

## **FEDERAL RESERVE SYSTEM**

### **Request for Comment on Model Changes for the Board's 2027 Supervisory Stress Test**

[Docket No. OP-XXXX]

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Notice, request for comment.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board) invites public input on proposed model changes for the Board's 2027 supervisory stress test, and invites comment on proposed changes to the FR Y-14A/Q/M reports that would facilitate future model development and improve the risk capture of the stress test.

**DATES:** Comments must be received on or before **[INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*]**.

**ADDRESSES:** You may submit comments, identified by Docket No. OP-[xxx], by any of the following methods:

- *Agency Website:* <https://www.federalreserve.gov/apps/proposals/>. Follow the instructions for submitting comments, including attachments. ***Preferred Method.***
- *Mail:* Benjamin W. McDonough, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551.
- *Hand Delivery/Courier:* Same as mailing address.
- *Other Means:* [publiccomments@frb.gov](mailto:publiccomments@frb.gov). You must include the docket number in the subject line of the message.

Comments received are subject to public disclosure. In general, comments received will be made available on the Board's website at <https://www.federalreserve.gov/apps/proposals/> without change and will not be modified to remove personal or business information including

confidential, contact, or other identifying information. Comments should not include any information such as confidential information that would not be appropriate for public disclosure. Public comments may also be viewed electronically or in person in Room M-4365A, 2001 C St. NW, Washington, DC 20551, between 9 a.m. and 5 p.m. during Federal business weekdays.

**FOR FURTHER INFORMATION CONTACT:** Doriana Ruffino, Associate Director (202) 452-5235, Hillel Kipnis, Assistant Director, (202) 452-2924, John Simone, Manager, (202) 245-4256, Alice Moore, Senior Financial Institution Policy Analyst II, (202) 360-0155, and Theo Pistner, Financial Institution and Policy Analyst III, (202) 941-1825, Division of Supervision and Regulation; Asad Kudiya, Associate General Counsel, (202) 360-6887, Julie Anthony, Senior Special Counsel, (202) 658-9400, Jonah Kind, Senior Counsel, (202) 452-2045, Brian Kesten, Senior Counsel (202) 843-4079, Tara Hofbauer, Senior Attorney (202) 680-2503, Rye Salerno, Attorney (240) 374-7788, Legal Division. Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551. For users of TDD-TYY, please call 711 from any telephone, anywhere in the United States.

## **SUPPLEMENTARY INFORMATION:**

### **Table of Contents**

|                                                |          |
|------------------------------------------------|----------|
| <b>I. Introduction.....</b>                    | <b>2</b> |
| <b>II. Proposed Model Change.....</b>          | <b>3</b> |
| <b>III. Revisions to the FR Y-14A/Q/M.....</b> | <b>4</b> |
| <b>IV. Administrative Law Matters.....</b>     | <b>5</b> |
| A. Paperwork Reduction Act Analysis.....       | 5        |

### **I. Introduction**

Stress testing is a core element of the Board's regulatory framework and supervisory program for large firms. The stress test enables the Board to assess whether large

bank holding companies, savings and loan holding companies, U.S. intermediate holding companies of foreign banking organizations, and nonbank financial companies supervised by the Board (collectively, firms) have sufficient capital to absorb potential losses under hypothetical stress scenarios and continue lending under severely adverse conditions, although it is not designed or intended to be predictive of future economic conditions. The stress tests evaluate the financial resilience of large banks by estimating bank losses, revenues, expenses, and resulting capital levels—which provide a cushion against losses—under hypothetical recession scenarios.<sup>1</sup> The Board uses the results of a stress test, in part, to set large bank capital requirements. This proposal seeks public input on revisions to the models used to conduct the analysis for the 2027 stress test and targeted revisions to reporting forms to facilitate future model development and improve the risk capture of the stress test.

## II. Proposed Model Change

To enhance the transparency and public accountability of the annual stress tests, the Board is issuing a separate final rule under which it would establish a process by which the Board would publish for public input any material model changes before implementing them in the annual supervisory stress test.<sup>2</sup> While this aspect of the final rule is not yet effective, consistent with the purposes and features of this enhanced disclosure process, the Board is

---

<sup>1</sup> U.S. bank holding companies (BHCs), covered savings and loan holding companies (SLHCs), and intermediate holding companies of foreign banking organizations (IHCs) with \$100 billion or more in assets are subject to the Board's supervisory stress test rule (12 CFR part 238, subpart O; 12 CFR part 252, subpart E) and capital planning requirements (12 CFR 225.8; 12 CFR 238.170). In addition, certain BHCs, SLHCs, IHCs, and state member banks must comply with the Board's company-run stress test rules (12 CFR part 238, subpart P; and 12 CFR part 252, subparts B and F).

<sup>2</sup> A material model change is a model change that could have, in the Board's estimation, an impact on the post-stress common equity tier 1 regulatory capital ratio of any firm, or on the average post-stress common equity tier 1 capital ratios of all firms with total consolidated assets of \$100 billion or more subject to the stress test, equal to (i) a change of 20 basis points or more in the projected common equity tier 1 ratio of any such firm; or (ii) a change of 10 basis points or more in the average of the absolute value of each firm's change in projected common equity tier 1 ratio. The analysis is based on the prior year's severely adverse scenario and prior year's input data. A model change is the introduction of a new model or a conceptual change to an existing model.

inviting comment on proposed adjustments to the models for the 2027 stress test. The proposed changes were informed by comments received on the models proposed for the 2026 stress test and would better capture heterogeneity across firms in the noninterest income model.<sup>3</sup>

A detailed description of the proposed model, as well as analysis of these proposed changes, are available on the Board's website:

*<https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2027.htm>.*

### III. Revisions to the FR Y-14A/Q/M

To facilitate potential future model development or to improve risk capture of the stress test, the Board is proposing several revisions to the FR Y-14A/Q/M. For example, to assess whether a future model change is appropriate, the Board is proposing to reimplement FR Y-14Q, Schedule I (Mortgage Servicing Rights Valuation), with limited adjustments, to capture data on serviced mortgages. This information could enable the Board to develop a model for mortgage servicing rights that better captures the risks associated with a firm's servicing portfolio. Similarly, the Board is proposing to add a limited number of items to FR Y-14Q, Schedule G (PPNR) and Schedule H (Wholesale) that could be informative in determining whether future model changes are appropriate, such as additional collateral and guarantor information on corporate loans. Many of these revisions were suggested by commenters in response to the models proposed by the Board in October 2025.<sup>4</sup> Finally, the Board is proposing several revisions to FR Y-14Q, Schedule A (Retail), Schedule B (Securities), Schedule F (Trading), Schedule L (Counterparty), and Schedule M (Balances), as well as FR Y-14M, Schedule A (First Lien) and Schedule B (Home Equity) to improve the instructions and consistency of reporting.

---

<sup>3</sup> See 90 FR 51856 (Nov. 18, 2025), available at *<https://www.federalregister.gov/d/2025-20211>*.

<sup>4</sup> See Board, Review of Comments and Summary of Changes to the Proposed 2026 Stress Test Models, available at *<https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2027.htm>*.

These proposed revisions do not indicate that the Board will propose a related model change. The proposed revisions are described in Section IV.A of this Supplementary Information.

#### IV. Administrative Law Matters

##### A. Paperwork Reduction Act Analysis

In accordance with the requirements of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501–3521), the Board may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number.

The Board is proposing to revise the FR Y-14A/Q/M to collect additional information to support the supervisory stress test models and improve the reporting instructions.

The Board invites public comment on the following information collection:

- (a) Whether the collection of information is necessary for the proper performance of the Board's functions, including whether the information has practical utility;
- (b) The accuracy of the Board's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- (c) Ways to enhance the quality, utility, and clarity of the information to be collected;
- (d) Ways to minimize the burden of the information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- (e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

**Proposal Under OMB Delegated Authority to Extend for Three Years, With Revision, the Following Information Collection**

*Collection title:* Capital Assessments and Stress Testing Reports.

*Collection identifier:* FR Y-14A/Q/M.

*OMB control number:* 7100-0341.

*General description of collection:*

The FR Y-14 reports collect stress test and capital plan data from the largest holding companies, which are those with \$100 billion or more in total consolidated assets. The data collected through the FR Y-14 reports provide the Board with the information needed to help ensure that large holding companies have strong, firm-wide risk measurement and management processes supporting their internal assessments of capital adequacy and that their capital resources are sufficient given their business focus, activities, and resulting risk exposures. Information gathered in this data collection is also used in the supervision and regulation of these financial institutions.

*Current Actions:* The proposal would modify the FR Y-14A/Q/M to collect additional information to potentially inform supervisory model developments and improve reporting instructions. All proposed revisions would be effective for the December 31, 2027, report date.

## 1. MORTGAGE SERVICING RIGHTS

Prior to 2019, FR Y-14Q, Schedule I (MSR Valuation) collected valuation data on mortgage servicing rights (MSR). The schedule was retired, as the data was immaterial for most firms that submitted the FR Y-14Q. However, this data could allow the Board to develop a model for MSRs that better captures the risks of loans in a firm's servicing portfolio, as discussed in questions in the proposed noninterest income model documentation associated with this notice. Therefore, to help assess whether such a model would be appropriate, the Board is proposing to reimplement Schedule I with a small number of changes, primarily to delete fields

that are not necessary and update others to reflect current industry practices. This schedule would collect data on a firm's MSR portfolio such as the volume of loans serviced, capitalization rates, prepayment information, and other characteristics of the portfolio.

**Question #1:** The Board seeks comment on the proposed fields and definitions in FR Y-14Q, Schedule I. Are there any alternative fields, or definitions of fields, that would better capture the risks associated with a firm's servicing portfolio, such as different industry credit scores, delinquency buckets, or product types?

## 2. WHOLESALE

### a. Revisions Suggested by Commenters

In response to the Wholesale models proposed in October 2025, commenters provided several modeling suggestions that would require the collection of additional data. For example, commenters suggested that corporate loans that qualify for securitization be treated as available-for-sale/held-to-maturity securities, that facility-level rating information be accounted for in corporate credit losses, and that the corporate model account for loan guarantees, including partial guarantees. Similarly, commenters suggested that the Board identify commercial real estate (CRE) loans collateralized by affordable housing and collect information on construction and development projects that are in a transitional phase. Commenters also suggested allowing alternative measurements for the reporting of CRE current occupancy. Per the commenters, these revisions would better enable the Board to capture heterogeneity across firms, thereby improving the risk capture of the models, or would clarify the instructions.

As discussed in the Board's review of comments, it is not adopting modeling changes related to these suggestions at this time.<sup>5</sup> However, to further assess the commenters'

---

<sup>5</sup> The documentation is available on the Board's website. See <https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2027.htm>.

suggestions, the Board is proposing to revise existing items or add new ones to FR Y-14Q, Schedule H.1 (Corporate) and Schedule H.2 (CRE) to collect this information. Specifically, to capture data on loan guarantees, securitizations, and internal risk ratings for corporate exposures, the Board is proposing to add item 124 (“Guarantee Amount”), item 125 (“Securitization Flag”), and item 126 (“Facility Internal Risk Rating”) to Schedule H.1. The Board is also proposing to add item 78 (“Affordable Housing Flag”) and item 79 (“Current Development Status”) to Schedule H.2 to gather data on affordable housing and the development status associated with CRE exposures. Further, to clarify the reporting of affordable housing, the Board is also proposing to revise Schedule H.2, item 9 (“Property Type”). Finally, to enable the use of alternative measurements for Schedule H.2, item 23 (“Current Occupancy”) the Board proposes to revise Schedule H.2, item 39 (“Property Size”) to further clarify property types and measurement units.

To further assess the commenters’ suggestions and align with the Board’s capital rule, the Board is proposing to revise the definition of an eligible guarantor in Schedule H.1 to be consistent with the corresponding definition in 12 CFR 217.2. For consistency with Schedule H.1, the Board is similarly proposing to revise Schedule H.2, item 21 (“Recourse”) and add item 77 (“Recourse Amount”) to capture the amount of a loan covered by recourse and align the definition of guarantor with the corresponding definition in 12 CFR 217.2.

#### *Obligor Internal Risk Ratings*

Firms are currently required to report obligor internal risk ratings in Schedule H.1, item 10 (“Obligor Internal Risk Rating”). The Board is not proposing any revisions to this item. However, as described above, the Board is proposing to collect facility internal risk ratings for corporate exposures. The Board is seeking feedback on the proposed revisions to capture facility

internal risk rating information, as well as potentially collecting related, supplemental data items, and has provided specific questions below.

**Question #2:** The Board seeks comment on whether the proposed facility internal risk rating field on Schedule H.1 should explicitly capture loss severity in the event of default rating or instead capture a blended expected loss rating that considers both the probability of default and loss severity. What would be the advantages and disadvantages of each approach?

**Question #3:** The Board seeks comment on adding an item to Schedule H.1 that would map the proposed Facility Internal Risk Rating field to an external equivalent. As an alternative, the Board also seeks comment on collecting each firm's universe of internal facility risk ratings in a manner similar to Schedule H.4 (Internal Risk Rating Schedule). What would be the advantages and disadvantages of each approach?

b. Covenants

On May 20, 2026, the Board published in the Federal Register a notice announcing the finalization of revisions to the FR Y-14 reports, including the addition of item 119 (“Covenant Violation”) on Schedule H.1 to capture information on loan covenants.<sup>6</sup> The adopted item provides several options for reporting whether a covenant exists, whether a covenant has been violated, and, if so, whether the agreement has been amended or waived. However, these options do not capture a scenario in which a covenant violation occurs and is cured, without amendment or waiver, within a reporting quarter. To capture this scenario, the Board is proposing to add a new option for a covenant violation that is cured. This revision would enable the Board to better assess the structure and risks of reported covenants.

---

<sup>6</sup> See 91 FR 29485 (May 20, 2026).

### 3. RETAIL

#### a. Margin Loans

In December 2025, the Board adopted changes to the FR Y-9C that require margin loans, whether purpose or non-purpose, primarily collateralized by securities with readily determinable fair value to be reported on Schedule HC-C, item 9.b.(1).<sup>7</sup> Prior to this reporting change, retail non-purpose loans were reported in Schedule HC-C, items 6.b or 6.d, which are also reported on FR Y-14Q, Schedule M.1 (Quarter-end Balances), item 4.c (“Non purpose lending”). As a result of this reporting change, Schedule M.1, item 4.c collects a smaller number of balances, as loans reported on Schedule HC-C, item 9.b.(1) are reported on Schedule M.1, item 5.c (“Securities lending”). To simplify the reporting and modeling of these exposures, the Board is proposing to retire item 4.c, which would result in all loans currently reported in item 4.c to be reported in item 4.e (“Other consumer loans”), which is more appropriate given the composition of these loans. For consistency, the Board is also proposing to revise the reportable categories of FR Y-14Q, Schedule A.6 (International Other Consumer) and Schedule A.7 (U.S. Other Consumer) to capture these exposures.

#### b. Property Valuation Methods

Currently, FR Y-14M, Schedule A.1 (First Lien Loan Level Table) and Schedule B.1 (Home Equity Loan Level Table) collects data on first lien and home equity portfolios, including property valuation methods. However, the options provided to report property valuation methods are not always consistent between the corresponding Schedule A.1 and Schedule B.1 items, which could lead to a valuation method not being captured consistently across schedules. Specifically, Schedule B.1, item 88 (“Property Valuation Method at Origination (appraisal

---

<sup>7</sup> See 90 FR 56756 (December 8, 2025).

method)”) includes ‘TAV – tax assessed value,’ ‘purchase price,’ and ‘other’ which are not options on the corresponding item on Schedule A.1 (item 111). To ensure that all valuation methods are captured on Schedule A.1, the Board is proposing to add ‘TAV – tax assessed value,’ ‘purchase price,’ and ‘other’ as reportable values to item 111.

Further, Schedule A.1, item 69 and Schedule B.1, item 80 both collect data on the refreshed property valuation method and provide known valuation methods as reportable options. However, both item 69 and item 80 lack an ‘other’ option for instances when the valuation method does not fall under one of the options provided. For comprehensiveness, the Board is proposing to add ‘other’ as a reportable value to item 69 and item 80, as well as definitions for these three reporting options to the applicable fields in Schedule A.1 and B.1.

#### c. Workout Type

In the FR Y-14 revisions finalized on May 20, 2026, the Board adopted revisions to FR Y-14M, Schedule A.1, item 143 (“Workout Type Started”) and Schedule B.1, item 120 (“Workout Type Started”) to clarify that these fields should be left blank if the loan has never been in loss mitigation or in the months following completion of a workout plan. However, a loan may enter loss mitigation but not have an active workout plan, which would be reported as blank under the current instructions. To better capture loans that have entered loss mitigation, the Board is proposing to revise item 43 and item 120 to indicate ‘0’ should be reported for a loan in loss mitigation but no workout plan has been established.

#### 4. PRE-PROVISION NET REVENUE

In response to the pre-provision net revenue (PPNR) models proposed in October 2025, commenters provided several modeling suggestions that would require the collection of additional data.

Specifically, to better enable the Board to capture heterogeneity in across firms, thereby improving the risk capture of the models, commenters suggested that the Board collect data on deposit beta segmentation by wholesale and retail deposits, transfer pricing, and mark-to-market and fair value adjustments in noninterest revenue. The Board has determined that these data are not necessary for the PPNR models finalized for the 2027 stress test; however, it is proposing to add items to FR Y-14Q, Schedule G (PPNR) and revise existing items to collect this information to potentially inform future model development. For consistency, the Board is proposing corresponding changes to FR Y-14A, Schedule A.7.a (PPNR Projections) and A.7.b (PPNR Net Interest Income), as applicable.

In addition, one commenter suggested that the Board add an item to FR Y-14Q, Schedule B.1 (Securities 1 – Main Schedule) to capture coupon rates for all securities, to support the projection of interest income on securities for which vendor data is unavailable. In response to the comment, the Board is proposing revisions to Schedule B.1 to collect coupon rate data for each security, as this information would enable the Board to better evaluate interest income associated with reported securities.

## 5. MARKET RISK

The Board has identified several areas of FR Y-14Q, Schedule B (Securities), Schedule F (Trading), and Schedule L (Counterparty) where revisions would improve the instructions, increase consistency in reporting, or support the supervisory models.

### a. Securities

The Board considered comments suggesting that reporting requirements for equities on FR Y-14Q, Schedule B.1 could be reduced to exclude debt-security focused data items. Upon review, the Board determined that certain data fields collected on Schedule B.1 with respect to

equities can be removed without impacting stress test projections. Accordingly, the Board is proposing to remove the requirement to report amortized cost, current face amount, original face amount, price and pricing date for equities on Schedule B.1.

b. Trading

Currently, FR Y-14Q, Schedule F.18 (Corporate Credit – Advanced) and Schedule F.19 (Corporate Credit – Emerging Markets) indicate that credit baskets should be reported under the single name credit default swaps (SN CDS) category. However, as these exposures can contain multiple underlying assets, it is more appropriate that they be reported according to the associated risks to be more accurately modeled. Therefore, the Board is proposing to clarify the Schedule F.18 and Schedule F.19 instructions to indicate that credit baskets should be reported according to the risks related to the underlying assets.

c. Counterparty

The Board is also proposing several changes to Schedule L to improve the instructions or facilitate supervisory modeling. Currently, FR Y-14Q, Schedule L.5 (Derivatives and Securities Financing Transactions Profile) allows for eligible credit derivatives such as single-name CDS hedges to be reported. As a result, single-name CDS hedges provided by counterparties within the firm (internal hedges) may be reported and thus included in the largest counterparty default (LCPD) calculation. As both parties are within the firm, internal hedges should not offset a firm's projected LCPD losses. Therefore, the Board is proposing to revise the Schedule L.5 instructions to exclude internal hedges.

The Board also received several comments on the Schedule L instructions based on the models proposed in October 2025. One commenter requested that the Board clarify the reporting of client-cleared derivatives (CCDs) and inter-affiliate transactions in the CVA schedules.

Currently, Schedule L.5 requires CCD exposures to be reported when the firm guarantees client performance to the central clearing counterparty (CCP) or has offsetting transactions with the CCP. However, CCD exposures are only reported in Schedule L.1-L.4 if the firm either guarantees the performance of the CCP to the client or when it enters into an offsetting (or back-to-back) transaction with the CCP. For consistency, the Board is proposing to revise Schedule L.1-L.4 for CCDs such that they are reported if the firm guarantees client performance to the CCP or when it enters into an offsetting transaction with the CCP.

Further, inter-affiliate transactions are reported inconsistently across sub-schedules due to ambiguity in the instructions, particularly in terms of how these transactions are reported on Schedules L.1-L.4. Therefore, the Board is proposing to clarify that all inter-affiliate transactions, including IHC inter-affiliate transactions, should be included in the counterparty population for Schedules L.1-L.4. IHC inter-affiliate transactions would continue to only be reported according to the current Schedule L.5 instructions given the materiality of these exposures, even though affiliate exposures are excluded from the LCPD Model. Non-IHC inter-affiliate transactions would continue to be excluded from Schedule L.5.

Additionally, commenters provided feedback on ways they believe that Schedule L could be streamlined, including removing both sub-schedules containing residual CVA exposure data and columns containing redundant metadata. After considering these comments, the Board has determined that Schedule L.1.f, which collects the bottom 5 percent of CVA, is no longer beneficial for supervisory monitoring. Similarly, the Board has determined that certain counterparty metadata fields (country and sector) on Schedule L.2 and L.3 are not necessary as they are also collected on Schedule L.1. Therefore, the Board is proposing to retire Schedule L.1.f and the applicable metadata items from Schedules L.2 and L.3.

d. Additional Revisions

FR Y-14A, Schedule A.3.f (Expected Credit Loss and Provision for Credit Loss – HTM Securities) and Schedule A.3.g (Expected Credit Loss and Provision for Credit Loss – AFS Securities) collect data on projected allowances and provisions for credit losses for HTM and AFS securities, respectively, across various classes of securities. Commenters asserted that reporting and cross-referencing this information across schedules imposes a significant burden on firms. Given that the detailed disaggregation of credit loss projections by security type collected in these schedules is of ancillary value and the low materiality of total securities portfolio credit loss provisions, the Board is proposing to retire Schedule A.3.f and Schedule A.3.g.

*Frequency:* Annually, quarterly, and monthly.

*Respondents:* Holding companies with \$100 billion or more in total consolidated assets, as based on (1) the average of the firm’s total consolidated assets in the four most recent quarters as reported quarterly on the firm’s Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128) or (2) the average of the firm’s total consolidated assets in the most recent consecutive quarters as reported quarterly on the firm’s FR Y-9Cs, if the firm has not filed an FR Y-9C for each of the most recent four quarters.

*Total estimated number of respondents:* 35.

*Estimated change in burden:*

- *FR Y-14A:* -280 hours
- *FR Y-14Q:* +3,780 hours
- *FR Y-14M:* 0 hours
- *Total estimated change in burden:* +3,500.

*Total estimated annual burden hours:* 763,928.

By order of the Board of Governors of the Federal Reserve System.

**Benjamin W. McDonough,**  
*Secretary of the Board.*

Billing Code: 6210-01-P