



November 23, 2016

*Via Electronic Mail*

Mr. Robert deV. Frierson, Esq.  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: Amendments to the Capital Plan and Stress Test Rules (Docket No. R-1548; RIN 7100 AE-59)

Ladies and Gentlemen:

The Clearing House Association L.L.C.<sup>1</sup> appreciates the opportunity to comment on the Federal Reserve's recent notice of proposed rulemaking, *Amendments to the Capital Plan and Stress Test Rules*,<sup>2</sup> which *inter alia* would revise the Federal Reserve's capital plan rule<sup>3</sup> to eliminate the CCAR qualitative assessment and objection framework for bank holding companies and U.S. intermediate holding companies of foreign banks that meet certain size-based criteria.

We strongly support key aspects of the proposal. Most importantly, we agree that the normal supervision and examination processes are more appropriate than the existing CCAR qualitative assessment and objection framework to facilitate effective oversight of the capital planning processes of "large and noncomplex" firms as defined in the proposal. For this reason, we urge the Federal Reserve to retain in the final amendments the proposed elimination of the CCAR qualitative assessment and objection framework for these firms.

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<sup>1</sup> The Clearing House is a banking association and payments company that is owned by the largest commercial banks and dates back to 1853. The Clearing House Association L.L.C is a nonpartisan organization that engages in research, analysis, advocacy and litigation focused on financial regulation that supports a safe, sound and competitive banking system. Its affiliate, The Clearing House Payments Company L.L.C., owns and operates core payments system infrastructure in the United States and is currently working to modernize that infrastructure by building a new, ubiquitous, real-time payment system. The Payments Company is the only private-sector ACH and wire operator in the United States, clearing and settling nearly \$2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume.

<sup>2</sup> 81 Fed. Reg. 67239 (Sept. 30, 2016).

<sup>3</sup> 12 C.F.R. § 225.8

However, there are also aspects of the proposal that require further consideration and analysis by the Federal Reserve and, ultimately, revision in the final amendments to better address the underlying policy objectives of the proposal and the CCAR process more generally. Some are substantive (for example, the content and application of the quantitative standards for identifying “large and noncomplex” firms, particularly the foreign exposure component for U.S. intermediate holding companies of foreign banks and the measurement of the nonbank assets threshold) and others are more technical in nature (for example, the scope of supporting documentation that should no longer be necessary for “large and noncomplex” firms that will not be subject to the CCAR qualitative assessment and objection framework). In addition, we believe the Federal Reserve should maintain the current threshold for the *de minimis* exception.

## I. Executive Summary.

- The proposed elimination of the CCAR qualitative assessment and objection framework for “large and noncomplex” firms represents an appropriate and warranted tailoring of regulation, and should be retained in any final rule.
- The Federal Reserve should clarify and revise further the supporting documentation regarding capital planning processes that would be required to be provided by those firms no longer subject to the qualitative assessment, and should provide additional clarification and relief regarding reporting requirements for all firms subject to CCAR.
- The current scope of the de minimis exception is fully consistent with the prudential objectives of the CCAR framework, and should not be reduced.
- The Federal Reserve should clarify and revise the foreign exposure and nonbank asset thresholds used to determine whether a firm is “large and noncomplex.”
- The proposal’s adjustment to the timeframe by which the capital plan and stress test rules may become initially applicable to a firm would improve the workability and efficiency of the CCAR framework, and should be retained in any final rule.

## II. The proposed elimination of the CCAR qualitative assessment and objection framework for “large and noncomplex” firms represents an appropriate and warranted tailoring of regulation, and should be retained in any final rule.

The Clearing House strongly supports the Federal Reserve’s efforts to better tailor its capital plan and stress test rules for “large and noncomplex” firms by eliminating the CCAR qualitative assessment and objection framework, including existing provisions that allow it to limit capital distributions for such firms on the basis of its qualitative assessment of their capital planning processes. We have long argued that, as a matter of policy, so-called “macroprudential” regulation should be appropriately tailored to the relative risk profile, business model, and other risk-related criteria of different firms.<sup>4</sup> We have also long argued that,

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<sup>4</sup> See, e.g., Letter from The Clearing House Association L.L.C. to Daniel K. Tarullo, Governor, Federal Reserve, dated July 15, 2014, regarding Appropriately Tailoring Prudential Regulation *available at*

as a matter of practice, it is especially important that such a tailored approach to regulation be taken to the implementation of enhanced prudential standards under § 165 of the Dodd-Frank Act,<sup>5</sup> including stress testing and related rules.<sup>6</sup>

For these reasons, we believe that the Federal Reserve’s proposed elimination of the qualitative assessment and objection framework for what it has deemed “large and noncomplex” firms is both appropriate and warranted. As a regulatory process, the Federal Reserve’s quantitative and qualitative CCAR assessments impose large and significant burdens on affected firms, which must develop and maintain substantial data collection, reporting, governance, and other processes and procedures to meet continually evolving supervisory expectations. Moreover, these assessments are enormously consequential; they produce a single, binary outcome in the Federal Reserve’s objection or non-objection to a firm’s capital plan, the impact of which may directly constrain a core aspect of bank management – the choice of whether and in what amount to return earnings or other capital to shareholders. Like the quantitative assessment, the CCAR qualitative assessment and its outcomes receive substantial attention and scrutiny by investors and other markets participants, given that they ultimately dictate whether and to what extent firms may distribute capital to their shareholders.

At the same time, we agree that the strength of a firm’s capital planning process should be subject to supervisory oversight, and that it may be more adequately “assessed” through normal supervisory reviews which incorporate constant feedback by those who are responsible for evaluating the firms on a regular basis, versus those who are responsible for the annual CCAR evaluation and are separate from the usual supervision team.

For these reasons, we very much share the Federal Reserve’s conclusions that (i) the incremental benefits of the CCAR qualitative assessment and objection framework for “large and noncomplex” firms are outweighed by its attendant burdens and risks and (ii) the normal supervisory and examination process is more appropriate to assess the strength of firms’ capital planning processes. The Federal Reserve’s proposed revisions are an important and meaningful way by which to tailor its capital plan rule specifically and its enhanced prudential standards more generally, and we strongly encourage the Federal Reserve to move forward with these changes.

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*<https://www.theclearinghouse.org/media/files/association%20related%20documents/20140715%20letter%20from%20saltzman%20to%20tarullo.pdf>*

<sup>5</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act § 165, Pub. L. 111-203 (July 21, 2010).

<sup>6</sup> See, e.g., The Clearing House, *Comment Letter Re: Enhanced Prudential Standards and Early Remediation Regulations under Dodd-Frank 165/166* (April 27, 2012) at 20-21 available at <http://www.aba.com/Advocacy/commentletters/Documents/DF-Sections-165-166-Comment-Letter.pdf>.

**III. The Federal Reserve should clarify and revise further the supporting documentation regarding capital planning processes that would be required to be provided by those firms no longer subject to the qualitative assessment, and should provide additional clarification and relief regarding reporting requirements for all firms subject to CCAR.**

The proposal notes that “large and noncomplex” firms would no longer be subject to a qualitative assessment in CCAR and that the supervisory assessment of capital planning processes would be handled “through the regular supervisory process and targeted, horizontal assessments of particular aspects of capital planning.”<sup>7</sup> We appreciate that the proposal would revise the instructions to Appendix A of the FR Y-14A to remove the requirement that a “large and noncomplex” firm include in its capital plan submission certain documentation regarding its models, including any model inventory mapping document, methodology documentation, model technical documents, and model validation documentation. In addition, “large and noncomplex” firms would no longer be required to complete several elements of the FR Y-14A Schedule A (Summary), including the Securities OTTI methodology sub-schedule, Securities Market Value source sub-schedule, Securities OTTI by security sub-schedule, the Retail repurchase sub-schedule, the Trading sub-schedule, Counterparty sub-schedule, and Advanced RWA sub-schedule. We believe it would be beneficial for the Federal Reserve to also provide additional clarification and relief with respect to the following two areas for “large and noncomplex” firms:

- First, the capital plan submissions for “large and noncomplex” firms should be limited to completing the applicable Schedules of FR Y-14A, without requirements to include separate methodology documents (*e.g.*, supporting methodological documentation for PPNR, Retail, Wholesale and other estimates). Those documents relate to the qualitative CCAR assessment and are prepared for that purpose; they are not necessary for the Federal Reserve to conduct the quantitative CCAR review. The preparation of those documents is time-consuming and expensive, and the elimination of the CCAR qualitative assessment for “large and noncomplex” firms renders those documents unnecessary. Accordingly, the burdens of preparing them outweigh any benefits they may provide. In addition, we urge the Federal Reserve to confirm that “large and noncomplex” firms would not be expected, in the ordinary course as part of the normal supervisory and examination process, to prepare and provide to the Federal Reserve those or other documents of similar scope and content, absent a specific request relating to a matter of particular importance. The areas covered by the supporting methodological documentation can – and should – be assessed through regular supervisory and examination processes, such as discussions between the supervision team and representatives of a “large and noncomplex” firm and written responses to the supervision team’s questions.
- Second, the proposal notes that “[l]arge and noncomplex firms would still be required to be able to produce [documentation regarding models that such firms would no longer be required to include in capital plan submissions] upon request by the Federal

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81 Fed. Reg. at 67245.

Reserve.”<sup>8</sup> As the proposal recognizes, assembling and producing the model-related documentation can be resource-intensive. It is important that the Federal Reserve clarify the timeframe for “large and noncomplex” firms to produce the model-related documentation once they receive a request from the Federal Reserve to do so in order that they can allocate sufficient resources and develop systems and processes to meet supervisory expectations.

We also believe it would be beneficial for the Federal Reserve to provide relief with respect to the following four areas for *any* firm subject to CCAR, whether “large and noncomplex,” “large and complex” or LISCC:

- First, all firms subject to CCAR should no longer be required to complete the FR Y-14A Retail Repurchase Exposures Schedule or two additional sub-schedules of the FR Y-14A Summary Schedule: the Retail balance and loss projections sub-schedule and the PPNR metrics sub-schedule. With regard to “large and noncomplex” firms, the same policy rationales for reducing reporting burdens on these firms and no longer requiring them to submit the sub-schedules of the FR Y-14A Summary Schedule identified in the proposal also apply to these elements. Moreover, the Retail Repurchase Exposures Schedule relates to the Retail repurchase sub-schedule,<sup>9</sup> which the proposal would no longer require “large and noncomplex” firms to complete. With regard to other firms, the incremental information provided by these elements of the FR Y-14A does not justify the costs and burdens of preparing them.
- Second, the FR Y-14A Regulatory Capital Transitions Schedule should no longer be required for any firm subject to CCAR. The planning horizon for the 2017 CCAR cycle will include the first quarter of 2019. As of January 1, 2019, the transitional provisions in the Federal Reserve’s capital adequacy rules will be fully phased in, other than the phase out of non-qualifying capital instruments from Tier 2 capital of advanced approaches firms. Accordingly, the other schedules in capital plan submissions will provide sufficient information for the Federal Reserve to assess a firm’s transition toward full compliance with the Federal Reserve’s capital adequacy rules. Any additional information in the Regulatory Capital Transitions Schedule would not justify the costs and challenges of preparing the five years of projections required by the schedule.
- Third, the Form FR Y-14A reporting requirements relating to the adverse scenario should be reduced for all firms subject to CCAR. Although firms are required to provide projections for three scenarios – base, adverse and severely adverse – supervisors focus largely on the base and severely adverse scenarios. To appropriately balance the burdens and benefits of reporting requirements, we recommend that, for the adverse scenario, the Federal Reserve permit firms to provide

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<sup>8</sup> 81 Fed. Reg. at 67251.

<sup>9</sup> The Instructions to Form FR Y-14A provide, “Projected losses in these tables [in the Retail repurchase sub-schedule] should correspond to the sold loan populations reported in Schedule G – Retail Repurchase Exposures.” Instructions, Form FR Y-14A (Aug. 23, 2016) at 77.

only final projected capital ratios and other required items as of the end of the nine-quarter planning horizon and not quarter-by-quarter over the planning horizon. In addition, we recommend that the Federal Reserve reduce the supporting documentation requirements relating to the adverse scenario so that firms can focus resources on the baseline and severely adverse scenarios, which receive the most attention from supervisors.

- Fourth, for all firms subject to CCAR (i) the Form FR Y-14M Schedules should be required on a quarterly basis, with data provided as of quarter-end, and (ii) the Form FR Y-14Q Schedules A.2 – US Auto Loan, A.7 – US Other Consumer and A.9 – US Small Business should be aligned so that data is reported as of quarter-end. Allowing firms to provide these schedules on a quarterly basis with data reported as of quarter-end would meaningfully and appropriately reduce reporting burdens.

**IV. The current scope of the *de minimis* exception is fully consistent with the prudential objectives of the CCAR framework, and should not be reduced.**

The proposal would reduce the threshold for the *de minimis* exception from 1.00 percent of Tier 1 capital to 0.25 percent of Tier 1 capital. The *de minimis* exception, which is subject to Federal Reserve oversight, allows firms to increase capital distributions by a modest amount relative to overall capital levels. The flexibility offered by the *de minimis* exception is important, as it permit firms to promptly adjust their capital distributions in response to favorable developments, such as responding to attractive market conditions for share repurchases. For the reasons described below, a reduction in the *de minimis* threshold would limit firms' flexibility without providing a corresponding supervisory benefit. Accordingly, we urge the Federal Reserve to retain the existing 1.00 percent threshold.

Under the current capital plan rule, firms may not use the *de minimis* exception automatically and unilaterally. Rather, they must provide written notice 15 days prior to the planned capital distribution and may proceed with the additional capital distribution proposed in the notice only if the Federal Reserve does not object within the 15-day period. In response to a notice to use the *de minimis* exception, the Federal Reserve can, among other things, ask questions about a proposed capital distribution, require that the firm submit a request for prior approval to make the capital distribution, or impose conditions on or require changes to the proposed capital distribution.

The Federal Reserve noted in the proposal that, “[i]n the absence of [the proposed blackout period], the Federal Reserve’s analysis in CCAR may not in all cases represent a comprehensive evaluation of the bank holding company’s capital adequacy and the appropriateness of the bank holding company’s planned capital actions in CCAR.”<sup>10</sup> This reflects both the Federal Reserve’s ability to supervise (and confirmation that it does supervise) firms’ use of the *de minimis* exception and the fact that firms cannot use the exception automatically and unilaterally.

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<sup>10</sup> 81 Fed. Reg. at 67248.

We believe that the 15-day notice period and the potential responses available to the Federal Reserve provide sufficient mechanisms for appropriate supervision of use of the current *de minimis* exception. Moreover, although the proposal expresses concern over a pattern of certain firms using the *de minimis* exception to increase share repurchases by the maximum amount allowed and the potential that the exception could be treated as an automatic add-on, this characterization ignores the requirements for using the exception in the current capital plan rule, including that a firm's capital levels are, and after the additional capital distribution would remain, consistent with its projections under expected conditions as set forth in its capital plan.<sup>11</sup>

**V. The Federal Reserve should clarify and revise the foreign exposure and nonbank asset thresholds used to determine whether a firm is “large and noncomplex.”**

The proposal defines a “large and noncomplex” firm as a firm subject to CCAR with less than \$250 billion of total consolidated assets, less than \$10 billion of consolidated total on-balance sheet foreign exposure, and less than \$75 billion of total nonbank assets. We believe it is important that the Federal Reserve address the following matters with respect to the foreign exposure and nonbank asset thresholds:

- The Federal Reserve explained in the proposal that the \$10 billion foreign exposure threshold is intended to identify the most internationally active firms, whose failure or distress could pose significant risks to U.S. financial stability.<sup>12</sup> For U.S. intermediate holding companies of foreign banks, exposures to foreign affiliates and the foreign bank parent's home country sovereign are not indicative of international activity or systemic significance. For example, such exposures could arise in connection with intercompany funding and risk management transactions. Accordingly, we urge the Federal Reserve to revise the methodology for the calculation of a U.S. intermediate holding company's foreign exposure to exclude exposures to foreign affiliates and the foreign bank parent's home country sovereign. Indeed, in the context of single-counterparty credit limits, the Federal Reserve has proposed, and we have supported, a similar approach for purposes of determining a U.S. intermediate holding company's foreign exposure.<sup>13</sup> The policy rationales underlying the proposed approach for single-counterparty credit limits apply equally to the identification of “large and noncomplex” firms.
- The proposal introduces a new nonbank assets threshold that has not been implemented or proposed in the Federal Reserve's capital and liquidity rules or the

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<sup>11</sup> See 12 C.F.R. § 225.8(g)(2).

<sup>12</sup> See, e.g., 81 Fed. Reg. at 67242.

<sup>13</sup> See Memorandum from the Staff of the Federal Reserve to the Board of Governors, Proposed rules to implement single-counterparty credit limits in section 165(e) of the Dodd-Frank Act (Feb. 26, 2016) at 10 n. 10; The Clearing House, *Comments in Response to the Notice of Proposed Rulemaking – Single Counterparty Credit Limits for Large Banking Organizations* (June 3, 2016) at 65-66 available at <https://www.theclearinghouse.org/-/media/action%20line/documents/volume%20vii/20160603%20tch%20comments%20on%20federal%20reserve%20sccr%20reproposal.pdf>.

Dodd-Frank Act enhanced prudential standards.<sup>14</sup> The proposal does not, however, include detail on the historical or current data used to evaluate potential thresholds, discuss how that data relates to the current risk profiles of firms subject to CCAR, or explain why that data supports the selected threshold. Indeed, the proposal indicates that the \$75 billion nonbank asset threshold was selected without empirical support.<sup>15</sup> Accordingly, we urge the Federal Reserve to reconsider the appropriate threshold for nonbank assets and provide a detailed discussion of the data and methodology used to evaluate and select the nonbank asset threshold.

- In the proposal, the Federal Reserve indicated that it would not be appropriate to treat a firm as “large and complex” because it conducts bank-permissible activities in a nonbank subsidiary.<sup>16</sup> For the same policy reason, a firm should not be treated as “large and complex” because it holds bank-permissible assets in nonbank entities. Holding bank-permissible assets in nonbank entities is not necessarily indicative of increased complexity or interconnectedness that would make it appropriate to treat a firm as “large and complex.” The nonbank asset threshold should be used to identify firms that engage in non-bank-permissible activities and hold non-bank-permissible assets; the threshold should not be used to identify firms that engage in bank-permissible activities and hold bank-permissible assets through nonbank entities. Accordingly, we urge the Federal Reserve to revise the methodology for the calculation of nonbank assets to exclude bank-permissible assets held in nonbank entities.

**VI. The proposal’s adjustment to the timeframe by which the capital plan and stress test rules may become initially applicable to a firm would improve the workability and efficiency of the CCAR framework, and should be retained in any final rule.**

The proposal would change the determination date for initial applicability of the capital plan rule to September 30 of a calendar year, such that a firm that crosses the \$50 billion asset threshold during the fourth quarter of a calendar year would be required to submit its initial capital plan by April 5 of the second following year. The proposal would also align the determination date for the initial applicability of the stress test rules as they apply to firms subject to CCAR,<sup>17</sup> and a firm that crosses the \$50 billion asset threshold would become subject to those stress test rules in the year following the first year in which it submitted a capital plan. In addition, the proposal would provide an extended timeframe over which a firm that crosses the

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<sup>14</sup> We note, however, that a threshold of \$100 billion of nonbank assets is used in the Federal Reserve’s resolution plan rule. *See* 12 C.F.R. §§ 243.3(a)(1)(ii) and 243.4(a)(3)(i)(A).

<sup>15</sup> *See, e.g.*, 81 Fed. Reg. at 67243 (“The proposed nonbank asset threshold of \$75 billion would be slightly below the midpoint of the \$50-to-\$125 billion range of potential nonbank asset thresholds considered”).

<sup>16</sup> 81 Fed. Reg. at 67243 (“However, based on the current population of bank holding companies, a \$50 billion nonbank asset threshold appeared to be too low, as many bank holding companies at this level conduct primarily traditional bank-like activities (such as mortgage lending) through nonbank subsidiaries.”)

<sup>17</sup> 12 C.F.R. Part 252, Subparts E and F.



\$50 billion asset threshold must comply with certain CCAR-related regulatory reporting requirements. Each of those changes would, as the proposal notes, facilitate communication between the Federal Reserve and affected firms. The changes would also help those firms better prepare to participate in CCAR, which would enhance the quality and integrity of the exercise for all stakeholders. For these reasons, we strongly support the proposed revisions to the timeframes for initial applicability of CCAR and the stress test rules for firms that cross the \$50 billion asset threshold, as well as the extended onboarding period for certain regulatory reporting requirements.


**VII. Additional matters.**

Additional technical matters, responses to specific questions in the proposal and requests for clarification are addressed in Annex A.

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The Clearing House appreciates the opportunity to comment on the proposal. If you have any questions, please contact the undersigned by phone at (212) 613-9883 or by email at [david.wagner@theclearinghouse.org](mailto:david.wagner@theclearinghouse.org).

Respectfully submitted,



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Lisa Ryu  
(Board of Governors of the Federal Reserve)

## Annex A

### A. Extension of the window for the global market shock as-of date.

Currently, the window for the as-of-date for the trading and counterparty component (*i.e.*, the global market shock) is January 1 to March 1 for the relevant CCAR cycle. Beginning with the 2018 CCAR cycle, the proposal would lengthen the window to commence on October 1 of the preceding year. We believe it would be beneficial for the Federal Reserve to address the following matters in connection with the extension of the window:

- In recent CCAR cycles, firms subject to the global market shock have been permitted to use data as of the date that corresponds to their weekly internal risk reporting cycle as long as that date falls during the business week of the as-of date for the global market shock (for example, during the week of January 4, 2016 to January 8, 2016 for the 2016 CCAR cycle).<sup>1</sup> We request that the Federal Reserve confirm that firms will continue to be permitted to use this approach if the window for the as-of date is extended. The ability to use this approach is important because it facilitates implementation of the global market shock and appropriately reduces burdens on firms subject to the global market shock.
- Under the FR Y-14 series of reports, notification of the as-of date for the global market shock affects when certain schedules are required to be filed. For example, the fourth quarter FR Y-14Q trading and counterparty schedules must be submitted within 52 calendar days after notification of the as-of date or March 15, whichever comes earlier.<sup>2</sup> To facilitate firms' ability to develop systems and processes to timely file schedules for which the submission deadline is based on notification of the as-of date, we request that the Federal Reserve clarify whether the extension of the window for the as-of date will affect submission deadlines.
- In the proposal, the Federal Reserve stated that it would notify firms within two weeks of the selected as-of date.<sup>3</sup> The Federal Reserve also explained that the extension of the window for the as-of date "would provide additional time for both bank holding companies and supervisors to implement the global market shock scenario in a well-controlled manner."<sup>4</sup> This rationale also supports providing data for the global market shock earlier in the CCAR cycle, and we request that the Federal Reserve confirm that it will provide the data for the global market shock

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<sup>1</sup> See, e.g., Federal Reserve, *2016 Supervisory Scenarios for Annual Stress Required under the Dodd-Frank Stress Testing Rules and the Capital Plan Rule* (Jan. 28, 2016) at 7 n. 9; Federal Reserve, *2015 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Stress Testing Rules and the Capital Plan Rule* (Oct. 23, 2014) at 7.

<sup>2</sup> Instructions, Form FR Y-14Q (Aug. 23, 2016) at 6.

<sup>3</sup> 81 Fed. Reg. at 67248.

<sup>4</sup> *Id.*

concurrently with the notification of the as-of date or within a specified period following the notification.

**B. Form FR Y-9LP.**

For the 2017 CCAR cycle, the proposal would require firms to calculate nonbank assets by aggregating existing line items on regulatory reporting forms, including Form FR Y-9LP. Beginning with the 2018 CCAR cycle, the proposal would amend Form FR Y-9LP to include a new line item to report total nonbank assets. Below are responses to a question and a request for comment in the proposal, as well as a request for clarification regarding the measurement of nonbank assets.

- Question 2 of the proposal asks, among other things, whether the Federal Reserve should permit firms to net intercompany exposures among all nonbank subsidiaries for purposes of determining a firm's nonbank assets in connection with the 2017 CCAR cycle.<sup>5</sup> We believe that such netting is appropriate for three reasons. First, and most importantly, netting intercompany exposures among nonbank subsidiaries would provide a more accurate measure of nonbank assets by preventing double-counting of nonbank assets. Second, netting intercompany exposures among nonbank subsidiaries would be consistent with the proposed approach for determining nonbank assets for the 2018 and subsequent CCAR cycles, which provides for the elimination of intercompany assets among nonbank subsidiaries. Third, for the 2017 CCAR cycle, a firm's nonbank assets would reflect, among other things, the amount reported on line 15a of Schedule PC-B of Form FR Y-9LP, and intercompany assets among nonbank subsidiaries are eliminated from the amount reported on that line item.<sup>6</sup>
- Beginning with the first quarter of 2017, the proposal would require firms to report their average nonbank assets over each quarter in a new line item of Form FR Y-9LP. In the proposal, the Federal Reserve explained that “[u]sing an average would further the integrity of the nonbank assets measure by ensuring that it is not unduly influenced by end-of-quarter fluctuations in nonbank assets” and sought comment as to whether a daily, weekly or monthly average would be most appropriate for the calculation.<sup>7</sup> We support a monthly average, which would appropriately balance the burdens of performing, and benefits of using, an average calculation.
- For the 2017 CCAR cycle, the proposal would require firms to measure their nonbank assets by adding together, among other things, the amounts reported on line 15a of Schedule PC-B of Form FR Y-9LP (total combined nonbank assets of nonbank subsidiaries) and line 2a of Schedule PC-A of Form FR Y-9LP (equity investments in nonbank subsidiaries and associated nonbank companies). The proposal further provides that, for purposes of that measurement, investments reported on line 2a of Schedule PC-A that are also reflected in line 15a of Schedule PC-B of Form FR Y-

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<sup>5</sup> 81 Fed. Reg. at 67243.

<sup>6</sup> Instructions, Form FR Y-9LP (Sept. 19, 2016) at PC-B-7.

<sup>7</sup> 81 Fed. Reg. at 67244.

9LP may be eliminated from the amount reported on line 2a of Schedule PC-A.<sup>8</sup> To facilitate firms' measurement of nonbank assets for the 2017 CCAR cycle, we request that the Federal Reserve clarify whether the elimination described in parenthesis is intended to avoid double-counting nonbank assets, because line 15a of Schedule PC-B reflects the underlying assets of a firm's nonbank subsidiaries.

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<sup>8</sup> 81 Fed. Reg. at 67254. Specifically, proposed 12 C.F.R. § 225.8(d)(2)(i)(B) would provide that for purposes of the 2017 CCAR cycle "average total nonbank assets" would include, among other things:

"(A) Total combined nonbank assets of nonbank subsidiaries, as reported on line 15a of Schedule PC-B of the Parent Company Only Financial Statements for Large Holding Companies (FR Y-9LP) as of December 31, 2016; plus (B) The total amount of equity investments in nonbank subsidiaries and associated companies as reported on line 2a of Schedule PC-A of the FR Y-9LP as of December 31, 2016 (except that any investments reflected in (A) may be eliminated) . . ."