INDEPENDENT COMMUNITY BANKERS of AMERICA

November 3, 2011

Jennifer J. Johnson, Secretary
Board of Governors of the
Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551

Re: Capital Assessments and Stress Testing
Proposed FR Y-14A and FR Y-14Q

Dear Ladies and Gentlemen:

The Independent Community Bankers of America (ICBA)[1] appreciates the opportunity to provide comments on the proposal to require the 19 largest bank holding companies that participated in 2009 Supervisory Capital Assessment Program exercise to provide financial and portfolio data to the Federal Reserve both quarterly and annually in support of the forward-looking Comprehensive Capital Analysis and Review (CCAR). The CCAR presents the opportunity for the Federal Reserve to conduct a prospective study of the internal capital planning and significant capital actions for these 19 largest domestic bank holding companies. The proposed reporting requirements would collect annual projections of financial statement data under baseline and stressed scenarios. The proposal would also require quarterly data on asset classes and bank revenues to support supervisory monitoring and capital adequacy for large bank holding companies. The quarterly collection activities would be used to assist in meeting the stress testing requirements for certain bank holding companies supervised by the Federal Reserve as imposed under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank).

[1] The Independent Community Bankers of America represents nearly 5,000 community banks of all sizes and charter types throughout the United States and is dedicated exclusively to representing the interests of the community banking industry and the communities and customers we serve. ICBA aggregates the power of its members to provide a voice for community banking interests in Washington, resources to enhance community bank education and marketability, and profitability options to help community banks compete in an ever-changing marketplace.

With nearly 5,000 members, representing more than 20,000 locations nationwide and employing nearly 300,000 Americans, ICBA members hold $1 trillion in assets, $800 billion in deposits, and $700 billion in loans to consumers, small businesses and the agricultural community. For more information, visit ICBA's website at www.icba.org.

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Background

The information collection proposal implements quarterly and annual reporting requirements for the 19 largest domestic bank holding companies that participated in the 2009 Supervisory Capital Assessment Program exercise. The new reporting requirements are authorized by Dodd-Frank, which requires that the Federal Reserve ensure that certain bank holding companies and nonbank financial companies supervised by the Federal Reserve meet enhanced risk-based and leverage standards to mitigate risks to overall financial stability of the bank holding companies and the broader economy.

The annual collection reporting requirement consists of five schedules with supporting worksheets used to project regulatory capital ratios across a range of scenarios. The summary schedule requires income statement, balance sheet, and capital projections with accompanying worksheets to provide detail on specific risk metrics like capital adequacy and securities risk. Institutions would also be required to describe the methods used to generate the projections. The macro scenario schedule requires descriptions of the economic variables used in financial statement projections including details for both baseline and stressed scenarios. The counterparty credit risk schedule collects credit exposures for top counterparties. The Basel III schedule requires forecasts of Tier 1 common equity, Tier 1 capital, risk-weighted assets, and leverage exposures for the expected 2013 implementation deadline. The regulatory capital instruments schedule collects the contractual terms of all regulatory capital instruments to support future analysis for proposed capital actions.

The quarterly collection reporting requirement consists of seven schedules. The securities risk schedule collects summary and instrument-specific information on available-for-sale and held-to-maturity portfolios including face value, amortized cost, and fair value. The retail risk schedule looks at the distribution of retail risk to identify portfolio concentrations across retail portfolio categories like residential, credit card, auto, and other with further classifications in sub-categories. The pre-provision net revenue (PPNR) schedule would provide historical net interest income and expense data by business line. The wholesale risk schedule calls for wholesale loan portfolio data for corporate and commercial real estate loan portfolios to aid in developing stress test loss estimates. The trading schedule captures sensitivities of institution profit and loss to changes in equity prices, foreign exchange rates, interest rates, credit spreads, and commodity prices. The Basel III schedule would require actual capital balances instead of forecasts as required under the annual schedule. Finally, the regulatory capital instruments schedule would require the bank holding company to reconcile actual redemptions and issuances of specific instruments to projections in the annual schedule.

For annual reporting, the Federal Reserve would ask to receive most of the completed schedules in January 2012 with a September 30, 2011 reporting date. This pattern would continue for future annual schedules provided by bank holding companies. For quarterly reporting, the Federal Reserve would ask to receive most of the completed schedules in December 2011 with a

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September 30, 2011 reporting date. Thereafter, quarterly schedules would be due 40 calendar days after the calendar quarter-end except for the December quarter-end, where the schedules would be due 45 calendar days after the calendar quarter-end.

ICBA's Comments

ICBA supports the proposal to require quarterly and annual reporting requirements for the 19 largest domestic bank holding companies that participated in the 2009 Supervisory Capital Assessment Program exercise. ICBA is encouraged by the depth of the required quarterly and annual reporting specifically with regard to the macro scenario schedule, which provides significant detail about the economic inputs used to generate projections of revenues, capital, and most importantly the potential for losses. Having the ability to project future capital deficiencies is instrumental in preserving the capital base for the largest and most complex bank holding companies because these institutions pose the greatest systemic risk to the overall banking sector. In the months and years prior to the destabilization of the financial markets, the largest domestic bank holding companies were distributing vital, loss-absorbing capital to shareholders while the potential for serious economic distress in the overall economy was definitely within the realm of possibility. A thorough, stressed, forward-looking analysis of the destabilizing impact of a prolonged economic downturn on capital for the largest financial institutions would have aided in curbing the erosion of the crucial capital buffers needed to absorb the elevated, widespread credit losses that would eventually follow.

ICBA also applauds the inclusion of the retail risk schedule and the wholesale risk schedule in the quarterly collection activities. Both schedules seek to capture risk concentrations of loans across key consumer and commercial segments for the largest bank holding companies. The ability of the Federal Reserve to identify highly concentrated loan portfolios is key to identifying elevated risk factors that may introduce or increase stress in a large bank holding company caused by negative macroeconomic factors. Additionally, the practice of capturing both borrower characteristics and collateral credit exposures further aids in modeling loan portfolio performance in stressed scenarios. ICBA believes that inclusion of well-purposed modeling techniques with inclusion of stressed economic scenarios is an extremely valuable tool in assessing the ability for the capital base to absorb loss in large bank holding companies.

The Federal Reserve should never consider imposing the CCAR quarterly and annual reporting requirements on smaller institutions like community banks. Due to their smaller size and less complex and interconnected lending activities, smaller institutions do not expose the banking sector to the systemic credit and trading losses that could result from the largest domestic bank holding companies in a prolonged economic downturn. Expanding the scope of participants required to complete the quarterly and annual reporting requirements beyond the large domestic bank holding companies to include smaller institutions would result in an increased regulatory burden for these institutions without any improvement in assessing capital adequacy as it relates to systemic risk in the banking sector.

ICBA appreciates the opportunity to comment on this proposal. If you have any questions or would like additional information, please do not hesitate to contact me at (202) 659-8111 or james.kendrick@icba.org.

Sincerely,

/s/

James Kendrick
Vice President, Accounting & Capital Policy