

**Meeting between Federal Reserve Staff and
Representatives of the Financial Services Roundtable and The ClearingHouse
April 8 and April 19, 2013**

Participants: April 8, 2013 – Benjamin McDonough, Cecilia Caglio, Cynthia Ayouch, Kathleen Johnson, Lisa Ryu, and Sandra Cannon (Federal Reserve Board staff)

See Appendix A for a list of industry participants.

April 19, 2013 – Benjamin McDonough, Cynthia Ayouch, Kathleen Johnson, Luca Guerrieri, and Sandra Cannon (Federal Reserve Board); and Kristin Hamb (Federal Reserve Bank of Chicago)

See Appendix B for a list of industry participants.

Summary: Federal Reserve staff met with representatives and members of the Financial Stability Industry Council of the Financial Services Roundtable and a representative of The ClearingHouse to discuss the Federal Reserve's recent and ongoing data collection efforts, including the FR Y-14 series reporting forms. The attached agenda (Attachment A) was distributed only at the April 19, 2013 meeting; the attached presentation (Attachment B) was distributed at both meetings and reflects the scope of the matters that were discussed.

Appendix A - April 8, 2013

Company	Name	Title
1 Ally Financial	Joseph Stout	
2 Bank of America	Michele Pagani	
3 Bank of the West	Randy Nissen	VP, Corporate Regulatory Reporting Manager (CCAR)
4 BBVA Compass	Jason Buchanan	SVP & Manager, Enterprise Risk Reporting
5 BMO Harris Bank	William Kragh	VP, Capital and Regulatory Information
BMO Harris Bank	John Kelly	Head, FRY 14 Data Collection
6 BNY Mellon	Karen Ford	
7 GE Capital	Karin Burns	
8 KeyBank	Elizabeth McCaffery	
9 M&T Bank	Mary Brennan	Group VP, Credit Admin/Commerical Credit Risk Management
10 Regions	Tom Bloetscher	
11 Union Bank	Steven Munter	SVP & Director of Data Management
12 Wells Fargo	Mingming Jang	Regulatory Reporting
13 Protiviti	Mark Whitecavage	Director, Financial Services Industry
14 Financial Services Roundtable	Rich Whiting	Executive Director and General Counsel
15 Barnett, Sivon & Natter	Jim Sivon	Partner
16 Wilson Consulting	Greg Wilson	President

Appendix B - April 19, 2013

Company	Name		Title
1 Ally Financial	Joseph	Stout	
2 Bank of the West	Randy	Nissen	VP, Corporate Regulatory Reporting Manager (CCAR)
3 BBVA Compass	Jason	Buchanan	SVP & Manager, Enterprise Risk Reporting
4 BMO Harris Bank	William	Kragh	VP, Capital and Regulatory Information
BMO Harris Bank	John	Kelly	Head, FRY 14 Data Collection
5 BNY Mellon	Karen	Ford	
6 GE Capital	Karin	Burns	
7 KeyBank	Elizabeth	McCaffery	
8 M&T Bank	Mary	Brennan	Group VP, Credit Admin/Commerical Credit Risk Management
9 Regions	Tom	Bloetscher	
10 Union Bank	Steven	Munter	SVP & Director of Data Management
11 Wells Fargo	Mingming	Jang	Regulatory Reporting
12 Protiviti	Mark	Whitecavage	Director, Financial Services Industry
Protiviti	Ken	Cassidy	
13 Financial Services Roundtable	Rich	Whiting	Executive Director and General Counsel
14 Barnett, Sivon & Natter	Jim	Sivon	Partner
15 Wilson Consulting	Greg	Wilson	President
16 The ClearingHouse	Ryan	Posen	

Attachment A

FSIC Data Working Group Conference Call with Federal Reserve Staff April 19, 2013

Agenda

I. Introductions and roll call

II. Individual company contacts to be submitted to Federal Reserve

III. Federal Reserve reactions to first four thematic recommendations

1. Clarity and timeliness of instructions/requirements
2. Prioritization of data and understanding usage
3. Change requests – reliability and integrity of data
4. Edit checks

IV. Discussion of remaining four themes and recommendations

5. Data mapping, reconciliation, and redundancy – Jason Buchanan, BBVA Compass
6. Data completeness challenges: internal challenges – Jason Buchanan, BBVA Compass
7. Data completeness challenges: acquisitions – Steven Munter, Union Bank
8. Submission deadline conflicts – Bill Kragh, BMO Harris Bank

V. Next steps

1. Conference calls – subjects, timing
2. Quarterly meetings – dates?

Attachment B



**DISCUSSION GUIDE
FOR THE
DEVELOPMENT OF
STANDARDS
FOR
FRY-14 DATA SUBMISSIONS**

Federal Reserve / Financial Service Industry
Council Working Meeting
April 8, 2013

THE FINANCIAL SERVICES ROUNDTABLE

Financing America's Economy



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Goal of this Initiative

Data Standards

The goal of this initiative is to enhance the quality of data submitted to the Federal Reserve Board through the development of data standards to guide the identification, collection, production, and use of data. The existing FRY-14 data requirements have been selected as the basis for this initiative.

Financial Stability Industry Council

The standards proposed in this document were developed by the members of the Financial Stability Industry Council (“FSIC”) to serve as a discussion guide for the industry and the Federal Reserve Board and staff. The FSIC is a member council sponsored by the Financial Services Roundtable for risk management and other senior officers of large bank holding companies and nonbanks.



Background on the Initiative

Evolving Data Needs

The financial crisis led to a need for more – and better – data by financial institutions and regulators alike. As we have seen, the quality of data affects both internal risk management and systematic risk monitoring capabilities.

The Challenges of Collecting Good Data

New and evolving data requirements pose challenges for both regulators and financial institutions. Regulators must identify relevant data and have the capacity to analyze it. For financial firms, data collection requires engagement by finance and treasury groups, risk management, and information technology groups. Data reporting also carries risk. For data to be useful, it must be relevant, accurate, and timely. Standards to guide the relevance and production of data are a means to meet these challenges.

The FRY-14 Data Submissions

This initiative proposes the use of the FRY-14 data requirements as the basis for developing principles and standards to guide data identification, collection, production, and use. The FRY-14 templates are tied to stress testing and annual capital plan rules. The FRY-14 data filing requirements consists of: (i) an annual filing that collects quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios; (ii) quarterly filings that collect data on various asset classes and pre-provision net revenue; and (iii) monthly filings that collect loan level data.



Detailed Observations

Theme #1: Clarity and Timeliness of Instructions / Requirements

Issue Identification

- Financial Institutions (FIs) must consult a variety of sources and documents to determine the most recent instructions / guidelines regarding data submission requirements, which leads to issues regarding interpretation and relevance
 - Instructions do not include updates from FAQ releases or other guidance provided by the Federal Reserve
 - Requests are vague or inconsistent between multiple documents
 - Request for clarification are not answered on a timely basis
 - Publication of FAQs is unmanageable and FAQs are often inadequate
 - FAQs are released close to the submission deadline

Recommendation

- Establish a timeline (6 months) for submitting data after final instructions are published
- Institute ongoing and timely communication with a designated representative from the Federal Reserve to clarify questions regarding FAQs or requirement instructions
- Include greater detail in instructions
- Publish FAQs in a central and consistent location (e.g., FRB website)
- Modify the process to notify affected FI's when newly issued FAQs are published or changes to FAQs are made

Benefits: Federal Reserve

- Reduced correspondence with FIs
- Fewer delays in receiving the appropriate data
- Data received is more consistent with requests / meaningful
- Decreased rework due to multiple submissions

Benefits: Member FIs

- FAQs are current and easily accessible in a central repository
- Collaboration with the Federal Reserve; ongoing dialogue expedites turnaround of data
- Reduced rework and efficient allocation of resources



Detailed Observations

Theme #2: Prioritization of Data: Understanding Data Usage by Federal Reserve

Issue Identification

- From a FI's perspective, it is not always clear how the data being requested is used, resulting in unintended filing issues which require additional and avoidable rework
 - Lack of understanding regarding inputs used in the model by the Federal Reserve vs. those used by FIs
 - Lack of clarity regarding use and the impact of errors in certain fields
 - Reasonability checks on capital plan submissions for benchmarking and industry studies

Recommendation

- Institute ongoing and timely communication with a designated representative of the Federal Reserve to:
 - Determine prioritization level for key data elements (e.g., 1 – 3 Scale – High-Medium-Low)
 - Extend the timeline for less critical data elements to allow greater focus on reporting the more critical data elements
 - Understand the intended use of key data elements required for Federal Reserve models

Benefits: Federal Reserve

- Reduced correspondence with FIs
- Fewer delays in receiving the appropriate data
- Data received is more consistent with requests / meaningful
- High priority data requests are received more timely
- Enhanced reporting of consolidated data

Benefits: Member FIs

- Efficient allocation of resources
- Collaboration with the Federal Reserve; ongoing dialogue expedites turnaround of data
- Opportunities to provide alternative data sources / fields



Detailed Observations

Theme #3: Change Requests - Reliability and Integrity of Data

Issue Identification

- Change requests regarding the data submission requirements are issued late and do not include the necessary clarity to be processed appropriately; this requires FIs to dedicate significant resources and restructuring in order to satisfy the request on a timely basis
 - FIs are unable to define process / data solutions due to timing or lack of clarity of change requests
 - FIs are unable to produce reliable data due to timing or lack of clarity of change requests
 - Data submissions are not adequately audited due to last minute changes (IA audits in-process work)
 - Change requests hinder the development of enterprise data solutions
- FIs require additional time and resources to build previously unrequested data fields into current systems

Recommendation

- Establish an agreed upon timeline for change requests to allow FIs adequate time to update coding, mapping, and reporting structures
 - Provide a minimum of 6 months from a final rule or longer if changes to multiple or complex fields are required
- Institute ongoing and timely communication with a designated representative from the Federal Reserve to clarify questions and issues related to change requests

Benefits: Federal Reserve

- Reduced correspondence with FIs due to more informed questions
- Data received is more consistent with the request
- Increased data integrity; data is more meaningful
- Fewer delays in receiving the appropriate data
- Fewer data submissions / re-submissions

Benefits: Member FIs

- Reduced opportunity cost; cost savings due to more efficient resource allocation
- Increased data quality / more meaningful data due to effective and timely data mapping
- Increased ability to incorporate new data elements into 'business as usual' processes



Detailed Observations

Theme #4: Edit Checks

Issue Identification

- FIs experience significant and redundant edit check errors and issues, which results in untimely submission and inefficient resource use
 - Edit check failures occur although valid business reasons exist
 - Invalid edit check failures occur
 - Inconsistent formats between 14M and Corporate edit check results
 - Low or no threshold (“zero tolerance”) for edit check errors
 - E.g., trigger - rounding errors; if financial data doesn't reconcile to the dollar, an edit check will tag the data and an explanation must be provided

Recommendation

- Formally capture and report incorrect edits checks to the Federal Reserve (e.g., those with valid business reasons)
 - Incorrect edit checks should be corrected for subsequent submissions
- Remove invalid edit checks from the process
- Update edit check thresholds to reflect a level of statistical significance
- Update edit checks to be consistent with requirements per the updated FAQs
- Institute ongoing and timely communication with a designated representative from the Federal Reserve throughout the edit check process to clarify and resolve questions
- Establish FRY-14 data dictionary leveraging industry standards (e.g., MISMO/FHA)

Benefits: Federal Reserve

- Reduced correspondence with FIs to clear edit checks
- Increased ability to identify issues faced by all FIs based on consolidated reporting of failed edit checks
- Improved effectiveness of the edit check process

Benefits: Member FIs

- Eliminate or reduce rework by internally performing edit checks prior to data submission
- Reduced redundancy in providing responses to continuously failed edit checks
- Efficient allocation of resources



Detailed Observations

Theme #5: Data Mapping, Reconciliation, and Redundancy

Issue Identification

- FI's experience difficulty in mapping business managed products to FRY-9C and FRY-14A/14Q product definitions, resulting in very manual data reporting and an inefficient use of resources
 - Required data elements are not always aligned with the product type ("square peg, round hole")
 - E.g., 1-4 family schedule includes commercial loans secured by 1-4 family residences. Data collected for these loans is in accordance with commercial lending practices rather than the consumer practices. As a result, there appear to be gaps in data (e.g., FICO) resulting in irresolvable data gaps despite the business justification for not collecting that data
 - Difficulty of reconciling Loan Level Data with the FRY-9C
 - Certain data requests in the FRY-14 are duplicative with OCC reporting

Recommendation

- Provide FI's with the option to enter alternative data fields if the requested data field is not available
- Provide FI's with the option to mark required elements as "N/A" when accompanied by a satisfactory explanation
- Incorporate industry standards for data elements (e.g., MISMO/FHA)
- Leverage data across reporting requirements (e.g., Fed, OCC)

Benefits: Federal Reserve

- Data received is more consistent with request / meaningful
- Enhanced data reporting due to consolidation of more comparable data
- Enhanced modeling (consistency with industry)

Benefits: Member FIs

- Efficient allocation of resources
- Reduced rework



Detailed Observations

Theme #6: Data Completeness Challenges – Internal Financial Institution Challenges

Issue Identification

- FIs are unable to produce historical data given changes in systems, and internal system and structural changes, which results in incomplete or inconsistent data submissions
 - Additional resources are required to understand where historical data has not been fully populated
 - Sourcing projects are undertaken to gather missing information and onboard it into systems
- FIs incur additional time and resources to manipulate / develop current data in order to provide data requested by the Federal Reserve. As a result, the cost may be greater than the benefit if that data provided isn't aligned with the Federal Reserve's request

Recommendation

- Modify / align edit checks to include tolerance/thresholds, which accommodate differences in historical data capture and ensure that the corresponding requirements of each are clearly articulated by the Federal Reserve
- Vary edit checks based on origination date (lower tolerance for recent data and higher tolerance for 5 years or more); e.g., loan purpose – data elements not captured in the past can be modified to be captured going forward, but will never satisfy the requirement historically
- Institute ongoing and timely communication with a designated representative from the Federal Reserve to clarify questions and issues through the data submission process

Benefits: Federal Reserve

- Data received is the most useful data
- Collaboration with FIs; ongoing dialogue expedites turnaround time of data
- Increased accuracy of previously unavailable data received from FIs

Benefits: Member FIs

- Data mapping is aligned with the models used by the Federal Reserve
- Efficient allocation of resources
- Collaboration with the Federal Reserve; ongoing dialogue expedites turnaround time of data



Detailed Observations

Theme #7: Data Completeness Challenges – Acquisitions

Issue Identification

- FIs experience unique data consolidation issues resulting from acquisitions. As a result, data submissions may be incomplete or inconsistent across portfolios
 - Data is not available to satisfy data requests
 - Significant time and resources are required to merge operating and data reporting systems
 - In the interim, dual data collection and the subsequent consolidation requires additional resources
- FIs experience difficulty in understanding data requirements pertaining to historical data associated with acquired portfolios

Recommendation

- Establish a timeline regarding requirements applicable to acquisition data
 - Provide a minimum of one year from acquisition close date to allow for general integration and data mapping, etc.
 - Limit the requirement for providing historical data on acquired portfolios to data available in acquired portfolios
- Institute ongoing and timely communication with a designated representative from the Federal Reserve to clarify questions and issues throughout the data submission process

Benefits: Federal Reserve

- Data received is more consistent with the request / meaningful
- Collaboration with FIs; ongoing dialogue expedites turnaround time of data
- Increased accuracy of previously unavailable data received from FIs

Benefits: Member FIs

- Data mapping is aligned with models used by the Federal Reserve
- Efficient allocation of resources
- Collaboration with the Federal Reserve; ongoing dialogue expedites turnaround time of data

Detailed Observations

Theme #8: Submission Deadline Conflicts

Issue Identification

- FIs experience timing and resource conflicts with other regulatory submissions. This requires FIs to dedicate additional and excessive resources to satisfy all requirements on a timely basis
 - FRY-14Q schedules are filed on the same day as the FRY-9C
 - Data within the FRY-14Q schedules must be reconciled against the FRY-9C
 - Changes in one or both schedules creates reconciliation issues
- Additionally, from the FI's perspective, timeliness and review issues regarding data submissions are not clear
 - Input from data reviewed in June is not received until November

Recommendation

- Delay the FRY-14 submission one week from the FRY-9C submission to allow for sufficient time to produce and reconcile the data requested
- Develop and implement an established data review and feedback timeline

Benefits: Federal Reserve

- Increased ability to reconcile data between reporting submissions (FRY-9 and FRY-14)
- Reduced correspondence with FI's to obtain the appropriate data

Benefits: Member FIs

- Efficient allocation of resources
- Review comments are cleared on a timely basis
- Collaboration with the Federal Reserve; ongoing dialogue expedites turnaround time of data

General Themes – Communication and Timeline

Two overarching themes have emerged from our Working Group discussions. First, communication issues are a common thread across each of the eight themes. Second, the importance of defining acceptable timelines to allow for proper response to new or changed requests, and comply with reporting requirements, is critical to obtaining quality data.

- **Recommended Communication Standards**

- Designate a person at the Federal Reserve to communicate both verbally and in written form with FIs to clarify data requirements, edit checks, etc.
- Establish a process of acknowledgment by the Federal Reserve when communications (requests / questions) are received from FIs.
- Establish a timeline for response / resolution by the Federal Reserve.
- Establish industry advisory committees and conduct periodic working sessions to discuss “hot topics”.

General Themes – Communication and Timeline

- **Recommended Timelines to Comply with Requirements**

- Establish timelines that allow FIs to incorporate the necessary structure, mapping, and data validation to ensure data accuracy and integrity
- A summary of the proposed timelines and recommendations is included below:

Submission Deadlines



Description

Provide a one week lag period between FRY-9 and FRY-14 submissions to allow FIs to reconcile and provide more accurate data without a significant increase in resources.

Acquisition Data - Future



Description

Provide adequate time for FIs to incorporate acquisition data into their current portfolios and reporting structures (1 year is suggested) to allow for more accurate and consistent reporting.

Change Request



Description

Establish a six-month period for FIs to comply with final instructions.

Acquisition Data - Historical



Description

Limit the requirement for providing historical data on acquired portfolios to data available in the acquired portfolio (maximum of five years prior to the acquisition date).

Next Steps

The following steps are recommended to enable a continuing dialogue between regulators and the FSIC to improve data quality and efficiency:

- Establish twice monthly working sessions with the Federal Reserve (two hours each);
- Develop action plans and timelines to implement agreed upon recommendations, including targeted dates of completion; and
- Implement and track action plans to remediate issues.





Appendix:
Summary of Recommendations

Summary of Recommendations

Clarity and Timeliness of Instructions / Requirements

- Establish a timeline (6 months) for submitting data after final instructions are published
- Institute ongoing and timely communication with a designated representative from the Federal Reserve to clarify questions regarding FAQs or requirement instructions
- Include greater detail in instructions
- Publish FAQs in a central and consistent location (e.g., FRB website)
- Modify the process to notify affected FIs when FAQ changes are made or newly issued FAQs are published

Change Requests - Reliability and Integrity of Data

- Establish an agreed upon timeline for change requests to allow FIs adequate time to update coding, mapping, and reporting structures
 - Provide a minimum of 6 months from final rule or longer if changes to multiple or complex fields are required
- Institute ongoing and timely communication with a designated representative from the Federal Reserve to clarify questions and issues related to change requests

Prioritization of Data - Understanding Data Usage by Federal Reserve

- Institute ongoing and timely communication with a designated representative of the Federal Reserve to:
 - Determine prioritization level for key data elements (e.g., 1 – 3 Scale – High-Medium-Low)
 - Extend the timeline for less critical data elements to allow greater focus on reporting the more critical data elements
 - Understand the intended use of key data elements required for Federal Reserve models

Edit Checks

- Formally capture and report incorrect edit checks to the Federal Reserve (e.g., those with valid business reasons)
 - Incorrect edit checks should be corrected for subsequent submissions
- Remove invalid edit checks from the process
- Update edit check thresholds to reflect a level of statistical significance
- Update edit checks to be consistent with requirements per the updated FAQs
- Institute ongoing and timely communication with a designated representative from the Federal Reserve throughout the edit check process to clarify and resolve questions
- Establish FRY-14 data dictionary leveraging industry standards (e.g., MISMO/FHA)



Summary of Recommendations

Data Mapping, Reconciliation, and Redundancy

- Provide FIs with the option to enter alternative data fields if the requested data field is not available
- Provide FIs with the option to mark required elements as “N/A” when accompanied by a satisfactory explanation
- Incorporate industry standards for data elements (e.g., MISMO/FHA)
- Leverage data across reporting requirements (e.g., Fed, OCC)

Data Completeness Challenges - Internal Financial Institution Challenges

- Modify / align edit checks to include tolerance thresholds, which accommodate differences in historical data capture and ensure that the corresponding requirements of each are clearly articulated by the Federal Reserve
- Vary edit checks based on origination date (lower tolerance for recent data and higher tolerance for 5 years or more); e.g., loan purpose – data elements not captured in the past can be modified to be captured going forward, but will never satisfy the requirement historically
- Institute ongoing and timely communication with a designated representative from the Federal Reserve to clarify questions and issues through the data submission process

Data Completeness Challenges - Acquisitions

- Establish an agreed upon timeline for change requests to allow FIs adequate time to update coding, mapping, and reporting structures
 - Provide a minimum of 6 months from final rule or longer if changes to multiple or complex fields are required
- Institute ongoing and timely communication with a designated representative from the Federal Reserve to clarify questions and issues related to change requests

Submission Deadline Conflicts

- Delay the FRY-14 submission one week from the FRY-9C submission to allow for sufficient time to produce and reconcile the data requested
- Develop and implement an established data review and feedback timeline