

MMCOF index more susceptible to outlier and extraneous data movements.

The QCOF and SCOF are weighted averages of the cost of funds from all applicable OTS-regulated savings associations. Like the MMCOF, the decline in the number of OTS-regulated savings associations has made these indices more susceptible to outlier and extraneous data movements. This is especially true of these indices since weighted averages subject them to more skewing by large institutions and data outliers.

Additionally, the amount of adjustable rate residential mortgages and mortgage-backed securities held by savings associations has also declined since 1994 despite an increase in aggregate thrift industry assets. At the end of 1994, OTS-regulated savings associations held \$774 billion in aggregate assets. Of that total, \$304 billion, or 39.6 percent, were held in residential ARM loans and related securities. Though third quarter 2010 industry assets of \$928 billion were higher than at the end of 1994, ARM holdings declined to \$130 billion, or 14.0 percent of assets.

The decline in ARM loans and related securities with lagging market indices (LMI)—which include the MMCOF, QCOF, and SCOF among other LMIs—was more stark over this period. At the end of 1994, savings associations' LMI ARMs totaled \$152 billion, or 19.8 percent of assets. LMI ARMs held by savings associations declined 93 percent to just \$10 billion, or 1.1 percent of assets as of September 30, 2010.

The general decline in savings associations' ARMs was attributable to low prevailing interest rates for fixed-rate loans during the past three years. These low rates have resulted in strong refinancing activity out of ARMs and into fixed-rate loans.

Due to the decline in savings associations' ARMs outstanding, especially for LMI ARMs, savings associations' reporting costs and burden associated with reporting for the MMCOF, agency costs and burden associated with the publication of these indices, and the declining number of institutions comprising these indices, the OTS is proposing to discontinue the publication of, and special data collections for all the OTS's COF indices.

Index Substitution

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Public Law 101-73 (FIRREA), was enacted into law on August 9, 1989. Section 402(e)(4) of FIRREA requires the OTS to designate acceptable substitute

indices should it discontinue publication of indices used for ARM rate adjustments. To help designate acceptable substitute indices for the MMCOF, QCOF, and SCOF indices, the OTS analyzed the values and changes of 17 publicly available indices on a monthly basis from January 1990 through August 2010. The OTS compared the values and changes of the publicly available indices to those of the MMCOF, QCOF, and SCOF. Correlation coefficients⁵ were calculated for each publicly available index value to the MMCOF, QCOF, and SCOF.

Based on this analysis, the following indices were the most highly correlated to the MMCOF:

1. 11th District Cost of Funds (*Source*: The Federal Home Loan Bank of San Francisco (FHLB-SF)): Correlation 0.98
2. Federal Cost of Funds (*Source*: Freddie Mac (FHLMC)): Correlation 0.96
3. National Average Contract Mortgage Rate (*Source*: The Federal Housing Finance Agency (FHFA)): Correlation 0.96
4. Monthly Treasury Average (MTA) (*Source*: Federal Reserve Board—H.15 FRSD): Correlation 0.93

The following were the most highly correlated to the QCOF:

1. 11th District Cost of Funds: Correlation 1.00
2. Federal Cost of Funds: Correlation 0.98
3. National Average Contract Mortgage Rate: Correlation 0.96
4. Monthly Treasury Average (MTA): Correlation 0.96

Quarterly averages were calculated from the monthly indices and used for calculating the correlation to the QCOF.

The following were the most highly correlated to the SCOF:

1. 11th District Cost of Funds: Correlation 1.00
2. Federal Cost of Funds: Correlation 0.98
3. National Average Contract Mortgage Rate: Correlation 0.97
4. Monthly Treasury Average (MTA): Correlation 0.96

Semi-annual averages were calculated from the monthly indices and used for calculating the correlation to the SCOF.

As set out above, the same four publicly available indices had the highest correlation coefficients when compared to each of the OTS's COF indices. Though the correlation coefficients differed slightly, all were highly correlated to the OTS's COF indices.

⁵The correlation coefficient is a single number that describes the degree of relationship between two variables. A perfect positive correlation (a correlation coefficient of +1) implies that as one index moves, either up or down, the other index will move in lockstep, in the same direction.

It should be noted that due to the significant monetary actions taken to help the U.S. economy stabilize and fully recover from the most recent recession, some of the publicly available indices based on U.S. Treasury security rates—such as the MTA—have declined to levels below the OTS's COF indices. However, as indicated by the correlation coefficients, the movements of these indices track the OTS's COF movements well. Hence, the movements in these indices could possibly be used for future rate adjustments rather than the index value itself.

Request for Comment

Comments are requested on the proposed requirement that OTS-regulated savings associations cease filing data used to calculate the MMCOF index. Comments are also requested on what should be considered an appropriate substitute index for each of the OTS's COF indices or alternatively, what should be considered an appropriate index to benchmark periodic changes to ARM rates based currently on the OTS's COF indices.

Comments submitted in response to this notice will become a matter of public record.

Dated: February 3, 2011.

John E. Bowman,

Acting Director, Office of Thrift Supervision.

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FEDERAL RESERVE BOARD

Notice of Intent To Require Reporting Forms for Savings and Loan Holding Companies

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) is providing notice of its intention to require savings and loan holding companies (SLHCs) to submit the same reports as bank holding companies (BHCs), beginning with the March 31, 2012, reporting period. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 transfers supervisory functions related to SLHCs and their non-depository subsidiaries to the Board on July 21, 2011. The planned reporting requirements for SLHCs outlined in this notice would provide the Board with data necessary to analyze the overall financial condition of SLHCs to ensure safe and sound operations. The reports would also collect organizational structure and

activity information from SLHCs in order to populate the Federal Reserve System's National Information Center (NIC) database with a comprehensive list of subsidiaries and affiliates of each SLHC.

DATES: Comments must be submitted on or before April 11, 2011.

ADDRESSES: You may submit comments, identified by *FR Y-6, FR Y-7, FR Y-9C, FR Y-9LP, FR Y-9SP, FR Y-9ES, FR Y-9CS, FR Y-10, FR Y-11, FR 2314, FR Y-8, or FR Y-12*, by any of the following methods:

- **Agency Web Site:** <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <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. Include docket number 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 form 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.

FOR FURTHER INFORMATION CONTACT:

Additional information may be requested from the agency clearance officer, whose name appears below. Cynthia Ayouch, Acting Board Clearance Officer (202-452-3829), Division of Research and Statistics, and Amanda Allexon, Counsel (202) 452-3818 or Anne Zorc (202) 452-3876, Counsel, Legal Division, Board of Governors of the Federal Reserve System, Washington, DC 20551. Telecommunications Device for the Deaf (TDD) users may contact (202-263-4869), Board of Governors of the Federal Reserve System, Washington, DC 20551.

SUPPLEMENTARY INFORMATION: The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) was enacted into law on July 21, 2010. Title III of the Dodd-Frank Act abolishes the Office of Thrift

Supervision (OTS) effective as of July 21, 2011, and transfers supervisory functions (including rulemaking) related to SLHCs and their non-depository subsidiaries to the Board. Beginning July 21, 2011, the Federal Reserve would become responsible for assessing the holding company on a consolidated basis with the objective of encouraging the safe and sound operation of the SLHCs. Consolidated information assists in the identification and evaluation of significant risks that may exist in a holding company.

The Board is issuing this advance notice of a proposal with regard to reporting requirements in order to seek early comment. The Board proposes that SLHCs submit the same reports as BHCs beginning with the March 31, 2012, reporting period. Under the proposal, SLHCs would continue to submit all required regulatory reports under the current SLHC reporting scheme (including the submission of the OTS Form H-(b)11 and Schedule HC HOLA 10(l)) through the December 31, 2011, reporting period using the existing processing, editing and validating system, which is the Electronic Filing System (EFS) established by the OTS. In addition to this notice, the Board will publish a formal proposed notice on these information collection activities after July 21, 2011, the date that supervisory functions for SLHCs are transferred from the OTS to the Board.

The forms that the Board is considering making applicable to SLHCs beginning with the March 31, 2012 reporting period would be FR Y-6, FR Y-7, FR Y-9C, FR Y-9LP, FR Y-9SP, FR Y-9ES, FR Y-9CS, FR Y-10, FR Y-11/S, FR 2314/S, FR Y-8, and FR Y-12/12A. These reports are filed either quarterly (March, June, September and December), semiannually (June and December), annually (December) or event-generated. The report forms required to be filed by BHCs and the related instructions can be found at http://www.frb-services.org/files/reporting/pdf/bhc_financial_and_structure_reports.pdf. A summary of these forms can be found below.

The Board acknowledges there would be initial increased burden on SLHCs when converting to the financial reports required to be filed by BHCs but believes there would be long-term efficiencies. To reduce the initial burden the Board would provide outreach to SLHCs to address questions.

Specific estimates of the paperwork burden associated with these reports, including statutory and regulatory history, and a description of the reporting requirements and how the estimated total annual burden is

calculated will be provided in the proposed notice of information collection planned to be published by the Board in the **Federal Register** after the July 21, 2011 transfer date.

The Board consulted with the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the OTS (collectively, the "agencies") to coordinate the publication of this notice of intent with the agencies' proposal to require savings associations currently filing the Thrift Financial Report (TFR) to convert to filing the Consolidated Reports of Condition and Income (Call Report) (FFIEC 031 and FFIEC 041), also published in today's **Federal Register** by the agencies and the Board. Savings associations generally would continue to submit Thrift Financial Reports (TFRs), including Schedules HC and CMR, through the December 31, 2011, reporting period using the existing system, according to the proposal.

Request for Comment on Notice of Intent

Comments are invited on the following:

- a. Whether the planned collection of information is necessary for the proper performance of the Board's functions; including whether the information has practical utility;

- b. The burden of the planned information collection proposal;

- c. Ways to enhance the quality, utility, and clarity of the information to be collected; and

- 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.

Description of Reports

1. **Report title:** Annual Report of Bank Holding Companies.

Agency form number: FR Y-6.

Frequency: Annually.

General description of report: The FR Y-6 is an annual information collection submitted by top-tier BHCs and nonqualifying foreign banking organizations (FBOs). It collects financial data, an organization chart, verification of domestic branch data, and information about shareholders. The Federal Reserve uses the data to monitor holding company operations and determine holding company compliance with the provisions of the BHC Act and Regulation Y (12 CFR 225).

2. **Report title:** Annual Report of Foreign Banking Organizations.

Agency form number: FR Y-7.

Frequency: Annually.

General description of report: The FR Y-7 is an annual information collection submitted by qualifying FBOs to update their financial and organizational information with the Federal Reserve. The Federal Reserve uses information to assess an FBO's ability to be a continuing source of strength to its U.S. operations and to determine compliance with U.S. laws.

3. Report title: Financial Statements for Bank Holding Companies.

Agency form number: FR Y-9C, FR Y-9LP, FR Y-9SP, FR Y-9ES, and FR Y-9CS.

Frequency: Quarterly, semiannually, and annually.

General description of report: These reports are currently filed by BHCs. The FR Y-9C and the FR Y-9LP are standardized financial statements for the consolidated BHC and the parent holding company only. 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.

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 and 041) filed by insured commercial banks and state-chartered savings 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. (Under certain circumstances defined in the General Instructions, BHCs under \$500 million may be required to file the FR Y-9C.)

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.

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.

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.

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.

4. Report title: Report of Changes in Organizational Structure.

Agency form number: FR Y-10.

Frequency: As needed, FR Y-10 is submitted within 30 calendar days of a reportable transaction or event.

General description of report: The FR Y-10 is an event-generated information collection submitted by FBOs; top-tier BHCs; state member banks unaffiliated with a BHC; Edge and agreement corporations that are not controlled by a member bank, a domestic BHC, or a FBO; and nationally chartered banks that are not controlled by a BHC (with regard to their foreign investments only), to capture changes in their regulated investments and activities. The Board uses the data to monitor structure information on subsidiaries and regulated investments of these entities engaged in banking and nonbanking activities.

5. Report title: Financial Statements for Nonbank Subsidiaries of U.S. Bank Holding Companies.

Agency form number: FR Y-11 and FR Y-11S.

Frequency: Quarterly and annually.

General description of report: These reports are currently filed by BHCs. The FR Y-11 reports collect financial information for individual non-functionally regulated U.S. nonbank subsidiaries of domestic BHCs. BHCs file the FR Y-11 on a quarterly or annual basis according to filing criteria. The FR Y-11 data are used with other BHC data to assess the condition of BHCs that are heavily engaged in nonbanking activities and to monitor the volume, nature, and condition of their nonbanking operations.

The FR Y-11S is an abbreviated reporting form that collects four data items: net income, total assets, equity capital, and total off-balance-sheet data

items. The FR Y-11S is filed annually, as of December 31, by top-tier BHCs for each individual nonbank subsidiary (that does not meet the criteria for filing the detailed report) with total assets of at least \$50 million, but less than \$250 million, or with total assets greater than 1 percent of the total consolidated assets of the top-tier organization.

6. Report title: Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations.

Agency form number: FR 2314 and FR 2314S.

Frequency: Quarterly and annually.

General description of report: The reports are currently filed by foreign subsidiaries of BHCs, U.S. state member banks (SMBs), and Edge or agreement corporations.

The FR 2314 reports collect financial information for non-functionally regulated direct or indirect foreign subsidiaries of SMBs, Edge and agreement corporations, and BHCs. Parent organizations (SMBs, Edge and agreement corporations, or BHCs) file the FR 2314 on a quarterly or annual basis according to filing criteria. The FR 2314 data are used to identify current and potential problems at the foreign subsidiaries of U.S. parent companies, to monitor the activities of U.S. banking organizations in specific countries, and to develop a better understanding of activities within the industry, in general, and of individual institutions, in particular.

The FR 2314S is an abbreviated reporting form that collects four data items: net income, total assets, equity capital, and total off-balance-sheet data items. The FR 2314S is filed annually, as of December 31, for each individual subsidiary (that does not meet the criteria for filing the detailed report) with assets of at least \$50 million but less than \$250 million, or with total assets greater than 1 percent of the total consolidated assets of the top-tier organization.

7. Report title: Bank Holding Company Report of Insured Depository Institutions' Section 23A Transactions with Affiliates.

Agency form number: FR Y-8.

Frequency: Quarterly.

General description of report: The report is currently filed by top-tier BHCs, including financial holding companies (FHCs), for all insured depository institutions that are owned by the BHC and by FBOs that directly own a U.S. subsidiary bank.

This reporting form collects information on transactions between an insured depository institution and its affiliates that are subject to section 23A of the Federal Reserve Act. The primary

purpose of the data is to enhance the Board's ability to monitor bank exposures to affiliates and to ensure banks' compliance with section 23A of the Federal Reserve Act. Section 23A of the Federal Reserve Act is one of the most important statutes on limiting exposures to individual institutions and protecting against the expansion of the federal safety net.

8. *Report title:* Consolidated Bank Holding Company Report of Equity Investments in Nonfinancial Companies, and the Annual Report of Merchant Banking Investments Held for an Extended Period.

Agency form number: FR Y-12 and FR Y-12A, respectively.

Frequency: FR Y-12, quarterly and semiannually; and FR Y-12A, annually.

General description of report: This report is currently filed by BHCs and FHCs.

The FR Y-12 collects information from certain domestic BHCs on their equity investments in nonfinancial companies. Respondents report the FR Y-12 either quarterly or semi-annually based on reporting threshold criteria. The FR Y-12A is filed annually by institutions that hold merchant banking investments that are approaching the

end of the holding period permissible under Regulation Y.

As indicated above, the Board plans to solicit comment on a notice of proposed collection of information regarding the application of BHC reporting requirements to SLHCs after the July 21, 2011 transfer date.

Board of Governors of the Federal Reserve System, February 2, 2011.

Jennifer J. Johnson,

Secretary of the Board.

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