American Bankers Association
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THE FINANCIAL SERVICES ROUNDTABLE
Financing America's Economy

August 26, 2013

Robert deV. Frierson,
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW.
Washington, DC 20551.

Dear Secretary Frierson:

The American Bankers Association[1] and The Financial Services Roundtable[2] (together, the **Associations**) appreciate the opportunity to comment on the revisions to the proposed annual (the **FR Y-14A**), quarterly (the **FR Y-14Q**), and monthly (the **FR Y-14M**) data schedules (hereinafter the **Proposals** or **schedules**) issued by the Board of Governors of the Federal Reserve System (the **Board** or the **Federal Reserve**).

The data gathered in these reporting schedules are used to assess the capital adequacy of large banks (**respondents**) using forward-looking projections of revenue and losses, to support supervisory stress test models and monitoring efforts, as well as to inform the Board's operational decision-making as it continues to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act.

There is significant merit to the supervisory and company-run stress testing process established by the Board and other agencies. The Associations appreciate that the Board continues to publish the schedules for public comment. However, we have concerns with several components of the schedules. Part I of this letter addresses the Associations' specific concerns with the Proposals. Part II of this letter discusses broader issues regarding the data collection process. Appendix A to this letter sets forth issues that require further clarification for bankers to be able to be responsive. Appendix B to this letter includes presentation materials from a meeting held with the Board on August 6, 2013.

PART I – Concerns regarding the Proposals.

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[1] The American Bankers Association represents banks of all sizes and charters and is the voice for the nation's $14 trillion banking industry and its 2 million employees. Learn more at www.aba.com.

[2] The Financial Services Roundtable represents 100 integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine, accounting directly for $98.4 trillion in managed assets, $1.1 trillion in revenue, and 2.4 million jobs.

The Board should clarify that banks should report based on the Basel III Final Rule.

The Proposals appear to require that institutions complete the Basel III Capital (*i.e.* Revised Capital), Advanced Approaches RWA and Standardized Approach RWA templates based on the Basel III proposals released last year, rather than the Basel III Final Rule issued this year. For internal capital management purposes, respondents will be calculating and projecting their ratios and risk-weighted assets based on the Basel III Final Rules. Thus, unless the Board changes the instructions to ensure the templates are based on the final rules, firms will have to make two sets of projections. As a result, we urge the Board to clarify that banks should report capital levels based on the Basel III Final Rule.

The Proposals should recognize the phase-in period of the Basel III Final Rules.

The Proposals appear to require banks to report Basel III numbers without the benefit of the transitional arrangements recognized in the Basel III Final Rule.[3] By adopting the transitional arrangements in the Basel III Final Rule, the Board recognized that banking organizations have issued regulatory capital instruments for many years in reliance on pre-Basel III capital standards and that phase-in arrangements, staggered over several years, are necessary to avoid unwarranted and temporary volatility in banking organizations' capital structures as they adjust to Basel III. Board staff has itself noted that the transition arrangements guard against potential negative impacts to lending markets and economic growth generally.[4]

The Associations believe that the summary schedules should fully reflect all applicable transition periods recognized in the Basel III Final Rules, including arrangements related to qualifying capital, capital deductions, and minimum ratio requirements. Failure to recognize the transition periods would create an unjustified difference between the new regulatory capital regime's substantive rules and banking organizations' public disclosures, on the one hand, and the reporting forms used by particular banking organizations to measure and report regulatory capital under that new regime, on the other hand. Accordingly, the Associations recommend that the Board revise the FR Y-14 schedules to permit banking organizations to report separately each regulatory capital component for which the Basel III Final Rule recognizes a transition period. Under this proposal, embedded formulae in the schedules would then apply the applicable haircut to each capital component, with haircuts increasing in later years, resulting in an accurate calculation of banking organizations' regulatory capital under the Basel III transition arrangements. Further, embedding the transitional formulae and related outputs in the template will ensure accurate bank holding company (BHC) CCAR disclosures consistent with FRB disclosures.

[3] *See* Basel III Final Rule, Subpart G.

[4] Board Minutes Approving Basel III on July 2, 2013, Anna Lee Hewko stated: "Quantitative analysis by the Basel Committee found that stronger capital requirements would lower the probability of banking crises under associated output losses while having only a modest impact on gross domestic product and lending cost. Moreover, transition provisions would help mitigate these negative impacts."

The Board should provide sufficient time for compliance.

The Board should provide respondents sufficient time to develop systems to capture the requested data items. The Proposal revises the existing CCAR information collection to implement new reporting schedules and add new data items to existing schedules. The Proposal is scheduled to become effective September 30, 2013. Respondents will need to develop internal processes and procedures, hire or repurpose staff and expertise, and develop appropriate systems in order to comply with the requirements of the proposed data collection. Assuming that the reporting schedules are finalized within 30 days from the close of the comment period, respondents will only have approximately 5 days to develop their systems to capture the September month-end data.

Previously most respondents have been forced to develop their systems and reporting process changes during the proposal phase in order to comply with the Board's timing. However, for the Proposals, many respondents are unable to develop their systems because they do not understand which templates they should be completing, and the specific requirements of many of the items within the templates and schedules. As a result, the proposed timing is unrealistic.

We believe this timing will not give institutions adequate time to implement required systems changes properly. Given the substantial amount of new data to be provided in the Proposals, the Associations believe the effective date of the Proposals should be delayed.

Certain aspects of the Proposals are unnecessarily granular.

Counterparty Template

The expanded scope and associated level of detail proposed in the Counterparty template would require some institutions to report at a high level of granularity. We understand the desire of the regulatory agencies to have sufficient, substantive information to evaluate stress testing results, but we request that consideration be given to a materiality threshold for the individual counterparty exposure data being required, or consider inclusion of an individual credit value adjustment (CVA) threshold below which no counterparty profile data are required. The challenges associated with the proposed increase in the counterparty reporting requirements could also be partially mitigated with an earlier issuance of the global market shock components and the as-of-date.

Counterparty Template: Central Counterparties (CCPs)

The scope of the proposed Counterparty Template has been expanded to include exposures and CVA stress losses against CCPs, defined as intermediary counterparties that facilitate the transfer, clearance, and/or settlement for OTC derivatives on a collateralized basis. We question the necessity of reporting such information given the extensive risk mitigants including the following factors:

- CCPs have off-setting positions with other members and are market risk neutral.
- Clearing members post Initial Margin and make Guarantee Fund contributions to provide a safety net over and above the Variation Margins posted.
- Some CCPs offer margin offsets between listed and OTC derivatives.

In addition, it should be noted that some of these mitigants may not be fully accounted for in a bank stress test, considering that the bank is only one side of a transaction. As a result, we urge the Board not to require respondents to stress test their CCP exposures.

Wholesale Corporate Loan Schedule

For the Wholesale Corporate Loan Schedule, "the Federal Reserve would add one item to identify borrowers that are special purpose entities, which would enhance the ability of the Federal Reserve to identify loans with specific characteristics that vary greatly from the aggregate." Historically, some respondents have had no reason to identify borrowers as special purpose entities on multiple-source accounting systems. If this identifier were to be finalized as proposed, many of these respondents would be required to review the actual (paper or scanned) loan documentation files for thousands of obligations to determine whether the obligor is a special purpose entity. We respectfully request that the Federal Reserve reconsider the necessity of requiring identification of such loans. Even if the Board were to require this identifier as a reporting field, it would be unreasonable to do so without postponing the effective date for at least six months so that institutions could first obtain the data.

Operational Risk

The combination of the Operational Risk worksheets on the Summary Schedule requires a level of granularity that decreases the relevance of the data. Historical data for operational risk can be limited in general, and quarterly projections by event type are even a less likely source of less reliable data (less basis in historical data). As a result, we request that the Board not require submission these data.

Risk Weighted Assets

In addition, the Board is requesting far more granular data on risk weighted assets. Rather than requesting this more granular data, we recommend that the Board allow respondents to submit data in more aggregated form. For example, the Board could allow submission of risk weighted assets data using FR Y-9C line items.

Securities Template

The Proposals call for adding Book Yield as columns to the Securities schedule. Various methods can be used to determine Book Yield, each of which has its own advantages and drawbacks. These include, but are not limited to, for debt instruments, solving for the yield that equates the present value of the projected cash flows to current book value, and for equity instruments, annualizing the current dividend relative to the current book value. We note that for equity instruments, Book Yield is not a relevant measure, and we do not believe it should be requested. Moreover, it would be unreasonable for the Board to insist on collecting such data without the final instructions clearly stating the required or acceptable approaches for determining Book Yield.

The Board should not require respondents to submit six year projections as part of the FR Y-14A.

As the Board only discloses 9-quarter forecast results, it is unclear why respondents are required to populate the long term projections that are part of the Basel III FR Y-14A template, or how the results presented in the template are used to assess each respondent's capital adequacy. Moreover, because the Board only provides macroeconomic variables for a 13-quarter forecast horizon for the supervisory baseline scenario, respondents are expected to develop their own macroeconomic projections for the entire 6-year forecast horizon. As a result, respondents may develop notably different macroeconomic scenarios (and resulting financial projections) for the extended forecast horizon, which will prevent meaningful cross-bank results comparisons. Accordingly, we request that the Federal Reserve consider not requiring respondents to prepare and submit projections beyond the 9-quarter forecast results.

The Board should include technical instructions with reporting definitions and blank templates on the FRB website.

The Associations support the proposed instructions, which consolidate the reporting definitions for the FR Y-14 schedules into three documents. However, these instructions do not include the detailed technical instructions for all schedules. The FR Y-14Q Operational Risk and pre-provision net revenue (PPNR) schedules have technical instructions which are not included in the proposed instructions and are not located together with the reporting definitions on the Board's website. These schedules' technical instructions could be enhanced to state more clearly the formatting requirements for submission. The Board has also changed the formatting of certain schedules less than forty (40) days before a submission deadline. The schedules have an increasing number of different file formats, including Excel, XML, and CSV.

The Board should consider including the detailed technical instructions with the reporting definitions for all FR Y-14 schedules. These instructions should be available in the reporting forms section of the Board's website. The Board should also consider using one or two file formats for the FR Y-14 schedules.

PART II: Broad concerns about the FR Y-14 process.

The Board should rationalize the pace of change of the FR Y-14 data requests and consolidate any changes into a single annual proposal that is effective March 31.

For the last four years, large bank holding companies have been subject to significant and changing data requirements. In 2012 alone the Board revised the FR Y-14 requirements four times. It has been a challenging task for respondents to continually develop new systems to meet the Board's changing requirements. The Associations also note that the continual changes to the data request, which provide little time for respondents to develop new systems, increase the risk of errors. More troubling is that the Fed proposes revisions with a specific effective date but continues to make technical and other changes to the templates after the effective date without sufficient notice to respondents. Implementing those technical changes on a quick turnaround presents significant challenges to respondents. The process needs to be improved.

The Associations recommend the Board issue proposed changes only once a year and with enough lead time to allow for an FAQ process and for respondents to develop their systems. We also recommend that the Board make any changes to the FR Y-14s effective for the Mid-Cycle Stress Test so respondents can conduct a first run during a less resource intensive submission. We propose the following timeframe:

- By June 30th the Board should issue proposed changes to FR Y-14 effective the following March 31 with a 60 day comment period.
- By September 30th, based on comments received, the Board should issue final data collection requirements effective March 31st. Upon issuing the final requirements the Board should request questions as part of an FAQ process.
- By November 30th, the Board should finalize its first FAQ.
- If necessary, by February 28th, the Board should finalize its second FAQ.
- On March 31, proposed changes would become effective.

The Board should provide the scenarios earlier in light of the proposals and so as to ensure appropriate process and governance.

The Board has historically provided the scenarios to institutions in mid- to late-November, allowing only six to seven weeks for implementation and calculation prior to the submission deadline. During this abbreviated time frame that begins upon receipt of the scenarios, firms are obligated to analyze them; disseminate them throughout their organizations; model re-aggregated cross-enterprise results; apply appropriate oversight in the consistency, reasonableness, and comprehensiveness of the scenario results; seek approvals for stress tests and capital plans from working groups, management committees, and Board committees or full Boards of Directors; and fully document their results and methodologies for submission.

We understand that the Agencies have a general interest in providing the scenarios as late as possible in order to ensure that the scenarios are relevant to the macroeconomic environment. In other words, the Agencies may be concerned that the environment may change after the provision of scenarios if the scenarios are released too far in advance. However, it should be recognized that these additional changes to the FR Y-14As make the scenario timing even more challenging.

As a result, we urge the Board to revisit the timing of providing the scenarios and provide them several weeks earlier. Providing the scenarios earlier would have minimal potential cost to the relevance of the scenarios. The scenarios cover a forward period of 27 months, so two to three extra weeks would amount to only two to three percent of the total coverage period. Balanced against the very modest incremental risk of potential "staleness" – which risk exists in any case – would be the significant benefit of this extra time to enable institutions to conduct more fully, thoroughly, and carefully their stress tests and apply appropriate and thorough governance. Even providing the scenarios to institutions only two to three weeks earlier (e.g., the beginning of November) would extend by approximately *one-third* the amount of time institutions have to conduct their stress testing properly and submit their FR Y-14As accurately. This would provide respondents with sufficient time to conduct their internal capital adequacy assessment processes in a thoughtful and controlled manner. It is in everyone's interest that the stress testing and capital planning process be as robust as reasonably possible, and presently the proper conduct of the process is severely and unnecessarily constrained by the timing of the receipt of the scenarios.

Besides the issue of timing of release of the general scenarios, we urge the Board to revisit the timing on the global shock components, because the new reporting requirements related to these components are extremely burdensome.

With the expansion of the FR Y-14A data collection, we also encourage the Board to revisit using the October Blue Chip consensus forecast. Utilizing the October Blue Chip consensus forecast unnecessarily compresses CCAR by a full month: The Board should consider utilizing the September Blue Chip consensus forecast in order to provide Respondents sufficient time to conduct their internal capital adequacy assessment processes in a thoughtful and controlled manner.

Thank you for considering the concerns expressed in this letter. We appreciate the opportunity to share our views and would be happy to discuss them further at your convenience. Given the rapidly approaching proposed submission dates and the significant effort involved in gathering the required data and populating the templates, we would appreciate receiving guidance on these matters at the Board's earliest convenience.

If you have any questions, please contact Hugh C. Carney, Senior Counsel of the ABA at (202) 663-5324 (e-mail: hcarney@aba.com) or Richard Foster, Senior Counsel of Legal and Regulatory Affairs at (202) 589-2424 (rfoster@fsround.org).

Sincerely,

Hugh Carney

Richard M. Whiting

Hugh Carney
Senior Counsel II

Richard M. Whiting
Executive Director & General Counsel

Appendix A: Clarifications

General Questions

Which capital worksheets are required?

The Federal Register says the capital worksheet was revised to "collect projections depending on which capital regime is applicable to the BHC at any given point in the projection horizon." The register also states that the General and Advanced worksheets should be used until the revised definition of capital becomes effective for the BHC. Should this be read as advanced approach banks should only fill in the General Capital worksheet since Basel II and III will not be finalized by the start of CCAR at 9/30/13? It could also be interpreted to mean that banks should switch worksheets during the projection horizon as the regulations are phased in (e.g. in an extreme example, utilize the General Capital worksheet for Q3 2013 actuals, utilize the Advanced Capital worksheet for Q4 2013 if in Basel II, and utilize the Revised Capital worksheet from Q1 2014 onward).

Please clarify that non-advanced approach BHCs are required to complete the General Capital worksheet for quarters Q4 2013 through Q4 2014 only (leaving the remaining columns blank that represent the subsequent quarters on the General Capital worksheet) then populate the Revised Capital worksheet for quarters Q1 2015 through Q4 2015 only for the quarters in which the Basel III standardized approach becomes effective in Q1 2015 (leaving the preceding columns blank that represent the quarters in which the General Capital worksheet was completed).

Also, please clarify that non-advanced approach BHCs are required to complete the General RWA section of the General RWA worksheet for quarters Q4 2013 through Q4 2014 only (leaving the remaining columns blank for this section that represent the subsequent quarters on the General RWA worksheet) then populate the Standardized Approach section of the General RWA worksheet for quarters Q1 2015 through Q4 2015 only for the quarters in which the Basel III standardized approach becomes effective in Q1 2015 (leaving the preceding columns blank for this section that represent the quarters in which the General RWA section was completed).

Are advanced approaches banks required to fill in the Advanced RWA worksheet? What is the definition of prior to CCAR?

Advanced approaches BHCs that have exited parallel run prior to the beginning of CCAR2014 are required to complete the 'RWA_Advanced' worksheet per the instructions. However, the Federal Register says "BHCs that have exited parallel run prior to submission of the Summary Schedule would be required to submit projections on the Advanced Approaches RWA worksheet for all projection quarters." Clarification is needed on whether the intent is beginning (9/30/13) or submission (1/5/14).

What templates should an advanced approach bank fill out if they have not entered parallel run?

There are banks that are, and will become, mandatory Basel II banks that have not entered parallel run. Which templates should they be filling out.

Is it intended to have banks that have not exited parallel run fill out the "Credit RWA per Revised Advanced Approaches" in the Advanced RWA schedule?

The instructions for "Credit RWA per Revised Advanced Approaches" in the Advanced RWA schedule requires all banks to populate this section even though the particular schedule is only intended for banks that have exited Basel 2 parallel. Our assumption is that banks that have not exited Basel 2 parallel do not have to populate this schedule. Is this correct?

Is it intentional to have the General RWA worksheet using the final standardized rule? If so, should this reconcile to the RWA on the General Capital tab? When does the standardized rule need to be implemented?

In the event that the standardized approach capital rule gets finalized prior to start of CCAR, all BHCs are required to report credit risk-weighted assets using the methodologies in the final standardized approach capital rule within the 'Standardized Approach' section of the 'General RWA' worksheet for the applicable forecasted periods. If the standardized approach rule is applied, the resulting template will presumably be a mix of BI and BIII data (BI until Q1 2015 where it switches to B3). As a result, the RWA seen on this template will not match the RWA on the capital template, which is all under Basel I – Is this intentional?

What phase out should be used for TruPs in 2013?

The instructions for phasing out TruPs refers to the NPR which has phase out of 25% in 2013, 50% in 14, etc. However, the NPR has been finalized and in the Final rule TruPs phase out of Tier 1 is 50% in 2014, 75% 2015, 100% in 2016. So should we adhere to the instructions which are based on the NPR or utilize the Final Rule treatment? Also, in the past banks had the option to report TruPs on a fully phased in basis. Any final rule should clarify whether that option still exists.

How should non-advanced approach banks treat AOCI?

Basel III provides Non-Advanced Approach Banks a one-time opt-out election related to the AOCI adjustments. Prior to the release of the final Basel III rules on July 2, 2013, the opt-out election was not part of the proposed NPRs. Prior FR Y-14Q and A Basel III & Dodd Frank Schedules we included the impact of the AOCI adjustments. Proposed FR Y-14Q and A schedules for 3Q13 include lines items to capture these adjustments as well. If we intend to take advantage of the one-time opt-out election upon adoption of Basel III rules on January 1, 2015 how should these respective AOCI adjustments be reported during the transition period from June 30, 2013 to December 31, 2014 within the FR Y-14Qs and As? Exclude AOCI adjustments based upon future intent or continue to include? Please provide clarification. If we exclude AOCI adjustments, does that lock us in to opt out when our election needs to be made on January 1, 2015?

How should banks factor in the leverage ratio proposals?

Given the recently released NPR on the supplementary leverage ratio standards, what are the expectations for the calculation of the leverage ratio for the 2014 CCAR? Will the calculation of the components of the leverage ratio be based on the standards in the NPR?

Expanded Scope of BHCs required to submit the Counterparty Credit Risk (CCR) schedule

The Federal Reserve proposes "amending the scope of the respondents to the FR Y–14A CCR schedule and Trading and CCR worksheets of the FR Y–14A Summary schedule to include any company that the Board or the Director of the Division of Banking Supervision and Regulation, acting under delegated authority, may require to complete these schedules under 12 CFR 252.144(b)(2)." If the FRB subsequently requires a BHC to submit the CCR schedule, that is not initially required due to the size cut-off, when will the BHC be informed by the FRB?

Is the definition of "trading activity" based on trading assets or intraday activity?

The RWA worksheets make reference to the requirement to fill in the market risk RWA section unless "a BHC's trading activity is below $1 billion and less than 10% of its total assets as of date (3Q 2013), the BHC does not need to complete the market risk-weighted asset section within the schedule" – but it does not define whether activity means intraday activity or trading assets, or some other measure.

Should banks reference the Basel III final rules instead of the NPR?

The proposed templates were released just prior to the final Basel III rules and the Federal Register references the proposed Basel III rules rather than the final Basel III rules. I would assume that we should enter data into the templates based on the final Basel III rules and not the proposed rules. Is that correct? Also, does this mean that the templates will again need to be updated to ensure they align with the final rules?

How many FR Y-14Qs should be filed each year?

Page 2 of the current quarterly instructions (FR_Y-14QM_General_Instructions.pdf) states "The Basel III and Regulatory Capital Instruments data schedules are to be submitted for all quarters, except for the third quarter." This exception does not appear in the new proposal. Are the Basel III and Reg Cap templates required for Q3 2013?

Should banks be providing historical data on new data items?

For all new fields, is data submission on a going-forward basis? Do banks need to submit historical data? If so, how far back and when is historical data due?

How are banks supposed to stress the SSFA?

The Board should provide guidance as to their expectations for modeling securitization exposure in the investment portfolio. Are we expected to model SSFA under stress and if so how should we think about it?

MSR:
For section 4, there is included language in the proposal that 'If the shock metrics are not normally generated then leave the field blank". Does this indicate that if the sensitivities were only developed to be reported on the FR Y-14Q MSR schedule, then the data should NOT be populated or reported?

Detailed Questions

Capital Worksheets and Basel III Template

- The "Revised Capital – CCAR" worksheet to the Summary Template and "Capital Composition" worksheet to the Basel III template both include the following line item "Excess Expected Credit Loss (ECL) -- Applicable to Advanced Approaches Banking Organizations" as a deduction (see item 37 on the "Revised Capital – CCAR" worksheet and item 20 on the "Capital Composition" worksheet). The revised instructions for the "Revised Capital – CCAR" clarify that item 37 "applies only to advanced approaches BHCs that have exited Basel II parallel run." The instructions for the "Capital Composition" worksheet, however, do not include the same provision with respect to having exited parallel run. Please confirm that the Federal Reserve intends BHCs that have not exited Basel II parallel run to include the deduction (i.e., item 20 "Excess Expected Credit Loss (ECL) -- Applicable to Advanced Approaches Banking Organizations") on the "Capital Composition" worksheet to the Basel III template.

- The Basel 3 final rule removed the minimum 10% deduction floor for mortgage servicing rights (MSRs). Should Worksheet 2 – Exception Bucket Calculator Line 22 - Additional Deduction from Common Equity Tier 1 Due to Statutory 10% Fair Value Limit of Mortgage Servicing Assets be updated accordingly?

Supplemental

- The Federal Reserve proposes adding an additional field (Column A – Carrying Value) to the Supplemental Schedule to capture the carrying value of assets held on the balance sheet for certain items. This additional field would apply to 23 of the 30 asset categories on the schedule for which these data are unavailable from other regulatory reports. These data would allow the Federal Reserve to better understand changes in firms' balance sheet composition each quarter. The proposed instructions state for Column A," report the carrying value of loans in portfolios that were not distinctly reported in the FR Y-9C schedules because of differences in the portfolio".

- o Can the Fed further clarify the requirement? Specifically – what does "not distinctly reported in the FR Y-9C schedules because of differences in the definition of the portfolio" mean?
- o Column A appears to be requesting the carrying value for several portfolio's that are not distinctly reported in the **FRY-9C** – is this meant to be for portfolio's that are not distinctly reported in the **FR Y-14 Q/M**?
- o Would this new Column A include balances for unearned discount, and balances recorded on the general ledger but not on the accounting system of record (WIP and retro entries)?

Additionally, to improve consistency across schedules, the Federal Reserve proposes removing the item Graded Loans for Purchasing or Carrying Securities since such loans are not included in the FR Y-14Q Wholesale Corporate Loan Schedule.

- If a BHC has graded loans for purchasing and carrying securities and the line item is removed, where should such balances be reported?

Balance Sheet Worksheet:

- The proposed Balance Sheet Worksheet's instructions provide explicit FR Y-9C references for items 44 through 50. The Balance Sheet Worksheet's instructions define small business (scored/delinquency managed) loans (item 32) as including FR Y-9C, schedule HC-C lines 2.a, 2.b, 3, 7, 9.a, 9.b.1, 9.b.2, and 10b. Should Balance Sheet Worksheet items 44 through 50 equal the FR Y-9C reference item less small business (scored/delinquency managed) loans accounted for in item 32? (For example, could agricultural loans, FR Y-9C reference bhck1590, appear in items 32 and 45?)

- On both the PPNR and PPNR Metrics Worksheets, the Federal Reserve proposes to combine line items for "C&I Loans, excl. Small Business (Scored/Delinquency Managed)" and "Small Business (Scored/Delinquency Managed)" into a single line item "C&I Loans". However, the Balance Sheet Worksheet still includes a breakdown of C&I loans, including a line item for "Small Business (Scored/Delinquency Managed)". Please clarify whether the Federal Reserve intends the Balance Sheet Worksheet to continue to include the "Small Business (Scored/Delinquency Managed)" line item. If so, please provide additional information on how small business loans should be defined.

- Should the proposed Balance Sheet Worksheet's edit check for item 111 equal BHCK5369 plus BHCKB529?

- The proposed Balance Sheet Worksheet's edit check for item 148 (Total BHC Equity Capital) equals item 17 of the HI-A section of the CCAR Capital Worksheet. The CCAR Capital Worksheet is not required for all CCAR scenarios or mid-cycle DFAST scenarios. The CCAR instructions also provided for BHC selection of Supervisory Baseline as the BHC Baseline scenario in CCAR 2013, but the CCAR 2013 instructions asked Supervisory Baseline to equal the DFAST Capital Worksheet and BHC Baseline to equal CCAR Capital Worksheet. What should Balance Sheet Worksheet item 148 equal? Will the Supervisory Baseline and BHC Baseline scenarios have the same edit check in CCAR?

- Securitization in line items 4&5 – How is securitization defined? by Basel 3? By GAAP? Inclusive/exclusive of agency MBS? What are the guidelines in determining investment grade - able to use credit ratings? Are we to make assumptions/forecast migration across rating categories?

Basel II Fields to the US Auto Template:

- For the addition of the Basel II fields to the US Auto template, would the requirement be to have that data populated for all three months that are included in the 3Q13 schedule (July, August, September), or just September?
- For the addition of the Basel II fields to the US Auto template, what is the weighted average calculation that should be used to aggregate the values for a given segment?

Operational Risk:

- The FR Y-14A Operational Risk schedule is not included in the proposal. Does this mean there is no change to this schedule or that it is no longer required?

PPNR:

- The proposed PPNR Projection Worksheet's edit checks for pre-provision net revenue (PPNR) reference the exclusion of valuation Adjustment for firm's own debt under fair value option (PPNR Projections Worksheet, item 40). The Income Statement implies that PPNR should exclude all of Income Statement, item 125 including loss on loans held for sale (item 57), goodwill impairment (item 65), and other losses (item 66). Can you please clarify the definition of PPNR for the FR Y-14A Summary templates?
- The Federal Reserve proposes to add a new variable, Residential Home Equity Originations Industry Market Size – Volume, to the PPNR Metrics Worksheet of the FR Y-14A Summary Schedule and the FR Y-14Q PPNR Schedule. Is there any additional guidance from the Federal Reserve about what historical data the Federal Reserve would recommend for the variable? It unclear whether any existing data source matches up with this proposed additional variable.

- The proposed FR Y-14Q PPNR will require average nonaccrual loans to be reported in PPNR Net Interest Income (NII) Worksheet on line #9, Nonaccrual loans. In the Average Rates Earned/ Interest Income section (lines 18 to 32) of the PPNR NII Worksheet there is not a corresponding average rate earned line for interest earned on nonaccrual loans. As the net interest income on line 49 of NII Worksheet must agree to net interest income reported in the FR Y-9C, interest earned on nonaccrual loans must be included somewhere in the average rate earned activity reported. We will include the average rate impact of nonaccrual interest income earned in the respective loan categories for the income earned [even though it creates a mismatch between respective average loan balances (which excludes average nonaccrual loans) and average rates earned (which includes nonaccrual interest income impact)]. Please advise if there is another approach we should consider.

- PPNR NII worksheet now includes non-earning assets and non interest bearing liabilities and it appears that the PPNR Metric items 58-82 are <u>not</u> to include non-earning assets and non interest bearing liabilities. Please confirm.

- In the PPNR Metrics schedule, does the definition of "All Other Interest Bearing Liabilities include both long term debt (not included in line item 81) and non maturity deposits (other deposits not captured in line items 75 & 76)?
- Will the proposal for the updates to the PPNR template be updated to reflect the new reporting methodology of XML

- Item number 40 of revised PPNR NII worksheet asks for "Total Average Liability Balances." It also has a reference to the Y9C item BHCK2948, which only represents "Total Liabilities" as on the report date in schedule HC. "Average Liability" is not reported in FR Y9C in any schedule. Can you clarify the expected calculation for line 40 of the PPNR NII worksheet?

- Instructions for PPNR Projections, Item 14P Non-sufficient funds/overdraft fees – gross: Maintain reporting of total OD given that waivers are function of bank behavior rather than economic conditions.

- For the FR Y-14A Summary Template, on the "PPNR NII" tab what should be included in Other Earning Assets? What should be included in Other Assets which is not already included in Other Earning Assets?

- For the FR Y-14Q PPNR NII Worksheet, there seems to be a row to enter the interest rate paid on Other Liabilities (which are supposed to be Non-Interest Bearing, so the rate would be zero). Please see Item #47, row 103 on the PPNR NII Worksheet. Banks can enter zero here, but suggest that this be in gray (blocked) or to exclude it (like in for the Non-Earning Assets).

- On the NII tab, Footnote 12: Please clarify what "breakout of Non-Accrual Loans by Major Category" means?

- For the FR Y-14Q PPNR Submission worksheet, the proposed item name for line 39 is 'Projected PPNR'. The template is typically only the 'Actual' data, should this value be 'Actual PPNR' rather than Projected?

- For the FR Y-14Q PPNR Submission worksheet, Footnote 27, there is reference to the HC-I schedule on the FR Y-9C. Should the reference be for Schedule HI, on the FR Y-9C instead?

- On the FR Y-14Q PPNR NII worksheet, there is NOT a corresponding average rates earned % (assets) for the 'Other Assets' balance (line 16) which seems appropriate, as the average rate earned % for non-interest bearing assets would be 0%. However, in the average liability rates % section, line item 47 has been included for the average rate earned on 'other liabilities' – which would also have an average rate of 0% for non-earning 'other liabilities'. Is this particular line necessary?

- Regarding the FR Y-14Q PPNR template; The current NII template headlines the first section as "Average Interest-Bearing Asset Balances ($ Millions); the proposed is for 'Average Asset Balances' indicating that those assets that may be non-earning SHOULD be included in the section on the proposed version of the template. Non Accruals will continue to be bucketed in a different location, but any non-earning assets will START to be included, is that a correct assessment?

Available for Sale and Held to Maturity Securities

- On the new securities breakout, there is not a Y9C reference in the template, but there are some in the instructions. Those instructions reference columns A and D on the Y9C schedule.

  -Column A is labeled "Held to Maturity <u>Amortized Cost</u>" and Column D is labeled "Available for Sale <u>Fair Value</u>"

  - Column B is labeled "Held to Maturity Fair Value" and Column C is labeled "Available for Sale Amortized Cost"

  Please confirm that this should be sum of A & D (i.e. the sum of one part with Amortized Cost and one part with Fair Value.)

- Does OCI in the template refer to (1) realized gains/(losses) or (2) tax-adjusted Other Comprehensive Income found on the balance sheet?

- *Assuming "OCI" is a general term for unrealized gains/(losses) on the AFS Portfolio:*

- o Is Column C in the AFS OCI by portfolio worksheet supposed to use the beginning fair-market value balance sheet amounts for the assets? e.g. FMV of 103; Cost of 100; Pre-Tax OCI of 3
- o Is column N in the AFS OCI by Portfolio worksheet meant as a replacement for the previous 'Securities AFS Market Shock' worksheet?
- o Are Columns D - L in the Securities AFS OCI by Portfolio worksheet meant to be (1) and incremental change from each quarter so it can be summed up in column M or (2) end of period balances?
  - a. Should we include premium/discount amortization/accretion in these "OCI" numbers?
- o Is column M in the Securities AFS OCI meant to be the unrealized gain/(loss) <u>immediately after</u> the market shock is applied to the starting balances <u>and before</u> any OTTI is recorded (Example B below) or something else?
  - a. Initial starting balances: FMV 100; Cost 100; OCI 0
    b. Price Shock and no credit OTTI: FMV 80; Cost still 100; OCI (20) and subsequently 5 of OTTI will lower cost
    c. Price Shock with credit OTTI: FMV 80; Cost 95 (after 5 OTTI was taken); OCI (15)

- On the "Securities OTTI Methodology" tab and the "Securities OTTI by Portfolio" tab, there is a change to "Other ABS (excl HEL ABS)" from "Other Consumer ABS (excl HEL ABS)". Is this change purely cosmetic or is there a change in definition?

- Please clarify the definition of "Book Yield" Please confirm that Book Yield refers to current book yield. For non-impaired bonds, can we use our analytical software to calculate book yield given the current book value and projected cash flows? For equity type investments (i.e. mutual funds, stocks), should we express the book yield as current dividend divided by book value?

- Please clarify the definition of "Purchase Date." Does it capture trade or settlement date? For Mutual Funds, determining purchase dates would be extremely difficult due to all of the monthly inflows/outflows. Some banks may buy multiple lots of the same security. Please clarify that the earliest purchase date should be the reported date.

- On the "Securities AFS OCI by Portfolio" tab in the FR Y-14A Summary template, the proposal includes projections of OCI and Fair Value for AFS Securities. Is this for the runoff book only, or including reinvestment of paydown principals received from each period?- Is this template for base case (using actual and implied forward market rates) only? Or this is it needed for the BHC and Fed shock cases? OCI Is a point-in-time number, not cumulative, so do we report the last quarter or worst quarter in Column M (Total Projected OCI in all Quarters)?

Trading & CVA Hedges

- The template name, FR_Y-14Q_Trading_template_201309_Proposal, suggests the changes will become effective as of September 30. Last year we were not required to complete a 14Q for September 30, but rather used the Fed-prescribed date of November 14 to represent the 3rd quarter and for our annual CCAR submission. Can you confirm that the proposed template is meant to be used in the same way this year? That is, it will be used for our annual CCAR 2014 submission using whichever AS OF date the Fed prescribes. And, it will not be used for September 30.

- Are there any proposed changes for any supplemental templates for the Trading Workstream, such as the EuroZone template?

- On the IDR - Corporate Credit tab of the 14Q Trading Template, should BHCs attempt to allocate the MV and notional of bespoke products following the same instructions as the Credit Correlation tab to group between various indices based on the geographical location of names in the basket? In practice, this causes all bespoke products to be split between a single CDX or iTraxx category. Since Table B requests both index tranches and bespokes be reported together, this will result in index tranches being commingled with bespoke tranches containing different underlying names. Given that this aggregation is not meaningful, would it be possible to include a separate table in that section for reporting bespokes products to avoid confusion?

Corporate Loans

- With regard to the proposed Field No. 83: Special Purpose Entity Flag, we need additional clarity on the definition of Special Purpose Entity. Does the definition hinge on tranching of risk? If we have a borrower that purchase financial assets, but they are buying whole loans, not tranches, does that qualify as an SPE?

- #83 Special Purpose Entity Flag, this data is this data is not readily available. We will have to reach out to the business lines that could have these types of transaction to try to develop a manual list.

- Corp Loan template; new field: Depreciation and Amortization: Per the definition it is total depreciation and amortization costs of the entity. Does this mean to include the Cost of Goods Sold Depreciation along with the Depreciation and Amortization expense that is offset against Non Current assets – or is it just the latter?

Basel III and Dodd - Frank

- The Basel 3 final rule removed the minimum 10% deduction floor for mortgage servicing rights (MSRs). Should Worksheet 2 – Exception Bucket Calculator Line 22 - Additional

Deduction from Common Equity Tier 1 Due to Statutory 10% Fair Value Limit of Mortgage Servicing Assets be updated accordingly?

Mortgage Servicing Rights Template

For section 4 of the MSR template, there is included language in the proposal that 'If the shock metrics are not normally generated then leave the field blank". Does this indicate that if the sensitivities were only developed to be reported on the FR Y-14Q MSR schedule, then the data should NOT be populated or reported?

Corrections:

- There are several formulaic errors in the schedules and incorrect cross-references to other FRB submissions that we would like to raise so that they are corrected in the final schedules:
    - In the BHC CCAR Advanced Approaches Capital Worksheet, line 37, Tier 1 capital, the sum total formula does not foot.
    - In the BHC CCAR Advanced Approaches Capital Worksheet, line 57, Average total Assets for Leverage Capital Purposes, the MDRM reference (bhcka) is to Basel 1. Please confirm this is correct. (Same question related to the BHC CCAR Revised Capital Worksheet, line 108.)
    - In the BHC CCAR Revised Capital Worksheet, please confirm we are to use Basel 3 capital and Basel 1.5 RWA.
    - On the "Retail Repurchase" tab, Cell 187K is not populated with the correct link.
    - On the "Income Statement" tab, there are reference errors in Repurchase Reserve Category row 164 line item 139.
    - On the "PPNR NII" tab the formula for Total Average Asset Balance does not include line item 3 C&I Loans
    - We note that there are two lines numbered 137 (Subordinated Notes and Debenture, and Subordinated Notes Payable to Unconsolidated Trusts Issuing TruPs and TruPs Issued by Consolidated Special Purpose Entities) in the FR Y-14A Balance Sheet Worksheet.

Appendix B: Presentation Materials

DISCUSSION GUIDE FOR FRY-14 DATA SUBMISSIONS

Communication Standards
Deadlines / Timelines
Edit Checks

Federal Reserve / Financial Service Industry
Council Working Meeting
August 6, 2013

THE FINANCIAL SERVICES ROUNDTABLE

Financing America's Economy

Agenda

Progress To Date

- **Meetings with the Federal Reserve**
  - FSIC Members and the Federal Reserve met on April 8th and April 19th to discuss initial themes and recommendations regarding the FRY-14 data submission.
  - Both groups agreed to an ongoing dialogue to improve the current process.
- **Current Discussion**
  - Discussion is focused on the three key themes previously highlighted:
    - Communication Standards
    - Deadlines / Timelines
    - Edit Checks

Objectives for this Meeting

To be Accomplished during this Meeting:

- Collaborative discussion
- Identify / agree on the issues to actively pursue
- Reach consensus on approach to resolve or address issues

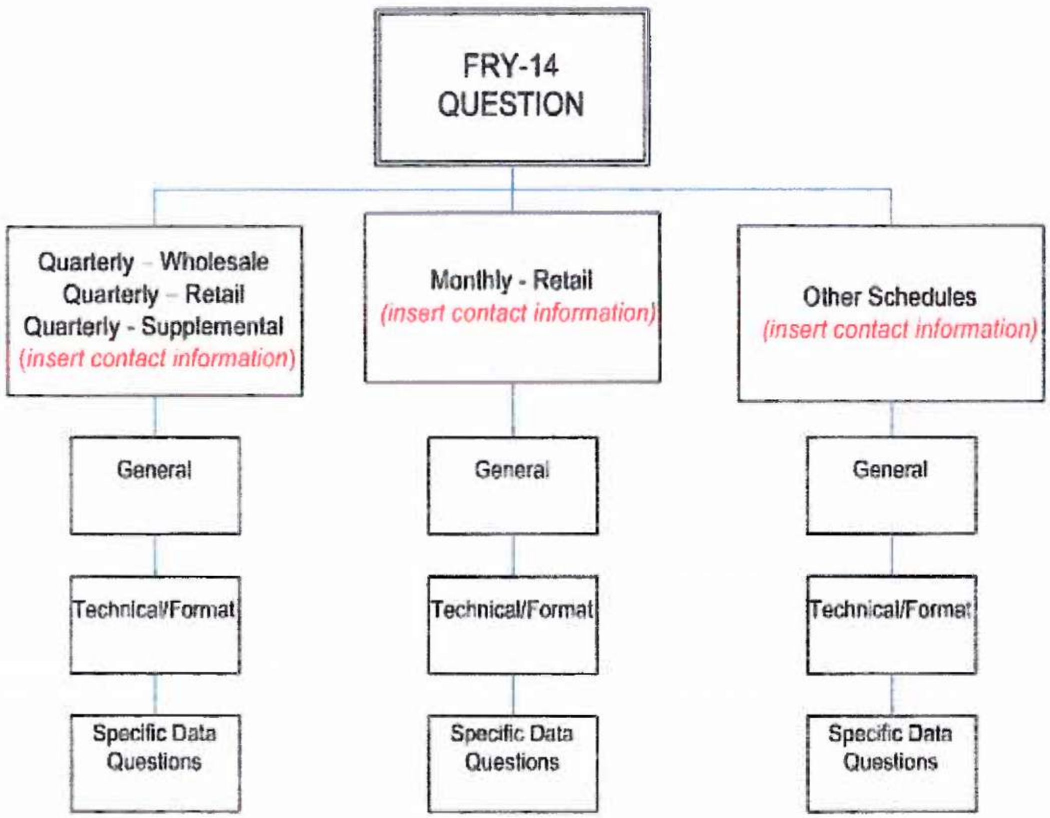
To be Accomplished Subsequent to this Meeting:

- Determine and coordinate the appropriate meeting schedule, action plans, roles and responsibilities, and timelines

Communication Standards

***Summary*:**

- To facilitate conversation with the appropriate personnel at the Federal Reserve, FSIC Members are requesting that the Federal Reserve implement a more effective communication process around question handling. One approach might be identifying a contact person for each sub-category of FRY-14 as diagrammed below.



General Questions - Examples
We need to restate Y14Q Historical PPNR schedule due to a mistake found. What is the resubmission requirement? Should we provide a supplement explanation document?

Technical Questions - Examples
Y14Q Operational Loss schedule: There are estimated two million records that will be included in the upcoming schedule. A spreadsheet format does not seem practical. (Note this question was answered in the FAQ document later. We rarely have technical questions with Y14Q.)

Specific Data Questions - Examples
Y14Q MSR schedule: When defining buckets (e.g., FHLMC/FNMA 30 yrs.), should that include all loans typically pooled with 30-year loans, such as Fix 25, 20, etc.?
HPI & Unemployment - are these meant to represent lifetime changes to these economic variables or only for a period of time?

Communication Standards – Additional Considerations

General Considerations – Repository and Timeframe for Responses

Consideration: Repository of questions and responses
Recommendation: Establish a repository to publish generic questions and responses; as a proposed solution, responses could be incorporated into the FAQs

Consideration: Timing of responses
Recommendation: Establish a timeline for resolution for inquiries submitted to the Federal Reserve

Considerations Specific to the Edit Check Process

Consideration: Perform a re-evaluation of low or zero tolerance levels and allow for a generic response section
Recommendation: Add a generic response section and/or change tolerance levels / acceptable data responses to mitigate subsequent questions and follow up from the Federal Reserve

Consideration: Recurring failed edit checks for which valid business reasons exist
Examples: Commercial Real Estate and C&I (Wholesale)

- Edit Check (CRE): NetOperatingIncome should not be negative
- Explanation: Net Operating Income can be negative
- Edit Check (CRE): 30 year amortization DSC is greater than 200
- Explanation: A DSC greater than 200 is possible for loans that are nearing payoff
- Edit Check (C&I): If PastDue (field 32) is 120 days or over for the credit facility then NonAccrualDate (field 33) should not have a value of 9999-12-31
- Explanation: The data includes past due acquired loans and certain matured loans that are not reported as non-accrual per accounting rules
- Edit Check (C&I): 174: The sum of CurrentAssetsCurrent (field 66) and FixedAssets (field 69) should not exceed TangibleAssets (field 68)
- Explanation: This is a result of negative balance sheet values which are normal as part of business operations

Recommendation: Recurring failed edit checks should be tracked and resolved. Additionally, the level of detail for responses should be defined at the line versus loan level

Edit Checks – Summary

A sub-committee of the FSIC was organized to identify and analyze failed edit checks within the various reporting schedules. The results of the review are categorized by reporting schedule and edit check issue – "Edit Check in Question" or "Data Gap". Edit Checks in Question identify illogical edit checks, edit checks with low tolerance levels, or failed edit checks supported by valid business reasons. Data gaps identify failed edit checks resulting from a lack of data. This data is generally not obtained or acquired by the bank, however is required per the schedule.

The sub-committee identified 103 Edit Checks in Question and an additional 51 Data Gaps.

The tables below provide examples of Edit Checks in Question and Data Gaps identified for each schedule. The full list of detailed edit checks is provided via material supplemental to this presentation (FSIC Edit Check Review_Detailed Support.xlsx).

Corporate Schedule – 20 Edit Checks in Question and 20 Data Gaps

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
8	Data Gap	Original Internal Obligor ID must not be null or zero	Some core banking systems do not have an "ObligorID," therefore, this is a legitimate data gap.
55	Edit Check in Question	Committed Exposure must not be null or negative	Some transactions can have negative commitments (Syndications and/or Participations).
174	Edit Check in Question	TangibleAssets should be greater than or equal to the sum of Current Assets Current and Fixed Assets	Any edit that compares dollar amount fields should have a degree of rounding tolerance built in. Right now amounts that are off by even $1 fail the edit checks.
189	Edit Check in Question	If NonAccrualDate is not equal to 9999-12-31, then NonAccrualDate should be prior to the MaturityDate	It is standard business practice for a loan to be placed on non accrual status after the maturity date. Non accrual date can be after maturity date if the borrower continues to pay interest after maturity or loan is in workout.
331	Edit Check in Question	Total Assets Prior Year should be greater than or equal to Current Assets Prior Year	Any edit that compares dollar amount fields should have a degree of rounding tolerance built in. Right now amounts that are off by even $1 fail the checks.

CRE Schedule – 17 Edit Checks in Question and 20 Data Gaps

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
15	Edit Check in Question	Committed Balance must be positive numeric and a whole number	Some transactions can have negative commitments (Syndications and/or Participations).
66	Data Gap	Current Occupancy must be provided and (>= 0 and <= 1) or NA	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.
112	Edit Check in Question	Outstanding Balance must not be multiple of 10 from prior quarter. For example, the prior quarter was 10 and the current quarter was 100. 100 / 10 = 10	Large balance changes (greater than a multiple of 10) may occur when the prior quarter balance was small.
156	Data Gap	Property Size must be (numeric and a whole number) or NA	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.
157	Edit Check in Question	If the current Origination Date is the same as prior quarter, then current Property Size must equal to prior quarter	Edit check should allow tolerance for instances when re-appraisal reflects that the property size has changed.

USSB Schedule – 7 Edit Checks in Question and 1 Data Gap

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
35	Edit Check in Question	D_COMMITMENTS must not be negative	Since the commitment is linked to the balance, if the D_OS is negative than the D_COMMITMENTS will also be negative. An account may overpay or have a credit applied to the account and show as a negative outstanding balance amount.
39	Edit Check in Question	D_GROSS_CONTRACTUAL_CO must not be negative	Negative charge-off and recovery values can result from several actions. An account that has gone to charge-off can be brought out of charge-off with a manual reversal entry, causing a negative charge-off. Manual reversal entries can occur if a customer pays on the loan after it has gone to charge-off.
34	Edit Check in Question	D_OS must be greater than or equal to D_NEW_ACCOUNTS	An account may charge new volume and return or pay it down in the same month, which makes the D_New_Accounts greater than D_OS.
24	Edit Check in Question	D_OS must not be negative	An account may overpay, have a credit applied to the account, or be guaranteed and show as a negative outstanding account balance.
26	Edit Check in Question	If N_ACCT is greater than zero, then D_OS must be equal or greater than zero	An account may overpay or have a credit applied to the account and show as a negative outstanding account balance.

USOthCons Schedule – 6 Edit Checks in Question and 1 Data Gap

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
33	Edit Check in Question	If N_ACCT is greater than zero, then D_OS must be greater than zero	Revolving accounts within the U.S. Other Consumer population are commonly active but may have a $0 balance.
31	Edit Check in Question	D_OS must not be negative	Segments with a small number of loans can have a negative balance due to customer over-payments.
33	Edit Check in Question	If N_ACCT is greater than zero, then D_OS must be greater than zero	Revolving Accounts can be open and active but have a current zero outstanding balance.
43	Edit Check in Question	D_RECOVERIES must not be negative	Negative charge-off and recovery values can result from several actions. An account that has gone to charge-off can be brought out of charge-off with a manual reversal entry, causing a negative charge-off. Manual reversal entries can occur if a customer pays on the loan after it has gone to charge-off.
-	Data Gap	If N_NEW_ACCOUNTS is greater than zero, then D_NEW_COMMITMENTS must be greater than zero	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.

Auto Schedule – 33 Edit Checks in Question

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
42	Edit Check in Question	D_OS must not be negative	When a segment with a small number/balance of loans has over payments which exceed the amount outstanding, until those overpayments are refunded to the Borrower, the balance in the segment will be negative.
44	Edit Check in Question	If N_ACCT is greater than zero, then D_OS must be greater than zero	When a segment with a small number/balance of loans has over payments which exceed the amount outstanding, until those overpayments are refunded to the Borrower, the balance in the segment will be negative.
46	Edit Check in Question	D_OS must be greater than or equal to the sum of D_ORIG_TERM_LE_48, D_ORIG_TERM_49_60, D_ORIG_TERM_61_72 and D_ORIG_TERM_G_72	Edit fails if the sum of the components of off on the 6th place to right of the decimal. This outage is due to rounding.
67	Edit Check in Question	If N_ACCT is equal to null or zero, then D_REPO must equal null or zero	Since repos are not considered active loans, the N_ACCT can be zero and D_REPO positive.
111	Edit Check in Question	D_OS must be greater than or equal to D JOINT APPLICATION	Some loans in the segment could have negative balances, making the D_JOINT_APPLICATION greater than the total D_OS in segment.

Home Equity Schedule – 3 Edit Checks in Question and 10 Data Gaps

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
8	Data Gap	Original Property Value must be a valid positive whole number	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.
11	Data Gap	Original Backend DTI must be a valid positive whole number	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.
13	Data Gap	Original FICO must be a valid whole number between 300 and 899	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.
41	Edit Check in Question	Current Interest Rate – The annual percentage rate of the loan as of the last day of the reporting month	Interest Rates may exist that does not fall within this guideline (non-accrual rates, promotional rates, etc.).
75	Edit Check in Question	Loan Extension must be "Y", "N" for loans and blank for lines of credit, and "N" for Modifications with Term Extensions	Per discussion with LPS, this is a problem with the edit report logic.

First Lien Schedule – 15 Edit Checks in Question and 1 Data Gap

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
13	Edit Check in Question	Original FICO must be a valid whole number between 300 and 899	These are primarily converted accounts where this information was not available on the legacy system.
20.1	Edit Check in Question	Purpose of Loan coded Unknown cannot exceed 5% of reported portfolio loans	These are primarily converted accts where this information was not available on the legacy system. Research is underway to determine if additional data can be used to lower the unknown category.
21.1	Edit Check in Question	Number of Units coded Unknown cannot exceed 5% of reported portfolio loans	These are primarily loans where we can not determine the number of units as defined by the instructions. There are also old loans where no information is available to determine number of units.
37	Edit Check in Question	ARM Lifetime Rate Cap must be a number between 0.00001 and 0.99999 when loan is an ARM loan	A number of ARM loans do not have a Lifetime Rate Cap.
56	Edit Check in Question	Current Interest Rate – The annual percentage rate of the mortgage as of the last day of the reporting month	Interest Rates may exist that does not fall within this guideline (non-accrual rates, promotional rates, etc.).

Deadlines / Timelines to Comply with Requirements

Summary:

- Under the current frameworks, reporting FSIC Members must reallocate resources to meet the established deadlines and timelines. FSIC Members are requesting to establish more reasonable deadlines and timeframes that will allow all filers sufficient time to incorporate the necessary structure, mapping, and data validation to ensure data accuracy and integrity.
- A summary of the proposed timelines and recommendations is included below:

Submission Deadlines

Description

Provide a one week lag period between FRY-9 and FRY-14 submissions to allow all filers to reconcile and provide more accurate data without a significant increase in resources.

Timeline: Change Request

Description

Establish a six-month period for all filers to comply with final instructions.

Timeline: Acquisition Data - Future

Description

Provide adequate time for all filers to incorporate acquisition data into their current portfolios and reporting structures (1 year is suggested) to allow for more accurate and consistent reporting.

Timeline: Acquisition Data - Historic

Description

Limit the requirement for providing historical data on acquired portfolios to data available in the acquired portfolio (maximum of five years prior to the acquisition date).

Submission Deadlines: FR Y-9 and FR Y-14

Summary:

- FR-Y14 schedules are filed on the same day as the FRY-9C; however, FRY-14 schedules must also be reconciled against the FRY-9C.

Recommendation:

- FSIC Members are requesting to establish a one-week lag period between FRY-9 and FRY-14 submissions for all filers to allow adequate time to reconcile the reports and provide more accurate data.

***Challenges / Support for Timeline*:**

- The FRY-9C Report Serves as an Anchor Report: The BHC's have been reporting the FRY-9C report since the late 1970s. This reporting process has evolved and matured over the past decades. Many internal control processes have been established to ensure the reporting quality of the FRY-9C. It is a good practice to reconcile the FRY-14 to FRY-9C whenever possible, but having these two reports due on the same day causes special challenges to the reporting groups. Oftentimes the FRY-14 reports have to wait for the final balance from the FRY-9C report for reconciling and research purposes. As a result, a reasonable lead time of one week between these two reporting dates is practical and desired. We believe this will improve the quality of the FRY-14 reporting overall.
- The FRY-9C and FRY-14 Reports Share the Same Data Source: Both the FRY-9C and FRY-14 reporters, in many cases, rely on the same source data providers and the same subject matter experts for their reporting requirements. A one-week lag period for the FRY-14Q will greatly alleviate the stress for the data providers, which in turn, will likely have a positive effect on the reporting quality.

Timeline: Change Request

Summary:

- Effective governance is paramount in driving data quality and is stressed under compressed timelines.
- Data requests are generally processed by organizations through established System Development Lifecycle ("SDLC") and Quality Control ("QC") processes. SDLC is resource dependent, requiring subject matter experts, business analysts, technology experts and end users.
- The SDLC process is generally started at the time the data request is received, however, may take from three months to one year to fully implement depending on the request, system capabilities, and resource constraints. The chart below displays an approximate percentage of time required for each phase of a standard SDLC process based on industry averages.
- The following two slides define tasks within the SDLC process and outline the benefits and challenges as it relates to FRY-14 reporting. Subsequent slides discuss the impact of changes and provide real examples of the application of SDLC as support for the timeline requested.

Recommendation:

- Currently, a change request to data requirements from the Federal Reserve occurs without sufficient time to perform the appropriate SDLC and QA processes.
- FSIC Members are requesting establishing a 6-month lag for all filers between the time when a final instruction is published to the deadline in which it much be satisfied.

Average SDLC Time by Phase

Phase / Objective	Time Required (% of project)
Receive Request	
Planning Phase	
Project definition	5%
Write Business Requirements and Obtain Sign-off	10%
Write Technical / Systems Requirements	15%
System Build / Coding and Ongoing Clarification / System Testing	55%
User Acceptance Testing	10%
Approval and Deployment / Go-Live	5%
Quality Control	Ongoing

Note: The percentages noted above are estimates based on an *average* change request. The SDLC process varies dramatically for less and more sophisticated changes; actual timelines may range from three months to one year or more.

Timeline: Change Request - FRY14 Q&M Timeline

Definition of Tasks within SDLC Phases:

- **Project Definition:** Interpretation of data requests in FAQ's, e-mails, coordination of project management
- **Business Requirements:** Documenting the requirements to meet the data request, as defined by the business user; enhancements; analyzing returned edit check errors; defining reconciliation needs; evaluating new edit check requirements; documenting SLA's/schedules; documenting change request and sign-off's
- **Technical / System Requirements:** Identifying the technical requirements to achieve the business requirements. This includes: database sources; documenting technical interface requirements and rules for error checks; defining data aggregation specifications; analyzing data validation rules and data integrity; documenting end-to-end data lineage and data processing requirements.
- **System Coding:** Developing ETL interface; coding the system per requirements origination system(s) capture and field validation; testing of newly developed code; program scheduling of data extraction and FRY-14 schedule production; automation of edit checks and reconciliations
- **User Acceptance Testing:** Reconciling data in schedules to G/L, Y9C, and other regulatory reports; validating portfolio accuracy; preparing schedules for submission
- **Approval and Go Live:** Implementing new data programmed requests to production; implementing various technical processes; obtaining business and executive sign-off; submission of final schedules

Average FRY-14 Q&M - SDLC Time by Phase

Phase / Objective	Time Required (% of project)
Receive Request	
Planning Phase	
Project definition	10%
Write Business Requirements and Obtain Sign-off	10%
Analyze and Write Technical / Systems Requirements	25%
System Build / Coding and Ongoing Clarification / System Testing	35%
User Acceptance Testing	15%
Approval and Deployment / Go-Live	5%
Quality Control	Ongoing

Note: The percentages noted above are estimates based on an _average_ change request. The SDLC process varies dramatically for less and more sophisticated changes; actual timelines may range from three months to one year or more.

Timeline: Change Request - FRY14 Q&M Timeline

Benefits of SDLC:

- SDLC is an industry accepted, structured methodology to ensure that changes are implemented in an appropriate manner
- Accuracy - A thorough analysis is performed to support the accurate delivery of the new data request
- Reviews - Formal documentation, reviews, and approvals are obtained and performed
- Controls - Data extract programming includes schedules, error checking controls, and data validations
- End-to-end testing - Appropriate testing cycles will eliminate submission errors
- Reliable and proven - Provides for a repeatable and controlled data delivery
- Governance – Consistency across the organization

Existing Challenges Impacting SDLC:

- Ambiguity in new data requests often results in excess time to interpret the specific request
- The requested timeline to complete new requests does not allow for a formal SDLC
- Requirements are not communicated via a consistent channel and often without sufficient detail
- Data requirements are conflicting across schedules or within the same schedule
- Data edit check rules are delayed or published without sufficient time to incorporate and automate; automating these rules will allow for a cleaner edit check process, however, requires additional resources to build on the front end
- Resources are required to analyze the request and then perform the SDLC to implement the request

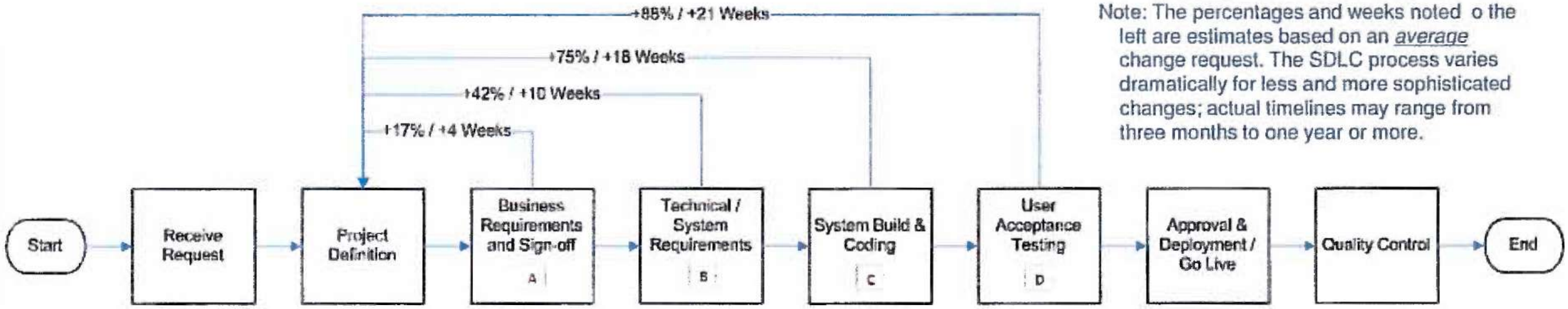
Average FRY-14 Q&M - SDLC Time by Phase

Phase / Objective	Time Required (Weeks)
Receive Request	
Planning Phase	
Project definition	2.5
Write Business Requirements and Obtain Sign-off	2.5
Write Technical / Systems Requirements	7
System Build / Coding and Ongoing Clarification / System Testing	9
User Acceptance Testing	4
Approval and Deployment / Go-Live	1
Quality Control	Ongoing

Note: The weeks noted above are estimates based on an average change request. The SDLC process varies dramatically for less and more sophisticated changes; actual timelines may range from three months to one year or more.

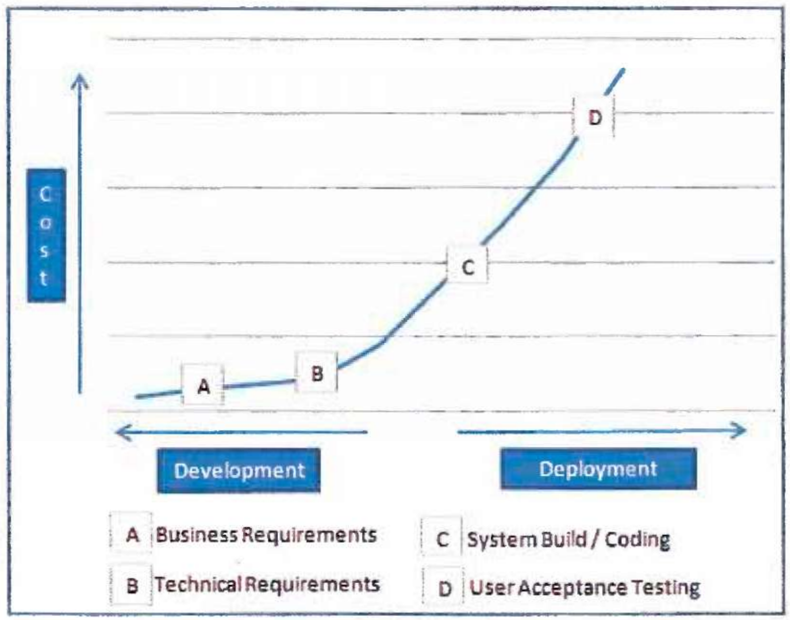
Timeline: Change Request - Impact of Changes

- Change requests to the initial data request further hinder the implementation of the complete SDLC process. The impact of change requests vary based on current progress and phase within the SDLC process. The below provides a summary of the impact of changes throughout various phases of the SDLC.



Note: The percentages and weeks noted o the left are estimates based on an *average* change request. The SDLC process varies dramatically for less and more sophisticated changes; actual timelines may range from three months to one year or more.

- As changes occur further along in the SDLC process, the impact (cost) of time, resources, and other constraints increases exponentially.
- Reporting FSIC Members are challenged in meeting deadlines and ensuring that data produced and submitted is accurate and complete.
- As a result, there may be an impact to data quality or downstream effect to other previously committed deliverables within the organization.



Timeline: Change Request – Gross Credit Exposure Example

Summary of Project:

- Produce a single counterparty gross credit exposure report using a specific data metric

Challenges in SDLC:

- New configuration impacted current reports in production
- Configuration updates affected Risk Reporting Asset Category Codes
- Hard-coded logic had to be replaced with automatic configuration
- Configuration flags for all outbound processes had to be consolidated
- Facility Limits previously reported by Facility Owner Customer were updated to be reported by Primary Customer
- Configuration had to be updated to include data for Credit Default Reporting

Gross Credit Exposure - SDLC Timeline

Phase / Objective	Time Required (Weeks)
Receive Request	
Planning Phase	4
Project definition	4
Write Business Requirements and Obtain Sign-off	6
Write Technical / Systems Requirements	10
System Build / Coding and Ongoing Clarification / System Testing	6
User Acceptance Testing	5
Approval and Deployment / Go-Live	5
Quality Control / Parallel Run	12
Total	**52**

Note: The SDLC process varies dramatically for less and more sophisticated changes; actual timelines may range from three months to one year or more.

Timeline: Acquisition Data - Future

Summary:

- Data from acquired portfolio's must be integrated into current systems or pulled separately and consolidated for data submission, however, this requires a significant amount of resources to be performed accurately within the current time requirements.

Recommendation:

- Additional time and tolerance should be given to comply with "origination" field requirements. These items could be potentially explained in supplemental schedules.
- FSIC Members have requested establishing a timeline of one year for all filers for submitting data after the close date of an acquisition.

***Challenges / Support for Timeline*:**

- Data Integration / Consolidation: At the time of acquisition, the specifics, as to the data being acquired, are not often known and communication is limited throughout the acquisition process. Data is reviewed post-closing at which time, an organization may choose to: 1) merge acquired and existing systems to produce a consolidated data source; or 2) run systems and related reporting in parallel and consolidate data on the back-end.
- Timeline (example): System Integration 12 months post-closing date
    - 10 weeks - System and hardware comparisons and recommendations with cost estimates
    - 4 weeks - Management review and Executive approvals
    - 16 weeks - Detail data mapping, system and hardware enhancements, customer impacts
    - Concurrent to above 30 weeks – Detail credit review and rerating; identification of data gaps in acquired data
    - 10 weeks - User acceptance testing, downstream system testing
    - 10 weeks - Customer information rollout, internal user training
    - 4 weeks - Conversion weekend, post-conversion immediate issues, first month-end close
    - Conversion goes well - Consolidated data ready for Y-14 reporting

Timeline: Acquisition Data - Historic

Summary:

- Specific data fields required for reporting may not have been captured in acquired portfolios at the time of origination. Populating these data fields after acquisition may force reporting FSIC Members to expend excessive resources under already stretched resource constraints to deliver data of questionable use.

Recommendation:

- Additional time and tolerance should be given to all filer to comply with "origination" field requirements. These items could be potentially explained in supplemental schedules.
- FSIC Members have requested limiting the requirement for all filers providing historical data on acquired portfolios to data available in the acquired portfolio (maximum of five years prior to the acquisition date).

Challenges / Support for Timeline:

- Data Integration / Consolidation: At the time of acquisition, the specific data to be acquired is not often known and communication is limited throughout the acquisition process. Data is reviewed post-closing at which time, an organization may choose to: 1) merge acquired and existing systems to produce a consolidated data source; or 2) run systems and related reporting in parallel and consolidate data on the back-end.
- Significant Roadblocks Encountered in Acquiring Historic Data from Acquisitions
    - With acquisitions done as a purchase (not pooling), accounting begins at date of close. The resulting fair value and ASC 310-30 adjustments provide little value for the acquirer to convert historical data.
    - Y-14 reporting teams are left to scavenge old systems and data marts for acquired bank historical data when data of the acquired bank is merged on the acquirer's systems.
    - Many acquired institutions resulted from acquisitions they themselves made. This creates a multiplication effect in terms of historical data challenges.
    - Smaller acquired institutions often used service providers for their data needs and the contracts with these providers does not require the maintenance of history sufficient to meet Y-14 requirements

Evaluation of Objectives / Next Steps

Evaluation of Objectives

- Collaborative discussion
- Identify / agree on the issues to actively pursue
- Reach consensus on approach to resolve or address issues

Next Steps

- Coordinate a conference call by early September to discuss feedback
- Plan another meeting in October to review final recommendations
- Create individual working groups
- Establish project plans and deliverables