

# Comprehensive Capital and Analysis Review and Dodd-Frank Act Stress Tests Questions and Answers

January 2018

Board of Governors of the Federal Reserve System

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The Federal Reserve conducts the annual Comprehensive Capital and Analysis Review (CCAR) exercise to assess capital positions and planning practices of large firms consistent with Regulation YY (12 CFR part 252) and the capital plan rule (12 CFR 225.8).<sup>1</sup> The Federal Reserve conducts a quantitative assessment of firms' capital positions in CCAR using the Dodd-Frank Act stress tests (DFAST) as implemented in Regulation YY.<sup>2</sup> The Federal Reserve also collects information relevant to the CCAR and DFAST exercises on the FR Y-14 reports.<sup>3</sup>

Federal Reserve staff provides answers to questions from firms related to CCAR and DFAST on an ongoing basis to assist with the interpretation of reporting instructions and related regulations and supervisory guidance. These questions and answers are provided directly to all firms subject to CCAR and DFAST and published on the Federal Reserve's website to facilitate transparency and consistency of interpretation and application of related rules and guidance.

These questions and answers:

- **Include generally applicable questions asked by firms subject to CCAR and DFAST.** The questions and answers may not apply to every firm subject to CCAR and DFAST. Responses provided in this publication apply for purposes of CCAR and DFAST and are not necessarily applicable to other Board regulations or regulatory reports.
- **Apply to requirements and materials available at that time.** The responses are based on information provided to and available to Federal Reserve staff at the time of the submission of the question. A response date is included to help provide reference to the applicable regulatory requirements and associated forms and instructions. Responses may be superseded by subsequent regulations and communications.
- **Include questions submitted on or after August 1, 2017.** Earlier questions and responses may be made publicly available as applicable and if referenced by a current question. The report does not include questions or responses for which confidential treatment was granted.

## CCAR Q&As by topic categories

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<sup>1</sup> For more information on the Federal Reserve's CCAR assessments and related publications, see [www.federalreserve.gov/supervisionreg/ccar.htm](http://www.federalreserve.gov/supervisionreg/ccar.htm).

<sup>2</sup> For more information on the Federal Reserve's implementation of Dodd-Frank Act stress tests, see [www.federalreserve.gov/supervisionreg/dfa-stress-tests.htm](http://www.federalreserve.gov/supervisionreg/dfa-stress-tests.htm).

<sup>3</sup> The Capital Assessments and Stress Testing information collection (FR Y-14) consists of the FR Y-14A, Q, and M reports. There is also a separate FR Y-14 Q&A publication. See information on FR Y-14 and the related Q&A process: <https://www.federalreserve.gov/publications/y-14-qas.htm>.

## CCAR Q&As

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General

**Q (GEN0182):** Should a firm reflect the accounting changes in revenue recognition that the firm will implement on January 1, 2018 for CCAR 2018?

**A:** For purposes of CCAR, a firm should not reflect the adoption of new accounting standards in its projections unless the firm adopts the new standards prior to December 31st of the prior calendar year, in this case December 31, 2017. **(FRB Response: December 8, 2017)**

**Q (GEN0184):** A firm is making business changes in Q4:2017. As a result of these changes, average assets in Q4 will no longer be reflective of the ongoing business model in 2018 and beyond. How does the FRB account for these material business changes in terms of CCAR modelling of average assets over the 9 quarter projection period and does the FR Y-14Q Schedule D.6 provide sufficient information to make such adjustment?

**A:** For purposes of the Board's stress testing rules (12 CFR part 252, subparts E and F) and CCAR 2018, each firm and the Federal Reserve will estimate projected losses, net income, and pro forma capital levels and regulatory capital ratios based on data as of December 31, 2017. For purposes of these rules, the firm's starting regulatory capital ratios will be the same as those reported on the 4Q17 Y-9C report (as of December 31, 2017). Each firm should include in its capital plan a discussion of any expected changes to the firm's business plan that are likely to have a material impact on the firm's capital adequacy. A firm may also provide information on material changes to its business plan that occurred in the fourth quarter of 2017. Upon reviewing this information, the Federal Reserve may request additional information. In making its projections, the Federal Reserve will take into account this additional information and may incorporate it if it is likely to have a material impact on a firm's capital adequacy and funding profile. **(FRB Response: December 6, 2017)**

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Adjustment to Capital Plan

**Q (GEN0181):** Within the four quarter CCAR non-objection window, if a BHC's non-objectioned capital actions include calling and issuing related capital instruments that have zero net impact to Tier 1 or Tier 2 capital (e.g., a preferred stock call and replace), but the BHC later decides not to call the outstanding capital instrument, is the BHC still required to issue the replacement capital instrument included in the capital plan?

**A:** Generally, a firm would not be required to issue replacement capital under the capital plan rule so long as the dollar amount of the firm's net distributions relating to the relevant class of capital (e.g., additional tier 1 capital) is no greater than the dollar amount of net distributions relating to the class of capital included in its capital plan, as measured on a quarterly basis. (See the net distribution limitation set forth in 12 CFR 225.8(g)(3).) If the firm is otherwise in compliance with the net distribution limitation, it would not be required to issue replacement capital. **(FRB Response: November 13, 2017)**

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DFAST

No questions for publication.

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**Disclosure**

No questions for publication.

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**Mandatory Elements**

No questions for publication.

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**Market Shock**

No questions for publication.

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**Range of Practice and Supervisory Expectations**

No questions for publication.

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**Resubmission**

No questions for publication.

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**Scenarios**

No questions for publication.

