



March 1, 2012

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

Re: Publication of CCAR 2012 Results

Ladies and Gentlemen:

The Clearing House Association L.L.C. (“**The Clearing House**”)¹ acknowledges the Board of Governors of the Federal Reserve System’s (the “**Board**”) efforts to promote and enhance systemic stability by providing information to market participants concerning the resiliency of U.S. bank holding companies under adverse stressed scenarios as embodied in the Board’s decision to publish certain aspects of results of the supervisory stress test component of the 2012 Comprehensive Capital Analysis and Review (“**CCAR 2012**”). However, in light of the significant issues raised by the potential scope of these disclosures and the fact that similar supervisory stress test publication requirements are currently the subject of public comment as part of the Board’s proposed rule-making (the “**165/166 NPR**”) to implement the requirements of Sections 165 and 166 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“**Dodd-Frank**”), we respectfully urge the Board to limit the content of the stress test results published as part of CCAR 2012 to the information that was published as part of Board’s 2009 Supervisory Capital Assessment Program (“**SCAP**”) in order to give our members and other interested parties a meaningful opportunity to comment on the proper scope of stress test disclosures by the Board.

Section 165(i) of Dodd-Frank requires, among other things, that:

- the Board conduct, and publish a summary of the results of, supervisory stress tests on certain covered companies, and

¹ Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world’s largest commercial banks, which collectively employ over 2 million people and hold more than half of all U.S. deposits. The Clearing House Association L.L.C. is a nonpartisan advocacy organization representing—through regulatory comment letters, amicus briefs and white papers—the interests of its owner banks on a variety of systemically important banking issues. Its affiliate, The Clearing House Payments Company L.L.C., provides payment, clearing, and settlement services to its member banks and other financial institutions, clearing almost \$2 trillion daily and representing nearly half of the automated-clearing-house, funds-transfer, and check-image payments made in the United States. See The Clearing House web page at www.theclearinghouse.org.

- bank and thrift holding companies with more than \$10 billion in total consolidated assets conduct their own stress tests and publish summaries of the results.

To implement such provisions, the Board is proposing stress test requirements through the 165/166 NPR that appear to build upon each of SCAP, the annual Comprehensive Capital Analysis and Review process initiated by the Board in 2010 and the recent amendments to Regulation Y which mandate the submission of capital plans, including under stressed scenarios. As part of the 165/166 NPR, the Board is proposing to publish annually a summary of supervisory stress test results and to require companies that conduct company-run stress tests to publish summaries on a company-by-company basis (annually, or semi-annually, as applicable), including information concerning estimated *pro forma* regulatory and other capital ratios, losses on loans, securities and trading portfolios and pre-provisioning net revenue. In the 165/166 NPR, the Board specifically acknowledges that there are “important considerations” related to such company-specific public disclosures and specifically requests comment on this aspect of the 165/166 NPR. To that end, our members are actively engaged in a careful analysis of the 165/166 NPR stress test provisions, including the specifics of the stress test results proposed to be published by the Board annually.

The Summary Instructions and Guidance for CCAR 2012 (the “**CCAR Instructions**”) indicate that the Board is planning to publish stress test related information that appears to be substantially similar to what is proposed in the 165/166 NPR, as well as “other major factors affecting the evolution of capital over the stress test horizon”, at the end of the CCAR 2012 process. Although the CCAR Instructions do not specify a particular publication date, the Board indicated it will provide feedback on its broader assessments of the capital plans and capital adequacy processes to all of the covered bank holding companies by April 30, 2012. As such, we believe it is quite likely that the CCAR 2012 results will be published well in advance of the Board having had the opportunity to fully consider comments to the 165/166 NPR and finalizing the rules contemplated thereby.

We are concerned that the prior publication of the CCAR 2012 results will pre-empt the public comment process with respect to the stress test publication component of the 165/166 NPR as a practical matter because the Board will have effectively committed to its preferred approach to implementing a substantially similar standard, at least with respect to results under the seriously adverse scenario. We believe that this would therefore foreclose any meaningful opportunity for our members and other commenters to provide constructive input on this particular topic and would run contrary to the whole ethos of the notice and comment rule-making process envisioned by the Administrative Procedure Act.

In light of the foregoing, we respectfully urge the Board to limit the company-specific data to be published as part of CCAR 2012 results to information of the type and level of detail as has been previously published by the Board in connection with SCAP. We believe this

approach is appropriate because it would not lead to a seemingly pre-ordained result in connection with the 165/166 NPR comment period.

This approach is especially appropriate in light of the fact that any disclosure of information beyond what was provided in connection with the SCAP (for example, disclosure as of the end of each quarter during the planning horizon) could have unanticipated and potentially unwarranted and negative consequences to covered companies and U.S. financial markets, particularly if the disclosure could be used to derive base case expectations (akin to earnings guidance) or planned capital actions such as share issuances and repurchases and pay-out ratios. In addition, once additional information is provided, we believe it would be very difficult for the Board to remove such information from future disclosures.

Financial institutions and market participants more generally are already familiar with the information contained in the previously published SCAP results and, as such, the impact and consequences of such publication on public disclosure obligations, the securities laws, investor relations and market expectations and market reaction are well understood. Importantly, the SCAP disclosures, and the SCAP process in general, were viewed as robust and credible by the marketplace, both in the U.S. and the broader international context, and we expect that the CCAR process would be viewed similarly if substantially comparable disclosures were provided by the Board at the conclusion of the 2012 exercise.

* * * * *

If you have any questions, or need further information, please contact me at (212) 613-9883 (email: david.wagner@theclearinghouse.org).

Respectfully submitted,



David Wagner
Senior Vice President
Financial and Tax Affairs
The Clearing House Association L.L.C.

cc: The Honorable Daniel K. Tarullo
Board of Governors of the Federal Reserve System

Norah M. Barger
Board of Governors of the Federal Reserve System

Anna Lee Hewko
Board of Governors of the Federal Reserve System

Michael S. Gibson
Board of Governors of the Federal Reserve System

Scott Alvarez
Board of Governors of the Federal Reserve System

Sarah J. Dahlgren
Federal Reserve Bank of New York

William C. Dudley
Federal Reserve Bank of New York

Marc Saidenberg
Federal Reserve Bank of New York

Paul Saltzman
The Clearing House Association L.L.C.

Brett Waxman
The Clearing House Association L.L.C.

Karen Shaw Petrou
Federal Financial Analytics, Inc.

H. Rodgin Cohen
Sullivan & Cromwell LLP

Mark J. Welshimer
Sullivan & Cromwell LLP

Andrew R. Gladin
Sullivan & Cromwell LLP

Joel Alfonso
Sullivan & Cromwell LLP