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**Instructions for Preparation of
Annual Company-Run Stress Test Report
For State Member Banks, Bank Holding Companies, and Savings
and Loan Holding Companies**

Reporting Form FR Y-16

Effective September 30, 2013

INSTRUCTIONS FOR PREPARATION OF

**Annual Company-Run Stress Test Report
For Other Financial Companies (State Member Banks, Bank
Holding Companies, and Savings and Loan Holding Companies)
FR Y-16**

GENERAL INSTRUCTIONS

Summary & Background

Section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Act) requires affiliated and unaffiliated state member banks (excluding state member bank subsidiaries of covered companies), bank holding companies, and savings and loan holding companies with total consolidated assets over \$10 billion but less than \$50 billion (collectively defined as “other financial companies”) to conduct annual stress tests as prescribed by the Federal Reserve Board (hereafter, “FRB”) in 12 CFR part 252, subpart H.¹

The Act requires the FRB to define “stress test”, establish methodologies for the conduct of the annual company-run stress test, and to require at least three different sets of conditions (baseline, adverse, and severely adverse).

The company-run Dodd-Frank Act Stress Test (DFAST) will cover a nine-quarter planning horizon beginning on the first day of a stress test cycle (on October 1) and position information as of September 30 of a reporting year (for a total of ten quarters of information reported).

Other financial companies, which include state member banks, bank holding companies, and savings

¹ Savings and loan holding companies will be subject to Dodd-Frank annual company-run stress testing requirements in the next calendar year after they become subject to regulatory capital requirements.

“Covered companies” refers to the FRB’s rule relating to supervisory and semi-annual company-run stress tests for BHCs with at least \$50 billion in total assets and nonbank systemically important financial institutions.

and loan holding companies (hereafter, “SMBs, BHCs, and SLHCs”) will report on the FR Y-16 templates their quantitative projections of losses, resources available to absorb those losses, balance sheet positions and capital composition on a quarterly basis over the duration of the scenario and planning horizon.

In addition to the quantitative projections collected on the FR Y-16, SMBs, BHCs, and SLHCs are also required to submit qualitative information supporting their projections. The report of the results of the stress test must include, under the baseline, adverse, and severely adverse scenarios: a description of the types of risks included in the stress test, a summary description of the methodologies used in the stress test, an explanation of the most significant causes for the changes in regulatory capital ratios, and any other information required by the FRB. Under DFAST, the FRB may also request supplemental information, as needed.

Data collected as part of the annual company-run stress test requirement is confidential. All templates, worksheets, and supporting information are the property of the FRB and unauthorized disclosure is prohibited pursuant to 12 CFR 4.37.

SMBs, BHCs, and SLHCs must submit the FR Y-16 templates and supporting information to the FRB through a secure site that allows documents to be managed in a secure environment.

All correspondence and questions regarding FR Y-16 templates and these instructions should be directed to a secure mailbox (see Where to Submit the Reports and Supporting Information section for more information regarding electronic report submission).

Each of the banking agencies (the FRB, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation) is developing its own

reporting templates for the institutions they supervise and each agency will publish its own proposal in the Federal Register. The banking agencies have committed to developing very similar, if not identical, reporting templates. In addition, a majority of line items in the reporting schedules map to existing Micro Data Reference Manual (MDRM) codes within the Consolidated Report of Condition and Income (Call Report) and Consolidated Financial Statements for Bank Holding Companies (FR Y-9C).

Who Must Report

A. Reporting Criteria

SMBs, BHCs, and SLHCs that meet a total consolidated asset threshold of more than \$10 billion but less than \$50 billion in total consolidated assets, as defined by the annual stress test rule 12 CFR part 252, subpart H and pursuant to the FRB's reservation authority, are required to submit the Annual Company-Run Stress Test Report (FR Y-16) and supporting information to the FRB. SMB subsidiaries of covered companies are not required to report the FR Y-16. The annual stress test rule defines total consolidated assets as the average of the institution's total consolidated assets over the four most recent consecutive quarters, as reflected on the respondent's Consolidated Report of Condition and Income (Call Report FFIEC 041 or FFIEC 031) and Consolidated Financial Statements for Bank Holding Companies (FR Y-9C: OMB No. 7100-0128). All annual worksheets are required to be reported by all SMBs, BHCs, and SLHCs, including SMB subsidiaries of BHCs with total consolidated assets between \$10 and \$50 billion. As appropriate, separate worksheets for each scenario must be reported for additional variables used to conduct the stress test.

While DFAST applies to U.S.-domiciled BHC subsidiaries of foreign banking organizations that have total consolidated assets of greater than \$10 billion but less than \$50 billion, the reporting requirements for U.S.-domiciled BHC subsidiaries of foreign banking organizations will be proposed at a later date.²

² A U.S.-domiciled bank holding company that is a subsidiary of a foreign banking organization that is currently relying on Supervision and Regulation Letter 01-01 issued by the FRB (as in effect on May 19, 2010) must comply

B. Exemptions from Reporting

Only SMBs, BHCs, and SLHCs that do not meet the reporting criteria listed above are exempt from reporting. Foreign banking organizations are not required to report the FR Y-16.

Where to Submit the Reports and Supporting Information

All SMBs, BHCs, and SLHCs subject to these reporting requirements must submit completed reports electronically through Reporting Central, the Federal Reserve's electronic reports submission application. SMBs, BHCs, and SLHCs should contact their Reserve Bank or go to www.frb services.org/centralbank/reportingcentral/index.html for information on how to request access to Reporting Central and for procedures on how to submit data.

All supporting information should be titled **FR_Y-16_BANKRSSD_BANKMNEMONIC_SUBJECT_YYMMDD**. The "subject" in the supporting information title should change based on the type of documentation that the file supports. For example, the supporting information that describes the methodologies to produce the loss, reserve charge, and revenue projections that support the pro forma capital projections should be titled **FR_Y-16_BANKRSSD_BANKMNEMONIC_CAPITAL_METHODODOLOGY_YYMMDD** while model risk management policies should be titled **FR_Y-16_BANKRSSD_BANKMNEMONIC_MRM_POLICY_YYMMDD**.

In general, supporting information should not be abridged into one large file, embedded within one document or contained within a zipped file. Supporting information, including follow-up question and answer documents, should follow a similar file naming convention and be readily identifiable among other supporting information. Supporting information

with the final DFAST requirements beginning with the stress test cycle that commences on October 1, 2015, unless that time is extended by the FRB in writing.

file names should not include special characters such as "&", "#" and ",,".

<http://www.fdic.gov/regulations/resources/call/index.html>.

When to Submit the Reports and Supporting Information

SMBs, BHCs, and SLHCs must file the FR Y-16 report on or before March 31 of the year following the reporting year. If the submission date falls on a weekend, the report must be received on the first business day after the weekend. The reports are due by the end of the reporting day on the submission date. Early submission aids the FRB in reviewing and processing data and is encouraged.

How to Prepare the Reports

A. Applicability of GAAP, Consolidation Rules, and Other Instructional Guidance

SMBs, BHCs, and SLHCs are required to prepare and file the FR Y-16 schedules in accordance with generally accepted accounting principles (GAAP) and these instructions. The financial records of the SMBs, BHCs, and SLHCs should be maintained in such a manner and scope to ensure the FR Y-16 is prepared in accordance with these instructions and reflects a fair presentation of the SMBs', BHCs', and SLHCs' financial condition and assessment of performance under stressed scenarios.

Respondents should reference the Consolidated Reports of Condition and Income (Call Report) for general instructions on the rules of consolidation for SMBs and the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C: OMB No. 7100-0128) for general instructions on the rules of consolidation for BHCs and SLHCs. Unless otherwise noted, the report maps directly to the respondent's Call Report or FR Y-9C for the "actual" quarterly data provided for 9/30/xx while all remaining quarterly data over the nine-quarter horizon are based on the institution's quarterly projections.

If there is a conflict in guidance, SMBs, BHCs, and SLHCs should first use the information contained in these instructions and then the instructions available in the latest Call Report and FR Y-9C.

B. Confidentiality

As these data are collected as part of the supervisory process, the FR Y-16 reports and supporting information associated with the FR Y-16 will be treated as confidential and no action is required by respondents to ensure confidential treatment. The confidentiality of information submitted to the FRB and related materials shall be determined in accordance with applicable exemptions under the Freedom of Information Act (5 U.S.C. 552(b)) and the FRB's Rules Regarding Availability of Information (12 CFR part 261).

C. Amended Reports

Consistent with the FR Y-9C general instructions regarding amended reports, SMBs, BHCs, and SLHCs must file an amended report when it or the FRB discovers significant errors or omissions subsequent to submission of a report. Failure to file amended reports on a timely basis may subject the institution to supervisory action.

D. Questions and Requests for Interpretations

SMBs, BHCs, and SLHCs should contact their Federal Reserve Bank if they have any questions about this report.

SCENARIO VARIABLES SCHEDULE

To conduct the stress test required, a SMB, BHC, or SLHC may choose to project additional economic and financial variables beyond the mandatory supervisory scenarios provided to estimate losses or revenues for some or all of its portfolios. The FRB expects a SMB, BHC, or SLHC to ensure that the paths of any additional variables are consistent with the scenarios the FRB provided. If additional variables are used, the SMB, BHC, or SLHC must complete the following worksheets for each scenario where the institution chose to use additional variables. The following instructions provide guidance for institutions that choose to use additional variables and scenarios to report.

A. Scenario Variable Definitions

This worksheet should be used to list and define the variables used by a SMB, BHC, or SLHC that chooses to go beyond those mandatory supervisory scenarios provided by the FRB.

- The worksheet provides space for the baseline scenario, adverse scenario, and severely adverse scenario. These sections must be completed if an institution chooses to use additional variables.
- If additional variables are used beyond the variables included in the FRB provided scenarios, list those variables names in the column titled "Variable Name."
- Variable definitions should be provided in the column titled "Variable Definition." Variable definitions should include a description of the variable (e.g., "Real GDP") and the denomination and/or frequency of the variable (e.g., "Billions of 2005 dollars" or "in percent, average of monthly values").
- For convenience, the worksheet provides space for ten additional variables per scenario, but any number of variables may be reported, depending on the variables actually used in the scenario. Extra lines may be created as needed. The same variables do not necessarily have to be included in each scenario.

- SMBs, BHCs, and SLHCs should include all economic and financial market variables that were important in projecting results and are in addition to those provided by the FRB, including those that affect only a subset of portfolios or positions. For example, if asset prices in a specific sector had a meaningful impact, then the assumed level of prices and projections should be included; or, if bankruptcy filings affect credit card loss estimates, then the assumed levels of these loss estimates should be reported if used in the projections.
- SMBs, BHCs, and SLHCs should also include any variables capturing regional or local economic or asset value conditions, such as regional unemployment rates or regional housing prices, if these were used in the projections.
- SMBs, BHCs, and SLHCs should include historical data, as well as projections, for any macroeconomic, regional, local, or financial market variables that are not generally available. Historical data for these variables can be included in a separate worksheet.
- Variable names and definitions should be consistent throughout the worksheets.
- List quarterly values for the variables starting with the last realized value through the end of the planning horizon. For the initial reporting period, the corresponding quarters would be 3Q 2013 through 4Q 2015, respectively.
- Please enter all variables as levels rather than as changes or growth rates (for instance, the dollar value of real GDP rather than the GDP growth rate).

B. DFAST Baseline Scenario

This worksheet should be used to report the values of any additional variables generated for the DFAST baseline scenario.

C. DFAST Adverse Scenario

This worksheet should be used to report the values of any additional variables generated for the DFAST adverse scenario.

D. DFAST Severely Adverse Scenario

This worksheet should be used to report the values of any additional variables generated for the DFAST severely adverse scenario.

RESULTS SCHEDULE

A. Overview

The FR Y-16 Results template includes data collection templates related to income and losses and balance sheet and equity/capital statements.

SMBs, BHCs, and SLHCs should complete income statement and balance sheet/capital worksheets for **each** required scenario (baseline, adverse, severely adverse).

In the worksheet labeled Submission Cover Sheet, include:

- The name and FRB RSSD ID of the submitting SMB, BHC, or SLHC;
- Type of institution—SMB, BHC, or SLHC;
- The date of submission to the Federal Reserve Bank; and
- Any other requested information.

B. Technical Details

The following instructions apply to all worksheets within the Results template.

- Do not enter any information on the Summary Schedule worksheet or in gray highlighted cells in other worksheets.
- Report income and loss data on a quarterly basis and not on a cumulative or year-to-date basis.
- The ‘planning horizon’ refers to nine quarters beginning on the first day of the stress test cycle

(on October 1) of a reporting year. For the stress test cycle commencing in 2013, the nine quarter projection will begin on October 1, 2013 and end on December 31, 2015.

- If there are no data for certain fields then populate them with a zero, “0”.
- MDRM codes and formulas are provided in the ‘031 or 041 Call Report Item’ column and the ‘Y-9C Report Item’ for most line items. Definitions in the Call Report and FR Y-9C for those items should be used.
- Negative entries are generally not appropriate on the FR Y-16 and should not be reported. Hence, assets with credit balances must be reported in liability items and liabilities with debit balances must be reported in asset items, as appropriate, and in accordance with these instructions. When negative entries do occur in one or more of these items, they shall be recorded with a minus (-) sign rather than in parentheses.
- All dollar amounts must be reported in thousands, with the figures rounded to the nearest thousand. Rounding could result in details not adding to their stated totals. However, to ensure consistent reporting, the rounded detail items should be adjusted so that the totals and the sums of their components are identical.

C. Income Statement Worksheet

The Income Statement worksheet collects projections for the main components of the income statement. When applicable, the definitions of the SMB’s, BHC’s, and SLHC’s projections should map to the definitions outlined by the corresponding MDRM code within the Call Report and Y 9-C. For each scenario, input the loan loss projections for the various line items in this worksheet. The SMB, BHC, and SLHC should include losses tied to the relevant balances reported on the Balance Sheet worksheet.

D. Data items not defined by MDRM numbers on the Income Statement Worksheet:

Item 13. All other loans and leases (net charge-offs): Report all other loans and leases net charge offs that have not been reported in the loan charge-off

categories above. This line item represents the following FR Y-9C MDRM numbers: (BHCK3584 + BHCKB512 + BHCK4653 + BHCK4654 + BHCK4655 + BHCK4643 + BHCK4644 + BHCKF185 + BHCKC880) - (BHCK3585 + BHCKB513 + BHCK4663 + BHCK4664 + BHCK4665 + BHCK4627 + BHCK4628 + BHCKF187 + BHCKF188)

This line item represents the following Call Report FFIEC 031 MDRM numbers: (RIAD3584 + RIADB512 + RIAD4653 + RIAD4654 + RIAD4655 + RIAD4643 + RIAD4644 + RIADF185 + RIADC880) - (RIAD3585 + RIADB513 + RIAD4663 + RIAD4664 + RIAD4665 + RIAD4627 + RIAD4628 + RIADF187 + RIADF188)

This line item represents the following Call Report FFIEC 041 MDRM numbers: (RIAD3584 + RIAD4481 + RIAD4643 + RIAD4644 + RIAD4266) - (RIAD3585 + RIAD4482 + RIAD4627 + RIAD4628 + RIAD4267)

Item 22. All other gains (losses): Report all other gains and losses, extraordinary items and any others items that are not either (i) reported above line 22 or (ii) in taxes reported in item 23. The amounts reported in line 22 comprise the remaining portion of net income reported in line 24.

Items 27-32. Itemize and describe amounts greater than 15 percent of non-interest income (line 16).

Items 33-38. Itemize and describe amounts greater than 15 percent of non-interest expense (line 17).

Items 39-44. Itemize and describe amounts greater than 15 percent of all other gains (losses) (line 22).

E. Balance Sheet and Capital Worksheet: Balance Sheet section

For each scenario, input the loan balance projections in the various line items in this worksheet. When applicable, the definitions of the SMB's, BHC's, and SLHC's projections should map to the definitions outlined by the corresponding MDRM code within the Call Report and Y 9-C. Domestic refers to portfolios in the domestic U.S. offices (as defined in the Call Report), and International refers to portfolios outside of the domestic U.S. offices.

Unlike the loan balances reported in the Call Report RC-C schedule and Y-9C HC-C schedule, for this template, separately report the loans covered by loss sharing agreements with the FDIC (line 14).³ Note that SMBs, BHCs, and SLHCs should explain any M&A and divestitures included and how they are funded (liabilities, asset sales, etc.) in supporting information.

F. Data items not defined by MDRM numbers in the Balance Sheet Section:

Item 13. All other loans and leases: Report all other loans and leases that have not already been reported in the loan categories above in lines 1 through 12.

Item 30. All other assets: Report all other assets that have not been reported in any other category above that comprise total consolidated assets for the reporting banking organization. This line item represents the following FR Y-9C MDRM numbers: BHCK0081 + BHCK0395 + BHCK0397 + BHDMB987 + BHCKB989 + BHCKB529 + BHCK2145 + BHCK2130 + BHCK3656 + BHCK2160.

This line item represents the following Call Report FFIEC 031 MDRM numbers: RCFD0081 + RCFD0071 + RCONB987 + RCFDB989 + RCFD2145 + RCFD2130 + RCFD3656 + RCFD2160.

This line item represents the following Call Report FFIEC 041 MDRM numbers: RCON0081 + RCON0071 + RCONB987 + RCONB989 + RCON2145 + RCON2130 + RCON3656 + RCON2160.

Item 32. Loans and leases guaranteed by other U.S. government or GSE guarantees (i.e., non-FDIC loss-sharing agreements): Report in this item loans and leases wholly or partially guaranteed by the U.S. government or GSE guarantees, excluding loans and leases covered by loss-sharing agreements with the FDIC. Report all loans and leases guaranteed by other U.S government or GSE guarantees for the BHC or

³ For more information, refer to Schedule RC-M Item No. 13 in the Call Report instructions (Assets covered by loss-sharing agreements with the FDIC).

SLHC that are captured in the same line item (line 32) for the subsidiary bank on the Call Report FFIEC 031 and 041.

This line item represents the following Call Report FFIEC 031 MDRM numbers: RCONK679 + RCONK680 + RCONK681 + RCONK682 + RCFDK670 + RCFDK671 + RCFDK672

This line item represents the following Call Report FFIEC 041 MDRM numbers: RCONK679 + RCONK680 + RCONK681 + RCONK682 + RCONK670 + RCONK671 + RCONK672

Item 35. Retail funding (core deposits): Report all retail funding deposits for the BHC or SLHC that are captured in the same line item (line 35) for the subsidiary bank on the Call Report FFIEC 031 and 041 (Call Report FFIEC 031 and 041 MDRM numbers: RCON2200 - RCONJ474 – RCON2365).

Item 36. Wholesale funding: Report all wholesale funding deposits for the BHC or SLHC that are captured in the same line item (line 36) for the subsidiary bank on the Call Report FFIEC 031 and 041 (Call Report FFIEC 031 MDRM numbers: RCONB993 + RCFDB995 + RCFD3190 + RCON2365 + RCONK223 + RCONJ474 + RCFN2200. For 041 filers, MDRM codes are RCONB993 + RCONB995 + RCON3190 + RCON2365 + RCONK223 + RCONJ474).

Item 38. All other liabilities: Report all other liabilities that have not been reported in any other category above that comprise total consolidated liabilities for the reporting banking organization.

Items 46-52. Average rates: The average rates are meant to reflect the average over each quarter as best as possible. SMBs, BHCs, and SLHCs may report the average rates so that they equal a weighted average rate over the period. If the average rates are materially affected by large shifts in balances over the period, highlight this rate change in documentation supporting the FR Y-16 submission.

G. Balance Sheet and Capital Worksheet: Capital Section

This section collects projections of components of equity capital and regulatory capital, components of

assets and liabilities, and deferred tax asset items. When applicable, the definitions of the SMB's, BHC's, and SLHC's projections should map to the definitions outlined by the corresponding MDRM code within the Call Report and Y 9-C.

SMBs, BHCs, and SLHCs are required to provide projections of Tier 1 common equity capital, which is defined as Tier 1 capital less Tier 1 non-common equity capital elements. Tier 1 non-common equity capital elements include, but are not limited to: perpetual preferred stock and related surplus, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. See instructions for item 56, below, for additional information regarding Tier 1 non-common equity capital elements.

The projections should clearly show any proposed capital actions or other scenario-dependent actions that would affect the SMB's, BHC's, and SLHC's regulatory capital, including any assumptions required under the FRB's regulations. A SMB, BHC, or SLHC is required to make the following assumptions regarding its capital actions over the planning horizon under DFAST:

- (1) For the first quarter of the planning horizon, the SMB, BHC, or SLHC must take into account its actual capital actions as of the end of that quarter; and
- (2) For each of the second through ninth quarters of the planning horizon, a SMB, BHC, and SLHC must include in the projections of capital - (i) common stock dividends equal to the quarterly average dollar amount of common stock dividends that the company paid in the previous year (that is, the first quarter of the planning horizon and the preceding three calendar quarters); (ii) payments on any other instrument that is eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instrument during the quarter; and (iii) an assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio.

Projections of risk-weighted assets (line item 63) must be based on the FRB's capital rules in effect in a given quarter.

H. Data items not defined by MDRM numbers in the Capital Section:

Item 55. Tier 1 common capital: This line item is calculated as Tier 1 equity capital (BHCK8274) less non-common elements (line 56). This definition is subject to change pending final U.S. rulemaking on implementing Basel III regulatory capital. SMBs and bank subsidiaries should report Tier 1 common capital as defined for BHCs and SLHCs.

Item 56. Tier 1 non-common capital elements: Tier 1 non-common capital elements should include the following items captured in the FR Y-9C: perpetual preferred stock and related surplus (Schedule HC, line item 23 – BHCK3283) net of nonqualifying perpetual preferred stock (Schedule HC-R, line item 5 – BHCKB588); qualifying Class A noncontrolling (minority) interests in consolidated subsidiaries, qualifying restricted core capital elements, qualifying mandatory convertible preferred securities of internationally active bank holding companies (Schedule HC-R, line items 6a, 6b, and 6c – BHCKG214, BHCKG215, and BHCKG216); and other additions to (deductions from) Tier 1 capital (Schedule HC-R, line item 10 – BHCKB592).

SMBs and bank subsidiaries should report the Tier 1 non-common capital elements as defined above for BHCs and SLHCs.

Item 69. Sale, conversion, acquisition, or retirement of capital stock: For SMBs, BHCs, and SLHCs this line item should only represent the sale or conversion of perpetual preferred stock or common stock over the planning horizon to be consistent with the FRB’s rule with respect to capital action assumptions (see also the required capital actions assumptions in section G). Report any sale of perpetual preferred stock, gross (Schedule HI-A, line item 5a – BHCK3577) and conversion or retirement of perpetual preferred stock (Schedule HI-A, line item 5b – BHCK3578) less any retirement of perpetual preferred stock and sale of common stock, gross (Schedule HI-A, line item 6a – BHCK3579) and conversion or retirement of common stock (Schedule HI-A, line item 6b – BHCK3580) less any retirement of common stock.

CONTACT INFORMATION SCHEDULE

The Contact Information Schedule should contain cover sheet information along with contact information for the Results and Scenario Variables Schedules.

QUALITATIVE SUPPORTING INFORMATION

Each SMB, BHC, and SLHC is required under DFAST to submit qualitative information supporting its projections. Supporting information should provide a good balance between including sufficient detail to inform a third party of an institution’s general approach and assumptions, but remain summary in nature. Companies should provide appropriate references to internal documents that provide more detail on all the items to be discussed in the submission.

The report of the results of the stress test must include, under the baseline, adverse, and severely adverse scenarios:

- a description of the types of risks included in the stress test;
- a summary description of the methodologies used in the stress test;
- an explanation of the most significant causes for the changes in regulatory capital ratios,
- an explanation of capital actions; and
- other information required by the FRB.

A. Description of the Types of Risks Included in the Stress Test

For each part of the Results Schedule and the Scenario Variables Schedule, each institution should submit supporting qualitative information that clearly describes the types of risks and exposures captured in the stress test scenarios for all lines of business and activities. This includes information about risks that may threaten or adversely affect the institution’s capital position through increased losses, reduced revenues, and changes in the balance sheet or risk-weighted assets. The information should discuss the extent to which risks are wholly or only partially covered by the stress tests (for example, if not all aspects of interest-rate risk are captured by the tests with the given scenarios provided).

B. Summary Description of the Methodologies used in the Stress Test

For each part of the Results Schedule and the Scenario Variables Schedule, the SMB, BHC, or SLHC should submit supporting information that clearly describes the methodology used to produce the projections. Each SMB, BHC, or SLHC should include a description of how it translated the macroeconomic and financial variables from the supervisory scenarios into its projections and technical details of any underlying statistical methods used. Information should be provided for all elements of the stress tests, including loss estimation, revenue estimation, projections of the balance sheet and risk-weighted assets, and capital levels and ratios. Where judgment is an essential part of the projection, each institution should describe the rationale and magnitude, as well as the process involved to ensure consistency of projections with scenario conditions. Furthermore, the institutions should include thorough discussion of any material deviations from these instructions and how they decided upon the materiality of such deviations.

Discussion of methodologies should be consistent with expectations in existing supervisory guidance on stress testing issued by the agencies. In particular, the institution should provide a summary of the design, theory, and logic underlying the methodologies used.

Each institution should include information supporting any additional scenario variables used to conduct the Dodd-Frank stress tests. The information should detail the rationale behind including new scenario variables and the process for projecting additional variables, including the linkage with the macroeconomic and financial scenarios provided by the FRB.

If third-party models are used, an institution should provide summary information about those models, including model design, key assumptions, known limitations, and implementation and execution.

Each SMB, BHC, or SLHC should provide credible support for all key assumptions used to derive loss and revenue estimates, including assumptions related to the components of loss, severity of loss, drivers of revenue, and any known weaknesses in the translation of assumptions into loss and revenue estimates. Each institution should demonstrate that these assumptions

are clearly conditioned on the stated macroeconomic and financial scenarios and are consistent with stated business strategies including but not limited to mergers, acquisitions, or divestitures of business lines or entities and changes in strategic direction. If the institution's models rely upon historical relationships, describe the historical data used and clearly describe why these relationships are expected to be maintained in each scenario. The impact of assumptions concerning new growth or changes to credit policy on forecasted loss estimates relative to historical performance should be clearly explained.

Institutions should provide information on the specific assumptions used to calculate regulatory capital, including a discussion of any proposed capital distributions. When appropriate, clearly state assumptions related to the corporate tax rate and the evolution of the deferred tax assets. In situations where the SMB, BHC, or SLHC choose not to project components of the balance sheet, those components should be held constant at the last current level and the SMB, BHC, or SLHC should explain why the held constant assumption is appropriate in the given scenario.

Each SMB, BHC, and SLHC should submit any other information and documentation necessary to support or explain its capital calculations. For example, an institution could show the calculations related to the projections of the deferred tax asset that may be disallowed for regulatory capital purposes. Where applicable, institutions should link the additional supporting information to the worksheets in the Results Schedule.

While judgment is an essential part of risk measurement and risk management, including loss forecasting, institutions should not be over-reliant on judgment to prepare their loss estimations without providing documentation or evidence of transparency and discipline around the process. Each SMB, BHC, and SLHC should provide support for any judgment applied or qualitative adjustments made and explain how they are appropriate and in line with scenario conditions.

C. Explanation of the Most Significant Causes for the Changes in Regulatory Capital Ratios

For each part of the Results Schedule and the Scenario Variables Schedule, each SMB, BHC, and SLHC should provide a clear explanation of the changes in regulatory capital ratios from the stress test scenarios over the planning horizon. For instance, an institution may indicate that a major component of the reduction in regulatory capital ratios resulted from deterioration in the quality of its retail credit exposures over the planning horizon. The explanation should take into account the risks identified and describe the changes in capital by material income statement and balance sheet statement line items affected by the stress test scenario.

D. Explanation of Capital Actions

Institutions should provide a qualitative discussion on capital planning, outlining decisions and options that senior management and the board may pursue to maintain internally established capital goals on a post-stress basis.

E. Other Information

Supporting information also should describe internal governance around the development of stress testing models and methodologies, and discuss how the stress testing methodologies have been implemented in the SMB's, BHC's, or SLHC's existing enterprise-wide risk management practices. This should include summary information about model risk management practices for stress testing models, including validation and independent review. Each institution should describe how senior management provided the board of directors with sufficient information to facilitate the board's full understanding of the stress testing used by the bank for capital planning purposes and allow for the appropriate level of challenge of assumptions and outcomes.