-tier BHCs with total consolidated assets of $500 million or more.[1] The Federal Reserve proposes several changes to the FR Y-9C reporting requirements to better understand BHCs' risk exposures and for reasons of safety and soundness.

Proposed Revisions Related to Call Report Revisions

The Federal Reserve proposes to make the following revisions to the FR Y-9C to parallel proposed changes to the Call Report. In the past, BHCs have commented that changes should be made to the FR Y-9C in a manner consistent with changes to the Call Report to reduce reporting burden.

The following revisions would be effective March 31, 2013.

Disaggregated Data on the Allowance for Loan and Lease Losses

In July 2010, the Financial Accounting Standards Board (FASB) published Accounting Standards Update No. 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), which amended Accounting Standards Codification (ASC) Topic 310, Receivables. The main objective of the update was to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financing receivables. Examples of financing receivables include loans, credit cards, notes receivable, and leases (other than an operating lease). The update was intended to provide additional information to assist financial statement users in assessing an entity's credit risk exposures and evaluating the adequacy of its allowance for credit losses.

To achieve its main objective, ASU 2010-20 requires, in part, that an entity disclose by portfolio segment "[t]he balance in the allowance for credit losses at the end of each period disaggregated on the basis of the entity's impairment method" and "[t]he recorded investment in financing receivables at the end of each period related to each balance in the allowance for credit losses, disaggregated ... in the same manner."[2] As defined in the ASC Master Glossary, a

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[1] Under certain circumstances described in the General Instructions, BHCs with assets under $500 million may be required to file the FR Y-9C.
[2] ASC paragraphs 310-10-51-11B(g) and (h).

portfolio segment is "[t]he level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses." For each portfolio segment, the disaggregation based on impairment method requires separate disclosure of the allowance and the related recorded investment amounts for financing receivables collectively evaluated for impairment, individually evaluated for impairment, and acquired with deteriorated credit quality.[3] This disaggregated disclosure requirement is effective for public entities for the first interim or annual reporting period ending on or after December 15, 2010, and for nonpublic entities for annual reporting periods ending on or after December 15, 2011.

Consistent with the ASU 2010-20 disclosure requirements described above, the Federal Reserve is proposing revisions to the March 2013 FR Y-9C report to capture disaggregated detail for key loan categories of institutions' ALLL and related recorded investments from institutions with $1 billion or more in total assets. The Federal Reserve also proposes to collect this information on the basis of impairment method for each loan category. The Federal Reserve believes that the use of general loan categories consistent with the ALLL methodology of reporting institutions for the proposed new disaggregated disclosures is consistent with the meaning of the term portfolio segment in ASU 2010-20 and with the Federal Reserve's supervisory guidance on ALLL methodologies.[4] More specifically, the Federal Reserve proposes to collect from institutions with $1 billion or more in total assets disaggregated allowance and recorded investment data on the basis of impairment method (collectively evaluated for impairment,[5] individually evaluated for impairment, and acquired with deteriorated credit quality) for the following loan categories:

- Real estate loans:
    - Construction loans
    - Commercial real estate loans
    - Residential real estate loans;
- Commercial loans (including all loans and leases not reported as real estate loans, credit cards, or other consumer loans);
- Credit Cards
- Other consumer loans
- Unallocated, if any
- Total (sum of the above)

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[3] ASC paragraph 310-10-51-11C. Allowances for amounts collectively evaluated for impairment are determined under ASC Subtopic 450-20, Contingencies–Loss Contingencies (formerly FASB Statement No. 5, "Accounting for Contingencies"), allowances for amounts individually evaluated for impairment are determined under ASC Section 310-10-35, Receivables–Overall–Subsequent Measurement (formerly FASB Statement No. 114, "Accounting by Creditors for Impairment of a Loan"), and allowances for loans acquired with deteriorated credit quality are determined under ASC Subtopic 310-30, Receivables–Loans and Debt Securities Acquired with Deteriorated Credit Quality (formerly AICPA Statement of Position 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer").

[4] See the agencies' July 2001 "Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions" at www.federalreserve.gov/boarddocs/srletters/2001/SR0117a1.pdf and their December 2006 "Interagency Policy Statement on the Allowance for Loan and Lease Losses" at www.fdic.gov/news/news/financial/2006/fil06105a.pdf.

[5] For loans collectively evaluated for impairment, an institution would also report the amount of any unallocated portion of its ALLL.

Currently, the FR Y-9C does not provide detail on the components of the ALLL disaggregated by loan category in the manner prescribed by ASU 2010-20. Rather, only the amount of the overall ALLL is reported with separate disclosure of the total amount of the allowance for loans acquired with deteriorated credit quality.[6] Therefore, when conducting off-site evaluations of the level of an individual institution's overall ALLL and changes therein, examiners and analysts cannot determine whether the institution is releasing loan loss allowances in some loan categories and building allowances in others. Collecting more detailed ALLL information would allow the Federal Reserve to more finely focus efforts related to the ALLL and credit risk management and, in conjunction with past due and nonaccrual data currently reported by loan category that are used in a general assessment of an institution's credit risk exposures, to better evaluate the appropriateness of its ALLL. As an example, it is currently not possible to differentiate the ALLL allocated to commercial real estate (CRE) loans from the remainder of the ALLL at institutions with CRE concentrations. By collecting more detailed ALLL information, examiners and analysts would then better understand how institutions with such concentrations are building or releasing allowances, the extent of ALLL coverage in relation to their CRE portfolios, and how this might differ among institutions.

The proposed additional detail on the composition of the ALLL by loan category would also be useful for analysis of the depository institution system. As of June 30, 2012, institutions with $1 billion or more in total assets, which would report the additional detail under this proposal, held 97 percent of the ALLL balances held by all institutions. More granular ALLL information would assist the Federal Reserve in understanding industry trends related to the build-up or release of allowances for specific loan categories. The information would also support comparisons of ALLL levels by loan category, including the identification of differences in ALLL allocations by institution size. Understanding how institutions' ALLL practices and allocations differ over time for particular loan categories as economic conditions change may also provide insights that can be used to more finely tune supervisory procedures and policies.

FR Y-9LP

The FR Y-9LP includes standardized financial statements filed quarterly on a parent company only basis from each BHC that files the FR Y-9C. In addition, for tiered BHCs, a separate FR Y-9LP must be filed for each lower tier BHC.

FR Y-9SP

The FR Y-9SP is a parent company only financial statement filed by smaller BHCs. Respondents include BHCs with total consolidated assets of less than $500 million. This form is a simplified or abbreviated version of the more extensive parent company only financial statement for large BHCs (FR Y-9LP). This report is designed to obtain basic balance sheet and income information for the parent company, information on intangible assets, and information on intercompany transactions.

FR Y-9CS

[6] Credit card specialty banks and other institutions with a significant volume of credit card receivables also disclose the amount, if any, of ALLL attributable to retail credit card fees and finance charges.

The FR Y-9CS is a supplemental report that may be utilized to collect additional information deemed to be critical and needed in an expedited manner from BHCs. The information is used to assess and monitor emerging issues related to BHCs. It is intended to supplement the FR Y-9 reports, which are used to monitor BHCs between on-site inspections. The data items of information included on the supplement may change as needed.

FR Y-9ES

The FR Y-9ES collects financial information from ESOPs that are also BHCs on their benefit plan activities. It consists of four schedules: Statement of Changes in Net Assets Available for Benefits, Statement of Net Assets Available for Benefits, Memoranda, and Notes to the Financial Statements.

Frequency

The Federal Reserve recommends no changes to the reporting frequency of the FR Y-9 family of reports. The current reporting frequencies provide adequate timely data to meet the analytical and supervisory needs of the Federal Reserve.

Time Schedule for Information Collection

The FR Y-9C and FR Y-9LP are filed quarterly as of the end of March, June, September, and December. The filing deadline for the FR Y-9C is 40 calendar days after the March 31, June 30, and September 30 as-of dates and 45 calendar days after the December 31 as-of date. The filing deadline for the FR Y-9LP is 45 calendar days after the quarter-end as-of date. The FR Y-9SP is filed semiannually as of the end of June and December. The filing deadline for the FR Y-9SP is 45 calendar days after the as-of date. The annual FR Y-9ES is collected as of December 31 and the filing deadline is July 31, unless an extension is granted for filing by October 15.

The data from the FR Y-9 family of reports that are not given confidential treatment are available to the public on the FFIEC website (www.ffiec.gov/nicpubweb/nicweb/nichome.aspx) and through the National Technical Information Service.

Legal Status

The Board's Legal Division has determined that the FR Y-9 family of reports is authorized by Section 5(c) of the Bank Holding Company Act [12 U.S.C. 1844(c)]. Overall, the Federal Reserve does not consider the financial data in these reports to be confidential. However, a respondent may request confidential treatment pursuant to section (b)(4) of the Freedom of Information Act [5 U.S.C. 552(b)(4)].

Consultation Outside the Agency

On November 21, 2011, the Federal Reserve published a notice in the *Federal Register* (76 FR 71968) requesting public comment for 60 days on the revision, without extension, of the FR Y-9C. The comment period for this notice expired on January 20, 2012. On January 17, 2013, the Federal Reserve published a final notice in the *Federal Register* (78 FR 3895) on the FR Y-9C, including a detailed discussion of the comments received.

Public Comments:

The Federal Reserve received comment letters from six entities on proposed revisions to the FR Y-9C: two banking organizations, two bankers' associations, a commercial lending software company, and a news organization. In addition, the Federal Reserve, FDIC, and OCC (the banking agencies) received these six comment letters and two additional comment letters from banking organizations on proposed revisions to the Call Reports, which parallel proposed revisions to the FR Y-9C and were taken into consideration for this proposal. Commenters expressed the general concern that the proposed disaggregated ALLL data in Schedule HI-C are not aligned with the manner in which institutions estimate and maintain their ALLL and that modifying systems to report ALLL information categorized as proposed would be costly and necessitate significant lead time to implement. One commenter also recommended increasing the asset size threshold for institutions to report this schedule, proposed to be collected from institutions with $1 billion or more in total assets, to $5 billion or $10 billion in total assets. Two commenters recommended a more streamlined approach requiring disclosure of fewer loan categories, thereby allowing the agencies to achieve their stated objective and permit institutions to report data consistently with the business models and methodologies used to estimate their ALLL. One of these commenters recommended collapsing the proposed nine loan categories and collecting ALLL and the related recorded investment amounts by impairment measurement method for only three segments: consumer credit cards, all other consumer loans, and commercial loans. The second commenter recommended reporting ALLL and the related recorded investment amounts by impairment measurement method for five loan categories: commercial real estate, residential real estate, commercial, credit cards, and other consumer. The second commenter also favored retaining the reporting of any unallocated portion of the ALLL as had been proposed. Implicit in both of these commenters' recommendations is the concept that the definitions for the loan categories in Schedule HI-C should be those the reporting institution uses in its ALLL methodology rather than those specified in Schedule HC-C, part I, Loans and Leases.

After consideration of the comments received on the proposed disaggregation of ALLL information, the Federal Reserve has modified the originally proposed Schedule HI-C to collect ALLL and the related recorded investment amounts by impairment measurement method for the loan categories (and any unallocated portion of the ALLL) based on the second approach described in the preceding paragraph, but with the addition of a loan category for real estate construction loans. The Federal Reserve considers it appropriate to segregate construction loans from other commercial real estate loans because the risk characteristics of the former differ significantly from those of the latter. The Federal Reserve believes this more streamlined approach to proposed Schedule HI-C, including its use of general loan categories rather than specifically defined categories, would be more consistent with the methodologies institutions currently employ in determining the appropriate level for their overall ALLL and meeting the disclosure requirements of ASU 2010-20.

The Federal Reserve will retain the proposed $1 billion total asset threshold for Schedule HI-C, which exempts 51 percent of all FR Y-9C respondents from this reporting requirement. Given that institutions with $1 billion or more in total assets hold 97 percent of the ALLL balances held by all FR Y-9C respondents as of June 30, 2012, retaining this reporting threshold as proposed will enable the Federal Reserve to perform a more comprehensive and decision-useful analysis of the depository institution system, particularly in providing a better understanding of how institutions' ALLL practices and allocations differ for particular loan categories as economic conditions change. Furthermore, all institutions with $1 billion or more in total assets are subject to regulations requiring them to prepare annual financial statements in accordance with U.S. generally accepted accounting principles. Accordingly, such institutions should have processes in place to develop the disaggregated ALLL data required to be disclosed by ASU 2010-20, which are comparable to the data specified by Schedule HI-C as modified in response to comments.

For a more detailed discussion of the changes proposed, the comments received, and the Federal Reserve's response, please refer to the "Current Actions" section of the final *Federal Register* notice for this submission.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimates of Respondent Burden

The current annual reporting burden for the FR Y-9 family of reports is estimated to be 288,542 hours and would increase to 290,808 hours as shown in the following table. The average estimated hours per response for FR Y-9C filers would increase from 45.10 hours to 45.59 hours. The Federal Reserve estimates that respondents would take an hour to complete the new Schedule HI-C. Since Schedule HI-C is only applicable to BHCs with total consolidated assets of $1 billion or more (representing 49 percent of total number of respondents), the FR Y-9C burden per response would increase by 0.49 hours. The revised annual burden for the FR Y-9 family of reports would represent less than 3 percent of total Federal Reserve System paperwork burden.

	Number of respondents	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current				
FR Y-9C	1,156	4	45.10	208,542
FR Y-9LP	1,509	4	5.25	31,689
FR Y-9SP	4,425	2	5.40	47,790
FR Y-9ES	98	1	0.50	49
FR Y-9CS	236	4	0.50	472
Total				288,542
Proposed				
FR Y-9C	1,156	4	45.59	210,808
FR Y-9LP	1,509	4	5.25	31,689
FR Y-9SP	4,425	2	5.40	47,790
FR Y-9ES	98	1	0.50	49
FR Y-9CS	236	4	0.50	472
Total				290,808
Change				+2,266

With the proposed revisions the total cost to the public is estimated to increase from the current level of $12,941,109 to $13,042,739 for the revised BHC reports.[7]

[7] Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support @ $17, 45% Financial Managers @ $52, 15% Legal Counsel @ $55, and 10% Chief Executives @ $81). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2011, www.bls.gov/news.release/ocwage.nr0.htm

Estimate of Cost to the Federal Reserve System

Current costs to the Federal Reserve System for collecting and processing these reports are estimated to be $3,022,795 per year. With the revisions the estimated costs will increase to $3,107,788 per year. The one-time costs to implement the revised reports are estimated to be $103,019.