

From: First Horizon, Dane P. Smith
Proposal: 1461 - Proposed Supervisory Guidance - Company-Run Stress Tests for Banking Organizations
Subject: Supervisory Guidance for Stress Tests

Comments:

Hello,
Here is a revised submission:

Thank you for the opportunity to ask clarifying questions regarding Docket No. OP-1461, "Proposed Supervisory Guidance on Implementing Dodd-Frank Act Company-Run Stress Tests for Banking Organizations with Total Consolidated Assets of more than \$10 Billion but less than \$50 billion"

1. For many institutions, the bank subsidiary underneath the bank holding company constitutes 98% of the total firm's assets. Is there a threshold level where firm's should begin to differentiate between capital planning assumptions at the legal entity level? Are two template submissions (bank subsidiary & HOLDCO) necessary regardless of the firm's composition?

2. Idiosyncratic or company-specific risks are a topic we continue to hear much about. As many of these risks are unrelated and unique in nature, it would seem a best practice would be to address these risks independently and in conjunction with the macroeconomic variables provided. An alternative would be for each firm to create/link separate macroeconomic variables or scenarios that it felt would manifest these idiosyncratic risks. In this alternative approach, the macroeconomic variables or scenarios may require different values than those provided by regulating agencies. Can the agencies please provide some additional guidance as to how these firm specific risks are expected to be addressed?

3. The guidance suggests: "The board of directors, or a committee thereof, of a company must approve and review the policies and procedures of the stress testing processes as frequently as economic conditions or the condition of the company may warrant, but no less than annually." We think it is highly appropriate for the board to review and approve the stress testing framework and policies. Requiring the board to review and understand detailed procedures will lead to role confusion (governance vs. management). It would be very helpful to clarify and perhaps change the word from "procedure" to "framework" or "processes."

Regards,

Dane