Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, DC 20551

Via Electronic Mail/Electronic Submission

September 8, 2020

Re: Proposed Agency Information Collection Activities – Capital Assessments and Stress Testing Reports ((FR Y–14A/Q/M; OMB No. 7100–0341)

Ladies and Gentlemen:

The American Bankers Association (ABA), the Financial Services Forum (Forum), and the Securities Industry and Financial Markets Association (SIFMA) (the Associations[1]) appreciate the opportunity to comment on the temporary approval of information collection by the Board of Governors of the Federal Reserve System with respect to its Forms FR Y-14A/Q/M (Capital Assessments and Stress Testing Reports [Reports]) and its request for comment on the proposed extension, for three years with revision, the FR Y–14A/Q/M reports clarify the reporting of certain current expected credit losses (CECL) and capital data (Proposal).[2]

The temporary revisions to Form Y-14A/Q/M would permit the Board to collect data pertaining to certain aspects of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act)[3] and information related to a banking organization's participation in the Paycheck Protection Program (PPP),[4] the Federal Reserve's Main Street Lending Program,[5] and other programs established by the Board in response to the COVID-19 pandemic. The Board will also require submission of FR Y–14Q, Schedule H (Wholesale) on a more frequent basis to permit more frequent assessment of the pandemic's impact on banking organizations and the economy generally. These and other temporary revisions would extend only to reports as of December 31, 2020, unless the Board decides to extend their application.

The Associations appreciate the Board's need for additional data to assess the economic and financial impact of the COVID-19 pandemic and the effectiveness of various measures to mitigate the resulting economic and financial market damage. The new required reporting and related management information system changes, data integrity testing, and other processes

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1 *See* the Appendix to this letter for descriptions of the Associations.
2 85 Fed. Reg. 41,040 (July 8, 2020).
3 Coronavirus Aid, Relief, and Economic Security Act, Public Law 116–136, 134 Stat. 281 (Mar. 27, 2020).
4 *See* 85 Fed. Reg. 20,387 (April 13, 2020).
5 *See* https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm.

necessary to adapt to the new reporting requirements will, however, impose severe short-term burdens on key bank resources and staff. The Board has also, however, required banking organizations affected by the Proposal to resubmit and update their capital plans in the near future.[6] The Associations therefore recommend several additional steps that would reduce these burdens without impairing the flow of essential data to the Board, including several points on which clarification would significantly improve the process.

SUMMARY

The Associations acknowledge the Board's need for timely submission of additional data relevant to economic conditions resulting from the COVID-19 pandemic, the responses of banking organizations and their customers, and the participation in government programs intended to relieve pandemic-related stress. The Proposal's additional information requirements will, however, require in many cases a significant commitment of resources and time to make modifications to management information systems. Particularly with respect to monthly submissions of Form FR Y-14Q, Schedule H (Wholesale), which commenced as of July 31, 2020, the extent of required systems modifications raises concerns about banking organizations' ability to comply in such a short timeframe. In addition, the Proposal's reporting instructions for loans under the Paycheck Protection Program (PPP Loans) require use of schedules and data elements that will be either inappropriate or unavailable for PPP Loans, which will be incompatible with many banking organizations' reporting systems. Finally, the Board discusses possible future changes it may make to further the Proposal's goals. The Associations urge the Board to consider carefully the necessary lead times to implement any further reporting requirements and to allow adequate opportunity for public input and information system modifications.

DISCUSSION

FR Y–14Q Reporting Frequency (Schedule H)

Effective for data as of July 31, 2020, the Board has temporarily revised the submission frequency of FR Y–14Q, Schedule H (Wholesale) from a quarterly basis to a monthly basis for Category I–III firms. The change in reporting frequency, and its implementation in a very short term, pose significant technical challenges and a degree of risk to the integrity of reporting. The revised requirements would require, for example, reporting corporate lending commitments, including those facilities that are entirely unfunded. The data for these commitments are generally not found in an accounting system of record. Existing processes to capture this information are run quarterly in concert with other core reporting requirements (e.g., FR Y-9C, Schedule HC-L, which including all undrawn commitments extended to non-consolidated variable interest entities and commitments to commit).

In addition, Schedule H requires reporting of obligor financial statement data and commercial real estate property information, which banking organizations typically receive on a quarterly rather than a monthly basis. Similarly, it requires updated information on the allowance for

[6] *See* https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200625c.htm.

credit losses, and updated capital-related calculations of probability of default and loss given default. Under current processes, these calculations are run quarterly in connection with capital calculations submitted as part of an organization's FR Y-9C report. Particularly given the limited time banking organizations will have to implement the temporary changes in the Proposal, it is unlikely that gathering these additional data and making the additional calculations on a monthly basis will be feasible.

At best, requiring monthly submission of Schedule H without adjustment will result in intra-quarter reporting of static data related to these subjects. Even if banking organizations make certain systems changes to accommodate monthly reporting, the underlying data may be unavailable with the frequency required for monthly updates. The Board notes that, "Schedule H data submitted monthly may be used for supervisory purposes including, but not limited to, stress testing."[7] In light of the potential impact on supervised organizations, the Board's data collection should be especially sensitive to these practical concerns about currency and accuracy of the data covered by the Proposal.

Furthermore, current processes for submission of Schedule H information require extensive edit checks and other procedures to assure accurate reporting. Specifically, the existing FR Y-14Q process requires a response for each edit check, whereas the current monthly FR Y-14M requires firms to respond only to specific questions. The large number attributes in the scope of Schedule H, coupled with the intra-quarter static data noted above, would result in a substantial burden if responses are required on each edit check. Accordingly, the Board should not require edit checks beyond those consistent with current FR Y-14M monthly procedures for intra-quarter submissions of Schedule H outlined in the Proposal.

Additional Information Collections Related to Loss Mitigation and Forbearance

The Proposal's temporary changes add fields and options to existing fields to collect information on loans in forbearance programs and other loss mitigation circumstances. Changes applicable to FR Y-14Q, Schedule H (Wholesale) would require inclusion of a "modifications flag" for corporate and commercial real estate loans. The Proposal also includes changes to Form FR Y-14M, Schedule B to capture loans subject to forbearance plans in the "Workout Type Completed" field. In order to avoid unnecessary and burdensome reporting changes that would apply for only a limited time, the Associations urge the Board to limit inclusion of these items to quarterly reporting.

Reporting of Paycheck Protection Program (PPP) Loans

The Associations appreciate the Board's decision to exclude PPP Loans from Schedule H, since inclusion would require many decisions about numerous data elements that are irrelevant or inappropriate for loans that are fully guaranteed by the Small Business Administration. The Proposal's instruction to report PPP Loans on Form FR Y-14Q, Schedule A (Retail) raises similar concerns, however. The absence of scoring and related credit considerations in the case of loans fully guaranteed by a Federal agency means that management information systems will

[7] Proposal at 41,042.

not capture such information for PPP Loans, and therefore banking organizations' reporting systems for Schedule A typically would not be compatible with these loans. Moreover, a number of data elements captured by Schedule A may not apply to or be available for PPP Loans, which generally were originated on an expedited basis to relieve acute customer distress at the initiation of public-health lockdown responses to the COVID-19 pandemic.

The Associations agree that PPP Loans should be distinguished from other (unguaranteed) small business loans, but recommend that appropriate reporting of limited, basic data on Form FR Y-14Q, Schedule K (Supplemental) could achieve this goal relatively easily, without the systems complications of fitting PPP Loans into report schedules designed for riskier credit exposures.

Future Extension of Temporary Reporting Requirements; Imposition of Additional Requirements

The Board notes that it may extend the Proposal's temporary reporting requirements beyond the December 31, 2020 as-of reporting date. Because reporting will require extensive systems modifications, and because banking organizations would have to approach a permanent systems change with a very different commitment of time and resources than they would apply to changes that are only temporary, the Board should carefully limit the scope of permanent changes to avoid duplicative and burdensome efforts at a time when banks and their customers continue to face monumental pandemic-related challenges. Any permanent changes should be implemented only after adequate advance notice, in any case not less than three months.

In addition, the Board notes that it may require more frequent submission of reports on Form FR Y-14Q, or a subset of the schedules or items it includes, on a more frequent basis in times of crisis.[8] It is highly likely that requiring such additional submissions would raise many of the concerns expressed above. In the interest of accurate and efficient reporting, the Associations urge the Board to implement such changes only after at least 60 days' prior notice and, to the greatest possible extent, after an opportunity for public input.

Additional Information Requests That Are Not Part of the FR Y-14 Reporting Package

Over the past few CCAR cycles, supervisory teams have provided "special template requests" to CCAR filers that are not part of the FR Y-14 reporting package. The same "special template requests" have been used over several cycles without any communication as to how they fit into the FR Y-14 reporting or whether they are temporary or permanent. Since they are outside of the FR Y-14 reporting they have not been subject to notice and comment, despite the repeated use of the templates. This creates unnecessary burdens and logistical challenges as firms are unable to plan for whether the templates will be required in upcoming cycles. It is critical that all reporting templates that are required during the CCAR process be incorporated into FR Y-14 reporting.

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[8] *Id.*

Thank you for the opportunity to respond to your request for comments. Should you have any questions or desire further discussion, please do not hesitate to contact Hu Benton of ABA at hbenton@aba.com; Sean Campbell of the Forum at scampbell@fsforum.com; and Coryann B Stefansson of SIFMA at cstefansson@sifma.org.

Very truly yours,

/s/ Hu A. Benton	/s/ Kevin Fromer
Hu A. Benton Vice President, Banking Policy American Bankers Association	Kevin Fromer President and Chief Executive Officer Financial Services Forum

/s/ Coryann B Stefansson

Coryann B Stefansson
Managing Director and Head of Capital and Liquidity Policy
SIFMA

APPENDIX

THE ASSOCIATIONS

The American Bankers Association is the voice of the nation's $20.3 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard $15.8 trillion in deposits, and extend nearly $11 trillion in loans.

The Financial Services Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a leading source of lending and investment in the United States and serve millions of consumers, businesses, investors, and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace, and a sound financial system.

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).