

Please note that the comments expressed herein are solely my personal views

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Chris Barnard

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- **12 CFR Part 252**
- **Regulation YY: Docket No. R-1438**
- **Enhanced Prudential Standards and Early Remediation Requirements for Covered Companies**

Dear Jennifer Johnson.

Thank you for giving us the opportunity to comment on your proposed rule: Enhanced Prudential Standards and Early Remediation Requirements for Covered Companies.

You are proposing rules that would implement the enhanced Prudential standards required to be established under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the early remediation requirements established under section 166 of the Dodd-Frank Act. The enhanced standards include risk-based capital and leverage requirements, liquidity standards, requirements for overall risk management (including establishing a risk committee and employing an experienced chief risk officer), single counterparty credit limits, stress test requirements, and a debt-to-equity limit for companies that the Financial Stability Oversight Council (FSOC) has determined pose a grave threat to financial stability.

#### Supervisory stress tests

I support the proposed steps and timing for the annual supervisory stress testing cycle. I fully agree that the timing requirements of the proposal are sufficient to allow a covered company or nonbank covered company to prepare, collect, and submit to the Board of Governors of the Federal Reserve System (Board) the information necessary to support the supervisory stress test. This is particularly the case for those covered companies that are bank holding companies, as such stress testing will be complementary to already existing internal stress and scenario testing.

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Regarding proposed §§ 252.135(b) and (c) on the review of the Board's analysis and publication of summary results, the wording "reasonable period of time" is not precise or sufficient enough to comment on. I would suggest that a 90 day timeframe would be reasonable in this regard.

#### Company-run stress tests

I generally support the proposed steps and timing for the annual and additional company-run stress test cycles. In particular, the immediate effectiveness of the proposed rule will provide sufficient time for an institution that is covered at the effective date of the rule to conduct its first annual stress test. This is particularly the case for bank holding companies and medium depository institutions, as such stress testing will be complementary to already existing internal stress and scenario testing.

Regarding the public disclosure requirements required under proposed § 252.148, I would suggest that the 90 day timeframe is too long. In the absence of significant issues, problems or dialogue required under any supervisory review, I would suggest that a covered company and each over \$10 billion company should be required to publish a summary of results within 30 days of their report to the Board.

I agree with proposed § 252.148(b)(3), which requires public disclosure of the "general description of the methodologies employed to estimate losses, pre-provision net revenue, allowance for loan losses, and changes in capital positions over the planning horizon". This is sufficient and complete enough to allow investors and other users to compare and contrast the different stress testing methodologies employed in covered companies.

#### Scenarios published by the Board

Finally, by far the most important aspect of these stress tests will be the quality and range of scenarios provided by the Board. They should be realistic and robust enough in order to illuminate potential problems and shortcomings in covered companies' structures, activities, planning, risk exposures and risk management and mitigation techniques. As a minimum, the "severely adverse" scenario should be at least as adverse as the worst of the recent financial crisis (credit crunch) conditions. I look forward to receiving more details about these scenarios in the near future.

Yours sincerely

*C. Barnard*

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