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Proposal and Comment Information

Title: Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL, R-1873

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Please see attached comment.

Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL

Docket No. R-1873; RIN 7100-AH05

This proposal represents a long-awaited shift toward regulatory predictability, particularly through moving the stress test "jump-off" date from December 31 to September 30. This adjustment is necessary to accommodate the new public comment windows without compressing the capital planning cycle or creating timing conflicts with year-end reporting.

The Board should explain more clearly how it will balance openness with preserving the integrity of the stress tests. The proposal to publish supervisory scenarios for public comment is a constructive step. This new process will be more effective if the Board provides clear rationales for scenario selection so that commenters can evaluate the scenarios in a meaningful way.

Disclosing the conceptual structure of the models, key drivers, and the scenario rationales is appropriate, while certain operational details may need to remain confidential to prevent institutions from tailoring portfolios to the models rather than to underlying risks. Transparency about the general structure also improves incentives by encouraging institutions to address underlying risks rather than respond to opaque or unpredictable supervisory assumptions. A clearer explanation of what will be disclosed, what will remain confidential, and why those decisions would help the public understand the approach.

The amendments to the Scenario Design Framework Policy Statement are another important component of the proposal. These changes would be easier to understand if the Federal Reserve provided plain-language explanations of why scenarios are chosen, how they relate to evolving risks, and how the severity of the scenario avoids becoming procyclical.

As institutions engage in activities involving crypto-related assets under the Board’s updated 2025 supervisory guidance, the supervisory framework should be clear about how such exposures are treated. Given the potential for volatility and liquidity shocks, the Board should specify how crypto exposures are captured in the FR Y-14 data, when crypto-market shocks would be incorporated into the Global Market Shock (GMS), and whether such shocks are viewed as idiosyncratic or systemic.

The usefulness of the expanded model documentation will depend on how it is organized. The materials would be easier to navigate if the Federal Reserve provided summaries or roadmaps for each model, maintained version histories and offered data dictionaries for the variables used. These steps would make the documentation more accessible to a wider audience, including researchers, smaller institutions, and interested members of the public.

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