

Meeting between Federal Reserve staff and various industry participants
August 21, 2013

Participants: See Appendix A for a list of Federal Reserve and industry participants

Summary: Federal Reserve staff participated in a call with various industry representatives regarding proposed reporting requirements. These proposed requirements relate to projections of capital and risk-weighted assets on the FR Y-14A and FR Y-14Q. The specific topics discussed, including questions and answers, are described in Appendix B to this summary.

Appendix A: List of Participants

Federal Reserve Participants: Phil Basil, Harriet Clubb, Andrew Felton, Ben McDonough, Lisa Ryu and John Schmidt (Federal Reserve Board); Major Chappick (Federal Reserve Bank of Atlanta); Patrick Wilber (Federal Reserve Bank of Chicago); Jenni Frazer and Cristin Mcnamara (Federal Reserve Bank of Cleveland); Brendan Murrin (Federal Reserve Bank of Minneapolis); Joshua Anthanson, Rene Aiguesvives, Julia Kalen, Emily Medina, Frankie Mui and Scott Nagel (Federal Reserve Bank of New York); Jeff Olcebero (Federal Reserve Bank of Richmond); Jonathan Blair (Federal Reserve Bank of San Francisco)

Industry Participants: Brian Gunn and Coley Neel (Ally); Hugh Carney and Rob Strand (American Bankers Association); Morey Carlson (American Express); Kellan Brantford, Whitney Bruce, Paul Carmichael, Steve Freidman, Geoffry Greener, Tom Jackson, Julie Kesterman, Craig Lasenger, Holly Manley, Sylvia Patrava, Daniel Seguine, Keri Shull, Greg Todd and Raymond Zhoun (Bank of America); Beth Balogh, Alan Drexler, Ed Leitich, Andrew Nuttall, Julia Pollock and Kathryn Quigley (BNY Mellon); Randy Nissen (Bank of the West); Rango Asadulga, Nuvee Luck, Brian Porter and Don Wood (BBVA Compass); Diana Blevins, Aman Chug, William Kraig and Ravi Mallela (BMO Harris); Michael Chart, Amanda Freedle, Trudy Greshawnda and Sue Mccray (Capital One); Jason Alfano, Heather Espinoza, Ashley Glaubach, Vince Lee, Jeffrey Lynch, Thomas Marine, Ted McNeal, David Petersen, Jen Smithos, Shirley Wong and Rebecca Wortman (Citigroup); Donna Tihalas (Citizens Financial Group); Ed Echelmeyer, Linda Mangliers, Mike Michalak, Karen Parkhill and John Stotrum (Comerica Bank); John Baird, David Greene, Karen Johnson, Ed Mccgrogan and Mike Mcneil (Discover Financial Services); Stephen Boras, Holly Flowers, Brandon Gallite, Joe Heller, Todd Klausterman, Brian Preston, Dion Roberts, Rish Rosen and Blane Scarberry (Fifth Third Bank); Karen Barnes and Jamie Martinez (GE Capital); John Menzi (Goldman Sachs); Sourabh Joshi (HSBC); Trisha Charcabordy, Ben Farrer, Dessu Glasser, Essya Hanachi, William Kaywas and Pitasha Majumdar (JPMorgan Chase); Aaron Lane (LS Financial); Orlando Krolewicz, Beth Meary and Michael Reily (M&T Bank); Jeff Atkins, Richard Cilmi, Etienne Lauri, Steven Leidenfrost, Dan Park, Jeff Schuser and Richard Shawglove (Morgan Stanley); Mark Eichelberger, Matthew Reece and Lisa Taylor (Northern Trust); Kieran Fallon, David Harris, Melissa Jones, Erin Knoll and Martin Lazor (PNC); Fung Du and Lisa May (RBS Citizens); Baker Canada,

Melissa Reman and Anil Thadha (Regions Financial); Paul Kelly and Matt Zobian (Sovereign Bank); Christina Daniels, Andrew Faber and Patrick Keogh (State Street Bank); Marc Bromstad, Paul Mcelvy, Crosby Mulwey, Tony Sanick, Eric Smith, David Sond and Mchenry Kane (SunTust); Mike Cernich (TD Bank); Ryan Pozin (The Clearing House); Michael Darak, Kerry Massey and Laura Phillips (Union Bank); Mike Christienson , Kathy Peterson, Cathy Rogers, Jacob Seljan, Donelle Wandrie and Luke Wippler (US Bank); Amy Dorn, Michael Eastman, Vick Esbonday, Ravi Josyula, Nii Mensah, Frank Miller, Ming Ming Cheng and Julie White (Wells Fargo); Shannon Drage and David Lapadat (Zions Bancorporation).

Appendix B: List of Questions and Answers

Which of the Y-14A Summary schedule's capital worksheets are required?

The proposed Summary schedule includes three capital worksheets:

- The "General Capital" worksheet to collect data based on the current general risk-based capital rule for capital
- The "Advanced Approaches Capital" worksheet to collect data based on the current advanced approaches rules for capital
- And the "Revised Capital" worksheet to collect data based on the Basel III notice of proposed rulemaking's revised definition of capital

Per the instructions for the schedule, non-advanced approaches BHCs and advanced approaches BHCs that have not exited parallel run would be required to complete the columns of the "General Capital" worksheet for the as of date and projection quarters in which the current capital rule remains in effect, and the columns of the "Revised Capital" worksheet for projection quarters in which the revised capital rule is in effect.

Advanced approaches BHCs that have exited parallel run prior to CCAR would complete columns of the "Advanced Approaches Capital" worksheet for the as of date and projection quarters in which the current capital rule remains in effect, and the columns of the "Revised Capital" worksheet for projection quarters in which the revised capital rule is in effect.

Are advanced approaches BHCs required to fill in the "Advanced RWA" worksheet?

Per the instructions, only advanced approaches BHCs that have exited parallel run prior to CCAR would be required to complete the "Advanced RWA" worksheet.

As it pertains to advanced approaches BHCs that have exited parallel run prior to CCAR, what is the definition or cutoff date for "prior to CCAR"?

This term was not defined in the proposed instructions.

What worksheets should an advanced approaches BHC complete if it has not entered parallel run?

Advanced approaches BHCs that have not entered parallel run would be required to complete the columns of the "General Capital" worksheet for the as of date and projection quarters in which the current rule is in effect, and the columns of the "Revised Capital" worksheet for projection quarters in which the revised capital rule is in effect. These BHCs would also be required to complete the "General RWA" worksheet for the as of date and all projection quarters.

Is it intended that BHCs that have not exited parallel run are required to fill out the “Credit RWA per Revised Advanced Approaches” in the Advanced RWA schedule?

No. Advanced approaches BHCs that have not exited parallel run would not be required to complete any section of the “Advanced RWA” worksheet of the Summary schedule.

When are RWAs under the standardized approach required to be reported on the General RWA worksheet?

Per the capital NPRs published in August 2012 that are referenced in the instructions, the standardized approach for RWAs was proposed to become effective in the first quarter of 2015. As such, on the “General RWA” worksheet, BHCs would be required to complete the General Credit Risk RWA section for the as of date and projection quarters that correspond through the fourth quarter of 2014, and complete the Standardized Approach section for the projection quarters that correspond with the first quarter of 2015 onward.

What phase out should be used for TRUPS in 2013?

Per the instructions for the proposed schedule, BHCs would treat the phase-out of trust preferred securities (TruPS) in a manner consistent with the Federal Reserve's Basel III notice of proposed rule-making. That is, BHCs would adopt a 25 percent phase-out approach when completing the FR Y-14A. For example, BHCs would only include 75 percent of their non-qualifying tier 1 capital instruments (including TruPS) in tier 1 as of January 1, 2013, 50 percent as of January 1, 2014, 25 percent as of January 1, 2015, and 0 percent as of January 1, 2016, and thereafter.

How should non-advanced approaches BHCs treat AOCI?

The final Basel III rule differed from the Basel III notice of proposed rulemaking in this respect, and as such we cannot comment on how this would be addressed in any final Y-14 reports.

How should banks factor in the leverage ratio proposals?

The tier 1 leverage ratio on the Summary schedule would be calculated consistent with the definition of the leverage ratio as described in the Basel III notice of proposed rulemaking. The supplementary leverage ratio minimum described in the Basel III NPR was not proposed to become effective until January 1, 2018, and as such data related to the supplementary leverage ratio would not be collected in the Summary schedule. The recent Supplementary Leverage Ratio NPR was issued after the Y-14 proposal, and as such, the Supplementary Leverage Ratio NPR was not addressed in the proposed Summary schedule or instructions.

Which BHCs are required to complete the Market Risk RWA sections of the Summary schedule's RWA worksheets?

BHCs that are subject to the Market Risk Capital Rule, as defined in that rule, would be required to complete the Market Risk RWA sections of the RWA worksheets.

Should BHCs reference the revised final capital rule instead of the NPR in completing the Summary schedule?

The instructions for the schedules as included in the proposal refer to the Basel III NPRs as guidance for completing the line items on the schedules. The Federal Reserve acknowledges that a final rulemaking on Basel III has occurred since the proposal was issued for comment.

Are the FR Y-14Q Basel III schedule and FY Y-14Q Regulatory Capital Instruments schedule required to be completed for third quarter 2013 submission?

Yes. The proposal does not include any exception for the Basel III and Regulatory Capital Instruments 14Q schedules. As such, those 14Q schedules would be required for third quarter 2013 reporting.

Are BHCs required to provide historical data on the new data items on the Summary schedule's capital and RWA worksheets?

No. New data items on the Summary schedule's capital and RWA worksheets would be required on a going-forward basis.

How are BHCs expected to stress the Simplified Supervisory Formula Approach (SSFA) for securitization risk-weighted assets?

This question is a methodology question, and is not within the scope of today's discussion.

How will Basel III NPR's transitional arrangements be captured for the calculation of capital on the "Revised Capital" worksheet?

This would be clarified in any final version of the schedule.

What is the projection horizon that will be anticipated for the FR Y-14A Basel III and Dodd-Frank schedule?

The schedule as proposed would collect as-of date and fourth quarter projections through "PY 6". In CCAR 2014, for which the as of date will be 9/30/13, "PY 6" would correspond to the fourth quarter of 2018.

In the version of the FR Y-14A Basel III and Dodd-Frank schedule used in CCAR 2012 there was a line item on the “RWA Advanced” worksheet that collected “Change in Risk-Weighted Assets Due to Impact of Basel III Definition of Capital”. This line item is not included in the proposed revision to the schedule. Where are BHCs expected to report the balances that previously had been reported in this line item?

Balances that previously had been reported in the line item “Change in Risk-Weighted Assets Due to Impact of Basel III Definition of Capital” would be reported in the Credit RWA section of the “Advanced RWA” worksheet.

Which BHCs are expected to provide Supporting Documentation on the anticipated amount of a systemically important financial institution (SIFI) surcharge to which the BHC anticipates it will be subject over the projection horizon?

In November 2011, the Basel Committee on Banking Supervision (BCBS) published its methodology for assessing an additional loss absorbency requirement for global systemically important banks (SIFI surcharge) that effectively serves as an extension of the capital conservation buffer. Each BHC must submit a separate document that includes management’s best estimate of the likely SIFI surcharge that would be assessed under this methodology, along with an explanation of assumption used when determining the estimate. Any BHC not currently designated as a global systemically important financial institution (G-SIFI) should include a SIFI surcharge assessment if management expects changes to its business model that would potentially lead to the BHC’s designation as a G-SIFI.

How should BHCs report balances associated with the corresponding deduction approach as it relates to the definition of capital on the FR Y-14A Summary schedule “Revised Capital” worksheet?

The proposed “Revised Capital” worksheet features three line items that pertain to the corresponding deduction approach: line 43 “Reciprocal Cross Holdings in Common Equity”, line 62 “Reciprocal Cross Holdings in the Form of Additional Tier 1 Capital” and line 77 “Investments in institution's own tier 2 capital instruments and reciprocal holdings”. Balances associated with the corresponding deduction approach would be reported on these line items.

Will the Federal Reserve provide projections for economic variables that BHCs should consider for developing projections for the FR Y-14A Basel III and Dodd-Frank schedule, for which the projection horizon extends to “PY 6” (i.e., 4Q2018 based upon a 9/30/13 as of date for CCAR 2014)?

The Federal Reserve will not provide projections for economic variables that extend through the 2018 projection horizon applicable to the FR Y-14A Basel III and Dodd-Frank schedule. BHCs should adopt assumptions necessary to make reasonable projections of capital ratios, including forecasts of macroeconomic factors and potential earnings through projected year 6.

For purposes of the FR Y-14A Basel III and Dodd-Frank schedule, will BHCs be expected to report RWAs based upon the standardized approach beginning with projections following the January 1, 2015, the date the standardized approach was proposed to become effective in the notice of proposed rulemaking?

Per the instructions for the schedule, for the purpose of completing the “(B3)RWA_General” worksheet, BHCs would be required to report credit risk-weighted assets using the methodologies in the current general risk-based capital rules (Basel I). The proposed instructions also indicate that “[i]n the event that the standardized approach capital rule gets finalized prior to start of CCAR, all BHCs are required to report credit risk-weighted assets using the methodologies in the final standardized approach capital rule within the “Credit Risk per Standardized Approach” section of the “(B3) RWA_General” worksheet.”

What is the definition of “past due exposures” on the Summary schedule “General RWA” worksheet?

The definition of “past due exposures” is included in the Standardized Approach NPR published in August 2012; the final Basel III rule also contains a definition of “past due exposures.”