

FR Y-14Q Legal Reserves Call
Between Federal Reserve Staff and Various Industry Participants

July 24, 2012

Participants: Sarah Adelson, Andrew Felton, Alex Frank, Audrey Galang, Joe Peter, and Lisa Ryu (Federal Reserve Staff)

Hugh Carney and Jane Yao (American Bankers Association); Benjamin Chan, Brett Farris, Rita Magann, Andrew Rider and Changbin Wang (American Express); Joe Dutkiewicz (Associated Bank); Lloyd Hardin (Bank of America); Paspale Elharrar and Randall Hosadurga (Bank of Montreal); Mark Booz, Chris Krummel and Scott Snedeker (BB&T); Marla Alhadeff, Alan Drexler and Eli Peterson (BNY Mellon); Jeff Capelli, Lisa Goodglick, Ducie Le and Anh Quach (Capital One); Scott Sobolewski (Citigroup); Dennis Black (Comerica Bank); Melinda Milenkovich (Discover Financial Services); Rich Foster (Financial Services Roundtable); Dave Brown (GE Capital); Larry Braverman, Kristin Giglia, Salome Makharadze and Doug Szukics (Goldman Sachs); Donna Gaffney (HealthNet); Jordan Bartos and Ying Feng (Huntington National Bank); Funda Akarsu, Nedim Baruh and Beth Rudofker (JPMorgan Chase); Aurelija Jucaitis (Keycorp); Kirk Siglain (Morgan Stanley); Regina Desler and Ben Rosenthal (Northern Trust); Craig Golembiewski and Edward Rosenthal (PNC); Toby Vinson (Regions Financial); Sylvia Czajkowska (Risk Management Association); William Schomburg (State Street Bank & Trust); Rodgin Cohen (Sullivan & Cromwell); James Banh, Mchenry Kane and James Stoker (SunTrust); Gail Haas and David Wagner (The Clearing House); Joe Catalano, David Hanson, Kerry Massey, Patrick McDermott and Samantha Stallings (Union Bank); David Garfield (Wells Fargo)

Summary: Federal Reserve staff participated in an outreach call with various industry participants in order to solicit feedback on two options for collecting data on legal reserves. These options were developed in response to feedback provided during a previous meeting on the same topic that occurred on July 16, 2012.

A copy of the document provided to call participants is attached.

Method 4: Aggregated Quarterly Frequency and Annual “Top-of-the House” Legal Reserve Balance

Provide the following:

- Total number of “legal events” for which a legal reserve(s) has been established, **by quarter**. Report each event according to the quarter/year in which the first legal reserve for the respective event was recorded, based on the total number of outstanding legal events, not the number of legal reserve entries (e.g., a legal event which had three separate reserves recorded should be reported as only one event). Settled legal events should be removed from the frequency table. Further, provide this information by Basel “Business Line (Level 1)” and Basel “Event Type Category (Level 1)”. See example below.
- The total dollar value of the firm’s legal reserve balance on **an annual basis**.

Example –Method 4

Number of Legal Events										
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2010	2010	2010	2010	2011	2011	2011	2011	2012	2012
Retail Banking										
IF	0	3	3	1	3	3	0	0	2	1
EF	0	1	0	2	1	3	0	1	0	2
EPWS	0	2	0	1	2	2	1	1	0	2
CPBP	3	2	3	3	2	3	0	0	2	0
DPA	0	0	3	1	1	0	0	0	0	2
BDSF	0	0	0	0	0	2	1	0	1	0
EDPM	1	0	3	0	0	1	0	1	3	3
Trading and Sales										
IF	0	1	3	2	3	0	1	0	1	1
EF	0	0	0	3	3	0	0	1	3	0
EPWS	0	0	0	4	2	1	0	0	1	0
CPBP	0	0	0	4	0	1	1	0	0	2
DPA	0	0	0	4	1	2	1	0	1	3
BDSF	3	2	0	0	0	3	0	1	1	2
EDPM	0	2	2	4	3	0	0	0	3	1
Asset Management										
IF	0	0	0	0	3	2	2	0	1	0
EF	2	2	2	0	2	3	0	1	2	3
EPWS	0	2	1	3	1	3	3	1	2	1
CPBP	0	0	1	0	3	0	3	0	3	3
DPA	1	0	0	2	1	1	2	1	2	1
BDSF	1	0	1	3	2	0	3	1	0	3
EDPM	2	2	2	3	2	1	2	1	2	1

Legal Reserve Balance* (thousands)	
2010	4,654,878
2011	4,011,988

*Note: This example reflects the firm’s first submission where balance history needs to be provided. Subsequent submissions will not require the reporting of prior balance history.

Method 5: Co-mingled Data - Event Level Data Excluding Detailed Description

The firm submits data for all operational losses, including legal reserves, as currently requested on FR Y-14Q, without the “detailed description”. By eliminating “detailed description” from submitted data files, legal reserve information will be more difficult to discern.