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Proposal and Comment Information

Title: Request for Comment on Model Changes for the Board's 2027 Supervisory Stress Test, OP-1882

Comment ID: FR-2026-0037-01-C08

Submitter Information

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Organization Type: Company

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VeloxVFX LLC respectfully submits the attached public comment concerning Docket OP-1882, Model Changes for the Board's 2027 Supervisory Stress Test.

The comment responds to Questions 52 and 53 concerning outlier screening, treatment of non-recurring revenues, supporting data sources, and consistency across PPNR models. It also addresses related reporting clarity and burden considerations, while preserving the Board's supervisory authority and reporting institutions' responsibilities.

Please include the attached comment in the proceeding's public record.

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

2027 Supervisory Stress Test PPNR Model Changes

Outliers, Non-Recurring Revenues and Model-Specific Treatment

Preserved sources. Attributable decisions.
Reproducible results. Retained supervisory authority.

DOCKET

OP-1882

MODEL DOCUMENTATION QUESTIONS

52 AND 53

FR DOC. 2026-20245 | FR Y-14A/Q/M REPORTING CONSIDERATIONS

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Comments of VeloxVFX LLC

Model Changes for the Board's 2027 Supervisory Stress Test
Docket No. OP-1882 | 91 FR 62729-62733 | FR Doc. 2026-20245
Responses to PPNR Model Documentation Questions 52 and 53
October 31, 2026

Benjamin W. McDonough, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

1. Executive summary

VeloxVFX LLC respectfully recommends a lifecycle-separated process for screening and treating unusual observations used in pre-provision net revenue (PPNR) models. Combine automated screening with visual and contextual review, while preventing an algorithmic flag from altering reported data or determining supervisory treatment on its own. Preserve each original reported observation separately from a corrected, transformed, truncated, or reclassified value, and link any exclusion decision or record to the preserved original observation.

The core distinction is straightforward: an automated flag is not confirmation; confirmation is not treatment authorization; authorization is not application of the treatment; and a model output is not a supervisory determination. A common process may support consistency across PPNR models, but each affected model should receive an explicit applicability decision. The same observation may serve a different purpose, transformation, denominator, lag, or dependency in another model.

The Board's proposed criteria for non-recurring revenues provide a useful baseline. Apply them through documented event classification and evidence review rather than automatic exclusion. Versioned sources, evidence, decisions, treatments, reversals, and model uses can support reproduction of results and proportionate review. Appropriate automation should reduce repeated technical work and duplicative explanations while preserving authorized judgment.

2. Scope and governmental authority

This comment addresses Questions 52 and 53 in section IV of the proposed noninterest income model documentation, together with related information-quality and respondent-burden considerations in the accompanying notice. It does not propose model coefficients, numerical screening thresholds, capital outcomes, bank-specific conclusions, source code, patent claims, or a proprietary implementation schema. It supplies no measured performance or issuer-hours dataset.

The functional framework is offered for the Board's consideration, revision, or rejection. If the United States Government elects to implement a governmental architecture, legally operative governmental control, policy authority, supervisory judgment, implementation discretion, and final decisions remain exclusively with legally authorized United States governmental institutions. VeloxVFX retains no governmental, supervisory, or monetary-policy authority. Reporting institutions retain their own reporting, governance, and legal responsibilities.

The recommendations can be implemented within existing federal systems or another architecture selected by the Board. They request no vendor engagement, procurement, licensing arrangement, partnership, endorsement, or adoption of a VeloxVFX platform. Providing this functional contribution does not transfer or waive intellectual-property rights or establish agency acceptance. No separate response is requested; consideration within the OP-1882 record is sufficient.

3. Question 52: screening and treatment

Proposed Noninterest Income Model, section IV, pp. 235-236

Use automated and visual screening as complementary controls. Algorithms provide repeatable coverage; contextual review tests whether a flag reflects a reporting error, reclassification, genuine economic event, structural break, non-recurring item, or ordinary volatility. Screening should identify candidates for review rather than classify every statistically unusual value as erroneous.

Use both statistical and materiality dimensions, supplemented by persistence, direction, seasonality, reporting consistency, and event context. Statistical signals can include levels, changes, dispersion, recent historical ranges, and peer-relative comparisons. Materiality should reflect the relevant PPNR component and the model's use of the observation. Govern thresholds by model and data characteristics; a single metric should not be dispositive. Where a ratio or variability measure has a small, zero, or sign-changing denominator, flag the measurement limitation rather than produce a misleading signal.

Begin with structural validation: field type, unit, sign convention, reporting period, missing values, duplicates, reconciliation, and source version. Keep a format failure distinct from an economically unusual observation. A genuine zero, unavailable value, and omitted field should not be silently interchangeable. Then reconcile available regulatory reports, audited statements, supporting schedules, amendments, and attributable explanations, recording unresolved differences rather than selecting the most convenient value.

A flag should identify the original observation, source and version, detection time, rule or reason, priority, and affected uses. An attributable reviewer should confirm, reject, or defer it using visual analysis and evidence. A separately identifiable authorization should select any treatment, scope, effective period, and affected dataset. This is separation of decisions and records; the Board may assign personnel and controls proportionately without requiring a different person for every routine step.

Treatment should follow the identified cause. A documented reporting error may justify correction; a classification movement may justify reversal of a reclassification. A valid extreme observation may warrant retention, truncation, removal, or another adjustment under the Board's methodology. Unusualness alone should not make removal the default. Distinguish an amendment to a firm's regulatory filing from a Board modeling adjustment; the latter should not silently rewrite the former.

Represent treatment as a versioned derived value or an exclusion record linked to the preserved source. Retain the rationale, evidence, authorization, calculation, and applicability. Reproducibility should permit comparison of untreated and treated runs using otherwise identified input, model, and scenario versions. Review should assess whether an adjustment removes relevant stress information, creates a structural break, or shifts rather than resolves an inconsistency.

Extend the systematic governance process across PPNR models, while making propagation conditional. A treatment in one model should initiate a dependency review for other models rather than automatically alter them. Examine use of the same field, transformed series, denominator, lag, aggregate, or economic concept. Record an apply, do-not-apply, defer, or supersede outcome for each relevant use, including the rationale, authorized interim handling, and any rerun requirement.

4. Question 53: non-recurring revenues

Proposed Noninterest Income Model, section IV, p. 236

Treat the proposed criteria as a baseline for documented review: the identified event-driven categories and the alternative recurrence assessment using the stated two-year forward and backward periods. Preserve the distinction between those pathways. An event-driven revenue item can still affect ongoing business capacity, an associated expense, a replacement transaction, or another model dependency. Classification should therefore include recurrence and economic-context analysis, without treating a management label as conclusive.

Additional considerations should include the event's cause and date; divestiture, acquisition, consolidated investment entity activity, legal resolution, accounting-method change, restructuring, reclassification, or asset sale; the relationship to continuing operations; and whether a similar economic event is reported under another entity, segment, label, or aggregation. Distinguish cash and noncash, realized and unrealized, gross and net, and tax characterization, together with associated expenses and offsets.

Assess potential reversals, replacement revenue, and follow-on effects within the projection horizon. Record the information reasonably available at the decision date and the basis for any forward recurrence judgment. Later information should generate an attributable update, not an unexplained retrospective rewrite. Where evidence is insufficient, retain a deferred classification with a responsible reviewer, interim treatment, and a defined review trigger.

Use regulatory sources, including FR Y-14 and FR Y-9C schedules, supporting records, amendments, and reporting correspondence, to establish value, classification, period, and revision history. Audited statements, notes, Forms 10-K, 10-Q and 8-K, where applicable, and equivalent public disclosures can provide accounting and continuing-operations context. Earnings releases, investor materials, and call transcripts can inform review but require verification against more authoritative records. Transaction, restructuring, litigation, merger and divestiture filings can establish event timing and scope. Seek targeted firm clarification where existing sources leave a material gap.

Apply a common exclusion methodology across models sharing the underlying data, understood as common definitions, evidence standards, decision states, source lineage, and review controls. Numerical treatment should remain appropriate to each model. As the Board recognizes, removing non-recurring revenue may affect revenue shares and efficiency ratios in a noninterest expense model. Explicitly assess those dependencies and decide whether to retain, exclude, replace, recalculate, or otherwise adjust each affected input under the Board's methodology.

For example, a documented divestiture gain might be excluded from a revenue-estimation series while requiring a separate assessment of the associated expense base and ratio denominator. That illustration does not predetermine the correct adjustment: compare the economic scope and data use in each model and record why consistent classification leads to the same or a different treatment. Classification consistency and data-lineage consistency should not be confused with identical numerical application.

5. Information quality and proportionate burden

Accompanying notice, section III: proposed FR Y-14A/Q/M revisions and Paperwork Reduction Act considerations

For each added or revised reporting item, provide a controlled definition, unit, period, permitted values, handling of zeros and missing values, amendment procedure, and mapping to dependent schedules. Publish versioned examples and validation messages that distinguish transmission or formatting failure, reconciliation exception, substantive anomaly, and confirmed reporting error. Technical acceptance should identify what passed and what remains unresolved; it should not imply acceptance of a legal or supervisory conclusion.

The notice proposes additional PPNR data for possible future model development and states that these data are not necessary for the PPNR models finalized for the 2027 stress test. Preserve that distinction in instructions and burden explanations. Collection for potential future research should not be described as automatic adoption of a modeling treatment or a current capital effect. Explain the practical utility of each field and avoid duplicate collection where reliable existing data and source mappings suffice.

Automation can identify structural problems before filing, reuse stable metadata and event references, and support targeted follow-up on new, changed, or unresolved material items. Reuse must preserve required reporting scope, prescribed observations, attestations, and the Board's ability to seek additional information. Recommend machine-readable references and controlled corrections rather than a routine requirement to attach every supporting document or create a new universal event ledger.

A validation receipt could identify the submitted version, accepted records, technical exceptions, review flags, and follow-up requested. Amendments should link to the original reporting period and superseded version. Distinguish

receipt of a replacement file from closure of the underlying issue. Evidence should be available through authorized review channels, with appropriate confidentiality and access controls; no new public annex of firm-specific supporting data is proposed.

A transparent burden methodology should distinguish setup, data sourcing and mapping, ordinary preparation, exception resolution, review, approval, submission, and amendments. Assess vendor charges and staff effort separately, avoiding double counting of existing controls and incremental collection work. Evaluate automation through representative exercises using correction frequency, repeated requests, reconstruction time, unresolved exceptions, and total review effort. These are evaluation measures, not claims of demonstrated VeloxVFX savings or performance.

6. Functional controls and reproduction record

A non-proprietary implementation can preserve the following sequence without prescribing a platform: register the source; validate structure; flag anomalies; confirm or reject using evidence; authorize treatment; apply the treatment to a derived dataset; determine model-specific applicability; run the identified model and scenario; compare outputs and dependencies; and monitor later evidence, reversal, or supersession. Model-use authorization should be established before the affected production run; later review may require a controlled rerun.

The minimum record should connect the observation identifier, filing, schedule and field, period, unit and source version; screening reason, rule version and detection time; evidence, reviewer, decision and rationale; treatment type, version, authorizer, scope and effective period; dataset, model and scenario versions and run reference; model-specific application or nonapplication; and correction, reversal and supersession links. Record unresolved issues and review triggers, including a source amendment or methodology change.

Access should follow governmental role and least-privilege controls. Screening functions may read authorized data and create flags. Reviewers may examine the evidence necessary for confirmation. Treatment functions should act only within authorized scope. Model runs should use approved input configurations. Protect source and decision records from unauthorized alteration and retain them under applicable policies. A preserved source may be corrected through a new linked version; preservation should not prevent lawful correction or applicable retention and disposition requirements.

These controls distinguish the flag gate, confirmation gate, treatment-authorization gate, model-use gate, cross-model applicability gate, and supervisory decision. No technical output originates supervisory authority or transfers accountable judgment to VeloxVFX or another technology provider.

Conclusion

For Questions 52 and 53, the Board can improve reviewability by separating screening, confirmation, authorization, treatment, and model-specific use; preserving original observations; and maintaining attributable, versioned decision records. Common evidence and classification standards should support consistent review without forcing indiscriminate exclusion across models. For reporting, clear specifications, reusable references, controlled amendments, and targeted follow-up can reduce avoidable work while preserving the Board's authority and each reporting institution's responsibilities.

Respectfully,
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Sources: Federal Reserve, OP-1882, 91 FR 62729-62733 (Oct. 2, 2026), FR Doc. 2026-20245; Proposed Noninterest Income Model, Fall 2026, section IV, printed pp. 235-236, Questions 52-53. Official model document: https://www.federalreserve.gov/supervisionreg/files/fall2026_supervisory-stress-test-model-documentation-PPNR-models.pdf