

**Meeting Between Staff of the Federal Reserve,
Representatives of the Financial Services Roundtable, and
Various Industry Participants
July 13, 2016**

Participants:

Julie Anthony, Cynthia Ayouch, Phillip Daher, Nuha Elmaghrabi, Michael Fisher, Michael Kraemer, Laura McGaughey, Richard Palmer, Nawsheen Rabbani, Langston Shaw, Rachel Sienkiewicz and Virginia Wall (Federal Reserve Board);

Priscilla Johnson (Federal Reserve Bank of Atlanta)

Kathryn Kerner and Zana Vujicic (Federal Reserve Bank of Chicago)

Vidya Shenoy (Federal Reserve Bank of Philadelphia)

See Appendix A for a list of industry participants.

Summary: Staff from the Federal Reserve Board, the Federal Reserve Bank of Atlanta, Federal Reserve Bank of Chicago, and the Federal Reserve Bank of Philadelphia met with representatives and members of the Financial Services Roundtable and industry participants to discuss the Federal Reserve's recent and ongoing data collection efforts, including the FR Y-14 series reporting forms. The attached presentation (Attachment A) were distributed at the meeting and reflect the scope of items that were discussed.

Attachment A



FINANCIAL
SERVICES
ROUNDTABLE

Continuing the FR Y-14 Data Dialogue



Discussion Draft
Washington, D.C.
July 13, 2016

Today's Agenda



Goals and Objectives	2
Progress on Priority Concerns to Federal Reserve From Previous Meeting <ul style="list-style-type: none">• 6 Month Implementation Timeline• Reducing Frequency of Changes	3
CRE / C&I Changes for 6/30 and 9/30 <ul style="list-style-type: none">• Fronting Exposure (6/30 change)• Syndicated Pipeline (9/30 change)• Edit Checks	4-15
FR Y-14 Estimate of Burden	16-22
Additional Discussion Items <ul style="list-style-type: none">• Update on 2017 priorities (potential changes) from Federal Reserve• Results of horizontal exams for best practices• Understanding of Federal Reserve's organization structure and process post-upload from FIs	17

Common Goals and Today's Objectives



We share one common goal

The continuing goal of this FSR FR Y-14 Data Working Group and Federal Reserve dialogue is to enhance the quality and integrity of risk reporting data submitted to the Federal Reserve and meet the evolving data needs in a responsive, efficient, and risk-sensitive way.

Goals for Today's Meeting

- Review/update on previously communicated priorities of FIs and progress to date
- Discuss recent/upcoming CRE/C&I changes
- Discuss burden estimate for FR Y-14 effort
- Open dialogue on additional discussion items

2

Progress on Priority Concerns to Federal Reserve

David Zolnowski



6 Month Implementation Timeline

Progress	Further Opportunity to Enhance
The Board issued Fed Register dated Jan 21, 2016 delays the effective date for nearly all proposed changes to reports with a June 30, 2016 as of date.	FIs cannot make the systems and other changes needed to capture the requested data changes (Data Dictionary, XML Schema, Edit Checks, FR Y-14Q&A Technical Submission Instructions) until technical instructions are finalized and provided.

Reducing Frequency of Changes

Progress	Further Opportunity to Enhance
The Board's delay of the June 30, 2016 changes within the Board issued Fed Register dated Jan 21, 2016, demonstrates their appreciation for the consolidation and reduction in frequency of changes.	Ongoing reductions in frequency of changes would allow for more efficient reporting and less burden on both FIs and the Federal Reserve.

5

C&I Changes for 6/30: Fronting Exposure

Kent Luken



- Reporting of fronting exposures as separate credit facilities was not included in the September, 2015, Information Collection Proposal in the Federal Register.
- Absent from the Proposal, BHCs were unable to comment prior to the January, 2016, Final Rule.
- Fronting Exposures are not input or managed as separate credit facilities on BHCs systems.
- Please explain the purpose and use of the requested fronting exposure data.
- **Compliance with 2016Q2 FR Y-14Q H.1. Fronting Exposure reporting instructions:**
 - Necessitates development of complex logic to create artificial facilities that will be used only for this reporting
 - Necessitates sourcing data not readily available in our enterprise data warehouses or FR Y-14 reporting systems
 - Complicates reconciliation to FR Y-9C
 - Increases likelihood of additional false positive edit check failures
 - Adds potentially hundreds (or thousands) of artificial facilities to each quarterly CIL submission, but excludes those on deals where a given Group Participant's Committed Exposure Global balance is below the \$1MM reporting threshold

4

C&I Changes for 6/30: Fronting Exposure

Kent Luken



- Given the reporting of Fronting Exposures is required for 2016Q2 with the FR Y-14Q H.1. schedule submission, please provide guidance on expected values for the following FR Y-14Q H.1. fields for Fronting Exposure Facilities:
 - 10. Obligor Internal Risk Rating:** Should reporting be for the Group Participant or the Primary Borrower on the underlying exposure? (Lending Group Participants on syndicated deals are not always Risk Rated.)
 - 15. Internal Credit Facility ID:** Should BHCs report the same Internal Credit Facility ID as for the primary exposure or create an artificial Internal Credit Facility ID for purposes of reporting fronting exposures as facilities?
 - 22. Credit Facility Purpose:** Should the reported purpose reflect that of the primary exposure or should BHCs report "Other" with a "Fronting Exposure" in field # 23?
 - 25. Utilized Exposure Global:** What amount should be reported in cases where the credit facility agreement specifies that settlement with lending group participants shall occur at maturity of the facility unless borrower impairment occurs prior to maturity?

5

C&I Changes for 6/30: Fronting Exposure

Kent Luken



- 28. Line Reported on FR Y-9C:** Should reporting reflect the Lending Group Participant (usually a US depository institution, a foreign bank, or a non-depository financial institution) or should reporting reflect that of the borrower on the underlying primary exposure? (FR Y-9C instructions do not specifically address fronting exposures and reporting is typically based upon the security, borrower, or purpose of the underlying primary exposure.)
- 28. Cumulative Charge-Offs:** Should reporting reflect cumulative net charge-offs associated with the underlying primary exposure and attributable by pro-rata share to the Lending Group Participant or should reporting reflect the scenario where the Lending Group Participant has impairment with respect to settlement with the BHC on the fronting exposure?
- 30. ASC 310-10:** Should reporting reflect any Specific Reserve on the underlying primary exposure attributable by pro-rata share to the Lending Group Participant? Or should reporting reflect the scenario where collection of all unpaid principal and interest from the Group Participant becomes unlikely and a Specific Reserve is made against the Group Participant?
- 32. ASC 310-30:** Should reporting reflect any ASC 310-30 balance on the underlying primary exposure attributable by pro-rata share to the Lending Group Participant in the event of a purchase of a syndicated credit impaired facility with a fronting exposure?

6

C&I Changes for 6/30: Fronting Exposure

Kent Luken



- 32. # Days Principal or Interest Past Due:** Should reporting reflect the number of days a Lending Group Participant is past due in settling with the BHC on any amounts owed on a fronting exposure? Or, should reporting reflect that of the underlying primary exposure?
- 33. Non-Accrual Date:** Should reporting reflect the date the artificial fronting facility is put on non-accrual in the event of default by a Lending Group Participant? Or, should reporting reflect a non-accrual date, if applicable, for the underlying primary exposure?
- Should reporting be based upon the artificial fronting exposure facility or the underlying primary exposure for the following fields:

34. Participation Flag	38. Interest Rate	42. Interest Rate Floor
35. Lien Position	39. Interest Rate Index	44. Guarantor Flag
36. Security Type	40. Interest Rate Spread	96. Participation Interest
37. Interest Rate Variability	41. Interest Rate Ceiling	

7

C&I Changes for 6/30: Fronting Exposure

Kent Luken



- **Suggestions (in order of preference):**

- Consider deferring until after inclusion in a new, formal Information Collection Proposal to allow for adequate notice, review, and comment.
- Consider deferring until reporting instructions are updated with field-by-field expectations and BHCs have been provided time to source reportable data and develop, test, and implement logic necessary to comply.

C&I Changes for 9/30: Syndicated Pipeline Commitments

Don Kulle



- **Compliance with 2016Q2 FR Y-14Q H.1. syndicated pipeline commitment reporting instructions:**
As with fronting exposure, including syndicated pipeline commitments in the H.1 schedule present several challenges to BHCs, including but not limited to:
 - The need to create "artificial" facilities that will be used only for this reporting
 - The need to source data not readily available in our enterprise data warehouses or FR Y-14 reporting systems
 - Complicates reconciliation to the FR Y-9C
 - Increases likelihood of additional false positive edit check failures
 - Adds potentially tens or even hundreds of artificial facilities to each quarterly CIL submission
- **Purpose:** To assist BHCs in reporting the desired information, please provide additional commentary around why syndicated pipeline commitments are being added to the H.1 schedule, including:
 - The type of exposures you are trying to track and quantify
 - How this data will be analyzed, used in modeling, etc.
 - If and how this data will be compared to data provided by other BHCs who may be bidding on the same transaction opportunity

C&I Changes for 9/30: Syndicated Pipeline Commitments

Don Kulle



- **Reportable Syndicated Pipeline Commitments:** Please provide additional definition regarding what would be considered a reportable syndicated pipeline commitment as opposed to a transaction that the BHC might consider participating out to one or more other financial institutions at some future point in time.
 - Please confirm that only agent BHCs who are issuing commitment letters in a "pipeline" syndicated transaction are required to report their pipeline commitments. Non-agent members need not report these commitments.
 - Is there a minimum number of syndication members that are anticipated to be included in the transaction?
 - Is it assumed that once completed, a reported syndicated pipeline commitment would be reported as a Shared National Credit? If not, please provide examples of reportable syndicated pipeline commitments that would not ultimately be reported as a SNC.
 - Are regional "club deals" to be reported?

10

C&I Changes for 9/30: Syndicated Pipeline Commitments

Don Kulle



- **Closed and Closed/Settled Syndicated Pipeline Commitments:** For syndicated pipeline commitments to be reported as closed but not settled (Syndicated Loan Flag = 3) or Closed and Settled (Syndicated Loan Flag = 4), please confirm the following:
 - In addition to reporting a syndicated pipeline commitment with the appropriate Syndication Flag of 3 or 4, the agent BHC should report as a separate facility its current share of the closed syndicated commitment and associated outstandings as of the reporting date, **inclusive** of amounts that have yet to be settled with the other syndicate members.
 - The syndicated pipeline commitment should continue to be reported with a commitment amount as provided for in the signed commitment letter. Outstandings should be reported as \$0.
 - It is only required to report a syndicated pipeline commitment as closed and settled (Syndication Flag 4) if it was reported as single-signed, counter-signed or closed but not settled (syndication flag 1, 2 or 3) in the prior reporting period. In other words, syndicated transactions that are approved and fully closed and settled within the same reporting quarter need not be reported.
 - Is it necessary to link an actual closed syndicated commitment to its previously reported pipeline record? In other words, in the first quarter where that actual closed syndicated commitment is reported, should the InternalCreditFacilityID used to identify the pipeline commitment be recorded as the OriginalInternalCreditFacilityID of the actual, closed commitment?

11

C&I Changes for 9/30: Syndicated Pipeline Commitments

Don Kulle



Discussion Example

Total syndicated facility is \$60MM – Closed (but not fully settled Q2)

Agent Bank	40MM
Part 1	10MM (Settled Q2)
Part 2	10MM (Settling in Q3)

• Q2 Agent Bank Reporting

- \$50MM booked commitment representing agent's current share of the overall \$60MM closed syndication, net of Part 1's share. Agent's share would be 83.333% at this particular reporting point. Reported Participation Interest: .8333; Syndicated Loan Flag: NA.
- A \$60MM syndicated pipeline commitment with a Syndicated Loan Flag of 3 (closed but not settled) and a target hold of .6666.
- Fronting exposure to Part 1, if any.

• Q3 Agent Bank Reporting

- \$40MM booked commitment representing agent's current share of the overall \$60MM closed syndication, net of Part 1 and 2's share. Agent's share would be 67% at this particular reporting point. Participation Interest: .6666; Syndicated Loan Flag: NA.
- A \$60MM syndicated pipeline commitment with a Syndicated Loan Flag of 4 (closed and settled) and a target hold of NA (drops off in Q4).
- Fronting exposure to Part 1, if any.
- Fronting exposure to Part 2, if any. If agent is still awaiting reimbursement from Part 2, then agent would show \$10MM in outstandings under Part 2's fronting exposure facility.

12

C&I Changes for 9/30: Syndicated Pipeline Commitments

Don Kulle



- **Disposition Flag:** In the new "Disposition Flag" field, what value should the BHC assign for a syndicated pipeline commitment? "0" (active) seems to be the only value that fits, but calling a pipeline commitment "active" in the same way the BHC would designate a closed syndicated commitment as active might be confusing. Is the assumption that the new "Target Hold" field will be sufficient to differentiate the pipeline commitment from the closed commitment?
- **Required Fields:** In the absence of specific guidance otherwise, should BHCs assume that all fields in the Corporate Loan Schedule are required for pipeline commitments, and that fields applicable only to closed, booked commitments such as UtilizedExposure, CumulativeChargeOffs, ASC31010, ASC31030, PastDue, NonAccrualDate, Charge-offs, Days Past Due, etc, are to be reported as 0 or with a default date.
- **Interest Rate Information:** Since, by definition, syndicated pipeline commitments are "fully unfunded", should we report "0" for all the interest rate fields, just as we would do for a fully unfunded booked commitment?

13

C&I Changes for 9/30: Syndicated Pipeline Commitments

Don Kulle



- **Suggestions (in order of preference):**

- Consider deferring until after inclusion in a new, formal Information Collection Proposal to allow for adequate notice, review, and comment.
- Consider deferring until reporting instructions are updated with field-by-field expectations and BHCs have been provided time to source reportable data and develop, test, and implement logic necessary to comply.

14

Edit Checks

Shelley Johnson



- **Thresholds for Edit Checks (specifically C&I and CRE Reporting):** Including thresholds for edit checks, similar to Y-14M process, would benefit both the FIs and Federal Reserve in a number of ways, for example:
 - Driving efficiency through decreasing redundant efforts.
 - Allowing for more targeted edit check testing.
- **Permanent Issue:** Allow for Banks to provide a valid business reason for triggered Edits, similar to Y-14M edit process, and then granting the status of the edit as a Permanent Issue.
 - Driving efficiency through decreasing redundant efforts.
- **Statistics Validation Complete Communication:** Provide email communicating to the FIs when the Statistic teams validation is complete, noting that additional review still occurring by the Board.
 - This is provided to some FIs today. Please roll out to others.
- **Y-14M Timing:** Consider moving Y-14M reporting/edits to quarterly.
 - Allows for FI and Federal Reserve more time for review and remediation efforts.
- **Next steps:** Member FIs welcome an ongoing dialogue on this topic, to allow for a more in-depth discussion on the implementation on specific thresholds.

15



FR Y-14 Estimate of Burden

Presentation by: Federal Reserve

16

Estimating Burden

Richy Palmer



Burden under the Paperwork Reduction Act

- Defined in the PRA:
 - The term “burden” means the time, effort, and financial resources expended by persons to generate, maintain, disclose, or provide information to or for a Federal Agency. (44 USC 3502)
- Two Categories of Burden:
 - Time
 - Unit: Hours
 - Financial and other resources
 - Unit: Dollars

17



Burden Includes

- Reviewing instructions
- Developing, acquiring, installing, and utilizing technology and systems to generate, maintain, retain, or disclose information
- Adjusting the existing ways to comply with any previously applicable instructions and requirements
- Training personnel to be able to respond to a collection of information
- Searching data sources
- Completing and reviewing the collection of information
- Transmitting or otherwise disclosing information

(Cite: 5 CFR 1320.3(b)(1))

18



FR Y-14 PRA Burden Framework

- Business Lines
 - Subject matter experts
 - Business line managers
- Technology
 - Technology
 - Project managers
 - Business analysts
 - Application (ETL) developers
- Data Reporting
 - Manage production and schedule creating cycle
 - Edit checks
 - Reconciliation to other reports
 - Reporting and analytics (data gap and completeness)
 - Data governance
- Attestation
- Internal Audit

19



Practical Approach

- Time:
 - Estimate the number of employees your institution has that work full-time on Y-14 matters
 - Multiply # of employees by 2087 hours for total hours.
 - For all other employees estimate the percentage of their time spent on Y-14 matters
 - Multiply the percentage of time by 2087 hours for total hours.
- Financial and other Resources:
 - Is there any equipment or software purchased mainly for Y-14 reporting purposes?
 - Are there any contractors, vendors, or other third parties used for services related to the FR Y-14?

20



Practical Approach – Continued

- If possible, take the total burden for your institution and split it into three buckets:
 - Y-14A
 - Y-14Q
 - Y-14M
- This allows us to estimate burden changes appropriately as revisions to individual schedules occur.

21



Next Steps

- Next Steps
 - Obtain burden estimates from a cross-section of respondents
 - By law, we can only reach out to nine
 - Our preference: three large, three medium, and three small (by asset size)
 - We have yet to determined the size thresholds
 - Burden estimates from more than nine entities can be submitted if done in response to a *Federal Register* notice during a revision/extension proceeding

22



- Update on 2017 priorities (potential changes) from Federal Reserve
- Results of horizontal exams for best practices
- Understanding of Federal Reserve's organization structure and process post-upload from FIs

23

Appendix A

**List of Participants
Meeting with the Financial Services Roundtable**

July 13, 2016

Attendees

Ally Financial

Steven Brazzell
Bradley Joffe
Jacob Stone

Bank of America

Amy Eccleston
Melvelisse Rivera
Bria Smith
Brenda White

Bank of the West

Linda Asubonteng
Cindy Vasicek

BB&T

Craig Riffe

BBVA Compass

Andrew Busby

BMO Harris Bank

Andrew Codalbu
Will Dearborn
Kent Luken

Board of Governors

Julie Anthony
Cynthia Ayouch
Phillip Daher
Nuha Elmaghrabi
Michael Fisher
Michael Kraemer
Laura McGaughey

Richard Palmer
Nawsheen Rabbani
Langston Shaw
Rachel Sienkiewicz
Virginia Wall

Citibank

Larissa Conrado
Mary Grace Ocampo

Comerica

Mark Fontana

Fifth Third Bank

Michael Deckert
Nicholas Ehlert

Financial Services Roundtable

Richard Foster
Robert Hatch

FRB Atlanta

Priscilla Johnson

FRB Chicago

Kathryn Kerner
Zana Vujicic

FRB Philadelphia

Vidya Shenoy

Huntington Bank

Cheryl Clevenger
Shelley Johnson

M&T Bank

Don Kulle
Tosha Towe
David Zolnowski, Chair

Morgan Stanley

Angela Shen
Angie Kalfa

MUFG Union

Timothy "T.J." Goslee

PNC

Alexandra McKim

Protiviti

Ken Cassidy

SunTrust

Jennifer Stancil

John Marmolino

TD Bank

Charles Harris

The Clearing House

David Wagner

US Bank

Sherri Bourdon
Dora L. Fickinger

Wells Fargo Bank

Amy J. Dorn
Mingming Jang
Frank Miller

Wilson Consulting

Gregory Wilson

Zions Bancorporation

Shannon Drage
Kristopher Roets
Kevin Thurgood

