Comprehensive Capital and Analysis Review and Dodd-Frank Act Stress Tests

Questions and Answers

March 2021

Board of Governors of the Federal Reserve System www.federalreserve.gov

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).[1] 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.[2] The Federal Reserve also collects information relevant to the CCAR and DFAST exercises on the FR Y-14 reports.[3]

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 Responses may be superseded by subsequent regulations and communications.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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1 For more information on the Federal Reserve's CCAR assessments and related publications, see www.federalreserve.gov/supervisionreg/ccar.htm.

2 For more information on the Federal Reserve's implementation of Dodd-Frank Act stress tests, see www.federalreserve.gov/supervisionreg/dfa-stress-tests.htm.

3 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

General

Q (GEN0505): The Federal Reserve recently changed the applicability of SR 15-18 and SR 15-19 to align with the tailoring rule framework so that SR 15-18 applies to firms subject to Category I standards and SR 15-19 applies to firms subject to Category II and III standards. For Category II and III firms with significant trading activity, the changes seem to indicate reduced supervisory expectations for quantification of their potential stressed trading and counterparty losses. Specifically, SR 15-19 states that "a firm subject to Category I standards is held to expectations for estimation approaches for certain exposures, such as fair value option loans and market risks for trading exposures, that do not apply to a firm subject to Category II or III standards." Would you clarify the supervisory expectations for quantification of potential stressed trading and counterparty losses for a Category II or III firm with significant trading activity?

A: As stated in SR 15-19, "a firm should have a sound risk measurement process that informs senior management about the size and risk characteristics of exposures and business activities under both normal and stressful operating conditions. A firm should employ risk measurement approaches that are appropriate for its size, complexity, and risk profile." As reflected in the revised scope of application of SR letters 15-18 and 15-19, firms subject to Category II or III standards will be supervised in a manner consistent with the principles in SR letter 15-19 and are generally not held to the same expectations applicable to firms subject to Category I standards. In line with these more flexible expectations, supervisors will continue to evaluate the trading stress loss estimation practices at firms subject to Category II and III standards with significant trading exposures to ensure that these firms' risk measurement practices are appropriate based on the size and complexity of each firm's exposures and that they are able to credibly calculate their capital needs under a severe macroeconomic downturn and a global market disruption. **(FRB Response: March 18, 2021)**

Q (GEN0504): On December 18, 2020, the Board of Governors of the Federal Reserve system authorized firms subject to the capital plan rule to make certain capital distributions in the first calendar quarter of 2021, including authorizing firms to redeem and make scheduled payments on additional tier 1 and tier 2 capital instruments. Does this authorization also include the ability of firms to repurchase additional tier 1 and tier 2 capital instruments?

A: Yes, the authorization includes the ability for firms to repurchase additional tier 1 and tier 2 capital instruments. **(FRB Response: March 18, 2021)**

Q (GEN0503): Section 225.8(l) of Regulation Y provides that a firm must notify the Board and the appropriate Reserve Bank within 15 days if the capital distribution was approved pursuant to 12 CFR 225.8(k)(3). Is a firm required to submit a notification for any capital distribution made pursuant to the December 18, 2020, letter from the Board of Governors which authorized firms subject to the capital plan rule to make certain capital distributions in the first calendar quarter of 2021?

A: Notification is required for all distributions that are made pursuant to the December 18, 2020, letter from the Board of Governors of the Federal Reserve System, which authorized each firm subject to the capital plan rule, pursuant to 12 CFR 225(k)(3), to make certain distributions in the first quarter of 2021. This applies to distributions that also were included

in the capital plan submitted by the firm in connection with the resubmission exercise. Notification is required within 15 days after making each capital distribution made pursuant to the December 18, 2020, letter. Note that a single, revised version of FR Y-14A, Schedule C (Regulatory Capital Instruments) that encompasses all updated distributions made in the prior 15-day period is sufficient for purposes of compliance with the post-notification requirement only with respect to those distributions. The firm would be required to submit additional notifications for additional distributions made within a different 15-day period.
(FRB Response: March 18, 2021)

Q (GEN0502): On December 18, 2020, the Board of Governors of the Federal Reserve System, pursuant to section 225.8(k)(3) of Regulation Y, authorized firms subject to the capital plan rule to make certain capital distributions in the first calendar quarter of 2021. Are such firms required to notify the Federal Reserve after making a capital distribution authorized by the December 18, 2020, letter?

A: Section 225.8(l) of Regulation Y provides that a firm must notify the Board and the appropriate Reserve Bank within 15 days of making a capital distribution if the capital distribution was approved by the Board pursuant to 12 CFR 225.8(k)(3). Firms are deemed to meet this requirement by submitting a revision to the FR Y-14A, Schedule C (Regulatory Capital Instruments) that reflects capital distributions made by the firm pursuant to the December 18, 2020, letter from the Board of Governors of the Federal Reserve System.
(FRB Response: March 18, 2021)

Q (GEN0501): On December 18, 2020, the Board of Governors of the Federal Reserve System authorized firms subject to the capital plan rule, for the first quarter of 2021, to pay dividends and share repurchases that, in the aggregate, do not exceed a specified measure of net income. How does this authorization interact with the authorization for firms to make share repurchases that equal the amount of share issuances related to expensed employee compensation?

A: The authorization in the December 18, 2020, letter for a firm to make share repurchases that equal the amount of share issuances related to expensed employee compensation is separate, and in addition to, the authorization in that same letter to make share repurchases and dividends that, in the aggregate, do not exceed the specified measure of net income.
(FRB Response: March 18, 2021)

Q (GEN0500): What capital actions assumptions are required in a firm's capital plan and FR Y-14A submissions?

A: As part of the capital plan submission and the FR Y-14A, Schedule A.1.d – "Capital - CCAR" subschedule, except in the case of the internal stress scenario, firms should calculate post-stress capital ratios using their planned capital actions over the planning horizon that are described in the internal baseline scenario. These capital actions should incorporate the impacts of material business plan changes.

With respect to these planned capital actions that are described in the capital plan:

- For the initial quarter of the planning horizon, the firm must take into account the actual capital actions taken during that quarter.
- For each of the second through ninth quarters of the planning horizon, the firm must include any planned capital actions. For scenarios other than the internal baseline scenario, a firm's capital action may depend on projections of other items, particularly share prices.

To ensure consistency, a firm should include the following assumptions when projecting its capital actions:

- Assume that the dollar value of dividends, repurchases, and redemptions of capital instruments do not vary from the amount in the internal baseline scenario.
- Assume that the dollar value of the issuance of capital instruments does not vary by scenario from the amount in the internal baseline scenario unless the scenario directly impacts shareholder's equity or consideration paid in connection with a planned merger or acquisition.

For the internal stress scenario, a firm should use the capital actions it would expect to take if the stress scenario were realized (alternative capital actions).

For stressed projections under the stress test rules (i.e., those submitted in FR Y-14A, Schedule A.1.d – "Capital – DFAST" sub-schedule), firms should follow the capital action assumptions set forth in the stress test rules as of the submission date of their capital plans. These capital actions should not incorporate the impacts of material business plan changes. **(FRB Response: March 18, 2021)**

Q (GEN0232): For the upcoming 2021 CCAR and Capital Plan, for existing portfolios should Banks assume a USD LIBOR cessation date of June 30, 2023, consistent with the recently published Joint Agency LIBOR Transition guidance released on November 30, 2020 (see https://www.federalreserve.gov/newsevents/pressreleases/files/bsreg20201130a1.pdf)?

A: Yes, firms should assume that U.S dollar (USD) LIBOR is not published after June 30, 2023. In addition, firms should assume that the one-week and two-month USD LIBOR settings are not published after December 31, 2021. **(FRB Response: December 15, 2020)**

Q (GEN0233): As a follow up question to question and response to GEN0214 issued on March 17, 2020. Can you please confirm that the capital distributions that are in excess of planned capital actions and require a 15 day notification apply to all forms of capital including redemption of additional Tier 1 and Tier 2 capital instruments and not just common share dividends and common share repurchases?

A: Yes, the 15-day notice provision in the capital plan rule (12 CFR 225.8(I) applies to all forms of capital distributions including redemption of additional Tier 1 and Tier 2 capital instruments. **(FRB Response: December 15, 2020)**

Q (GEN0232): Federal Reserve guidance states that a firm's stress scenario BHC Stress Scenario should be at least as severe in the aggregate as a prior year Federal Reserve severely adverse supervisory scenario ("Prior Supervisory Severely Adverse Scenario"), measured in terms of its effect on net income and other elements that affect capital. See SR 15-18, FAQ GEN0194, FAQ GEN0195. Can the Federal Reserve please confirm our understanding regarding how to interpret this guidance? Our understanding is summarized in the following bullet points.

- It is not necessary for a firm to demonstrate that each macroeconomic variable in the firm's stress scenario is more severe than the corresponding macroeconomic variable in a Prior Supervisory Severely Adverse Scenario, nor must a firm demonstrate that the firm's stress scenario's macroeconomic variables are more severe in the aggregate than those in a Prior Supervisory Severely Adverse Scenario. Instead a firm must demonstrate that the totality of items affecting net income and capital are more severe in the firm's stress scenario than in a Prior Supervisory Severely Adverse Scenario.

- For these purposes, items affecting net income and capital may include, not only the macroeconomic variables assumed in the firm's stress scenario, but also other idiosyncratic components of the firm's stress scenario (for example, losses arising from operational risk, litigation and regulatory events and counterparty defaults).
- Even if the firm's stress scenario assumes a less severe macroeconomic stress environment than in a Prior Supervisory Severely Adverse Scenario, the guidance noted above regarding the severity of the firm's stress scenario can be satisfied if the assumed macroeconomic environment, together with the other idiosyncratic components of the firm's stress scenario, are in the aggregate more severe in terms of their impact on net income and other elements that affect capital.

A: A firm would meet the Federal Reserve's expectations regarding the severity of the firm's BHC stress scenario as provided in appendix G of SR letter 15-18 even if the firm assumes a less severe macroeconomic stress environment so long as the assumed macroeconomic environment, together with all other components of the firm's stress scenario are, in the aggregate, at least as severe as the benchmark severely adverse supervisory scenario, measured in terms of its effect on net income and other elements that affect capital.
(FRB Response: November 20, 2020)

Q (GEN0231): In Answer #3 of the CCAR Resubmission Q&As, the Federal Reserve states that "Firms will not be required to publish the results of the analysis they produce as part of the 2020 capital plan resubmission. Firms are permitted to disclose these results to the public." Historically firm disclosures included DFAST Capital Actions for the supervisory scenario. Given that the resubmission included Planned Capital Actions are firms required to included Planned Capital Actions in their public disclosures or are they allowed to modify submitted results to exclude Planned Capital Actions and include DFAST Capital Actions instead?

A: For the capital plan resubmission, firms are permitted to disclose their own analysis to the public. **(FRB Response: November 9, 2020)**

Q (GEN0230): Under the Stress Capital Buffer framework, firms are required to provide the FRB notification within 15 days after making any capital distributions in excess of those included in its capital plan. Does this apply to total capital distributions or to share repurchases and dividends separately? For example, if dividends are increased above those included in the capital plan submission and share repurchases are decreased by the same amount so there is no change in the total capital distributions, are firms required to notify the FRB regarding the dividend increase and submit an updated FR Y-14A Schedule C?

A: Yes. A firm subject to the Board's capital plan rule must notify the Board and the appropriate Reserve Bank within 15 days of making a capital distribution if the dollar amount of the capital distribution will exceed the dollar amount for that type of distribution (e.g., repurchase of an equity capital instrument or a payment of common or preferred stock dividend) in the bank holding company's final planned capital distributions.
(FRB Response: November 9, 2020)

Q (GEN0229): The CCAR 2020 resubmission, due November 2, will undoubtedly overlap into the firm's production cycle for CCAR 2021. Is the Federal Reserve contemplating delaying the timing of the CCAR 2021 submission, and if so, is there a date by which the Federal Reserve will announce (e.g. December 31, 2020)?

A: At present, the Federal Reserve is not contemplating delaying the start of CCAR 2021 and will provide first day letters prior to the start of the exercise, as it has done in past capital planning cycles. **(FRB Response: October 16, 2020)**

Q (GEN0228): In the letter provided by the FRB, dated June 25, 2020, the FRB authorized capital distribution for the third quarter 2020, provided that the amount of common stock dividends does not increase, common stock dividends that do not exceed an amount equal to the average of the firm's net income for the four preceding calendar quarters. Please confirm the definition of net income as written in the FRB's letter is the same as the firm reports in FR Y-9C Schedule hi ROW 14. Net income (loss) attributable to holding company without any adjustments.

A: For the purposes of calculating the amount of common stock dividends that the firm may pay in the third quarter of 2020, net income is defined as it is reported on the FR Y-9C, Schedule HI, line item 14, with no adjustments for the impact of the Current Expected Credit Loss (CECL) accounting standard on regulatory capital. **(FRB Response: July 10, 2020)**

Q (GEN0227): Will the Federal Reserve provide, as it has in prior DFAST/CCAR confidential firm results, a quarter-by-quarter presentation of the firm's projected capital (excluding DFAST capital actions) and RWA positions? That information would provide helpful transparency for firms' understanding of the timing of the trough period and resulting calculation of their stress capital buffers.

A: The Federal Reserve does not intend to provide any additional firm-specific information related to the 2020 Dodd-Frank Act supervisory stress test results, such as a quarter-by-quarter presentation of projected capital. **(FRB Response: July 10, 2020)**

Q (GEN0226): We are unclear as to whether the transitional authorization provided in 12 CFR §225.8(k)(1)(ii) for the third quarter of 2020 also satisfies any standalone approval requirement under Regulation Q? For example, if a bank relies on the transitional authorization to repurchase a Tier 2 capital instrument in the third quarter of 2020, would the bank still be required to obtain prior approval of the Federal Reserve under 12 CFR §217.20(d)(1)(x) for the repurchase of the Tier 2 capital instrument or would the transitional authorization be deemed to satisfy the approval requirement under 12 CFR §217.20(d)(1)(x)?

A: For capital distributions made pursuant to the transition provision in 12 CFR 225.8(k)(1)(ii), firms do not need to obtain prior approval from the Federal Reserve under 12 CFR 217.20(d)(1)(x). Firms must receive prior approval of the Board under 12 CFR 217.20(d)(1)(x) for all other repurchases of a tier 2 capital instrument. **(FRB Response: June 12, 2020)**

Q (GEN0225): When calculating the four-quarter distribution average amount provided in 12 CFR §225.8(k)(1)(ii):

1. are firms to use gross distribution amount or the net distribution amount (taking into account issuances during the same period) in the calculation?
2. can firms include any incremental distributions approved by the Federal Reserve during the previous capital plan cycle?

A: The four-quarter distribution average amount provided in 12 CFR 225.8(k)(1)(ii) should be calculated using the gross distribution amount. In addition, firms may include incremental distributions for which the Board or Reserve Bank indicated its non-objection in the previous capital plan cycle. **(FRB Response: June 12, 2020)**

Q (GEN0224): In regards to the March 27, 2020 "Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances", the Board has delayed the due date for the December 31, 2019, FR Y-14A, Collection of Supplemental CECL Information from April 6, 2020, to May 11, 2020, to correspond with the submission date for the March 31, 2020, FR Y-9C report. Will the current Collection of Supplemental CECL form and instructions be modified and distributed in advance of the May 11, 2020 due date?

A: The Federal Reserve posted and distributed revised FR Y-14A instructions on April 2, 2020. These revised instructions reflect updates as a result of the March 27, 2020 interim final rule, which provides banking organizations the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition provision. **(FRB Response: April 4, 2020)**

Q (GEN0223): In regards to the March 27, 2020 "Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances", for business as usual financial reporting and capital management purposes, the firm plans to utilize the guidance that delays the estimated impact of CECL on regulatory capital.

However, for the CCAR Submission that is due on April 6, 2020, the firm's Capital Plan and FR Y-14A templates will report results which assume the Day 1 impact of CECL on January 1, 2020 is phased in based on the transition option contained in the agencies' February 2019 CECL rule, and assume CECL methodologies are utilized to forecast allowances for credit losses in base and stress scenarios. In addition, the firm's Capital Plan will include a narrative discussion of the estimated impacts of the deferred impact of CECL on regulatory capital, based on the transition option contained in the interim final rule.

Please confirm that this approach for the CCAR 2020 filing does not preclude the firm from utilizing the March 27, 2020 guidance for business as usual financial and regulatory reporting, and capital management purposes.

A: The proposed approach for CCAR reporting is acceptable. With respect to a firm's CCAR 2020 capital plan submission and FR Y-14A submission, a firm may either reflect the effects of the three-year transition adopted by the banking agencies in the February 2019 final rule, or the effects of the approach set forth in the March 27, 2020 interim final rule, which provides banking organizations the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition provision. Please note that as part of the interim CECL final rule, firms have until May 11, 2020, to submit the FR Y-14A Collection of Supplemental CECL Information.

Selecting either approach for a firm's CCAR 2020 capital plan submission and FR Y-14 submission does not preclude a firm from adopting the approach set forth in the March 27, 2020 interim final rule for purposes of compliance with the Board's capital rule or other regulatory reports. **(FRB Response: April 4, 2020)**

Q (GEN0222): Per the Y-14A revised instructions released April 2, we would like to clarify how to properly reflect our CECL projections. The updated instructions state "Any firm that opts to phase in the adverse effects of the current expected credit loss methodology on regulatory capital must reflect that in its projections."

These instructions seem to indicate that any firm that uses CECL in their projections and opts to utilize the 5-year phase in per the recent Fed interim final rule is required to reflect that in the 14 A projections. That seems to contradict a recent FAQ SCN0001 "Lastly, if it is not possible to reflect these recent changes in the firm's baseline or stressed projections in all schedules of the FR-Y14A, senior management should clearly reflect the processes it undertook and assumptions used to highlight the impact of changes in the macroeconomic environment or global markets on its capital projections in its capital plan and the supporting information for that plan. Also, firms should ensure all planned capital actions described in the BHC baseline scenario are reflected in the FR Y-14A Summary Schedule and on the FR Y-14A Regulatory Capital Instruments Schedule."

This FAQ seemed to indicate that all late breaking changes including the CECL relief should be explicitly factored in capital distribution but do not need to be factored into the templates. Can you please confirm if the intention is to now revise all of our 14 A templates to reflect CECL inclusive of the new 5-year phase-in?

A: With respect to a firm's CCAR 2020 capital plan submission and FR Y-14A submission, a firm may either reflect the effects of the three-year transition adopted by the banking agencies in the February 2019 final rule, or the effects of the approach set forth in the March 27, 2020 interim final rule, which provides banking organizations the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition provision.

The capital actions described in a firm's capital plan should match what is reported on the FR Y-14A Summary and Regulatory Capital Instruments schedules. Firms may also include additional narratives in their capital plans. **(FRB Response: April 4, 2020)**

Q (GEN0221): As you know, many firms have suspended their share repurchases through 2Q2020 and, consistent with Federal Reserve guidance, are revisiting their Base Case capital actions based on the current outlook. In light of this, should firms include in their 2020 CCAR/DFAST submissions and Base case templates their actual anticipated Base case capital actions for 2Q2020, or should firms continue to follow CCAR instructions, which provide that firms' distributions during 2Q2020 should be consistent with those already included in their 2019 Capital Plans?

A: Reduced capital distributions are considered consistent with those included in the capital plan from the prior year and not objected to by the Federal Reserve for the second quarter of 2020. **(FRB Response: April 3, 2020)**

Q (GEN0220): If the bank chooses to include the adjustment from the interim rule (i.e., Revised Transition of the CECL Methodology for Allowances) in the 2020 CCAR stress projections, do we need to indicate the 5-year transition election on the CECL Supplemental schedule? Line 2 of the latest instructions only allows for firms to select 1 ("Yes") and 0 ("No"). There is no way for firms to indicate if a 3-year or 5-year transition is being elected on the schedule.

We would appreciate a prompt response to this question, as we are planning on submitting the CECL Supplemental schedule on April 6, 2020.

A: The Federal Reserve revised the instructions for item 2 to add an option for firms to indicate which transition they have elected. Under those revised instructions, an institution will be able to choose from the following entries: 0 = No; 1 = 3-year CECL Transition; 2 = 5-year 2020 CECL Transition. An institution that has not adopted CECL should not complete item 2. **(FRB Response: April 2, 2020)**

Q (GEN0219): Please see the below follow up questions based on the modifications to CCAR 2020.

1. Given the FRB's stated modifications to CCAR 2020 and focus on monitoring capital planning capabilities under the current stress environment, should firms still plan to provide supporting materials for the areas and exposures in Appendix A of the December 18, 2019 First Day Letter, Special Data Collections request received on February 3, 2020 and Standardized RWA supporting information request received on February 13, 2020 by April 6, 2020?
2. How does the 90 day extension period for remediating supervisory findings impact the closure timeline for open CCAR issues? Will the FRB conduct reviews to close open issues once materials are submitted and will the results be included in the feedback letter that is typically sent to firms in August?

A:

1. Please see Q (MND0012).
2. In CCAR 2020, the Federal Reserve will evaluate outstanding CCAR supervisory findings that firms indicate have been remediated and will communicate the results of this work in a supervisory letter after the CCAR exercise. For outstanding CCAR supervisory findings with remediation timelines extending beyond April 6, 2020, the Federal Reserve will review any materials a firm submits and will provide feedback to the firm on its remediation efforts.

(FRB Response: April 1, 2020)

Q (GEN0218): Category III firms under the final Tailoring Rule are permitted to opt out of the requirement to recognize elements of Accumulated Other Comprehensive Income (AOCI) in regulatory capital. In addition, the final rule implementing simplifications to the Capital Rule sets the common equity tier 1 capital deduction for mortgage servicing assets, temporary difference deferred tax assets, and investments in the capital of unconsolidated financial institutions at 25% for non-advanced approaches institutions. Is a Category III firm that is including these changes in regulatory reporting as of January 1, 2020 permitted to also include the changes in its projections of regulatory capital for CCAR 2020?

A: On March 19, 2020, the Federal Reserve published a *Federal Register* notice soliciting comment on a proposal to revise the FR Y-14 (85 FR 15776). In that notice, the Federal Reserve announced revisions to the instructions for the FR Y-14A submission as of December 31, 2019, that allow eligible firms to incorporate certain effects of the capital simplifications and tailoring rules. In addition, applicable guidance was provided in the CCAR instructions. Please see the FR Y-14A instructions and CCAR instructions for more details. **(FRB Response: April 1, 2020)**

Q (GEN0217): As specified in the CCAR 2020 instructions and the draft final Stress Capital Buffer rule, "to provide a transition between the 2019 CCAR cycle and the first stress capital buffer requirement, for the period from July 1 through September 30, 2020, a firm will be authorized to make capital distributions that do not exceed the four-quarter average of capital distributions for which the Board or Reserve Bank indicated its non-objection in the previous capital plan cycle, unless otherwise determined by the Board." The text specifies "capital distributions" and does not distinguish between different types of capital distributions, for example common stock dividends and common stock repurchases. We would like to confirm if a firm can increase its common stock dividend distributions for the period from July 1 through September 30, 2020 compared to the four-quarter common stock dividend average which was not objected to for the previous capital plan cycle, if it reduces its common stock repurchases such that in aggregate the firm's capital distributions do not exceed the four-quarter average of capital distributions from the previous capital plan cycle.

A: Your understanding is correct. A firm will be authorized to make capital distributions that do not exceed the four-quarter average of capital distributions for which the Board or Reserve Bank indicated its non-objection in the previous capital plan cycle, and those capital distributions are fungible within a category of regulatory capital.

For example, a firm is authorized to make a payment of common stock dividends per share and gross repurchases of common stock up to the four-quarter average of the gross dollar amount of distributions of common stock during the 2019 CCAR cycle (i.e., 3Q2019 to 2Q2020). **(FRB Response: March 23, 2020)**

Q (GEN0216): In light of the final rule adopting the stress capital buffer and its elimination of the Board of Governors' ability to object to firms' capital plans on quantitative grounds, are firms still required to include in their capital plans a discussion of how they will maintain all minimum regulatory capital ratios under expected and stressed conditions?

A: On March 4, 2020, the Federal Reserve Board issued a final rule to establish a firm-specific stress capital buffer (SCB) requirement, whereby the results of the Federal Reserve's supervisory stress test and firms' planned dividends are used to determine the size of the risk-based capital buffer requirements to which each of the largest firms are subject. (See https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200304a.htm.) The final rule will take effect 60 days after publication in the *Federal Register*. Once a firm's SCB requirement is effective, the firm will be subject to automatic restrictions on capital distributions if its risk-based capital ratios fall below its buffer requirements, including its SCB requirement. The final rule does not contain a stress leverage buffer requirement.

The final rule removed the "quantitative objection" process whereby the Federal Reserve could restrict a firm's capital distributions if the firm failed to meet any of its minimum risk-based and leverage capital requirements under projected stressful economic conditions. Consistent with this change, the Federal Reserve's determination of a firm's regulatory capital requirements, as well as any limitations on the firm's capital distributions, will be based on the regulatory capital rule (including its integration of the SCB requirement), and not on whether a firm meets its minimum regulatory capital ratios—its risk-based and leverage capital requirements—under stressful economic conditions.

The final SCB rule did not modify long-standing capital planning requirements. Among other things, a firm must include in its capital plan a discussion of how the firm will, under expected and stressful conditions, maintain capital above the minimum regulatory capital ratios, including the leverage ratio and the supplementary leverage ratio, as applicable. This discussion may include actions that the firm may or would expect to take to remain in compliance with applicable minimum capital requirements, including adjustments to planned capital actions or business plan changes.

With the removal of the quantitative objection, capital plans will serve primarily as a planning tool for a firm to align its business strategy with its capital needs, and to enable its board of directors to make well-informed decisions around capital adequacy. The final rule does not alter the long-standing expectation that firms should take into account in their capital planning how they would maintain capital above minimum regulatory ratios under a range of circumstances. The Federal Reserve will continue to use the supervisory process to ensure that firms' capital planning processes are effective and that firms are operating in a safe and sound manner. However, this supervisory assessment will not affect a firm's SCB requirement nor be used as a tool to limit a firm's capital distributions. **(FRB Response: March 23, 2020)**

Q (GEN0215): The rule implementing the Federal Reserve's Stress Capital Buffer ("SCB") requirement through amendments to the Regulatory Capital, Capital Plan, and Stress Test rules (Regulations Q, Y, and YY) was published on March 4, 2020 (the "Rule"). The Rule "authorizes a firm to make capital distributions for the period July 1 to September 30, 2020, that do not exceed a four quarter average of capital distributions to which the Board indicated its non-objection for the previous capital plan cycle". The Rule also states that a firm may "seek prior approval to make additional capital distributions beyond this four quarter-average amount using the prior approval process discussed in Section IV.C". Section IV.C clarifies that a firm is required to submit either its current capital plan or a description of changes to its capital plan as part of its request for prior approval, and that a firm must resubmit its capital plan within 30 days of determining that a resubmission is required to "provide the Board additional flexibility to consider and act on a request based on a discussion of the changes to the capital plan rather than receipt of the capital plan".

(i) For a firm planning a capital distribution in Q3 2020 that is greater than the four quarter average of the prior approved capital plan, will inclusion of the planned distribution and its impact on capital positions in the firm's 2020 Capital Plan submission and associated FR Y-14 regulatory reports fulfill the requirement to seek prior approval?

(ii) Does the Federal Reserve require a separate 30-day advance notice prior to submission of the firm's capital plan by April 6, 2020, that includes a description of the planned distribution?

(iii) Will the Federal Reserve approve a request to distribute in Q3 2020 an amount that is larger than what is authorized by the Rule through the existing capital plan approval process and timeline (i.e., notice of objection or non-objection by June 30, 2020)?

As the Rule was published after firms would have developed their outlooks for capital distributions and begun taking the plans through their internal governance processes, time is of the essence to ensure that affected firms' capital plan submissions are not at risk of requiring material changes late in the governance process as a result of the transition to the SCB. The Federal Reserve's responses to these questions as soon as is practicable would be greatly appreciated.

A: For capital distributions in Q3 2020 that are greater than the four-quarter average of the prior approved capital plan, firms must follow the prior approval process set forth in the capital plan rule. **(FRB Response: March 17, 2020)**

Q (GEN0214): Previously, firms that received a "non-objection" to their capital plans needed to stay within their Federal Reserve-approved quarterly limits for capital distributions such as common stock repurchases. On March 4, 2020, the Federal Reserve published a final rule that appears to have changed this requirement. On page 12 of the final rule's adopting release, the Federal Reserve states that "a firm is no longer required to seek prior approval if it makes capital distributions in excess of those included in its capital plan (so long as the firm is otherwise in compliance with the capital rule's automatic restrictions on distributions)." See https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200304a2.pdf. The planned capital actions contained within the annual CCAR capital plan will be what the firm plans to distribute, in timing and amount, as of the date of filing. Nevertheless, we wish to confirm that the new latitude contained within the adopting release would permit a firm that is otherwise not restricted by the capital rule's automatic distribution restrictions, beginning on October 1, 2020, to

(i) make capital distributions in excess of those specified in the capital plan in a given quarter and

(ii) execute distributions originally planned for a later quarter in the planning horizon in an earlier quarter, in either case up to the limit of the automatic distribution restriction.

A: Your understanding is accurate. Until October 1, 2020, a firm must notify the Federal Reserve within 15 days of making a capital distribution if the dollar amount of the capital distribution will exceed the dollar amount of the firm's final planned capital distributions. **(FRB Response: March 17, 2020)**

Q (GEN0213): On p. 2 of the CCAR 2020 Instructions, Table 1 indicates that ***certain firms*** are not subject to the Qualitative Objection for CCAR 2020. However, there are instances within the instructions, which seem to imply that the Federal Reserve could object to a firm's submission. Please confirm ***those firms*** that remain subject to an objection to their Capital Plan.

A: The five firms that remain subject to an objection to their capital plan are listed in footnote 11 on page 3 of the CCAR 2020 Instructions. **(FRB Response: March 17, 2020)**

Q (GEN0212): Regarding the adoption of the stress capital buffer for CCAR 2020, we note that page 33 of the Federal Register notice states, "The final rule will not be effective before a firm is required to submit its capital plan and the results of its company-run stress test, if applicable, for the 2020 stress testing cycle. The final rule will be effective prior to the Board conducting the supervisory stress test. Accordingly, the results of a company-run stress test will reflect different assumptions, particularly regarding capital actions and material business plan changes, than would be used as part of the supervisory stress test." In accordance with that guidance, as well as internal governance considerations, for the CCAR 2020 submission, the firm intends to adhere to established capital goals and capital adequacy assessment processes, as currently defined in the firm's capital policy, which have previously been reviewed with the Board of Directors. The firm's calibration of capital actions will be based on analysis conducted under this existing framework. As an incremental analysis, when calibrating capital actions, the firm intends to consider the estimated impact of the Stress Capital Buffer (SCB), based on the firm's own analysis of the Supervisory Severely Adverse scenario, and explain that analysis to the firm's Board of Directors. This incremental analysis will not be a formalized component of the Capital Policy, nor will this analysis impact the CCAR Submission on April 6, 2020. Subsequent to the CCAR Submission, the firm intends to revise the Capital Adequacy Assessment Framework, inclusive of capital goals, to reflect the adoption of the SCB. Additionally, after the publication by the Federal Reserve of the SCB in June 2020, the firm will reassess its Planned Capital Actions, and recalibrate if necessary. Please confirm that this approach is acceptable.

A: This approach is acceptable. The Board's rules require a capital policy as part of a firm's capital plan. As provided in SR Letter 15-18, a firm's capital policy should be revised as necessary to address changes to a firm's post-stress capital goals, real-time targeted capital levels, regulatory environment, and other factors potentially affecting the firm's capital adequacy. In doing so, a firm should be able to demonstrate through its own internal analysis, independent of regulatory capital requirements, the minimum level of post-stress capital the firm has deemed necessary to remain a going concern over the planning horizon. **(FRB Response: March 17, 2020)**

Q (GEN0211): The SCB final rule authorizes a firm to make capital distributions for 3Q20 that do not exceed a four quarter average of capital distributions to which the Board indicated its non-objection for the previous capital plan cycle. We interpret the guidance to mean the following:

- Payment of common dividend per share up to the four quarter average during 2019 CCAR cycle (i.e., 3Q2019 to 2Q2020)
- Gross repurchase and gross issuance of common stock related to employee stock ownership plans up to the four quarter average amount for the 2019 CCAR cycle, respectively
- Gross repurchases and gross issuances of non-cumulative perpetual preferred ("NCPP") securities up to the four quarter average amount for the 2019 CCAR cycle, respectively
- Gross redemption and gross issuances of subordinated debt up to the four quarter average amount for the 2019 CCAR cycle, respectively

Please confirm that our understanding is accurate.

A: Your understanding is accurate. **(FRB Response: March 17, 2020)**

Q (GEN0210): As a follow-up to the FRSecure message sent on Feb 13, 2020 (Subject: Supporting information for CCAR 2020 submissions), we are seeking further clarification on the FRB's request for supporting documentation on projected standardized-approach risk weighted assets (RWAs) balance sheet and exposure inputs, material related interpretations and treatments applied under standardized RWA, and related controls. Specifically, would the FRB like the bank to provide all model technical documentation related to all of the bank's asset exposures, as well as any and all supporting documentation related to the bank's estimation outcomes specific to RWA, with the exclusion of market risk components (e.g., review and challenge materials, minutes, etc.)?

A: Firms should submit all technical and non-technical documentation related to the bank's material exposures and supporting documentation on the bank's reported RWA (as of 12/31/2019) and estimation outcomes specific to RWA, with the exclusion of market risk components. **(FRB Response: March 6, 2020)**

Q (GEN0209): As a Category IV bank, we are preparing to submit our capital plan for CCAR 2020 to the Federal Reserve by April 6, 2020. Since category IV banks are not subject to company-run stress testing requirements (as communicated in the final tailoring rule published on October 10, 2019), we are using our internal BHC Baseline and BHC Stress scenarios to estimate projected revenues, losses, reserves, and pro forma capital levels for our 2020 capital plan submission. We are looking for a few clarifications, as it relates to capital plan submission for Category IV banks:

1. Given that Category IV banks are not required to conduct a company-run stress test, we are basing our 2020 capital plan on our internally developed BHC Baseline and BHC Stress scenarios. Can you confirm that Category IV banks may use their internal BHC scenarios for their capital plan submission and are not required to include results of Supervisory Scenarios in their 2020 capital plan submission?
2. What documents and data templates are Category IV banks required to submit as part of their 2020 capital plan?

A: Under the Board's company-run stress test rule (12 CFR part 252, subpart F), a firm subject to Category IV standards is not required to conduct or disclose the results of a company-run stress test. The firm is therefore not required to include in its 2020 capital plan submission estimates under any supervisory scenarios published by the Federal Reserve. Such a firm remains subject to the Board's capital plan rule (12 CFR 225.8), which includes the requirement to develop and maintain a capital plan, which must contain, among other information, estimates of projected revenues, losses, reserves, and pro forma capital levels under expected conditions and under at least one BHC stress scenario. The Board's final rule to tailor prudential standards for large firms did not amend data collection requirements regarding the 2020 capital plan submission, including FR Y-14 reporting requirements. **(FRB Response: February 18, 2020)**

Q (GEN0208): Thank you for the CCAR 2020 First Day Letter, it is helpful. With respect to the request for Standardized RWA excluding market risk components, should firms focus exclusively on the exposures within the processing exposure types (Retail Credit Risk, Wholesale Credit Risk, Counterparty Credit Risk, Trading Risk), or does the focus encompass all exposures excluding market risk?

A: Regarding the references to "Standardized approach risk-weighted assets excluding market risk components" in appendix A to the CCAR 2020 First Day Letter, firms should focus on all exposures excluding market risk. **(FRB Response: January 29, 2020)**

Q (GEN0207): A firm has adopted ASU 2016-13 CECL and it will go into effect January 1, 2020. Per previous guidance, the firm is planning on providing all DFAST and CCAR projections using ASU 2016-13 CECL. Can you please confirm that the firm will only be required to submit CECL provision methodology (provision for credit losses) in CCAR and the current methodology will not be required?

A: The firm should prepare to submit documentation on the methodology used to produce the capital plan submission in accordance with the capital plan rule and submit documentation in line with any CCAR first day letter request. Further, examiners may request any additional documentation necessary to understand and support the firm's estimated stressed capital insomuch as the firm relied upon that information to create and approve that plan. **(FRB Response: August 21, 2019)**

Q (GEN0204): The preamble to the Capital Plan Rule states "the final rule measures issuances and distributions beginning with the third quarter of the planning horizon (cumulative net distribution limit), which provides bank holding companies with flexibility to credit excess issuances or lower distributions of capital, in each case relative to the amounts included in the company's capital plan for a given class of regulatory capital instrument. The final rule defines classes of regulatory capital instruments as common equity tier 1, additional tier 1, and tier 2 capital instruments, as defined in 12 CFR 217.2.

1. When considering the cumulative gross distribution limit at the common equity tier 1 class, if a BHC's actual common dividends are lower than estimates included in its Capital Plan, can a BHC increase its common share repurchases up to an amount such that the cumulative gross distribution does not exceed what's included in its Capital Plan?
2. When considering the cumulative gross distribution limit at the common equity tier 1 class, if a BHC's actual preferred dividends are higher than estimates included in its Capital Plan, is a BHC required to reduce any other distributions under the Capital Plan Rule? For example, a rise in rates that would impact floating rate coupon payments.

A: The gross distribution limitation in the capital plan rule applies to the specific distributions included in the firm's capital plan to which the Federal Reserve has provided its non-objection. As such, if a firm's actual common dividends are lower than estimates included in its capital plan, the firm may not increase its common share repurchases above the amount stated in the capital plan without the Federal Reserve's prior approval. The Federal Reserve does not treat planned capital distributions as fungible.

Regarding preferred dividends, a firm that receives a non-objection to its capital plan may pay dividends and interest on other equity and debt instruments included in regulatory capital, including preferred stock, trust preferred securities, and subordinated debt, consistent with the contractual terms of those instruments, including terms that may be affected by market interest rates. **(FRB Response: April 22, 2019)**

Q (GEN0203): As an asset manager, a firm engages in seed and co-investment activities as part of its business strategy. Occasionally during the year, the firm changes or redirects its investments. For example, during Q1 2019 the firm planned to redeem seed investments. The firm plans to reflect this in its internal capital adequacy assessment as an overlay to its modeled balance sheet for PQ1. Does the Federal Reserve consider this to meet the definition of a business plan change or material business plan change for purposes of CCAR 2019 and FR Y-14A Schedule F?

A: As stated in the CCAR 2019 Instructions, "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 should reflect changes that it considers to have a material impact upon its business plan in its FR Y-14A Summary and Business Plan Changes Schedule F.1 and provide relevant supporting documentation. **(FRB Response: April 10, 2019)**

Q (GEN0202): If a bank holding company (a "BHC") wishes to redeem a capital instrument other than a CET1 capital instrument, must the BHC specify the exact tranche of Other Tier 1 or Tier 2 instrument(s) to be redeemed? For example, may a BHC (in each case, separately for the category of Other Tier 1 qualifying instruments and Tier 2 qualifying instruments) assume in its capital plan an aggregate amount (by outstanding balance) of Other Tier 1 or Tier 2 instruments to be redeemed during the planning horizon, and for capital planning purposes assume that the instruments which would be most depletive to capital that are eligible for redemption will be redeemed over the planning horizon (measuring capital depletion by the impact of dividends distributed, interest coupons paid, prepayment penalties incurred, penalty pricing impacts and other related factors, if any)? Thereafter, assuming that the BHC does not receive an objection to their capital plan, it could decide later in time which specific Other Tier 1 or Tier 2 instrument it wishes to redeem in an amount not to exceed the aggregate amount contained in the capital plan.

A: A firm's capital plan must include sufficient detail to map its planned capital actions to the FR Y-14A Schedule C - Regulatory Capital Instruments. The FR Y-14A Regulatory Capital Instruments schedule collects information at a less granular level than the particular tranches or the unique security identifier developed by the Committee on Uniform Security Identification Procedures (CUSIP) of a capital instrument. If the Federal Reserve does not object to the firm's capital plan, including certain planned redemptions of capital instruments, it would then be able to decide which tranche of a particular capital instrument to redeem. Note, however, that the firm may not substitute redemptions of one category of regulatory capital instruments for another category of regulatory capital instruments. For example, if a firm included $1,000,000 of additional tier 1 capital redemptions in its capital plan, then it would not be permitted to substitute those redemptions with $1,000,000 of tier 2 capital redemptions without prior approval from the Federal Reserve. **(FRB Response: March 15, 2019)**

Q (GEN0201): We noticed that the description in the Appendix of the CCAR First Day Letter (the "Wholesale Credit Risk" column) has very similar descriptions, as follows: (1) Commercial & Industrial loans, other commercial loans and leases held for investment (2) Commercial & Industrial loans, other commercial loans and leases and commercial real estate loans held for sale. Our interpretation is that the first point lists types of loans/leases classified as ‘held for investment’ that are an area of focus, while point 2 lists types of loans/leases classified as ‘held for sale’ that are an area of focus. So based on the list, C&I are in focus for both classifications while CRE is only in focus for ‘held for sale’. Is this accurate?

A: Yes, commercial & industrial loans and other commercial loans and leases are areas of focus for both held-for-sale and held-for-investment. Commercial real estate is only a focus for held-for-sale. **(FRB Response: February 21, 2019)**

Q (GEN0200): Regarding the following items in the Federal Reserve’s Comprehensive Capital Analysis and Review (“CCAR”) first day letter correspondence dated December 20, 2018, we request guidance on the following: 1) Please clarify if undrawn commitments should also be included in Appendix A – Estimating impact on capital positions – all sub areas, as relevant, Wholesale credit risk. The following products that are listed in Appendix A only reference loans: (1) Commercial & Industrial loans and other commercial loans and leases held for investment; and (2) Commercial & industrial loans, other commercial loans and leases, and commercial real estate loans held-for-sale. 2) If and to the extent a bank asserts one or more particular type of exposure is immaterial to the firm, what manner and magnitude of evidence concerning immateriality is required to justify the decision not to submit supporting documentation? What principles would the Federal Reserve view as optimal in making such a determination?

A: All unused commercial lending commitments and letters of credit that are to be reported on line item 152 of FR Y-14A Schedule A.1.b – Balance Sheet, as defined in the FR Y-9C, Schedule HC-L, items 1.e.(1), 1.e.(2), 1.e.(3), 2, 3, and 4 should be included as it relates to wholesale credit risk. For guidance regarding the assessment of materiality of exposures and supporting documentation, please see RPS0052. **(FRB Response: January 25, 2019)**

Q (GEN0199): Thank you for the CCAR 2019 First Day Letter, it is helpful. With respect to the request for Governance for all exposures in scope, should firms focus exclusively on SR 15-18 Section A or is the request for Governance more general/broader to include areas of Risk Management/Risk Identification governance used within ICAAP as well?

A: Through the request in the First Day Letter, the Federal Reserve intended for firms to provide governance documentation that corresponds to section A of SR letter 15-18. As such, in response to the request, firms are expected to provide the type and level of governance documentation that supports their capital plan narratives and capital planning processes. To the extent documentation and materials produced throughout the year are leveraged in the development of the capital plan narratives and used to govern capital planning processes that information should be referenced in the submissions and made available to examiners, if requested. **(FRB Response: January 18, 2019)**

Q (GEN0198): The Capital Plan Rule sets forth certain restrictions on capital distributions. Under the rule, a capital distribution means “a redemption or repurchase of any debt or equity capital instrument, a payment of common or preferred stock dividends, a payment that may be temporarily or permanently suspended by the issuer on any instrument that is eligible for inclusion in the numerator of any minimum regulatory capital ratio, and any similar transaction that the Federal Reserve determines to be in substance a distribution of capital." A BHC subject to the Capital Plan Rule (the "Capital Plan Filer") is in the process of divesting a lower-tier BHC subsidiary over a number of quarters, which will result in US GAAP deconsolidation of the lower-tier BHC prior to complete divestiture. Following the deconsolidation, the lower-tier BHC's capital instruments would not count as capital instruments for the Capital Plan Filer under Regulation Q, no instrument issued by the lower-tier BHC would be eligible for inclusion in the numerator of any minimum regulatory capital ratio of the Capital Plan Filer, and distributions on the lower-tier BHC's capital instruments would not result in a change in the Capital Plan Filer's consolidated capital. Could the FRB please confirm that in this case capital distributions by the lower-tier BHC would no longer be treated as capital distributions for the purposes of the Capital Plan Filer's capital plan?

A: The lower-tier BHC's capital distributions would not be treated as capital actions for the purposes of the Capital Plan Filer's capital plan. **(FRB Response: October 12, 2018)**

Q (GEN0197): Rule 12 CFR 225.8(e)(4) stipulates that "A bank holding company must update and re-submit its capital plan to the appropriate Reserve Bank within 30 calendar days." If "the bank holding company determines there has been or will be a material change in the bank holding company's risk profile, financial condition, or corporate structure since the bank holding company last submitted the capital plan to the Board...." If a BHC projects in its capital plan that a partial divestiture of a subsidiary will lead to deconsolidation under US GAAP of the subsidiary at a specific quarter during the forecast period under the baseline scenario, and the timing of that deconsolidation is subsequently accelerated to an earlier quarter due to a governance change at the subsidiary, with all other capital impacts and projections remaining substantially unchanged, does the earlier deconsolidation of the subsidiary constitute a material change under 12 CFR 225.8(e)(4)?

A: Earlier deconsolidation does not constitute a material change.
(FRB Response: October 12, 2018)

Q (SUM0118): Lines CAP 109, CAP 126, CAP 127 and CAP 128 on the Capital Worksheet within the FRY-14A Summary Template requests data related to potential net operating loss ("NOL)" carrybacks. Given the recently enacted federal tax reform, we believe these lines should be completed with zero amounts but would like clarification as to the proper amounts to be used for these lines.

A: Firms should complete the FR Y-14A Summary template in accordance with the FR Y-14 submission instructions and determine the applicability and/or appropriate values for each field. **(FRB Response: March 29, 2018)**

Q (GEN0192): If a BHC is planning on including in its capital plan an issuance of Tier 1 qualifying preferred equity in the CCAR 2018 window (3Q18-2Q19) and use the proceeds of that issuance to repurchase an equivalent dollar amount common shares (making the repurchase of the common contingent on the issuance of preferred) we would have three questions. Assume the firm has additional non-contingent common share repurchases in its capital plan:

1. If the BHC specifies in its capital plan that the timing of the preferred issuance would be contingent on market conditions, should the BHC show the issuance in the first quarter of the CCAR window (3Q18) with the understanding that the timing may come later in the CCAR window?

2. How would the ongoing quarterly assessment of capital action activity consider the possibility of a delay in the preferred issuance? Would the Federal Reserve bifurcate these linked transactions from the non-contingent common share repurchases?
3. If the preferred issuance does not happen due to adverse actual market conditions, would the firm be expected to reduce its non-contingent common share repurchases by the amount of the preferred offering since the net effect on total Tier 1 capital would be zero and the effect on CET1 would be positive?

A: A firm should include its planned issuance in the quarter when the firm plans to make the issuance. A firm that does not make an issuance included in its capital plan for a given quarter would have to reduce any distributions such that its capital distributions for that class of capital do not exceed those in its capital plan as measured on an aggregate basis beginning in the third quarter of the planning horizon through the end of the current quarter. See 12 CFR § 225.8(g)(3). **(FRB Response: March 27, 2018)**

Q (GEN0191): We note in the instructions that a BHC should not reflect the adoption of new accounting standards in its projection unless the firm has already adopted the accounting standard for financial reporting purposes. For ASU 2017-18 Premium Amortization on Purchases Callable Debt Securities, the BHC is required to begin reporting under this standard on January 1st, 2019. Will the FRB grant an exemption to allow the forecast to reflect adherence with the appropriate accounting standards that will be in force during the planning horizon?

A: No. If a firm has not adopted the referenced accounting standards as of December 31, 2017, it should not reflect the adoption of the accounting standard for a projected period in its FR Y-14 submission for CCAR 2018. **(FRB Response: March 13, 2018)**

Q (GEN0190): The response to Q&A GEN0184 states,

> "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."

Can you confirm where firms should report this activity, as the instructions for FR Y-14A Schedule F.1 indicate firms should, "In quarters in which no change in business plan occurs, report zero for all fields?" However, a material business plan change executed in the last quarter prior to the projections period reported on Schedule A could result in a discrepancy in levels between certain items reported as actuals on the Y-9C and reported as projections on the Y-14A. Specifically, should such reconciling items be reflected in Y-14A Schedule F as "quarter-over-quarter changes in reported Summary schedule items that are attributable to business plan changes?"

A: For purposes of the Board's stress testing rules (12 CFR part 252, subparts E and F), starting regulatory capital ratios as estimated by each firm and by the Federal Reserve are the same as those reported by the firm on the 4Q17 FR Y-9C report (as of December 31, 2017).

In the event that a firm's December 31, 2017 FR Y-9C is not reflective of its risk profile and business activities, the firm should provide a description of the business plan changes that affect its starting data in its capital plan narrative. For example, if a firm sought to report the impact of business plan changes on total assets for the leverage ratio as reported on the 4Q2017 FR Y-9C, then that firm should include in its capital plan submission a description of the incremental impact of the business plan change on components of total assets for the leverage ratio. The Federal Reserve may request that the firm provide additional information about any description of material changes to the starting data, including PQ0 incremental impacts on the items in the FR Y-14A Summary schedule Balance Sheet (A.1.b), Capital Worksheet (A.1.d), Income Statement (A.1.a), and Standardized RWA (A.1.c.1) worksheet. **(FRB Response: March 13, 2018)**

Q (GEN0189): Should the base erosion and anti-abuse tax (“BEAT) component of the 2017 Tax Cuts and Jobs Act, which becomes effective on January 1, 2018, be reflected in firms’ capital stress test projections? The BEAT law, as drafted, contains a number of inconsistencies and technical uncertainties with respect to its scope and implementation. Outside counsel and external advisors have had material differences in views as to how certain BEAT provisions should be interpreted. As a result, different firms would likely interpret the provisions differently—potentially leading to inconsistent application of the BEAT. Until the US Treasury issues interpretive regulatory guidance, it is unfeasible for firms to determine the actual forward-looking impacts of BEAT with reasonably certainty or consistency of compliance. As an alternative to excluding the BEAT altogether, would the Board of Governors of the Federal Reserve (“FRB”) consider providing a transition period in 2018? Firms participating in the Comprehensive Capital Analysis and Review (“CCAR”) could submit their capital plans and stress testing results without taking BEAT into account in their quantitative stress loss projections and instead describe the effect of BEAT in the qualitative narrative of their submissions? CCAR participants would incorporate all changes of the Tax Cuts and Jobs Act other than the BEAT in their quantitative submissions. A transition period would allow time for Treasury to issue necessary guidance and for firms to build the infrastructure and systems necessary to calculate their base erosion percentage and potential BEAT liability. Without a transition period, firms may apply the BEAT inconsistently in performing their stress test exercises and the results that the FRB discloses may be misleading or incorrect. This approach would be consistent with the FRB’s provision of transition periods for new laws in other contexts. Please confirm whether the Federal Reserve will take one of these approaches for CCAR 2018 or, if not, please provide detailed instructions for how CCAR firms should address the BEAT in both the quantitative and qualitative portions of their CCAR submissions.

A: The Federal Reserve published a letter containing a description of key enhancements to the supervisory models, including those related to the change in the tax law, on March 2, 2018. As suggested by the letter, the supervisory models for DFAST 2018 have not been adjusted to account for the base erosion and anti-abuse tax component of the Tax Cut and Jobs Act (TCJA).

Per the 2018 CCAR instructions, firms must address the impact of the TCJA in their financial statements and regulatory reports, as well as CCAR 2018 projections, as applicable. We understand that the U.S. Department of the Treasury intends to issue further guidance on how to implement portions of the TCJA. As discussed in SR letters 15-18 and SR 15-19, understanding and documenting a range of potential outcomes provides insight into the inherent uncertainty and imprecision around pro forma capital results. To that end, a firm should reflect the TCJA in their CCAR 2018 projections on a “best efforts” basis, and discuss in its capital plan the sensitivity of its projections to uncertainty associated with the implementation of the TCJA. In addition, although firms’ capital plans should be comprehensive and are required to address the TCJA, the first day letter sent to each LISCC and large and complex firm on February 14th, 2018, did not include tax modeling within its areas of scope. **(FRB Response: March 9, 2018)**

Q (GEN0188): The federal banking agencies published an NPR on 9/27/17 to propose simplifying certain regulatory capital rules ("NPR to Simplify") for organizations not subject to the advanced approaches capital rule. As a result of the NPR to Simplify, the agencies published a final rule on 11/21/2017 to extend the current regulatory treatment of certain items ("Final Rule to Extend") until the NPR to Simplify is finalized. Should firms assume that the Final Rule to Extend remains in effect through the entire projection horizon?

A: Please see page 2 of the 2018 CCAR instructions for a discussion of how the October 27, 2017 notice of proposed rulemaking regarding simplifications to the capital rule pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996 and the November 21, 2017 final rule regarding the retention of certain existing transition provisions for banking organizations that are not subject to the advanced approaches capital rules should be treated for purposes of the 2018 CCAR exercise. **(FRB Response: February 21, 2018)**

Q (GEN0162): DTA write-offs: How should DTA write-offs impact IHC PPNR forecasting?

A: DTA write-offs should not be included in PPNR. **(FRB Response: February 14, 2018)**

Q (GEN0186): Does the Capital Plan to be filed in April need to include the TLAC term sheet?

A: TLAC term sheets are not required to be included in firms' capital plans, but they may be included as additional information, at a firm's discretion. **(FRB Response: January 23, 2018)**

Q (GEN0185): In a Dec 15th communication from the Federal Reserve, it was clarified that the global market shock (GMS) would use an "as of" date from the week of Dec 4th. For CCAR 2017, the counterparty default scenario component used the same date as the GMS. Can you confirm that this will be the case again for CCAR 2018 and we should also use the same date from the week of Dec 4th for the counterparty default scenario analysis?

A: Yes, use the same date from the week of December 4, 2017 for the counterparty default scenario analysis. **(FRB Response: January 18, 2018)**

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 the purposes of CCAR 2018, 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): Ahead of the leverage ratios becoming effective for FBO's on January 1, 2018, we have several divestitures and/or asset migrations which will occur over the course of Q4 2017. This will distort our average assets in Q4 which will no longer be reflective of our 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 FR 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)**

Adjustment to Capital Plan

Q (CAP0013): If a firm does not intend to adjust the quarterly common stock dividend that was included within original planned capital actions prior to the adjustment period that ends at 4:30 p.m. EDT on Monday, June 29, 2020, will a firm be able to adjust their planned quarterly common stock dividend at a later date in 2020, and receive an updated stress capital buffer requirement that is reflective of the updated planned quarterly common stock dividend?

A: A firm may adjust its planned capital distributions within two business days following receipt of notice of its stress capital buffer requirement. Upon the expiration of that period and unless the firm has requested reconsideration of its stress capital buffer requirement, the firm's planned capital distributions become final under 12 CFR 225.8(h)(3), including for purposes of calculating the firm's stress capital buffer requirement. If the firm does not request reconsideration of its stress capital buffer requirement, its stress capital buffer requirement may only be recalculated prior to the next supervisory stress test cycle if the firm resubmits its capital plan under 12 CFR 225.8(f)(3). The Board will follow the procedures under 12 CFR 225.8(f)(3) to determine if the firm's stress capital buffer requirement should be recalculated once the firm resubmits its capital plan later this year. **(FRB Response: June 29, 2020)**

Q (CAP0012): Within our CCAR and DFAST capital planning and stress testing exercises, we are required to forecast our firm's capital actions over the planning horizon, including our planned capital actions within the yearly CCAR exercise. These planned capital actions include, among other things, payments or distributions on instruments that are eligible for inclusion in the numerator of a regulatory capital ratio, including Tier 1 capital qualifying preferred stock. With respect to one or more series of Tier 1 qualifying preferred stock issued by our firm, the dividend distributions are the product of a formula specified in the terms of the preferred stock, which can change between a fixed rate and a variable rate depending upon certain conditions. This may result in a different amount of preferred dividends being due in each of the three different supervisory scenarios due to the nature of forecasted LIBOR rates in each scenario. We also understand the supervisory expectation is that our requested planned capital actions in CCAR should not vary among the supervisory scenarios. In light of and subject to the foregoing, in respect of these instruments, should the firm include within its capital actions and planned capital distributions:

- The dividend distributions arising under the Baseline Scenario taking into account the terms of the preferred stock and then apply those distribution amounts in the other supervisory scenarios?
- The dividend distributions arising under each of the supervisory scenarios taking into account the terms of the preferred stock, which would likely result in different distributions between scenarios?
- Some other level?

A: For the CCAR submission for all supervisory scenarios, a firm should assume that the dollar value of dividends, repurchases, and redemptions of capital instruments do not vary from the amount in the BHC baseline scenario.

For the DFAST submission, a firm should include actual payments in the first quarter and in the second through ninth quarter, the firm should include payments on any non-common instrument that is eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instrument as projected in each scenario. **(FRB Response: July 30, 2019)**

Q (GEN0205): As per the FRB's template that pre-approves capital actions for Category IV firms during the 2019 capital planning cycle (3Q 2019 – 2Q 2020), capital distributions from CET1 may be grossed up for any planned issuance of subordinated debt or preferred stock during this period. If a BHC were to accelerate the planned issuance of preferred stock or subordinated debt to Q2 2019 (into the previous year's decision window), will the pre-approved capital distribution capacity for the 2019 planning cycle have to be reduced to reflect the fact that issuance does not occur within the 2019 planning window? The possible acceleration is being driven by current very favorable market conditions. These conditions may be temporary and so we would request a review of the request for clarity on this matter quickly.

A: On February 5, 2019, the Federal Reserve Board provided certain firms with relief by letter from all regulatory requirements relating to supervisory and company-run stress testing for the 2019 stress test cycle and from the requirement to submit a capital plan to the Board on April 5, 2019. If a firm that received relief makes capital distributions, net of issuance of capital, for Q2 2019 that are smaller than those included in the planned capital distributions submitted on April 5, 2019, the firm may submit an adjusted set of capital distributions on the FR Y-14A Regulatory Capital Instruments (with CACIH346, "Submission Type" equal to "Adjusted"). These adjusted distributions would be factored into the worksheet used to calculate a firm's pre-approved capital distributions for Q3 2019–Q2 2020. For example, if a firm initially planned to issue preferred stock in Q3 2019 and actually issued the preferred stock in Q2 2019 it could submit an adjusted set of capital actions that reflects the accelerated planned issuance.

Generally, and as noted in the February letter, a firm that wishes to make additional capital distributions beyond the amount approved in the February letter also may submit a request to the Federal Reserve for approval to make such distributions after July 1, 2019. See 12 CFR 225.8(g)(4). A firm requesting prior approval would be required to submit a revised FR Y-14A Regulatory Capital Instruments schedule (with CACIH346, "Submission Type" equal to "Incremental"). **(FRB Response: June 5, 2019)**

Q (CAP0011): The Federal Reserve's CCAR 2018 Assessment Framework and Results document (the "2018 CCAR Release"), published on June 28, 2018, indicates that BHCs "may re-submit their capital plans before the next stress test cycle and request additional distributions." We respectfully request guidance on the process and standards for such resubmissions, including on the following matters: (i) Is there a time period within which such a resubmission should be filed? (ii) Beyond an updated Y-14A Reg Cap Instruments template, are there any other Y-14A templates that should be included with the resubmission? (iii) What standards will the Federal Reserve apply in reviewing such resubmissions? (iv) How quickly does the Federal Reserve expect to act on such a resubmission? (v) How should a resubmission be filed with the Federal Reserve?

A: The Federal Reserve's capital plan rule (12 CFR 225.8) sets forth procedures pursuant to which a firm may request prior approval from the Board, or the appropriate Reserve Bank with concurrence of the Board, to make capital distributions in excess of the amount of capital distributions included in the firm's capital plan for which a non-objection was issued. Under 12 CFR 225.8(g)(4), a request for prior approval shall contain

1. the firm's current capital plan or an attestation that there have been no changes to the capital plan since it was last submitted to the Federal Reserve;
2. the purpose of the transaction;
3. a description of the capital distribution, including for redemptions or repurchases of securities, the gross consideration to be paid and the terms and sources of funding for the transaction, and for dividends, the amount of the dividend(s); and
4. any additional information requested by the Board or the appropriate Reserve Bank (which may include, among other things, an assessment of the firm's capital adequacy under a revised stress scenario provided by the Federal Reserve, a revised capital plan, and supporting data).

The capital plan rule also sets forth circumstances under which a firm would be required to update and resubmit its capital plan (12 CFR 225.8(e)(4)), including if the firm determines there has been or will be a material change in the firm's risk profile, financial condition, or corporate structure since the firm last submitted the capital plan. **(FRB Response: August 1, 2018)**

Q (GEN0196): A firm subject to CCAR has a subsidiary that is a BHC and that has issued regulatory capital instruments to third parties (the "Subsidiary BHC Capital Instruments"). The CCAR firm recognizes the Subsidiary BHC Capital Instruments in its capital, subject to minority interest limitations. Accordingly, distributions on the Subsidiary BHC Capital Instruments such as dividends, redemptions and repurchases are "capital distributions" under the Federal Reserve's Capital Plan Rule. The CCAR firm's planned capital actions for its 2018 capital plan include dividends on, as well as redemptions and/or repurchases of, the Subsidiary BHC Capital Instruments. The CCAR 2018 Instructions address approvals relating to capital distributions, as well as permitted adjustments to a CCAR firm's planned capital actions. The CCAR 2018 Instructions provide, in relevant part:

1. "For purposes of CCAR 2018, if a firm receives a non-objection to its capital plan, the firm generally may make the capital distributions included in its capital plan submission beginning on July 1, 2018, through June 30, 2019, without seeking prior approval from or providing prior notice to the Federal Reserve."
2. "If a firm has fully reduced its planned capital distributions to zero in the second through ninth quarters of the planning horizon, the firm may increase its planned issuance of common stock in the third quarter of the planning horizon."

   We are uncertain whether the references to the "firm" in these excerpts from the CCAR 2018 Instructions include a consolidated subsidiary of the CCAR firm and related actions the subsidiary may take with respect to its capital instruments that are recognized as minority interest by the CCAR firm.

   a. Subsidiary BHC-Level Approvals and Disclosures Assuming (x) the CCAR firm receives a non-objection to its 2018 capital plan and (y) at the time of the redemption and/or repurchase, the subsidiary BHC is a consolidated subsidiary of the CCAR firm such that the Subsidiary BHC Capital Instruments are recognized in the CCAR firm's capital as minority interest, may the subsidiary BHC redeem and/or repurchase the Subsidiary BHC Capital Instruments in accordance with the CCAR firm's 2018 capital plan between July 1, 2018 and June 30, 2019 without seeking prior approval from or providing prior notice to the Federal Reserve pursuant to SR 09-4? In addition, assuming the CCAR firm receives a non-objection to its 2018 capital plan, after the Federal Reserve announces CCAR results in June 2018, may the subsidiary BHC disclose the planned capital actions in the CCAR firm's 2018 capital plan involving the Subsidiary BHC Capital Instruments?

b. Adjustments to Planned Capital Actions If a CCAR firm has fully reduced the planned capital distributions on the regulatory capital instruments it has issued directly to zero, but has not reduced the planned capital distributions on the Subsidiary BHC Capital Instruments to zero, may the CCAR firm increase its planned issuance of common stock in third quarter of the planning horizon when making adjustments to its planned capital actions? What if the subsidiary BHC had already made capital distributions on the Subsidiary BHC Capital Instruments during the second quarter of the planning horizon? Would the answer depend on whether the planned capital actions of the CCAR firm and the planned capital distributions on the Subsidiary BHC Capital Instruments would involve different types of investors—for example, if the CCAR firm were a U.S. IHC and its planned capital actions involved the FBO parent but the planned capital distributions on the Subsidiary BHC Capital Instruments would be paid to unaffiliated third-party investors? Would the answer depend on other factors, such as the relative significance of the Subsidiary BHC Capital Instruments to the capital of the CCAR firm or whether the CCAR firm agreed, starting as of the end of the second quarter of the planning horizon, to exclude a portion of the minority interest from its capital such that the planned distributions on the Subsidiary BHC Capital Instruments would have no effect on the CCAR firm's capital?

If a CCAR firm has concerns about the interplay of the instructions regarding adjustments to a CCAR firm's planned capital actions and distributions on Subsidiary BHC Capital Instruments, whom should the CCAR firm contact?

A: The DFAST results will be announced on June 21, 2018. Any capital distribution that could affect a bank holding company's consolidated capital is considered a capital distribution for purposes of the capital plan rule. See 12 CFR 225.8(d)(4). **(FRB Response: June 13, 2018)**

Q (GEN0181): Within the four quarter CCAR non-objection window, if a BHC's non-objected 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)**

DFAST

Q (DST0027): In the calculation of the stressed capital buffer, the adopting release of the draft final rule states the following: "The final rule adjusts the distribution assumptions used in CCAR by no longer presuming that a firm will make all planned capital distributions, including common stock dividends and repurchases, over the nine-quarter planning horizon. Instead, a firm's stress capital buffer requirement includes four quarters of planned common stock dividends (in the fourth through seventh quarters of the nine-quarter planning horizon)." (pp. 10, 11) Please confirm that the quoted text means that for purposes of the Federal Reserve's stress tests, the Federal Reserve will assume firms make no capital distributions (e.g., common stock repurchases) or other capital actions of any kind (e.g., capital issuances) and that the only capital action assumption included in the calculation of the stressed capital buffer will be that a firm makes planned common stock dividends in the fourth through seventh quarters of the planning horizon.

A: A firm's stress capital buffer requirement is calculated as: (1) the difference between the firm's starting and minimum projected common equity tier 1 (CET1) capital ratios under the severely adverse scenario in the supervisory stress test (stress test losses), plus (2) the sum of the dollar amount of the firm's planned common stock dividends for each of the fourth through seventh quarters of the planning horizon as a percentage of risk-weighted assets. As outlined in the stress test rules, the stress test losses will not include common stock dividends and repurchases. **(FRB Response: March 17, 2020)**

Q (DST0026): In the revised December 2019 FR Y-14A instructions, the Board provided guidance on how firms should reflect the impact of the "global market shock" ("GMS") on items subject to adjustment or deduction from capital. The Comprehensive Capital Analysis and Review 2020 ("CCAR 2020") Summary Instructions require firms subject to the GMS not to assume a decline in portfolio positions or risk weighted assets due to losses from the GMS, except in limited cases as prescribed under the instructions. We want to clarify that the CCAR 2020 instructions on GMS do not supersede FR Y-14A guidance and therefore that firms should follow the revised FR Y-14A instructions from December 2019 to reflect the GMS impact on items subject to adjustment or deduction from capital?

A: The firm should follow the FR Y-14 instructions as they pertain to capital deductions. In particular, and as described in the FR Y-14 instructions, for certain capital deductions, a firm should adjust its projections to reflect the effects of the global market shock, and must also report an adjusted starting value that reflects the global market shock. **(FRB Response: March 17, 2020)**

Q (DST0025): The CCAR 2020 Summary Instructions replaced DFAST Capital Action Assumptions with Company-Run Stress Test Capital Action Assumptions. The new instructions state that for stressed projections "firms should follow the capital action assumptions set forth in the stress test rules as of the April 6, 2020, submission date of the capital plans." However, the SCB final rule contains changes to Stress Test Rules not effective as of April 6, 2020 (SCB final rules state it is effective 60 days after publication in the federal register). Therefore, we want to clarify that the CCAR 2020 Company-Run Stress Test Capital Action Assumptions should continue to follow DFA Actions assumptions prescribed in 2019 CCAR Summary Instructions, as the SCB rule will not yet be effective on April 6, 2020? In addition to the language above, Table 3 in the CCAR 2020 Instructions notes DFA stress test capital actions should be completed in the DFAST capital worksheet of the 14A

Summary schedule for the Supervisory Baseline and Supervisory Severely Adverse scenarios. Please further clarify that the 2019 CCAR Summary Instructions for DFA stress test capital actions should be followed for the CCAR 2020 submission.

A: Yes—the SCB rule will not be in effect as of the April 6, 2020, capital plan submission date, so firms should use the DFAST capital action assumptions set forth in the 2019 CCAR instructions for their 2020 company-run stress test capital action assumptions.
(FRB Response: March 17, 2020)

Q (DST0024): The Federal Reserve published supervisory stress test methodology in March 2019 outlining the calculation of total tax expenses/benefits. The Federal Reserve assumes all pre-tax net income to be taxable within the U.S. and subject to a consistent tax rate equal to the U.S. federal corporate tax rate of 21 percent. However, the FRB did not address whether DTAs can be realized through potential carrybacks. Although the Tax Cuts and Jobs Act ("TCJA") in December 2017 eliminates net operating loss ("NOL") carryback in the U.S., certain carrybacks are still allowed (e.g. ,General Business Credits and capital losses in the U.S. as well as NOL carrybacks in various jurisdictions like the UK and certain states). Lines CAP 109, CAP 126, CAP 127 and CAP 128 on the Capital Worksheet within the FRY-14A Summary Template requests data related to potential carrybacks. Please clarify whether the Federal Reserve incorporates these carrybacks reported on FRY-14A lines in calculating DTAs.

Based on the supervisory stress test methodology published in March 2019, the Federal Reserve calculates tax expenses/benefit using pre-tax net income multiplied by tax rate plus change in the valuation allowance. It did not address whether total tax expenses/benefits include tax effects of share-based payments. In accordance with FASB Accounting Standards Update (ASU) No. 2016-09, "Improvements to Employee Share-Based Payment Accounting," the tax effects of share-based payments ("windfall/shortfall taxes") are required to be recognized in the income statement. Please clarify whether the Federal Reserve includes windfall/shortfall taxes in the total tax expenses/benefits.

Lastly, please clarify whether deferred tax liabilities ("DTLs") based on firm's balance sheet at the starting value are being carried forward over the planning horizon to net against DTAs that arise from net operating loss and tax credits and DTAs arising from temporary differences on a pro-rata basis in accordance with rules Section 22(e)(3).

A: In March 2019, the Board disclosed information about its supervisory modeling practices to improve the transparency around the supervisory models, while maintaining the efficacy of the supervisory stress test. The Board expects to publish details about its stress test methodology in the first quarter of each calendar year and will consider these items in the context of its next publication. When calculating regulatory capital, the Board generally bases its calculations on the capital regulations and accounting standards in effect during that time period and makes certain simplifying assumptions. **(FRB Response: October 21, 2019)**

Q (DST0023): Thank you for providing the individual components of the FRB's PPNR as part of the 2019 DFAST results, it was helpful. Can you please provide the individual components of the FRB's PPNR for 2018 DFAST as well?

A: The Federal Reserve does not intend to provide net interest income, noninterest income, and noninterest expense results for DFAST 2018 or any prior exercises. As noted in the Board's Stress Testing Policy Statement, in general, the Board does not disclose information related to the supervisory stress test or firm-specific results to covered companies if that information is not also publicly disclosed. **(FRB Response: July 30, 2019)**

Q (DST0022): In the context of the Fed's Press Release concerning CECL and Stress Testing dated 12/21/2018, it seems to imply that Supervisory Stress Test is effectively CCAR and Company Run Stress Tests are DFAST. Is that an accurate statement? If so, is this memo indicating that for CCAR, we would continue to use the Incurred Loss methodology through 2021? Or is it indicating that in our submission to the Fed, we would incorporate CECL in our CCAR loss results in 2021 but the Fed would continue to run incurred loss models? For company-run stress tests, is CECL incorporated in 2021 or is this on the incurred loss methodology?

A: In December 2018, the Federal Reserve amended its stress testing rules (Final Rule) to require a banking organization that has adopted the current expected credit loss methodology (CECL) to incorporate CECL in its stress testing methodologies, data, and disclosure, beginning with the 2020 stress test cycle[4]. We understand you seek clarification regarding when banking organizations must incorporate CECL in their forward-looking capital adequacy assessment.

Banking organizations must incorporate the effect of CECL in their CCAR forward-looking capital adequacy assessment in the same year in which they incorporate CECL in company-run stress tests under the Final Rule. As noted, under the Final Rule, a banking organization that has adopted CECL must include CECL provisions in its stress testing projections beginning with the 2020 stress test cycle. If the banking organization does not adopt CECL until 2021, then it will not be required to include its CECL provision until the 2021 stress test cycle. As previously noted in the Board's December 2018 public statement[5], the Federal Reserve will not issue supervisory findings on firms' stressed estimation of the allowance under CECL in CCAR's qualitative assessment any earlier than 2022.
(FRB Response: January 30, 2019)

Q (DST0021): The Dodd-Frank Act Stress Test 2017: Supervisory Stress Test Methodology and Results document provides an overview the FRB's historical simulation approach for modeling Operational Risk. With respect to this model, the document states that:

- The historical simulation approach models the loss frequency and loss severity separately. The tails of the loss severity and frequency distributions are informed by historical industry loss severity and frequency scaled to the assets of individual BHCs, while the bodies of these distributions are informed by each BHC's historical loss severity and frequency. The distribution of aggregate losses is then simulated by repeatedly drawing the 9-quarter event frequency from this frequency distribution, and the severity of those events from the severity distribution.

Can the FRB provide additional clarity on how they simulate the severity from the severity distribution, for example, is the:

- Severity of each event is simulated separately from a distribution of dollar-for-each-event; or
- Severity of all events in a particular forecast quarter is considered the same and nine different quarterly severities are simulated; or
- Severity of all events in a 9-quarter forecast period is considered the same and a single 9-quarter severity is simulated; or
- Is an alternative approach used?

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4 See https://www.federalreserve.gov/newsevents/pressreleases/bcreg20181221a.htm.
5 See https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20181221b1.pdf.

A: Please refer to pages 73 and 74 of the *Dodd-Frank Act Stress Test 2018: Supervisory Stress Test Methodology and Results* for a description of the Federal Reserve's supervisory modeling approach to estimate losses related to operational-risk events. **(FRB Response: August 6, 2018)**

Q (DST0020): We have not yet received guidance for the 2018 DFA Mid-Cycle Company-Run Stress Test. Can you please confirm whether the DFA Mid-Cycle Company-Run Stress Test will be due by October 5, 2018, and whether the requirements will be the same as the 2017 DFAST Mid-Cycle Company-Run Stress Test?

A: Instructions regarding the 2018 DFA Mid-Cycle Company Run Stress Test will be communicated shortly and will include the deadline for submission and requirements. **(FRB Response: August 1, 2018)**

Disclosure

Q (DSC0019): Regarding the June 9, 2020 communication re: "Schedule for Release of 2020 Dodd-Frank Act Stress Test Results and Notification of Stress Capital Buffer Requirement", for purposes of determining whether the planned capital distributions for the fourth through seventh quarters of the planning horizon under the BHC baseline scenario would be consistent with effective capital distribution limitations, assuming the stress capital buffer requirement provided by the Board were in place, may a firm use its most recently available internal financial Outlook? Or are firms required to make the determination using the company-run BHC Base results, as submitted on April 6, 2020?

A: For the purposes of determining whether the planned capital distributions for the fourth through seventh quarters of the planning horizon under the BHC baseline scenario would be consistent with effective capital distribution limitations, assuming the stress capital buffer requirement provided by the Board were in place, firms are required to make the determination using the BHC baseline results as submitted on April 6, 2020. **(FRB Response: June 29, 2020)**

Q (DSC0018): In reviewing the Comprehensive Capital Analysis and Review 2020 Summary Instructions released yesterday, it was noted that the instructions no longer include the format in which the Federal Reserve plans to disclose the results of post-stress capital analysis for each firm (previously Appendix A: Templates for Comprehensive Capital Analysis and Review Results 2019). With the adoption of the stress capital buffer, and changes as a result of the Board's Tailoring rule, will the Federal Reserve be providing updated templates for public disclosure to firms?

A: The Federal Reserve does not plan to provide templates related to the CCAR 2020 public disclosure. As noted in the stress capital buffer final rule, consistent with current practice, the Board anticipates disclosing summary information regarding each firm's stress losses. **(FRB Response: March 13, 2020)**

Q (DSC0016): We are in receipt of your letter dated January 26, 2018 ("the letter"), detailing the calculation of the additional scenario component for use in CCAR 2018 as it applies to 6 IHCs. What information will the FRB include in their public CCAR results disclosure pertaining to the trading & counterparty loss line item? Will the FRB indicate that the results for the 6 IHCs are reflective of an additional scenario component? If so, will the FRB provide the details of the loss rates and the specific Y9-C fields utilized to derive the calculation, as prescribed on page 5 of the letter?

A: Consistent with the treatment of the other additional components used in the supervisory stress tests (including the global market shock and counterparty default scenario component), the Federal Reserve identified in the 2018 CCAR summary instructions, and plans to identify in its CCAR results disclosure, those IHCs with significant trading activity that are subject to the market risk component. The 2018 CCAR instructions also identified the loss rates and specific line items of the FR Y-9C used to determine the exposures subject to the market risk component. Please see pages 10–11 of the 2018 CCAR instructions for a discussion of the description and methodology of the market risk component. **(FRB Response: February 21, 2018)**

Mandatory Elements

Q (MND0014) According to the Federal Reserve's "Comprehensive Capital Analysis and Review 2020 Summary Instructions (March 2020)", pgs. 2-3, it states that "Category III firms (as defined in the tailoring rule) must conduct and disclose their company-run stress tests in even years, including 2020, instead of annually… [but are] still required to submit their post-stress projections to the Board on an annual basis in connection with their capital plan." During the same month, the Board proposed revisions to FR Y-14A instructions "to require firms subject to Category III standards to only report the ''Capital—DFAST'' Sub-schedule of FR Y–14A, Schedule A.1.d, every other year." [85 FR 15776, 15780]. The Board finalized these instructions, apparently including the elimination of Schedule A.1.d reporting on September 14, 2020 [85 FR 56607]. Based on the above, please clarify and/or confirm for Category III firms the separate requirements during odd years regarding company-run stress tests (supervisory-defined scenarios) and internal stress tests (BHC-defined scenarios): 1. Do Category III firms need to conduct company-run stress tests utilizing supervisory scenarios during odd years? If required, the firm would expect to submit post-stress projections of these scenarios to the Federal Reserve using the FR-Y14 templates. Please confirm. 2. Should Category III banks submit their BHC Stress projections to the Federal Reserve in odd years or do these form part of the supporting documentation of a firm's capital planning? If required, the firm would expect to submit post-stress projections of these scenarios to the Federal Reserve using the FR-Y14 templates. Please confirm. 3. Please confirm that Category III firms are not required to publicly disclose any stress projections (supervisory-defined or BHC-defined) during odd years.

A:

1. As outlined in the capital plan rule, a firm subject to Category III standards is required to submit a capital plan on an annual basis. For a firm subject to Category III standards, capital plans must include estimates of projected revenues, losses, reserves, and pro forma capital levels under a range of scenarios, including any scenarios provided by the Federal Reserve, the BHC baseline scenario, and at least one BHC stress scenario.
2. A firm subject to Category III standards should submit the FR Y-14A on an annual basis, including projections under the BHC stress scenario. During an odd year, a firm subject to Category III standards, is not required to submit the FR Y-14A, Schedule A.1.d – Capital – DFAST.
3. As described in the tailoring proposal, a firm subject to Category III standards is not required to disclose any stress projections in an odd year.

(FRB Response: January 12, 2021)

Q (MND0012) Following up on the Federal Reserve's public statement and most recent FRSecure communication (re: "Modification to CCAR 2020", sent on March 24, 2020, at 4:47pm), does the Federal Reserve still require firm's to submit supporting materials consistent with the scope of the 2020 CCAR exercise as detailed in Appendix A (Areas and Exposures in Scope for CCAR 2020) of the Federal Reserve's letter dated December 18, 2019? Further, please confirm if this year's exercise will also still focus on the remediation of outstanding supervisory findings relating to firms' capital planning practices.

A: As previously noted, this year's CCAR exercise will be focused on how firms are considering and incorporating the current stress conditions into their forecasts and capital decision-making. It will also include an evaluation of outstanding CCAR findings.

To that end, capital plan submissions should include documentation supporting the following:

- The mandatory elements of a capital plan as set forth in section (e)(2) of the capital plan rule; and
- The remediation of outstanding CCAR findings.

The Federal Reserve may request additional supporting materials on a case-by-case basis, where necessary. **(FRB Response: March 30, 2020)**

Market Shock

Q (SHK0033): Could the FRB indicate the range of possible dates that could be chosen by the FRB application of the instantaneous scenario used for trading and counterparty losses for the upcoming 2020 capital plan resubmissions?

A: The Federal Reserve will require firms with significant trading activity to include a trading and counterparty component with respect to their resubmitted capital plans with an anticipated as-of date of June 30, 2020. More information regarding the trading and counterparty component will be forthcoming. **(FRB Response: July 10, 2020)**

Q (SHK0032): Given the revised FR Y{14 instructions regarding the effect of the global market shock on applicable capital items described in 84 FR 70529 (December 23, 2019), is the guidance provided in FAQs SHK0030 and SHK0031 still applicable?

A: The guidance provided in FAQs SHK0030 and SHK0031 is no longer applicable given the revisions to the FR Y{14 instructions regarding the effect of the global market shock on applicable capital items described in 84 FR 70529. Please see the FR Y{14A instructions for more information on how to report the effect of the global market shock on applicable capital items. **(FRB Response: February 21, 2020)**

Q (SHK0031): As a follow up to SHK0030, we seek clarification regarding the following: Given that for certain covered funds, a 100% reduction in Tier 1 capital is already taken as part of the Basel III requirements, can these same positions be effectively removed from the population subjected to P&L loss, similarly affecting the numerator in our Tier 1 Capital calculations, through the GMS, assuming we can identify the duplication at a security level?

Both reductions in capital affect our Tier 1 capital/numerator in our capital ratios, and any removal of duplication will not impact our balances, RWA, or the denominator in our capital ratio forecasting calculations. Please note that the referenced capital deduction for Volcker Covered Funds are based on both Volcker rules as well as the capital rules (which incorporate the T1 capital deduction from Volcker).

A: The covered funds are subject to the losses related to the global market shock and applicable deductions under the Federal Reserve's Regulation Q (capital rule) and Regulation VV (Volcker Rule). The firm should report losses for the covered funds as an instantaneous loss and reduction in capital. The firm should therefore not make any adjustments to the applicable deductions under the Federal Reserve's Regulation Q and Regulation VV as a result of losses estimated under the global market shock.

This response has been superseded by revisions to the FR Y{14 instructions as described in 84 FR 70529 (December 23, 2019). See FAQ SHK0032 for more information.
(FRB Response: April 3, 2018)

Range of Practice and Supervisory Expectations

Q (RPS0055): Which firms are required to incorporate CECL into their projections for CCAR 2020?

A: If a firm is not planning to adopt current expected credit losses (CECL) prior to December 15, 2020, then it is not required to reflect CECL in its projections for CCAR 2020. **(FRB Response: March 13, 2020)**

Q (RPS0054): Per the appendix in the FRB's First Day Letter, the scope for Wholesale, within the Internal Controls and Estimating impact on Capital sections, specifically includes (1) Commercial and Industrial loans and other commercial loans and leases held for investment, and (2) Commercial and Industrial loans, other commercial loans and leases, and commercial real estate loans held-for-sale. However, per the FR Y 14A reporting, other portfolios (e.g. small business scored and business cards which we model and manage through our Business Direct channel) fall within the commercial and industrial loans and other commercial loans umbrella. Should these other portfolios also be included in the "internal controls and estimating impact on capital positions" documentation, consistent with FR Y 14A, or should the Wholesale exposures focus on traditional Commercial and Industrial loans?

A: Yes—the other portfolios included within commercial and industrial loans and other commercial loans per the FR Y-14A reporting instructions should be reflected in firms' capital plan submissions. **(FRB Response: May 3, 2018)**

Q (RPS0053): The February 14th first day letter (FDL) does not reflects the wholesale submission including commercial real estate loans (CRE) held for investment (HFI). Please confirm it is not included in the scope of the CCAR 2018 exercise.

A: Commercial real estate loans held-for-investment are not included in the scope of the 2018 CCAR exercise. **(FRB Response: March 29, 2018)**

Q (RPS0052):

1. Does the scope of the first day letter supersede the documentation submission requirements as defined in the CCAR 2018 Technical Instructions, beginning on p. 151? For example, the FR Y-14 Technical instructions require: Submission of Model Technical Documents for "key models" Audit Reports from internal audit of the capital adequacy process including review of the models and methodologies used in the process Documenting Consideration of Certain Off-Balance Sheet Risks

2. The letter notes "In instances where a firm deems a particular exposure to be immaterial, the firm must submit a justification of its decision not to submit supporting documentation." May this justification be provided in a workstream's methodology document?
3. In the past, we have provided a significant amount of CCAR-related Board materials in the CCAR Submission. Can you please confirm that this is not expected this year? We will have the materials available upon request.

A:

1. The February 14th first day letter (FDL) does not supersede the FR Y-14A submission requirements. The FDL set forth the areas in scope for the 2018 CCAR exercise. Accordingly, firms are expected to provide the type and level of documentation in support of their capital plan narratives as described in Appendix C of the CCAR 2018 instructions for each of those areas. As in prior years, firms are expected to provide the type and level of documentation in support of the FR Y-14 schedules as described in Appendix C of the CCAR 2018 instructions.
2. Yes, firms may provide the justification for deeming a particular exposure immaterial as part of its submitted workstream methodology documentation.
3. Firms are expected to be able to respond to examiner requests for additional supporting materials, where necessary, during the CCAR 2018 exercise, but are not expected to provide the same level of documentation as part of their CCAR submission. Instead, firms are expected to provide the type and level of documentation in support of their capital plan narratives as described in Appendix C of the CCAR 2018 instructions for each area in scope for the 2018 CCAR exercise, as set forth in the February 14th first day letter.

(FRB Response: March 9, 2018)

Q (RPS0051):

1. Are firms expected to provide a separate response to the letter or are firms permitted to respond to the letter within their CCAR submission document that will be filed via Intralinks on April 5, 2018?
2. If a separate response is required, what is the due date of the response? Additionally, does the Federal Reserve have a preferred structure for the response? For example, is the response expected to be structured by SR 15-18 category or by exposure type?
3. How does the Federal Reserve recommend the submission of net interest revenue for the exposure categories listed in the letter relative to the instructions in CCAR 2018 Summary Instructions Appendix C? The categories in the appendix of the February 14 letter are inconsistent with the CCAR Intralinks submission guidance.
   a. Securities (Appendix combines this with Net Interest Income)
   b. PPNR-Balance Sheet-RWA (Appendix combines Net Interest Income with Securities).
4. In regard to the appendix, within the "Wholesale credit risk" column, the first row-"Risk Management" and third row-"Incorporating stressful conditions and events" ask for "All" wholesale credit risk exposures. Row two "Internal controls – model validation and independent review of estimation approaches" and row four "estimating impact on capital positions-all sub-areas, as applicable" request only "(1) Commercial & Industrial loans and other commercial loans and leases held for investment; and (2) commercial and indus-

trial loans and leases and commercial real estate loans held-for-sale”. Please define “All” in rows one and three of the “wholesale credit risk exposures” column.

5. In regard to the appendix, within the “Securities and net interest income” column the first row-“Risk Management” and third row-“Incorporating stressful conditions and events” requests “All” securities and net interest income exposures. Row two “Internal controls – model validation and independent review of estimation approaches” and row four “estimating impact on capital positions-all sub-areas, as applicable” request only “(1) credit cards, (2) commercial & industrial loans; (3) all deposit products; and (4) securities loss estimation. Please clarify what “All” relates to in regards to “Securities and net interest income.”
6. In regard to the appendix, the “Estimating impact on capital positions - all sub areas, as applicable” row includes references to appendix A, D, H and I. in addition to the specific SR 15-18 categories and subcategories referenced in the Appendix, are BHCs also expected to address adherence to the related SR 15-18 appendices as well? For example, PPNR is a significant component of our firm’s “Non-interest income and expense”, but row 4 “estimating impact on capital positions-all sub-areas, as applicable” only requests “Sales and trading”. Is the expectation that the estimated impact on capital resulting from changes to all PPNR categories will be included in the response or only the non-interest income and expense related to sales and trading exposures?
7. In regard to the appendix, Row 2 “Internal controls – model validation and independent review of estimation approaches”, please confirm if model technical documents are required to be submitted through Intralinks for the listed exposure types.
8. Page 3 of The Comprehensive Capital Analysis and Review 2018 Summary Instructions references that the “Federal Reserve will be issuing a letter to LISCC and large and complex firms notifying them of the planned scope of CCAR 2018. In an effort to reduce burden associated with the submission of supporting documentation, firms will only be required to submit documentation related to those elements in scope for this year’s exercise.” Please confirm that the letter that we received on February 14 is the letter referenced in the Summary Instructions. Also, please confirm that supporting documentation is not required, either in response to the first day letter or as part of the firm’s CCAR submission document, for CCAR document submission sections not included in the Appendix.

A:

1. No, firms are not expected to provide a separate response to the 2018 CCAR first day letter sent on February 14, 2018. Instead, firms are expected to provide supporting documentation as part of their CCAR submissions to be filed with the Federal Reserve via Intralinks on April 5, 2018.
2. Firms are not expected to provide a separate response to the 2018 CCAR first day letter sent on February 14^{th}, 2018.
3. Firms should submit supporting documentation in accordance with the categories described in Appendix C in the CCAR 2018 instructions.
4. The term “all” in rows one and three of the “wholesale credit risk” column refers to all sub-areas of SR letter 15-18 as relevant to wholesale credit risk. In the April 5th submission, firms should provide the same level of documentation in support of these two areas of SR letter 15-18 as in prior years.

5. The term “all” in rows one and three of the “securities and net interest income” column refers to all sub-areas of SR letter 15-18 as relevant to securities and net interest income. In the April 5th submission, firms should provide the same level of documentation in support of these two areas of SR letter 15-18 as in prior years.
6. As part of the April 5th submission, as it relates to areas of SR letter 15-18, firms are only expected to provide documents that relate to the specific areas in scope for the CCAR 2018 as noted in the appendix of the February 14 first day letter.
7. Yes— as part of the April 5th submission, firms should provide technical model documents via Intralinks for listed exposures in scope for the CCAR 2018 exercise, as in prior years.
8. The 2018 CCAR first day letter sent on February 14th, 2018 is the same letter described on page 3 of the CCAR 2018 instructions. Firms are not required to submit supporting documentation for areas not included in the scope set forth in the first day letter. However, as provided in the first day letter, firms are expected to be able to respond to any examiner request for additional documentation as part of the CCAR 2018 exercise, where necessary.

(FRB Response: March 9, 2018)

Q (RPS0050): 14-A supporting documentation:

1. For each exposure listed which of the following items as detailed in the CCAR Instructions is required:

   Policies and Procedures

   Methodology and model inventory mapping to FR Y-14A

   Methodology and Process Overview

   Model technical documents*

   Model Validation*

   Audit Reports

   Results Finalization and Challenge Materials

   **Only items mentioned in first day letter.*
2. For wholesale, please confirm that
   a. C&I includes: C&I Graded, Small Business, Business and Corporate Card
   b. Only HFS CRE is expected (HFI is excluded)
3. For Securities and NII:
   a. Are RWA projections expected for Credit cards, C&I loans, and Securities?
4. MRA documents: Should all normal submission categories be included in MRA remediation documentation or just a document and work papers supporting actions taken to address the MRA?

A:

1. Firms are expected to provide the type and level of documentation in support of the FR Y-14 schedules as described in Appendix C of the CCAR 2018 instructions.

2. For the CCAR 2018 exercise and as set forth in the February 14th first day letter, C&I includes all lines where a firm has material exposures, material changes in modeling approaches, or material changes in risk profile. Held for investment (HFI) is *not* excluded.
3. Yes.
4. Firms should include all documentation that supports specific actions taken to remediate outstanding supervisory findings.

(FRB Response: March 9, 2018)

Q (RPS0049): "With regard to the remediation of outstanding supervisory findings, firms should submit documentation summarizing remediation progress for each finding, including comprehensive supporting documentation and work papers for any findings that the firm's internal audit function has validated and recommends closing."

Management is concerned on the voluminous size of the audit workpapers causing any issues with the upload, as well as maintaining internal audit program confidentiality from internal bank management. First and foremost, are they required to post all workpapers, including documentations of testing material? There also could be redundancy in what audit will submit for comprehensive workpapers, and what management will submit as part of their response to show oversight of MRIA/MRA remediation progress. Also, a central group manages all regulatory requests. Internal audit is concerned with providing material, and having their methodologies and testing framework visible to management.

A: As set forth in the February 14th first day letter, a firm should submit internal audit work papers only in connection with any supervisory finding the firm's internal audit function has validated and recommends be closed. **(FRB Response: March 9, 2018)**

Q (RPS0048):

1. The "CCAR 2018 Day One Letter" does not address exposures for Operational Risk. What are the documentation expectations?
2. The "CCAR 2018 Day One Letter" does not address supporting material requirements for general documentation that has been traditionally submitted, including: committee / board materials, policies and frameworks referenced within the Capital Plan, other enterprise policies, procedures and standards. Is the expectation that firms should continue to provide those documents in the April 5th submission?
3. The "CCAR 2018 Day One Letter" provides specific areas and exposures in scope for CCAR 2018. Is the expectation to submit methodology development and independent review documentation only for those exposures in scope?

A:

1. Firms should only submit documentation for operational risk that support actions the firm has taken to date to remediate outstanding supervisory findings pertinent to operational risk.
2. Firms are expected to provide the type and level of documentation in support of their capital plan narratives as described in Appendix C of the CCAR 2018 instructions.
3. Yes—firms are only expected to submit methodology development and independent review documentation for the exposures in scope for the CCAR 2018 exercise.

(FRB Response: March 9, 2018)

Q (RPS0047): The FR Y-14A instructions have specific supporting documentation requirements and state that "Large and complex firms and LISCC firms should provide the information set forth in this appendix A with their capital plan submission." On February 14, 2018, the FRB sent a notification letter outlining the supporting documentation requirements for CCAR 2018 but did not clarify whether the supporting documentation detailed in the FR Y-14A instructions was still required. For CCAR 2018 should firms a) only submit supporting documentation described in the February 14 notification letter or b) submit supporting documentation described in the February 14 notification letter and in the FR Y-14A instructions?

A: The February 14th first day letter (FDL) does not supersede the FR Y-14A submission requirements. The FDL set forth the areas in scope for the 2018 CCAR exercise. Accordingly, firms are expected to provide the type and level of documentation in support of their capital plan narratives as described in Appendix C of the CCAR 2018 instructions for each of those areas. As in prior years, firms are expected to provide the type and level of documentation in support of the FR Y-14 schedules as described in Appendix C of the CCAR 2018 instructions. **(FRB Response: March 9, 2018)**

Q (RPS0046): In a previously submitted question, we noted that ETD/cleared exposures will be excluded from the Fed's CDSC reporting requirements for 2018. In recognition of this development, we would like to discuss further, at your convenience, how this may or may not impact supervisory expectations relative to firm's treatment of such exposures within the development and application of its idiosyncratic scenario. Based on our internal assessments, we believe that the risk of such positions are less material than the outright exposure given the nature of the counterparty mix, as well as, explicit margining practices.

A: The response to the previously submitted question was not intended to modify supervisory expectations regarding a firm's treatment of ETD/cleared exposures under the BHC scenario required under the Board's capital plan rule. As described in more detail in supervisory guidance SR 15-18, a firm should thoroughly evaluate and consider the inclusion of all its counterparty exposures as part of its risk identification and scenario design process. The results of these processes should determine whether a firm views a specific product as material and necessary for inclusion in the BHC stress loss estimation. **(FRB Response: January 30, 2018)**

Q (SUM0116): Could you please provide guidance on the sign usage for OTTI on the Income Statement? For the OTTI Securities by Portfolio schedules, the instructions were updated a few stress tests ago to state: "OTTI values should be stated as positive values". The instructions for IS-126 and IS-127 make no statement regarding the sign of the submission for these line items. Should we assume that the Securities by Portfolio schedule should be submitted as a positive value, while the Income Statement OTTI to be negative? Or should all OTTI values be submitted as a positive value?

Further, if the OTTI lines on the Income Statement is also to be submitted as a positive, should the formula for IS-128 be updated to subtract the OTTI values, instead of add them?

A: For purposes of reporting OTTI values on the FR Y-14A, Schedule A.1.a, Line Items 126 and 127, OTTI gains should be reported as positive values and OTTI losses as negative values. **(FRB Response: January 30, 2018)**

Resubmission

Q (RSB0011): In March 2020 the Federal Reserve Board (FRB) issued a final rule establishing the Stress Capital Buffer (SCB) requirement. The rule continues to require a firm to describe its planned capital distributions in its annual Capital Plan submission; however, per the new rule, a firm is no longer required to seek prior approval if it makes capital distributions in excess of those included in its Capital Plan (so long as the firm is otherwise in compliance with the capital rule's automatic restrictions on distributions). However, the final rule does require that a firm provide the Board and appropriate Reserve Bank with notice within 15 days after making any capital distributions in excess of those included in its Capital Plan. A firm would provide notice of additional distributions through an update to a firm's FR Y-14A Schedule C, Regulatory Capital Instruments. This reporting requirement will allow the Board to continue to monitor a firm's capital distributions. The SCB final rule is effective as of October 1, 2020. The CCAR resubmission will be due on November 2, 2020. If a firm plans to make net distributions in excess of those included in its original 2020 Spring CCAR Capital Plan (e.g., via lack of a previously planned issuance) for 4Q20 and onward, with such changes reflected in the November 2 resubmission, would the firm still be required to provide the Board and appropriate Reserve Bank with notice within 15 days' timeframe, via an updated FR Y-14A Schedule C (revisions to Spring filing), or could the resubmission serve as the only required notification? Additionally, in the event that the 3Q20 capital distribution limitations are extended to 4Q20, and if the previous Plan was to complete a net issuance during 4Q20, would the firm then be required to execute the indicated issuance during the quarter (or else be considered as a net distribution)?

A: Yes, a bank holding company must notify the Board and the appropriate Reserve Bank within 15 days of making a capital distribution if the dollar amount of the capital distribution will exceed the dollar amount of the bank holding company's final planned capital distributions (currently those associated with the annual capital plan submitted in April), as measured on an aggregate basis beginning in the fourth quarter of the planning horizon through the quarter at issue. See 12 CFR 225.8(l). The authorizations in the letter the Board sent to the firm on September 30 authorized certain capital distributions in the fourth quarter. It does not require a firm to make any capital actions.
(FRB Response: October 16, 2020)

Q (RSB0010): Could the Federal Reserve please clarify if it is expecting covered firms to submit results under the Dodd-Frank Act Stress Test (DFAST) capital action assumptions for the supervisory severely adverse and the supervisory alternative severe scenarios for the CCAR 2020 Resubmission? If yes, are covered firms also required to publish a company-run DFAST disclosure for the two supervisory stress scenarios within 15 calendar days following the Federal Reserve's release of firm-specific results from their performance under the supervisory stress scenarios?

A: Firms are not required to submit the Y-14A Schedule A.1.d – Capital – DFAST sub-schedule as part of the 2020 capital plan resubmission. Firms will not be required to publish the results of the analysis they produce as part of the 2020 capital plan resubmission.
(FRB Response: October 16, 2020)

Q (RSB0009): If a firm has adopted the standardized approach for counterparty credit risk (SA-CCR) as of the June 30 reporting date, please confirm that SA-CCR should be reflected for purposes of the risk-weighted asset and leverage projections for the capital plan resubmission.

A: With respect to the capital plan resubmission, if a firm has adopted the standardized approach for counterparty credit risk as of the June 30 reporting date, SA-CCR may be reflected for purposes of the risk-weighted asset and leverage projections.
(FRB Response: September 15, 2020)

Q (RSB0007): As firms prepare to update and resubmit capital plans as required in the Resubmission Notification received on June 25th, when can firms expect to receive notification for the as-of date to be used for the GMS calculated in the pending FRB scenarios?

A: Firms should resubmit the 2020 capital plan and associated FR Y-14A data using an as-of date of June 30, 2020. Additional information about the resubmission process will be released at a later date. **(FRB Response: July 10, 2020)**

Q (RSB0006): For the third quarter of 2020, the Federal Reserve imposed a limit on the amount of dividends that firms can pay based on recent net income. Is the calculation of net income based on pre-tax net income or after-tax net income?

A: For purposes of the limits on distributions that apply in the third quarter of 2020, as described in the letter dated June 25, 2020, the calculation of net income is based on after-tax net income. **(FRB Response: June 29, 2020)**

Q (RSB0005): Is a firm required to submit adjustments to its planned capital actions within two business days after receiving its stress capital buffer requirement as a result of any restrictions on capital distributions that arise from the requirement for the firm to resubmit its capital plan?

A: Under the Board's capital plan rule, after a firm has been provided with its stress capital buffer requirement, it must submit any adjustments to its planned capital actions within two business days (12 CFR 225.8(h)(2)(ii)). In particular, if a firm's planned capital distributions for the fourth through seventh quarters of the planning horizon under the BHC baseline scenario would not be consistent with effective capital distribution limitations, assuming the stress capital buffer requirement provided by the Board were in place, the firm must adjust its planned capital distributions such that its planned capital distributions would be consistent with effective capital distribution limitations (12 CFR 225.8(h)(2)(ii)(A)(1)).

Any restrictions on capital distributions that arise from the requirement for a firm to resubmit its capital plan are separate from, and not included in, the effective capital distribution limitations defined in the capital plan rule. Accordingly, to the extent a firm's planned capital distributions for the fourth through seventh quarters of the planning horizon under the BHC baseline scenario are consistent with effective capital distribution limitations, assuming the stress capital buffer requirement provided by the Board were in place, the firm is not required to submit any adjustments to its planned capital distributions within two business days.
(FRB Response: June 26, 2020)

Q (RSB0004): The interim final rule on Revised Transition of CECL Allowances (85 FR 17723, https://www.federalregister.gov/d/2020-06770) published in the *Federal Register* on March 31, 2020 allows the option for firms to phase in over five years the impact of the current expected credit loss methodology on regulatory capital. If, following CCAR 2020 submission on April 6, 2020, a firm chooses to implement the five year transition, what, if anything, is the firm required to resubmit to the FRB? If possible, please be specific in what is required. For example

1. Is the firm required to resubmit all (or a subset) of their FR Y- 14A schedules?
2. Is the firm required to resubmit the entire capital plan document or just updated capital projections?
3. Is there any expectation that, if the capital plan is required to be resubmitted, it must be approved by the Board or a committee thereof?

A: If a firm chooses to adopt the 5-year CECL transition provision after it has submitted its FR Y-14A and capital plan on April 6, 2020, then the firm is not required to resubmit either the FR Y-14A or its capital plan for the 2020 stress testing cycle, nor is the firm required to have its capital plan reapproved by the firm's board or a committee thereof.
(FRB Response: May 18, 2020)

Scenarios

Q (SCN0002): With respect to the FRB's observations around the capital benefits received by risk mitigating hedging activity, if a firm does not recognize the capital benefits of certain risk mitigating hedging positions within their BHC scenario (due to their potential ineffectiveness in a protracted stress), should the firm also apply the same treatment with the FRB's Supervisory Severely Adverse scenario?

A: If, in accordance with its capital plan, a firm does not recognize the capital benefits of certain risk mitigating hedging positions, or macro hedges, within its BHC scenario (due to their potential ineffectiveness in a protracted stress), the firm may undertake the same approach within the Federal Reserve's supervisory severely adverse scenario. Firms using risk mitigating hedge positions should analyze and account for any uncertainties and potential limitations around those positions and transparently explain them in their capital plans and capital adequacy determinations. **(FRB Response: March 13, 2020)**

Q (SCN0001): Subsequent to the finalization of the BHC Base scenario macroeconomic factors, there has been significant change and volatility in the economic environment. Because the firm is currently in the late stages of finalizing its BHC Base forecast, the firm intends to submit the BHC Base forecast using macroeconomic factors which were finalized in early 1Q 2020. The firm acknowledges that the basis of CCAR is predictive in nature, and it is difficult to predict how the current operating environment may evolve. Consequently, the firm intends to compare its BHC Base forecast to a more recent firm outlook, and will address any significant differences through sensitivity testing which will be included in the CCAR 2020 Submission. The sensitivity testing will indicate the "as of" date for the more recent firm outlook. Please confirm if this approach is acceptable.

A: This approach is acceptable. The Board's rules require a firm's board of directors to review the robustness of a firm's process for assessing capital adequacy. As noted in SR Letter 15-18, a firm's board of directors should hold its senior management accountable for providing sufficient information on the firm's material risks and exposures to inform board decisions on capital adequacy and actions, including capital distributions.

As such, to the extent recent changes in global markets, the economic outlook, or other factors affect a firm's financial outlook, that information should be considered when estimating projected revenues, losses, reserves, and pro forma capital levels over the planning horizon under all baseline and stress scenarios. The Federal Reserve appreciates that changes in market conditions can occur at any time, including just before the capital plan submission date. In such instances, senior management should use sensitivity analysis or other methods to highlight to its board the potential effects of changes in economic conditions and market environments on its capital adequacy assessment, including on any planned or proposed capital distributions.

Lastly, if it is not possible to reflect these recent changes in the firm's baseline or stressed projections in all schedules of the FR-Y14A, senior management should clearly reflect the processes it undertook and assumptions used to highlight the effects of changes in the macroeconomic environment or global markets on its capital projections in its capital plan and the supporting information for that plan. Also, firms should ensure all planned capital actions described in the BHC baseline scenario are reflected in the FR Y-14A Summary Schedule and on the FR Y-14A Regulatory Capital Instruments Schedule. **(FRB Response: March 17, 2020)**

Q (GEN0206): The Federal Reserve is no longer publishing the U.S. BBB corporate yield: Merrill Lynch 10-year that was used to describe the CCAR interest rate scenario, does this mean that the Fed intends to discontinue use of this variable as a CCAR variable? If so, can you please let us know what rate the Fed will replace this with in CCAR 2020 so we have time for any model development, recalibration, and validation work prior to the start of the next CCAR cycle?

A: The Federal Reserve plans to continue to include corporate bond yields as one of the variables in the supervisory scenarios used for stress testing. The Federal Reserve currently is exploring alternative sources for this variable. **(FRB Response: June 18, 2019)**

Q (GEN0195): We have the following questions regarding the response to FAQ GEN0194. We note that the response states, "It is acceptable for firms to use the Federal Reserve's severely adverse scenario from a prior year's stress test cycle as a benchmark to assess the severity of the BHC stress scenario."

- If a firm chooses to calibrate the severity of the current year's BHC Stress scenario to a prior year's Supervisory Severely Adverse scenario, is the firm expected to calibrate the scenario to the most severe Supervisory Severely Adverse Scenario ever issued?
- Can a firm choose to continue the existing practice of calibrating the severity of the BHC Stress scenario to the current cycle's Supervisory Severely Adverse scenario?

A: A firm may choose to calibrate the severity of its BHC stress scenario to the current cycle's supervisory severely adverse scenario, but as noted in response to FAQ GEN0194, it is also acceptable for a firm to use the Federal Reserve's severely adverse scenario from a prior year's stress test cycle as a benchmark to assess the severity of the BHC stress scenario.
(FRB Response: June 5, 2018)

Q (GEN0194): What is Federal Reserve's expectation regarding the severity of a firm's own stress test?

A: Under the Board's capital plan rule, a firm is required to address, as part of its capital plan, the impact of at least one BHC stress scenario. See 12 CFR 225.8(e)(2)(i)(A). As provided in appendix G of SR letter 15–18, the BHC stress scenario should be at least as severe in the aggregate as the Federal Reserve's severely adverse supervisory scenario, measured in terms of the effect of the BHC stress scenario on net income and other elements that affect capital. It is acceptable for firms to use the Federal Reserve's severely adverse scenario from a prior year's stress test cycle as a benchmark to assess the severity of the BHC stress scenario. **(FRB Response: April 6, 2018)**

Q (GEN0193): SR 15-18 guidance indicates that “scenario analysis should be a core component of the firm’s operational loss projection approaches”, given the acknowledgment that “certain operational risks, particularly those most likely to give rise to large losses, often may not have measurable relationships to the overall scenario conditions” (p.41, Appendix I). A firm may develop scenario analysis approaches to stress the specific operational risk exposures related to its business, which could be considered idiosyncratic risks. As specified by the response to a recent FAQ (GEN0187), firms should not include idiosyncratic risk events in company-run stress tests under supervisory scenarios. Can the FRB please confirm that operational risk scenario analysis approaches are appropriate for use in company-run stress tests under supervisory scenarios?

A: The supervisory scenarios are used to assess the strength and resilience of a firm’s capital in baseline and stressed economic and financial environments. Consistency and comparability are key features of annual supervisory stress tests and annual-company-run stress tests conducted under the supervisory scenarios. Accordingly, as noted in the response to GEN0187, firms should not include idiosyncratic risk events in the company-run stress tests conducted under the supervisory scenarios. Idiosyncratic risk events in the context of the supervisory scenarios include large-scale and remote operational events such as natural disasters or cyber-attacks that only impact a single firm. The Federal Reserve continues to expect firms to estimate operational losses in the company-run supervisory scenarios that may arise from the ordinary course of business operations, such as internal and external fraud and routine litigation. A firm may include idiosyncratic risk events in its BHC stress scenario so long as the stress scenario is consistent with the capital plan rule (12 CFR § 225.8), as elaborated in SR Letter 15-18 and the CCAR 2018 Summary Instructions. **(FRB Response: March 29, 2018)**

Q (GEN0187): As part of its BHC scenario design, firms may supplement their 9Q macroeconomic-driven forecasts with idiosyncratic scenario add-on components that are specific to the firm and which cannot be well modeled based on macroeconomic forecasts. These may include certain operational risk scenario events that are designed to be forward-looking, hypothetical events that target firm-specific vulnerabilities. Please clarify whether the impact from the operational risk scenario events that the firm itself designs and applies to its BHC scenarios should also be considered in the Supervisory Baseline, Adverse and Severely Adverse scenarios given that the Federal Reserve has not previously provided such guidance nor explicitly included operational risk-related scenario components in prior CCAR instructions.

A: Firms should not include idiosyncratic risk events in company-run stress tests under supervisory scenarios. **(FRB Response: February 21, 2018)**