

relevant committees, also should be responsible for regularly reporting to the board on stress testing developments and results from individual and collective stress tests as well as on compliance with stress testing policy. Board members should actively evaluate and discuss these reports, ensuring that the stress testing framework is in line with the banking organization's risk appetite, overall strategy and business plans, and directing changes where appropriate.

A banking organization should have written policies, approved and annually reviewed by the board, that direct and govern the implementation of the stress testing framework in a comprehensive manner. Policies, along with procedures to implement them, should:

- Describe the overall purpose of stress testing activities;
- Articulate consistent and sufficiently rigorous stress testing practices across the entire banking organization;
- Indicate stress testing roles and responsibilities, including controls over external resources used for any part of stress testing (such as vendors and data providers);
- Describe the frequency and priority with which stress testing activities should be conducted;
- Indicate how stress test results are used and by whom;
- Be reviewed and updated as necessary to ensure that stress testing practices remain appropriate and keep up to date with changes in market conditions, banking organization products and strategies, banking organization exposures and activities, the banking organization's established risk appetite, and industry stress testing practices.

A stress testing framework should incorporate validation or other type of independent review to ensure the integrity of stress testing processes and results, consistent with existing supervisory expectations.<sup>9</sup> If a banking organization engages a third party vendor to support some or all of its stress testing activities, there should be appropriate controls in place to ensure that those externally-developed systems and processes are sound, applied correctly, and appropriate for the banking organization's risks, activities, and exposures. Additionally, senior management should be mindful of any potential inconsistencies, contradictions, or gaps among its stress

tests and assess what actions should be taken as a result. Internal audit should also play a role focused on ensuring the ongoing performance, integrity, and reliability of the stress testing framework. A banking organization should ensure that its stress tests are documented appropriately, including a description of the types of stress tests and methodologies used, key assumptions, results, and suggested actions. The board and senior management should review stress testing activities and results with an appropriately critical eye and ensure that there is objective review of all stress testing processes.

The results of stress testing analyses should facilitate decision-making by the board and senior management. Stress testing results should be used to inform the board about alignment of the banking organization's risk profile with the board's chosen risk appetite, as well as inform operating and strategic decisions. Stress testing results should be considered directly by the board and senior management for decisions relating to capital and liquidity adequacy, including capital contingency plans and contingency funding plans. The board and senior management should ensure that the stress testing framework includes a sufficient range of stress testing activities applied at the appropriate levels of the banking organization (*i.e.*, not just one enterprise-wide stress test). Sound governance also includes using stress testing to consider the effectiveness of a banking organization's risk mitigation techniques for various risk types over their respective time horizons, such as to explore what could occur if expected mitigation techniques break down during stressful periods.

## VII. Conclusion

A banking organization should use the principles laid out in this guidance to develop, implement, and maintain an effective stress testing framework. Such a framework should be adequately tailored to the banking organization's size, complexity, risks, exposures, and activities. A key purpose of stress testing is to explore various types of possible outcomes, including rare and extreme events and circumstances, assess their impact on the banking organization, and then evaluate the boundaries up to which the banking organization plans to be able to withstand such outcomes.

While stress testing can provide valuable information regarding potential future outcomes, similar to any other risk management tool it has limitations and cannot provide absolute certainty

regarding the implications of assumed events and impacts. Furthermore, management should ensure that stress testing activities are not constrained to reflect past experiences, but instead consider a broad range of possibilities. No single stress test can accurately estimate the impact of all stressful events and circumstances; therefore, a banking organization should understand and account for stress testing limitations and uncertainties, and use stress tests in combination with other risk management tools to make informed risk management and business decisions.

This concludes the text of the proposed guidance.

Dated: June 2, 2011.

**John Walsh,**

*Acting Comptroller of the Currency.*

By order of the Board of Governors of the Federal Reserve System, June 8, 2011.

**Jennifer J. Johnson,**

*Secretary of the Board.*

Dated at Washington, DC, this 7th of June 2011.

By order of the Board of Directors.

Federal Deposit Insurance Corporation.

**Valerie J. Best,**

*Assistant Executive Secretary.*

[FR Doc. 2011-14777 Filed 6-14-11; 8:45 am]

**BILLING CODE 4810-33-P; 6210-01-P**

## DEPARTMENT OF THE TREASURY

### Office of Thrift Supervision

#### Mutual to Stock Conversion Application

**AGENCY:** Office of Thrift Supervision (OTS), Treasury.

**ACTION:** Notice and request for comment.

**SUMMARY:** The proposed information collection request (ICR) described below has been submitted to the Office of Management and Budget (OMB) for review and approval, as required by the Paperwork Reduction Act of 1995, 44 U.S.C. 3507. OTS is soliciting public comments on the proposal.

**DATES:** Submit written comments on or before July 15, 2011. A copy of this ICR, with applicable supporting documentation, can be obtained from RegInfo.gov at <http://www.reginfo.gov/public/do/PRAMain>.

**ADDRESSES:** Send comments, referring to the collection by title of the proposal or by OMB approval number, to OMB and OTS at these addresses: Office of Information and Regulatory Affairs, Attention: Desk Officer for OTS, U.S. Office of Management and Budget, 725 17th Street, NW., Room 10235,

<sup>9</sup>For validation of models and other quantitative tools used for stress testing, see OCC Bulletin 2011-12 "Supervisory Guidance on Model Risk Management", or SR letter 11-7, "Guidance on Model Risk Management."

Washington, DC 20503, or by fax to (202) 393-6974; and Information Collection Comments, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, by fax to (202) 906-6518, or by e-mail to [infocollection.comments@ots.treas.gov](mailto:infocollection.comments@ots.treas.gov). OTS will post comments and the related index on the OTS Internet Site at <http://www.ots.treas.gov>. In addition, interested persons may inspect comments at the Public Reading Room, 1700 G Street, NW., Washington, DC 20552 by appointment. To make an appointment, 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.

**FOR FURTHER INFORMATION CONTACT:** For further information or to obtain a copy of the submission to OMB, please contact Ira L. Mills at [ira.mills@ots.treas.gov](mailto:ira.mills@ots.treas.gov), or on (202) 906-6531, or facsimile number (202) 906-6518, Regulations and Legislation Division, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

**SUPPLEMENTARY INFORMATION:** OTS may not conduct or sponsor an information collection, and respondents are not required to respond to an information collection, unless the information collection displays a currently valid OMB control number. As part of the approval process, we invite comments on the following information collection.

*Title of Proposal:* Mutual to Stock Conversion Application.

*OMB Number:* 1550-0014.

*Form Numbers:* 1680, 1681, 1682, and 1683.

*Description:* The OTS staff makes an in-depth study of all information furnished in the application in order to determine the safety and soundness of the proposed stock conversion. The purpose of the information collection is to provide OTS with the information necessary to determine if the proposed transaction may be approved. If the information required were not collected, OTS would not be able to properly evaluate whether the proposed transaction was acceptable. The information collection allows OTS to evaluate the merits of the proposed conversion plan and application in light of applicable statutory and regulatory criteria.

*Type of Review:* Extension of a currently approved collection.

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

*Estimated Number of Respondents:* 30.

*Estimated Frequency of Response:* On occasion.

*Estimated Total Burden:* 15,300 hours.

*Clearance Officer:* Ira L. Mills, (202) 906-6531, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

Dated: June 9, 2011.

**Ira L. Mills,**

*Paperwork Clearance Officer, Office of Chief Counsel, Office of Thrift Supervision.*

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**BILLING CODE 6720-01-P**

## DEPARTMENT OF THE TREASURY

### Office of Thrift Supervision

#### Savings and Loan Holding Company Application

**AGENCY:** Office of Thrift Supervision (OTS), Treasury.

**ACTION:** Notice and request for comment.

**SUMMARY:** The proposed information collection request (ICR) described below has been submitted to the Office of Management and Budget (OMB) for review and approval, as required by the Paperwork Reduction Act of 1995, 44 U.S.C. 3507. OTS is soliciting public comments on the proposal.

**DATES:** Submit written comments on or before July 15, 2011. A copy of this ICR, with applicable supporting documentation, can be obtained from RegInfo.gov at <http://www.reginfo.gov/public/do/PRAMain>.

**ADDRESSES:** Send comments, referring to the collection by title of the proposal or by OMB approval number, to OMB and OTS at these addresses: Office of Information and Regulatory Affairs, Attention: Desk Officer for OTS, U.S. Office of Management and Budget, 725 17th Street, NW., Room 10235, Washington, DC 20503, or by fax to (202) 393-6974; and Information Collection Comments, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, by fax to (202) 906-6518, or by e-mail to [infocollection.comments@ots.treas.gov](mailto:infocollection.comments@ots.treas.gov). OTS will post comments and the related index on the OTS Internet Site at <http://www.ots.treas.gov>. In addition, interested persons may inspect comments at the Public Reading Room, 1700 G Street, NW., Washington, DC 20552 by appointment. To make an appointment, 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.

**FOR FURTHER INFORMATION CONTACT:** For further information or to obtain a copy of the submission to OMB, please

contact Ira L. Mills at [ira.mills@ots.treas.gov](mailto:ira.mills@ots.treas.gov), or on (202) 906-6531, or facsimile number (202) 906-6518, Regulations and Legislation Division, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

**SUPPLEMENTARY INFORMATION:** OTS may not conduct or sponsor an information collection, and respondents are not required to respond to an information collection, unless the information collection displays a currently valid OMB control number. As part of the approval process, we invite comments on the following information collection.

*Title of Proposal:* Savings Loan Holding Company Application.

*OMB Number:* 1550-0015.

*Form Numbers:* H-(e).

*Description:* Section 10(e) of the Home Owners' Loan Act, 12 U.S.C. 1467a(e), and its implementing regulations provide that no company, or any director or officer of a savings and loan holding company, or any individual who owns, controls, or holds with power to vote (or holds proxies representing) more than 25 percent of the voting stock of a savings and loan holding company, shall acquire control of a savings association except upon receipt of written approval of OTS. While this prohibition and approval requirement applies to certain persons affiliated with a savings and loan holding company, a similar prohibition and approval requirement applies to other persons who seek to control a savings association. However, a transaction may be exempt.

OTS analyzes each holding company application to determine whether the applicant meets the statutory criteria set forth in Section 10(e) of the Act to become a savings and loan holding company. The forms are reviewed for adequacy of answers to items and completeness in all material respects.

*Type of Review:* Extension of a currently approved collection.

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

*Estimated Number of Respondents:* 65.

*Estimated Frequency of Response:* On occasion.

*Estimated Total Burden:* 32,500 hours.

*Clearance Officer:* Ira L. Mills, (202) 906-6531, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.