Comprehensive Capital Analysis and Review 2017 Summary Instructions for LISCC and Large and Complex Firms

February 2017

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Comprehensive Capital Analysis and Review 2017 Summary Instructions for LISCC and Large and Complex Firms

February 2017

Board of Governors of the Federal Reserve System

This and other Federal Reserve Board reports and publications are available online at
www.federalreserve.gov/publications/default.htm.

To order copies of Federal Reserve Board publications offered in print,
see the Board's Publication Order Form (www.federalreserve.gov/pubs/orderform.pdf)
or contact:

Publications Fulfillment
Mail Stop N-127
Board of Governors of the Federal Reserve System
Washington, DC 20551
(ph) 202-452-3245
(fax) 202-728-5886
(e-mail) Publications-BOG@frb.gov

Contents

Introduction

The Federal Reserve's annual Comprehensive Capital Analysis and Review (CCAR) is an intensive assessment of the capital adequacy of large, complex U.S. bank holding companies (BHCs), and of the practices these BHCs use to assess their capital needs. The Federal Reserve expects these BHCs to have sufficient capital to withstand a severely adverse operating environment and continue to be able to lend to households and businesses, continue operations, maintain ready access to funding, and meet obligations to creditors and counterparties.

The following instructions include information about the quantitative and qualitative assessments of capital plans submitted in connection with this year's CCAR exercise (CCAR 2017) by (1) firms subject to the Large Institution Supervision Coordination Committee framework (LISCC firms), and (2) large and complex firms.[1]

These instructions do not apply to the following firms:

- LISCC or large and complex firms that are newly formed U.S. intermediate holding companies (IHCs);[2] and
- Large and noncomplex firms.[3]

About This Publication

These instructions provide information regarding requirements and expectations for CCAR 2017, the stress testing and capital planning cycle that began on January 1, 2017. Similar to the instructions in previous years, the instructions for CCAR 2017 provide information regarding the

- logistics for a BHC's capital plan submissions;
- expectations regarding the mandatory elements of a capital plan;
- qualitative assessment of a BHC's capital plan;
- quantitative assessment of a BHC's post-stress capital adequacy;
- Federal Reserve response to capital plans and planned capital actions;

[1] Under the Board's capital plan rules (12 CFR part 217, subpart H), large and complex firms are bank holding companies and U.S. intermediate holding companies that (i) have $250 billion or more in total consolidated assets, (ii) have average total nonbank assets of $75 billion or more, or (iii) are U.S. global systemically important banks. Based on the current population of bank holding companies, all LISCC firms exceed these thresholds. The LISCC and large and complex firms required to participate in CCAR 2017 are Bank of America Corporation; The Bank of New York Mellon Corporation; Capital One Financial Corporation; Citigroup Inc.; The Goldman Sachs Group, Inc.; HSBC North America Holdings Inc.; JPMorgan Chase & Co.; Morgan Stanley; The PNC Financial Services Group, Inc.; State Street Corporation; TD Group US Holdings LLC; U.S. Bancorp; and Wells Fargo & Company. See 12 CFR 225.8(c) (as amended by a final rule adopted by the Board on January 30, 2017); see Amendments to the Capital Plan and Stress Test Rules, available at http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20170130a1.pdf.

[2] These firms are Barclays US LLC; Credit Suisse Holdings (USA), Inc.; Deutsche Bank USA Corporation; RBC USA Holdco Corporation; and UBS Americas Holdings LLC. These firms are not participating in CCAR 2017, but are required under the capital plan rule to submit a capital plan to the Federal Reserve that will be subject to a confidential review process. Details of this review process will be described in a supervisory communication sent to each firm. Deutsche Bank Trust Corporation is a subsidiary of a newly formed IHC which has participated in CCAR in previous years, and will be subject to the quantitative assessment in CCAR.

[3] Large and noncomplex firms are BHCs or IHCs that (i) have average total consolidated assets between $50 billion and $250 billion, (ii) have average total nonbank assets of less than $75 billion, and (iii) are not U.S. global systemically important banks. These firms are Ally Financial Inc.; American Express Company; BancWest Corporation; BB&T Corporation; BBVA Compass Bancshares, Inc.; BMO Financial Corp.; BNP Paribas USA, Inc.; CIT Group Inc.; Citizens Financial Group, Inc.; Comerica Incorporated; Discover Financial Services; Fifth Third Bancorp; Huntington Bancshares Incorporated; KeyCorp; M&T Bank Corporation; MUFG Americas Holdings Corporation; Northern Trust Corporation; Regions Financial Corporation; Santander Holdings USA, Inc.; SunTrust Banks, Inc.; and Zions Bancorporation. Large and noncomplex firms are no longer subject to CCAR's qualitative review, but continue to be subject to a quantitative review of their capital plans. Details of this review process will be described in a supervisory communication sent to each firm.

- limited adjustments a BHC may make to its planned capital distributions; and
- planned public disclosures by the Federal Reserve at the end of the CCAR exercise.

Differences Between the CCAR 2017 Instructions and Previous Instructions

The CCAR 2017 instructions have been updated from the CCAR 2016 instructions to reflect the recent phase-in of certain regulatory requirements and amendments to the capital plan rule.

- **Supplementary leverage ratio:** The supplementary leverage ratio, defined as tier 1 capital divided by total leverage exposure, will become a minimum capital ratio requirement for firms subject to the advanced approaches capital framework on January 1, 2018.[4] The CCAR 2017 planning horizon includes the initial compliance date for the supplementary leverage ratio and advanced approaches BHCs must demonstrate an ability to maintain a supplementary leverage ratio above 3 percent in the quarters of the planning horizon corresponding to 2018:Q1–2019:Q1.[5]
- **Attestation requirements for LISCC firms:** Domestic LISCC firms are required to attest to conformance with the FR Y-14 report forms instructions, the material correctness of the actual submitted FR Y-14 data, and the effectiveness of internal controls for FR Y-14 reports with December 31, 2016, as-of dates.[6] Beginning with FR Y-14 reports with December 31, 2017, as-of dates, a domestic LISCC firm will attest to the effectiveness of internal controls for FR Y-14 submissions filed throughout the year.
- **Modifications to incremental capital actions not included in a BHC's capital plan:** Firms may make incremental capital distributions that exceed the amount in their non-objected to capital plan by giving prior notice to the Board, provided that the firm is well-capitalized and that certain other conditions are met (de minimis exception).[7]

  On January 30, 2017, the Board adopted amendments to the capital plan rule,[8] which modify the de minimis exception in two ways:

  —**Reduced de minimis exception threshold:** The amount of additional capital distributions a BHC can make during a capital plan cycle has been reduced from 1.00 percent to 0.25 percent of a firm's tier 1 capital.

  —**Blackout period for de minimis exception notices and incremental capital distribution requests:** BHCs will not be permitted to submit a notice to use the de minimis exception or submit a request for prior approval of additional capital distributions during the quarter when the Board is conducting CCAR (the second quarter of the calendar year).

  This blackout period will also apply to requests to the Board for prior approval of additional capital distributions in connection with non-objected to capital plans.
- **Removal of large and noncomplex firms from CCAR's qualitative review:** As noted above, large and noncomplex firms are no longer subject to CCAR's qualitative review.

Potential Changes to CCAR that Do Not Affect CCAR 2017

On September 26, 2016, Governor Daniel Tarullo gave a speech discussing the results of a recent review of the stress tests and CCAR program. Certain potential changes that were discussed in the speech have not yet been formally proposed and will not be incorporated in CCAR 2017. The Federal Reserve will invite comments on the proposal when it is published. These potential changes include implementation of a stress capital buffer, changes to the treatment of planned distributions, changes to certain balance sheet and risk-weighted asset (RWA) assumptions, and the removal of heightened scrutiny of capital plans that imply dividend payout ratios above 30 percent.

4 See 12 CFR part 217.

5 An advanced approaches BHC includes any BHC that has consolidated assets greater than or equal to $250 billion or total consolidated on-balance sheet foreign exposure of at least $10 billion as of December 31, 2016. See 12 CFR 217.100(b)(1).

6 IHCs that are LISCC firms will be subject to attestation requirements beginning with the FR Y-14 reports with an as of date of December 31, 2017.

7 12 CFR 225.8(g)(2).

8 As provided in the final rule, the amendments to the capital plan rule are expected to become effective 30 days after publication in the Federal Register. See Amendments to the Capital Plan and Stress Test Rules, available at www.federalreserve.gov/newsevents/press/bcreg/bcreg20170130a1.pdf.

CCAR and Pending Changes in Accounting Standards

The Financial Accounting Standards Board (FASB) periodically makes revisions to U.S. Generally Accepted Accounting Principles (US GAAP). These changes impact BHCs' financial reporting upon adoption. The FASB has completed major revisions to accounting rules associated with revenue recognition, classification, and measurement of financial instruments, leases, and credit losses. The effective dates for these standards range from fiscal years beginning after December 15, 2017, to fiscal years beginning after December 15, 2020.[9]

For the purposes of CCAR 2017, a BHC should not reflect the adoption of new accounting standards in its projections unless the firm has already adopted the accounting standard for financial reporting purposes. For example, Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (CECL) will go into effect in 2020, and will, therefore, not affect CCAR 2017 projections. That is, a BHC should not reflect the effects of adoption of a new accounting standard for a projected period in its FR Y-14 submission if the standard was not effective as of December 31, 2016. If a BHC has adopted a standard early or, if allowed, a particular provision of a standard as of December 31, 2016, that adoption should be reflected for the FR Y-14A report with December 31, 2016, as-of dates, and for the subsequent projected quarters.

Overview of CCAR Process

The Board's capital plan rule requires BHCs with consolidated assets of $50 billion or more to submit a capital plan to the Federal Reserve annually.[10] Under the rule, a BHC's capital plan must include a detailed description of the BHC's internal processes for assessing capital adequacy; the board of directors' approved policies governing capital actions; and the BHC's planned capital actions over a nine-quarter planning horizon. Further, a BHC must report to the Federal Reserve the results of stress tests conducted by the BHC under supervisory scenarios provided by the Federal Reserve and under a baseline scenario and a stress scenario designed by the BHC (BHC baseline and BHC stress scenarios). These stress tests assess the sources and uses of capital under baseline and stressed economic and financial market conditions.

Before a BHC submits its capital plan to the Federal Reserve, the capital plan must be approved by the BHC's board of directors, or a committee thereof. For CCAR 2017, capital plans should be submitted to the Federal Reserve no later than **April 5, 2017**.[11]

Under the capital plan rule, the Federal Reserve assesses the overall financial condition, risk profile, and capital adequacy of a BHC on a forward-looking basis and assesses the strength of the BHC's capital planning process, including its capital policies (qualitative assessment).[12]

In CCAR 2017, the Board will conduct a qualitative and quantitative assessment of the capital plans submitted by LISCC and large and complex firms.

The Federal Reserve's qualitative assessment of capital plans in CCAR is informed by a review of the materials each BHC provides in support of its annual capital plan submission. The qualitative assessment considers key aspects of a firm's capital planning process, ranging from the stress testing methods used to inform the forward-looking assessment of that firm's capital adequacy to risk identification, measurement and management, internal controls, and governance supporting the process. In addition, the qualitative assessment incorporates supervisory evaluations of related issues in the firms' risk identification, measurement and management practices, internal control processes, and overall corporate governance that may be identified through supervisory assessments carried out throughout the year.

---

9 The revenue recognition standard (Topic 606) is effective for interim and annual reporting periods beginning after December 15, 2017. The recognition and measurement of financial instruments standard (Topic 825) is effective for the interim and annual reporting periods beginning after December 15, 2017. The leases standard (Topic 842) is effective for annual and interim periods beginning after December 15, 2018. The credit losses standard (Topic 326) is effective for fiscal years beginning after December 15, 2019, for Securities and Exchange Commission (SEC) filers and after December 15, 2020, for non-SEC filers.

10 The capital plan rule is codified at 12 CFR 225.8. Asset size is measured over the previous four calendar quarters as reported on the FR Y-9C regulatory report. If a BHC has not filed the FR Y-9C for each of the four most recent quarters, average total consolidated assets means the average of the company's total consolidated assets, as reported on the company's FR Y-9C, for the most recent quarter or consecutive quarters.

11 A bank holding company that meets the threshold must submit a capital plan, even if it does not intend to undertake any capital distributions over the planning horizon.

12 See 12 CFR 225.8(f).

Table 1. Required minimum capital ratios for LISCC and large and complex firms in CCAR 2017
Percent

Regulatory ratio	Minimum ratio
Common equity tier 1 capital ratio	4.5
Tier 1 risk-based capital ratio	6.0
Total risk-based capital ratio	8.0
Tier 1 leverage ratio	4.0
Supplementary leverage ratio	3.0

Note: The supplementary leverage ratio captures the exposure of a banking organization's off-balance sheet items in addition to capturing on-balance sheet exposures included in the denominator of the Tier 1 leverage ratio. The expanded definition of leverage exposure in the SLR enhances the stringency of the leverage requirements in the stress test.

All regulatory capital ratios are calculated using the definitions of capital, standardized risk-weighted assets, average assets (for the tier 1 leverage ratio), and total leverage exposure that are in effect during a particular quarter of the planning horizon. The advanced approaches are not used for purposes of these projections. BHCs subject to the advanced approaches are required to maintain a supplementary leverage ratio above 3 percent for quarters corresponding to 2018:Q1 to 2019:Q1. See 12 CFR 225.8(c)(3) and 12 CFR 225.8(d)(8).

The Federal Reserve's quantitative assessment of a BHC's capital plan is based on the supervisory and company-run stress tests that are conducted, in part, under the Board's rules implementing sections 165(i)(1) and (2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act stress test rules). (See "Discussion of Stress Tests Results Conducted by BHCs" on page 6 and "Supervisory Post-Stress Capital Analysis" on page 14.) The quantitative assessment of a BHC's capital plan includes a supervisory assessment of the BHC's ability to maintain capital levels above each minimum regulatory capital ratio, after making all capital actions included in its capital plans, under baseline and stressful conditions throughout the nine-quarter planning horizon. See table 1 for a list of the ratios that are applicable to all BHCs participating in CCAR 2017 over the planning horizon.

Both the quantitative and qualitative assessments are key inputs to the CCAR evaluation, including into any decision to object, or not object, to a firm's capital plan. The decisions for all firms participating in CCAR 2017, including the reasons for any objections to a firm's capital plan, will be published on or before June 30, 2017. In addition, the Board will separately publish the results of its supervisory stress tests under both the supervisory severely adverse and adverse scenarios.

Correspondence Related to CCAR

All questions from BHCs and communications from the Federal Reserve concerning CCAR are addressed through the secure CCAR Communications mailbox. Prior to and during the CCAR 2017 cycle, BHCs will receive program updates via e-mail from the CCAR Communications mailbox. These updates include notifications about CCAR industry conference calls hosted by the Federal Reserve and formal responses to frequently asked questions (FAQs) submitted by participating BHCs about the CCAR process and instructions.

The CCAR Communications mailbox serves as a BHC's primary point of contact for specific questions about the capital plan and stress test rule requirements. If a BHC seeks clarifications on elements of CCAR or the Dodd-Frank Act stress test (DFAST) program, the BHC should submit its questions to the mailbox.

Several enhancements have recently been made to the process by which FAQs are submitted and answered. To improve communication between the Federal Reserve and BHCs participating in CCAR, the Federal Reserve will provide a direct response to every FAQ submitted by a BHC. Upon receipt of the FAQ, the Federal Reserve will provide to the BHC a timeframe in which a response can be expected. The Federal Reserve will also publish CCAR FAQ reports on a quarterly basis at minimum, and with greater than quarterly frequency in the months preceding the annual CCAR exercise. If a BHC submits a FAQ that is applicable to other BHCs, then a general version of the question and approved response will be included in the CCAR FAQ report.

If needed, meetings may be scheduled to discuss submitted questions in more detail; however, only those responses that a BHC receives through the secure CCAR Communications mailbox should be considered final guidance.

Mandatory Elements of a Capital Plan

As noted earlier, a BHC must submit its capital plan and supporting information to the Federal Reserve by **April 5, 2017**. The capital plan and any supporting information, including certain FR Y-14 schedules, must be submitted to the Federal Reserve through a secure collaboration site. The capital plan rule specifies the four mandatory elements of a capital plan:[13]

1. An assessment of the expected uses and sources of capital over the planning horizon that reflects the BHC's size, complexity, risk profile, and scope of operations, assuming both expected and stressful conditions, including
   a. Estimates of projected revenues, losses, reserves, and pro forma capital levels—including any minimum regulatory capital ratios (e.g., supplementary and tier 1 leverage, common equity tier 1, tier 1 risk-based, and total risk-based capital ratios) and any additional capital measures deemed relevant by the BHC—over the planning horizon under baseline conditions and under a range of stressed scenarios. These must include any scenarios provided by the Federal Reserve and at least one stress scenario developed by the BHC that is appropriate to its business model and activities.
   b. A discussion of how the BHC will maintain all minimum regulatory capital ratios under expected conditions and the required stressed scenarios.
   c. A discussion of the results of the stress tests required by law or regulation, and an explanation of how the capital plan takes these results into account.
   d. A description of all planned capital actions over the planning horizon.
2. A detailed description of the BHC's processes for assessing capital adequacy.
3. The BHC's capital policy.
4. A discussion of any expected changes to the BHC's business plan that are likely to have a material impact on the BHC's capital adequacy or liquidity.

In addition to these mandatory elements, the Board also requires BHCs to submit supporting information that is necessary to facilitate review of a BHC's capital plan under the Board's capital plan rule and in accordance with the FR Y-14 Instructions.[14] The capital plan elements described in the CCAR 2017 instructions do not replace the elements that BHCs are required to provide in connection with the FR Y-14, including appendix A to the FR Y-14A, which describes the supporting documentation requirements. The mandatory elements of a capital plan overlap with some of these supporting documentation requirements.

The remainder of this section describes in detail the instructions and expectations for the capital plan and provides information on the format that BHCs should use when submitting their capital plans and any supporting information.

Assessment of the Expected Uses and Sources of Capital

BHCs must include an assessment of the expected uses and sources of capital over the planning horizon that reflects the BHC's size, complexity, risk profile, and scope of operations, assuming both expected and stressful conditions.[15] For purposes of CCAR, BHCs are required to submit capital plans that are supported by their capital planning processes and

[13] 12 CFR 225.8(e)(2).

[14] 12 CFR 225.8(e)(3).

[15] 12 CFR 225.8(e)(2)(i).

that include post-stress results for each of the nine quarters under the required scenarios.

The Federal Reserve's evaluation of a BHC's capital plan will focus on whether the BHC has adequate processes for identifying the full range of relevant risks, given the BHC's unique exposures and business mix, and whether the BHC appropriately assesses the impact of those risks on its financial results and capital needs under the required scenarios.

Estimates of Projected Revenues, Losses, Reserves, and Pro Forma Capital Levels

For the purposes of CCAR, each BHC must submit its capital plan supported by its internal capital planning process and include post-stress results under the various scenarios.

In conducting its stress tests, a BHC must reflect the regulatory capital rules in effect for each quarter of the planning horizon (other than the advanced approaches), including the minimum regulatory capital ratios and any applicable transition arrangements.[16] Advanced approaches firms will become subject to the supplementary leverage ratio beginning on January 1, 2018, and will be required to project their supplementary leverage ratios from the first quarter of 2018 through the first quarter of 2019. All LISCC and large and complex firms that are part of CCAR 2017 are advanced approaches firms, and, therefore, subject to the requirement to report the supplementary leverage ratio.

A BHC should clearly identify and report to the Federal Reserve any aspects of its portfolios and exposures that are not adequately captured in the FR Y-14 schedules and that it believes are material to loss estimates for its portfolios. In addition, the BHC should be able to explain the reason why the FR Y-14 is not accurately capturing such exposures. Some examples may include portfolios that have contractual loss-mitigation arrangements or contingent risks from intraday exposures that are not effectively captured by the FR Y-14 schedules. The BHC should also fully describe its estimate of the potential impact of such items on financial performance and loss estimates under the baseline and stressed scenarios. A BHC should incorporate and document any pertinent details that would affect the production and results of these estimates.

[16] See 80 Fed Reg. 75,419 (December 2, 2015).

BHCs should refer to the FR Y-14A Instructions for information on the required data and supporting documentation to submit for regulatory capital projections.

Discussion of Stress Test Results Conducted by BHCs

The capital plan rule requires a discussion of the results of the stress tests required by law or regulation and an explanation of how a BHC's capital plan takes these results into account. For the purposes of CCAR, each BHC is required to submit the results of its stress tests based on three supervisory scenarios, at least one stressed scenario developed by the BHC, and a BHC baseline scenario.[17]

- **Supervisory baseline:** a baseline scenario provided by the Federal Reserve under the Dodd-Frank Act stress test rules;
- **Supervisory adverse:** an adverse scenario provided by the Federal Reserve under the Dodd-Frank Act stress test rules;
- **Supervisory severely adverse:** a severely adverse scenario provided by the Federal Reserve under the Dodd-Frank Act stress test rules;
- **BHC baseline:** a BHC-defined baseline scenario; and
- **BHC stress:** at least one BHC-defined stress scenario.

Unless otherwise noted in the FR Y-14A Instructions, a BHC's estimates of its projected revenues, losses, reserves, and pro forma capital levels must use data as of December 31, 2016, begin in the first quarter of 2017 (January 1, 2017) and conclude at the end of the first quarter of 2019 (March 31, 2019).[18]

The supervisory scenarios used for CCAR are the same scenarios used for the Board's Dodd-Frank Act stress tests. These scenarios are not forecasts of the expected outcomes. They are hypothetical scenarios to be used to assess the strength and resilience

[17] A BHC may use the same baseline scenario as the supervisory baseline scenario if the BHC determines the supervisory baseline scenario appropriately represents its view of the most likely outlook for the risk factors salient to the BHC.

[18] The only exception to this planning horizon is with respect to the Regulatory Capital Transitions Schedule submission required under the FR Y-14A, which should be reported as of December 31, 2016, with projections through December 31, 2021, under the supervisory baseline scenario.

of a BHC's capital in baseline and stressed economic and financial market environments. Under the Federal Reserve's Dodd-Frank Act stress test rules, the Board is required to provide BHCs with a description of the supervisory macroeconomic scenarios no later than February 15 of each calendar year.[19] While supervisory macroeconomic scenarios are applied to all BHCs that are part of CCAR, the Board may apply additional scenarios or scenario components to all or a subset of the BHCs in CCAR.[20] The Board is providing a description of supervisory scenarios and additional scenario components concurrently with these instructions.

Global Market Shock

The six LISCC BHCs with significant trading operations are required to include the global market shock as part of their calculations of post-stress capital under the supervisory adverse and severely adverse scenarios.[21] The global market shock is a component of the stress test designed specially to assess potential losses stemming from trading books, private equity positions, and counterparty exposures. The firms subject to the global market shock must apply the shock as of a specified point in time, which will result in instantaneous losses and a reduction in capital. These losses and related capital impact will be included in projections for the first quarter of the planning horizon. The as-of date for the global market shock is January 3, 2017.

The global market shock is an add-on component of the supervisory stress scenarios that is exogenous to the macroeconomic and financial market environment specified in those scenarios. As a result, losses from the global market shock should be viewed as an addition to the estimates of losses under the macroeconomic scenario.[22] The BHCs subject to the global market shock should not assume for the purposes of calculating post-stress capital ratios that there is a decline in portfolio positions or risk-weighted assets due to losses from the global market shock, except in the case noted below.

If a BHC subject to the global market shock can demonstrate that its loss-estimation methodology stresses identical positions under both the global market shock and the supervisory macroeconomic scenario, that firm may assume that the combined losses from such positions do not exceed losses resulting from the higher of either the losses stemming from the global market shock or those estimated under the macroeconomic scenario. However, the full effect of the global market shock must be taken through net income in the first quarter of the planning horizon, which will include the as-of date for the global market shock.

If a BHC subject to the global market shock makes any adjustment to account for identical positions, then that BHC must demonstrate that the losses generated under the macroeconomic scenario are on identical positions to those subject to the global market shock, break out each of the adjustments as a separate component of PPNR, and describe the rationale behind any such adjustments.

Counterparty Default Scenario Component

The eight BHCs with substantial trading or processing and custodian operations are required to incorporate a counterparty default scenario component into their supervisory adverse and severely adverse stress scenarios.[23] In connection with the counterparty default scenario component, a LISCC BHC subject to the counterparty default scenario component is required to estimate and report the potential losses and related effects on capital associated with the instantaneous and unexpected default of the counterparty that would generate the largest losses across its derivatives and securities financing transactions, including securities lending and repurchase or reverse repurchase agreement activities. The largest counterparty of each LISCC BHC is determined by net stressed losses, which is estimated by revaluing

[19] See 12 CFR 252.44(b) and 12 CFR 252.54(b).

[20] See 12 CFR 252.44(b).

[21] See 12 CFR 252.44(b). The six BHCs participating in the global market shock are Bank of America Corporation; Citigroup Inc.; The Goldman Sachs Group, Inc.; JPMorgan Chase & Co.; Morgan Stanley; and Wells Fargo & Company.

[22] BHCs should not report changes in value of the mortgage-servicing rights (MSR) assets or hedges as trading losses resulting from the global market shock. Therefore, if derivative or other MSR hedges are placed in the trading book for FR Y-9C purposes and in alignment with Generally Accepted Accounting Principles, these hedges should not be stressed with the global market shock.

[23] See 12 CFR 252.44(b). Before the start of the current stress test cycle, the Board notified eight BHCs that the Board is requiring them to incorporate the counterparty default scenario component into their company-run stress tests under the supervisory adverse and supervisory severely adverse scenarios. The eight BHCs required to participate in the counterparty default component are Bank of America Corporation; The Bank of New York Mellon Corporation; Citigroup Inc.; The Goldman Sachs Group, Inc.; JPMorgan Chase & Co.; Morgan Stanley; State Street Corporation; and Wells Fargo & Company.

exposures and collateral using the global market shock scenario.

The as-of date for the counterparty default scenario component is January 3, 2017, the same date as the global market shock.

Similar to the global market shock, the counterparty default scenario component is an add-on component to the macroeconomic and financial market scenarios specified in the Federal Reserve's supervisory adverse and severely adverse scenarios, and, therefore, losses associated with this component should be viewed as an addition to the estimates of losses under the macroeconomic scenarios (see the description of global market shock above).

BHC Scenarios

To gain a deeper understanding of a BHC's unique vulnerabilities, the capital plan rule requires each BHC to design an internal stress scenario that is appropriate to its business activities and exposures, including any expected material changes therein over the nine-quarter horizon. As part of its annual capital plan submission, each BHC must submit the results of its stress tests based on at least one stress scenario developed by that BHC and on a BHC baseline scenario, which reflect the BHC's unique risk exposures and business activities.

A BHC may use the same baseline scenario as the supervisory baseline scenario if the BHC determines the supervisory baseline scenario appropriately represents its view of the most likely outlook for the risk factors salient to the BHC.

LISCC and large and complex BHCs should consult SR letter 15-18, and, in particular, part III.E and appendix G, for detailed guidance on developing internal scenarios that focus on the specific vulnerabilities of the BHC's risk profile and operations.[24]

Description of All Capital Actions Assumed over the Planning Horizon

The Federal Reserve considers the BHC's description of all planned capital actions over the planning horizon, including both capital issuances and capital distributions, and relies on these descriptions of the planned capital actions as a basis for its decisions about the BHC's capital plan. Under the capital plan rule, a capital action is any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the Federal Reserve determines could affect a BHC's consolidated capital.[25] A capital distribution is 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.[26]

A BHC that receives a non-objection to its capital plan generally must request approval from the Board to make capital distributions that exceed those included in its capital plan on a gross or net basis.[27] Further detail is provided under "Execution of Capital Plan and Requests for Additional Distributions" on page 17.

Capital Action Assumptions

BHCs must incorporate assumptions about capital actions over the planning horizon into their company-run stress tests. The types of capital actions that a BHC must incorporate into its company-run stress tests under various scenarios are defined as follows:

- *Planned capital actions:* a BHC's planned capital actions under the BHC baseline scenario
- *Alternative capital actions:* a BHC's assumed capital actions under the BHC stress scenario
- *Dodd-Frank Act stress test capital actions:* capital action assumptions as required under the Dodd-Frank Act stress test rules[28]

Planned Capital Actions

As part of the CCAR capital plan submission, except in the case of the BHC stress scenario, BHCs should calculate post-stress capital ratios using their planned capital actions over the planning horizon under the BHC baseline scenario. Similarly, the Federal Reserve will conduct its post-stress capital analy-

---

[24] See SR letter 15-18, "Federal Reserve Assessment of Capital Planning and Positions for LISCC Firms and Large and Complex Firms," December 18, 2015, www.federalreserve.gov/bankinforeg/srletters/sr1518a1.pdf.

[25] See 12 CFR 225.8(d)(3).

[26] See 12 CFR 225.8(d)(4).

[27] See 12 CFR 225.8(g).

[28] See 12 CFR 252.56(b).

sis using the BHC's planned capital actions that are described in the BHC baseline scenario.

With respect to the planned capital actions under the BHC baseline scenario:

- For the initial quarter of the planning horizon, the BHC must take into account the actual capital actions taken during that quarter.
- For the second quarter of the planning horizon (i.e., the second quarter of 2017), a BHC's capital distributions should be consistent with those already included in the capital plan from the prior year and not objected to by the Federal Reserve for that quarter.[29]
- For each of the third through ninth quarters of the planning horizon, the BHC must include any planned capital actions.

Alternative Capital Actions

In calculating post-stress capital ratios under the BHC stress scenario, a BHC should use the capital actions it would expect to take if the stress scenario were realized. These alternative capital actions should be consistent with the BHC's established capital policies.

Dodd-Frank Act Stress Test Capital Action Assumptions

For stressed projections under the Dodd-Frank Act stress test rule, a BHC must use the following assumptions regarding its capital actions over the planning horizon for the supervisory baseline scenario, the supervisory adverse scenario, and the supervisory severely adverse scenario:

- For the initial quarter of the planning horizon, the BHC must take into account its actual capital actions taken throughout the quarter.
- For each of the second through ninth quarters of the planning horizon, the BHC must include in the projections of capital:
  - —common stock dividends equal to the quarterly average dollar amount of common stock dividends that the company paid in the previous year (i.e., the initial quarter of the planning horizon and the preceding three calendar quarters) plus common stock dividends attributable to issuances related to expensed employee compensation or in connection with a planned merger or acquisition to the extent that the merger or acquisition is reflected in the BHC's pro forma balance sheet estimates;
  - —payments on any other 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 during the quarter;
  - —an assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and
  - —an assumption of no issuances of common stock or preferred stock, except for issuances related to expensed employee compensation or in connection with a planned merger or acquisition to the extent that the merger or acquisition is reflected in the BHC's pro forma balance sheet estimates.[30]

Organization of Description of Capital Actions

A BHC should align the description of its planned capital actions to the actions submitted on the FRY-14A Summary Schedule under the BHC baseline scenario and on the FR Y-14A Regulatory Capital Instruments Schedule, and organize the description of the planned capital actions in a manner that permits comparison with the schedules. One method of organization would be a table, such as table 2, which presents the capital actions by type of capital instrument over the quarterly path.

Planned Capital Actions in Out-Quarters of Planning Horizon

A BHC should ensure that its projections of capital distributions in the three final quarters of the planning horizon (i.e., the quarters that are not subject to objection in the current capital plan cycle, referred to as "out-quarters") are based on realistic assumptions about the future and in a manner broadly consistent with previous quarters. A BHC should only reflect a reduction in planned capital distributions in these out-quarters if the BHC can justify the reduction,

[29] A BHC may include a lower amount of capital distributions for the second quarter of the planning horizon if it intends to make a lower dollar amount of capital distributions than the amount included in the prior year's capital plan. If the BHC includes a lower amount, the BHC will be bound by that lower amount for purposes of 12 CFR 225.8(g). In no event should the BHC include or execute a larger amount of capital distributions than included in its prior year's capital plan without the Federal Reserve's prior approval.

[30] 12 CFR 252.56(b).

Table 2. Summary of planned capital actions, CCAR 2017

Item	2017:Q1	2017:Q2	2017:Q3	2017:Q4	2018:Q1	2018:Q2	2018:Q3	2018:Q4	2019:Q1	9-quarter
Dividends										
Common dividends/share ($)										n/a
Common dividends										
Preferred dividends										
Repurchases and redemptions										
Common stock issuance										
Common stock repurchase (gross)										
Common stock repurchase (net)										
Common stock - employee stock compensation issuance										
Common stock - employee stock compensation repurchase (gross)										
Common stock - employee stock compensation repurchase (net)										
Preferred stock issuance										
Preferred stock repurchase (gross)										
Preferred stock repurchase (net)										
TruPS issuance										
TruPS repurchase (gross)										
TruPS repurchase (net)										
Subordinated debt issuance										
Subordinated debt repurchase (gross)										
Subordinated debt repurchase (net)										
Other capital instruments issuance (gross)										
Other capital instruments repurchase (gross)										
Other capital instruments repurchase (net)										
Millions of dollars										

n/a Not applicable.
TruPS Trust preferred securities.

based on its planned business activities and prudent capital planning. Without explanation, the practice of suddenly reducing planned capital distributions in an out-quarter may be indicative of shortcomings in a BHC's capital planning processes and may indicate that the assumptions and analysis underlying the capital plan, or the BHC's methodologies for reviewing the robustness of its capital planning process, are not reasonable or appropriate.[31] Under the capital plan rule, the Federal Reserve may object to the capital plan of a LISCC or large and complex firm if the assumptions and analyses underlying the BHC's capital plan are not reasonable or appropriate.

[31] 12 CFR 225.8(f)(2)(ii)(B).

Description of a BHC's Process for Assessing Capital Adequacy

A BHC's description of its process for assessing capital adequacy is an important component of its capital plan. As discussed in SR letter 15-18, a LISCC or large and complex BHC's capital planning process should have as its foundation a full understanding of the risks arising across all parts of the firm from its exposures and business activities, as well as scenario-based stress testing analytics, to ensure that it holds sufficient capital corresponding to those risks to maintain operations across the planning horizon.

The detailed description of a LISCC or large and complex BHC's capital planning process should include a discussion of how, under stressful conditions, that BHC will meet supervisory expectations for maintaining capital commensurate with its risks, taking into account minimum regulatory capital ratios and its internal capital goals. LISCC and large and complex BHCs should primarily refer to the SR letter 15-18 for additional detail on the supervisory expectations for the capital planning process.

Expected Changes to Business Plans Affecting Capital Adequacy or Funding

Each BHC should include in its capital plan a discussion of any expected changes to the BHC's business plan that are likely to have a material impact on the BHC's capital adequacy. Examples of changes to a business plan that may have a material impact could include a planned merger, acquisition, or divestiture; changes in key business strategies; or significant investments. For projections under the BHC baseline scenario, a BHC may include all planned mergers, acquisitions, and divestitures that represent the BHC's current view of the most likely outlook over the planning horizon. For projections under all other scenarios, the BHC should include planned mergers and acquisitions, reflecting the terms and conditions that would likely prevail under a given scenario, but only include divestitures that are completed or contractually committed to before the submission date of April 5, 2017.

In the discussion of the business plan change, the BHC should consider in its capital plan the effects of these expected changes and any potential adverse consequences in the event the actions do not result in the planned changes (e.g., a merger plan falls through, a change in business strategy is not achieved, or the BHC suffers a loss on the significant planned investment). In addition, a BHC should reflect material changes to the BHC's business plan in its FR Y-14A Summary and Business Plan Changes schedules and provide relevant supporting documentation. Upon reviewing this information, the Federal Reserve may request additional information about the business plan change.

IHCs participating in CCAR 2017: A CCAR subsidiary of a U.S. IHC or a CCAR BHC that was designated as the U.S. IHC must include in its capital plan an assessment of any planned transfers of assets and liabilities that would affect the BHC's capital adequacy over the planning horizon. The BHC must also reflect the transfers in the FR Y-14A Summary and Business Plan Changes schedules.

Organizing Capital Plan Submissions

Appendix C provides a suggested outline for both the capital plan narrative and supporting information, as well as defining the submission components and mapping them to the mandatory elements in the capital plan rule and the FR Y-14A Instructions.

Data Supporting a Capital Plan Submission

In conducting its assessment of a BHC's capital plan, the Federal Reserve relies on the completeness and accuracy of information provided by the BHC. A BHC's internal controls around data integrity are critical to assure the quality of the capital planning process. BHCs should refer to appendix E of SR letter 15-18 for more information on the Federal Reserve's expectations for internal audit.

A BHC is expected to have procedures in place for meeting the accuracy requirements of the FR Y-14A, FR Y-14Q, and FR Y-14M forms and should be able to evaluate the results of such procedures.[32] Each domestic LISCC firm must complete the attestation for FR Y-14A, FR Y-14Q, and FR Y-14M forms with December 31, 2016, as-of dates.[33] For these forms, LISCC firms are required to attest to conformance with the forms' instructions, the material correctness of the actual data as of that date, and the effectiveness of internal controls for the reports submitted as of that date, rather than with respect to submissions throughout the year.[34]

[32] See SR letter 15-18 appendix E.

[33] See 81 Fed. Reg. 3412, 3414 (January 21, 2016).

[34] For forms with as-of dates beyond December 31, 2016, LISCC firms will be required to attest to conformance with the forms' instructions, the material correctness of the actual data as of each date, and the effectiveness of internal controls for all Y-14

FR Y-14 Data Submission

In general, all BHCs are required to report all data elements in the FR Y-14 schedules; however, certain schedules, worksheets, or data elements may be optional for a BHC. The instructions for the individual FR Y-14A, FR Y-14Q, and FR Y-14M schedules provide details about how to determine whether a BHC must submit a specific schedule, worksheet, or data element.

BHCs are required to report FR Y-14 data that are materially accurate. BHCs may be asked to resubmit FR Y-14 data after the initial due date as specified in the associated report instructions should errors or omissions be identified by the Federal Reserve. Due dates are specified in the FR Y-14Q and FR Y-14M General Instructions, which are available on the Federal Reserve Board's website at www.federalreserve.gov/apps/reportforms/default.aspx. FR Y-14A schedules are due by April 5, 2017. For submissions with a December 31, 2016, as-of date, voluntary data resubmissions received after the initial data submission will be considered on a case-by-case basis for inclusion in the assessment. (See "Quantitative Assessments" on page 14 for the treatment of unresolved data issues.)

Under the capital plan rule, failure to submit complete data to the Federal Reserve in a timely manner may be a basis for objection to a capital plan.[35] A BHC's inability to provide required data by the due dates may affect supervisory estimates of losses, PPNR, RWAs, and capital for the BHC and may affect the Federal Reserve's qualitative assessment of the internal risk-measurement and risk-management practices supporting a BHC's capital planning process.

FR Y-14A Summary Schedule Capital Worksheets

BHCs must complete capital worksheets on the FR Y-14A Summary Schedule to report their projections of capital components, risk-weighted assets, and capital ratios under each of the five scenarios described above.

With respect to a BHC's projections under the supervisory scenarios, the BHC must calculate two sets of pro forma capital ratios and complete (1) the Capital – CCAR worksheet (FR Y-14A Schedule A.1.d.1) using the BHC's planned capital actions in the BHC baseline scenario, and (2) the Capital – DFAST worksheet (FR Y-14A Schedule A.1.d.2) using the prescribed assumptions about capital actions under the Dodd-Frank Act stress test rule.

For the BHC-developed scenarios, a BHC should complete only the Capital – CCAR worksheet (FR Y-14A Schedule A.1.d.1) and include projections using the BHC's expected capital actions as deemed appropriate by the BHC for that scenario and in accordance with the BHC's capital policies.

Table 3 illustrates the capital actions used for each scenario's FR Y-14A Schedule.

Table 3. Capital worksheet requirements

Scenario	CCAR capital worksheet	DFAST capital worksheet
BHC baseline	Planned capital actions	n/a
Supervisory baseline*	Planned capital actions	DFA stress test capital actions
BHC stress	Alternative capital actions	n/a
Supervisory adverse	Planned capital actions	DFA stress test capital actions
Supervisory severely adverse	Planned capital actions	DFA stress test capital actions

* If a BHC determines the supervisory baseline scenario to be appropriate for its own BHC baseline, the BHC may submit identical FR Y-14A Summary schedules with the exception of the capital worksheets noted above. All BHCs must complete two capital worksheets for the supervisory baseline and supervisory severely adverse scenario.

n/a Not applicable.

reports throughout the year, and to report any identified material weaknesses in internal controls.

35 See 12 CFR 225.8(f)(2)(ii).

Federal Reserve Assessment of BHC Capital Plans

The Federal Reserve will review the supporting information in a BHC's capital plan—including the BHC's own stress test results—and will generate supervisory stress test estimates, using internally developed supervisory models and assumptions.[36]

Qualitative Assessments

In conducting the qualitative assessment for CCAR, the Federal Reserve evaluates LISCC and large and complex firms' capital planning practices, focusing on six areas of capital planning—namely, governance, risk management, internal controls, capital policies, incorporating stressful conditions and events, and estimating impact on capital positions. The supervisors engaged in the qualitative assessment include dedicated supervisory teams that provide a firm-specific assessment and horizontal evaluation teams focusing on cross-firm assessments of capital planning processes. Horizontal evaluation teams are multi-disciplinary and include financial analysts, accounting and legal experts, economists, risk management specialists, financial risk modelers, and regulatory capital analysts.

In addition to the assessment carried out subsequent to the submission of the required annual capital plans, CCAR qualitative assessments are informed by supervisory activities that are conducted throughout the year to assess a BHC's practices and processes used, in part, to support its capital planning. These supervisory activities include reviews that focus on risk management, internal controls, audit, and corporate governance and the monitoring of the BHC's progress toward addressing identified weaknesses in capital planning processes and meeting supervisory expectations. In turn, the CCAR qualitative assessment helps to highlight key weaknesses in a BHC's internal processes that can result in additional supervisory scrutiny throughout the year.

During the CCAR qualitative assessment, supervisors assign ratings to each of the six areas of capital planning noted above. The ratings, which indicate the extent to which a BHC's capital planning practices meet supervisory expectations, are used to determine the nature and severity of supervisory feedback. Decisions to object or not object to a BHC's capital plan for qualitative reasons are based on an absolute assessment of the firm's practices relative to the supervisory expectations as detailed in SR letter 15-18.

BHCs that receive an objection generally have a critical deficiency in one or more material areas or have significant deficiencies in a number of areas that undermine the overall reliability of the BHC's capital planning process. The reasons for a qualitative objection include the following:

- The BHC has material unresolved supervisory issues, including but not limited to issues associated with its capital adequacy process.
- The assumptions and analyses underlying the BHC's capital plan, or the BHC's methodologies for reviewing its capital adequacy process, are not reasonable or appropriate.
- The BHC's capital planning process or proposed capital distributions otherwise constitute an unsafe or unsound practice or would violate any law, regulation, Board order, directive, or any condition imposed by, or written agreement with, the Board or the appropriate Federal Reserve Bank.

Material Unresolved Supervisory Issues

The Federal Reserve's qualitative assessment critically evaluates supervisory issues—identified through CCAR and year-round supervisory assessments—related to identification, measurement, and management of firms' material risks and controls and gover-

[36] See Board of Governors of the Federal Reserve System, *Dodd-Frank Act Stress Test 2016: Supervisory Stress Test Methodology and Results* (Washington: Board of Governors, March 2016), www.federalreserve.gov/newsevents/press/bcreg/bcreg20160623a1.pdf.

nance around those activities. Sound capital planning requires a strong foundation of risk management, internal controls, and governance.

The Federal Reserve may object to a firm's capital plan if the firm has material unresolved supervisory issues, including but not limited to issues associated with its capital adequacy process that

- are severe in nature (e.g., relate to the fundamental ability of a firm to identify, measure, and monitor its risks or to determine its capital needs under stressful conditions);[37]
- have proven to be pervasive in nature (e.g., not necessarily confined to an individual function, business line, or assessment area); or
- have remained outstanding for a considerable period of time (e.g., at least one supervisory assessment cycle), with limited progress made in addressing the root causes of the identified deficiencies.

Assumptions and Analysis Underlying the Capital Plan

A forward-looking assessment of capital adequacy under a range of stressful scenarios is a key input to a firm's capital plan. In order to support the firm's capital planning processes, the capital adequacy assessment process should evidence a clear link between stress scenarios and its material risks; sound approaches used to quantify the effect of the scenarios on the firm's financial performance and capital positions; critical assessments of the assumptions, analysis, and output of its stress testing; and strong controls and governance surrounding the capital planning process.

The Federal Reserve may object to a firm's capital plan if the firm has material or pervasive deficiencies in areas such as

- comprehensive, firm-wide identification, capture, and measurement of risks, including the identification of risks that may only emerge or become apparent under stress; or
- assumptions and analysis designed to address known data or model weaknesses; to account for the potential effect of a given stress event on strategic or other management actions; or to support elements of the forward-looking assessment that remain difficult to model and, therefore, require the application of well-governed business judgment.[38]

Controls and Governance over the Capital Planning Process

A firm's internal controls over its capital planning process should help to ensure the effectiveness of the firm's capital planning. If a firm has weak internal controls, the reliability and credibility of the firm's capital planning process and any outputs from the process are called into question.

For example, the Federal Reserve may object to a capital plan if a firm has material or pervasive deficiencies in

- internal controls around key elements of the firm's capital planning processes, including controls around the processes used to develop and independently validate key assumptions, models, and other approaches used as part of the firm's forward-looking capital adequacy assessment;
- the execution of internal audits of processes supporting the firm's capital planning;
- controls around the data and information technology infrastructure supporting the firm's capital adequacy assessment, including those relating to regulatory reporting; or
- senior management oversight of capital planning processes.[39]

Quantitative Assessments

The quantitative assessments that the Federal Reserve undertakes in CCAR are summarized in figure 1.

Supervisory Post-Stress Capital Analysis

The Federal Reserve's supervisory post-stress capital analysis is based on the estimates of losses, revenues, balances, risk-weighted assets, and capital from the Federal Reserve's supervisory stress test conducted under the Dodd-Frank Act.[40] The supervisory pro-

[37] See 12 CFR 225.8(f)(2)(ii)(A).

[38] See 12 CFR 225.8(f)(2)(ii)(B).

[39] Ibid.

[40] For more on the methodology of the Federal Reserve's supervisory stress test, see Board of Governors of the Federal Reserve System, *Dodd-Frank Act Stress Test 2016: Supervisory Stress Test Methodology and Results* (Washington: Board of Governors, June 23, 2016), www.federalreserve.gov/newsevents/press/

Figure 1. Quantitative assessments of capital actions

Pro forma capital ratios	Common dividend payout ratio
Supervisory adverse Planned capital actions DFA stress test capital actions	BHC baseline* Planned capital actions
Supervisory severely adverse Planned capital actions DFA stress test capital actions	Supervisory baseline* Planned capital actions DFA stress test capital actions

Note: Each box indicates a distinct scenario that will be submitted by each BHC. Planned capital actions are estimated by each BHC using the BHC baseline scenario, and the alternative capital actions are estimated under the BHC's stress scenario in accordance with the BHC's internal capital policies.

* If a BHC determines the supervisory baseline scenario to be appropriate for its own BHC baseline, the BHC may submit identical FR Y-14A Summary schedules with the exception of the capital worksheets noted above. All BHCs must complete two capital worksheets for the supervisory baseline and supervisory severely adverse scenario.

jections are conducted under three hypothetical macroeconomic and financial market scenarios developed by the Federal Reserve: the supervisory baseline, supervisory adverse, and supervisory severely adverse scenarios.

The CCAR post-stress capital analysis uses the same data, models, and assumptions as supervisory stress testing conducted in accordance with the Dodd-Frank Act requirements, except that CCAR analysis involves the BHCs' planned capital actions in the BHC baseline scenario rather than the capital actions assumptions that are required in the stress testing rules. The CCAR analysis helps the Federal Reserve to assess whether a BHC would be capable of continuing to meet minimum capital requirements (tier 1 leverage, tier 1 risk-based, common equity tier 1 risk-based, and total risk-based capital ratios, and supplementary leverage ratio, where applicable) throughout the planning horizon, even if adverse or severely adverse stress conditions emerged and the BHC did not reduce planned capital distributions.[41]

In connection with Dodd-Frank Act supervisory stress testing and the annual CCAR exercise, the Federal Reserve will use the data and information provided in the FR Y-14 regulatory reports with December 31, 2016, as-of dates (except for trading and counterparty data). BHCs should review the instructions for each schedule to determine the appropriate submission date for each regulatory report. The Federal Reserve will apply conservative assumptions to any missing or otherwise deficient FR Y-14 data in producing supervisory estimates if such deficiencies are not remedied.

- **Missing data or data deficiency:** If a BHC's submitted data quality is deemed too deficient to produce a supervisory model estimate for a particular portfolio, the Federal Reserve may assign a high loss rate (e.g., 90th percentile) or a conservative PPNR rate (e.g., 10th percentile) to the portfolio balances based on supervisory projections of portfolio losses or PPNR estimated for other BHCs. If data that are direct inputs to supervisory models are missing or reported erroneously but the problem is isolated in a way that the existing supervisory framework can still be used, a conservative value (e.g., 10th or 90th percentile) based on all available data reported by BHC will be assigned to the specific data.
- **Immaterial portfolio:** Each BHC has the option to either submit or not submit the relevant data schedule for a given portfolio that does not meet a Materiality Threshold (as defined in FR Y-14Q and FR Y-14M instructions). If the BHC does not submit data on its immaterial portfolio(s), the Federal Reserve will assign the median loss rate, based on the estimates for other BHCs. Otherwise, the Federal Reserve will estimate losses using data submitted by the BHC.[42]
- **Assets and liabilities acquired in material business plan changes**: The Federal Reserve does not apply

bcreg/bcreg20160623a1.pdf; and *Enhancements to Federal Reserve Models Used to Estimate Operational Risk and Capital* (February 3, 2017), www.federalreserve.gov/newsevents/press/bcreg/bcreg20170203a1.pdf.

[41] The Board will not consider the capital conservation buffer distribution limitations in the CCAR 2017 planning horizon when calculating its post-stress capital ratios; and, similarly, a BHC should not assume the operation of distribution limitations of the capital conservation buffer when conducting its stress tests.

[42] The Federal Reserve raised the immateriality threshold for large and noncomplex firms and will assign the median loss rate for those firm's immaterial portfolios. These changes did not impact LISCC and large and complex firms.

the missing data treatment, described above, to assets and liabilities that are expected to be acquired in a material business plan change during the planning horizon. Rather, the Federal Reserve will apply loss and PPNR estimates appropriate to the acquired assets, liabilities, and business activities based on the Federal Reserve's assessment of all business plan change-related information submitted by the firm.

Common Dividend Payouts

The appropriateness of planned capital actions also will be evaluated based on the common dividend payout ratio (common dividends relative to net income available to common shareholders) in the baseline scenario.

The Federal Reserve expects that capital plans will reflect conservative common dividend payout ratios. Specifically, requests that imply common dividend payout ratios above 30 percent of projected after-tax net income available to common shareholders in either the BHC baseline or supervisory baseline will receive particularly close scrutiny. In reviewing such requests, one consideration will be the BHC's ability to meet its baseline earnings projections over the planning horizon, including the demonstrated strength of core earnings, effectiveness of baseline earnings projections, and earnings volatility over time.

Limited Adjustments to Planned Capital Actions

Upon completion of the quantitative and qualitative assessments of BHCs' capital plans, but before the disclosure of the final CCAR results, the Federal Reserve will provide each BHC with the results of the post-stress capital analysis for its BHC, and each BHC will have an opportunity to make a one-time adjustment to planned capital distributions. The only adjustment that will be considered is a reduction in capital distributions (i.e., common stock dividends or repurchases or redemptions of common stock, preferred stock, or other instruments eligible for inclusion in regulatory capital) relative to those initially submitted in the BHC's original capital plan. The Board's final decision to object or not object to the capital plan will be based on the BHC adjusted capital distributions, if any.

As noted above, the Federal Reserve has observed a practice whereby some BHCs have adjusted only the distributions in the "out-quarters" of the planning horizon (i.e., those that are not subject to objection in the current CCAR exercise). For CCAR 2017, those would be the projected third and fourth quarters of 2018 and first quarter of 2019. In the absence of supporting actions, such as a firm actually cutting distributions in these quarters, this practice may undermine the credibility of a BHC's capital plan. Accordingly, to support the credibility of its capital plan, a BHC that makes a one-time adjustment to its planned capital distributions should avoid concentrating the adjustment in the quarters not subject to objection in CCAR 2017 without providing an explanation.

Federal Reserve Responses to Planned Capital Actions

Based on the results of the qualitative and quantitative assessment, the Federal Reserve will determine whether or not to object to a capital plan of a LISCC or large and complex BHC.

For purposes of CCAR 2017, if a BHC receives a non-objection to its capital plan, the BHC generally may make the capital distributions included in its capital plan submission beginning on July 1, 2017, through June 30, 2018, without seeking prior approval from or providing prior notice to the Federal Reserve. (See "Execution of Capital Plan and Requests for Additional Distributions" on page 17.)

If a BHC receives an objection to its capital plan, the BHC may not make any capital distribution other than those capital distributions with respect to which the Federal Reserve has indicated in writing its non-objection. In this instance, the Federal Reserve may still authorize the BHC to undertake certain distributions set forth in its capital plan.

Under the capital plan rule, the Federal Reserve may object to capital distributions in future quarters, or require a resubmitted capital plan, if there is a material change in the BHC's risk profile (including a material change in its business strategy or any risk exposure), financial condition, or corporate structure, or if changes in financial markets or the macroeconomic outlook that could have a material impact on the BHC's risk profile and financial condition require the use of updated scenarios.

Disclosure of Supervisory Assessments

At the completion of the CCAR process, the Federal Reserve will publicly disclose its decision to object or not object to a LISCC or large and complex BHC's capital plan.

The Federal Reserve will include in its CCAR disclosure the results of its post-stress capital analysis for each BHC, including BHC-specific post-stress regulatory capital ratios (tier 1 leverage, common equity tier 1, tier 1 risk-based, and total risk-based capital ratios, and supplementary leverage ratio, where applicable) estimated in the adverse and severely adverse scenarios. The disclosed information will include minimum values of these ratios over the planning horizon, using the originally submitted planned capital actions under the baseline scenario and any adjusted capital distributions in the final capital plans, as applicable. (See appendix A for the format that will be used to publish these data.) In addition to disclosing a summary of its quantitative assessment of the BHC's capital plans, the Federal Reserve will disclose the reasons for any objections to specific LISCC and large and complex BHCs' capital plans on qualitative grounds. This will include information about weaknesses in a BHC's practices that led to an objection to the BHC's capital plan for qualitative reasons. In addition, the Federal Reserve intends to describe practices that the Federal Reserve considers to be stronger or leading practices.

In a separate document, the Federal Reserve will disclose the detailed results of supervisory stress tests for each BHC under both the adverse and the severely adverse supervisory scenarios, including stressed losses and revenues, and the post-stress capital ratios based on the capital action assumptions required under the Dodd-Frank Act stress test rules, along with an overview of methodologies used for supervisory stress tests. (See appendix B for the format that will be used to publish these data.)

The Federal Reserve will publish the CCAR and DFAST results documents by June 30, 2017. BHCs are required to disclose the results of their company-run stress tests within 15 days of the date the Board discloses the results of its Dodd-Frank Act supervisory stress test.

Resubmissions

If a BHC receives an objection to its capital plan, it may choose to resubmit its plan in advance of the next CCAR exercise in the following year.

In addition, pursuant to the capital plan rule, a BHC must revise and resubmit its capital plan if it determines there has been or will be a material change in the BHC's risk profile (including a material change in its business strategy or any material-risk exposures), financial condition, or corporate structure since the BHC adopted the capital plan.[43] Further, the Federal Reserve may direct a BHC to revise and resubmit its capital plan for a number of other reasons, including if a stress scenario developed by the BHC is no longer appropriate to its business model and portfolios or if changes in financial markets or the macroeconomic outlook that could have a material impact on a BHC's risk profile and financial condition requires the use of updated scenarios.[44]

Submissions that are incomplete or which contain material weaknesses could result in an objection to the resubmitted plan and a mandatory resubmission of a new plan, which may not be reviewed until the following quarter. Based on a review of a BHC's capital plan, supporting information, and data submissions, the Federal Reserve may require additional supporting information or analysis from a BHC or require it to revise and resubmit its plan. Any of these may also result in the delay of evaluation of capital actions until a subsequent calendar quarter.

Execution of Capital Plan and Requests for Additional Distributions

Subject to certain exceptions, the capital plan rule provides that a BHC must request prior approval of the Board for capital distributions if the dollar amount of such capital distributions will exceed the amount described in the non-objected to capital plan.[45] The Board generally expects a BHC to obtain approval from its board of directors before it provides notice of a proposed de minimis transaction.

---

43 12 CFR 225.8(e)(4)(i)(A).

44 12 CFR 225.8(e)(4)(i)(B).

45 BHCs are not required to provide prior notice and seek approval for distributions involving issuances of instruments that would qualify for inclusion in the numerator of regulatory capital ratios that were not included in the BHC's capital plan. See 12 CFR 225.8(g)(2)(iii)(B).

However, a BHC that is well capitalized may make additional capital distributions not to exceed 0.25 percent of the BHC's tier 1 capital without seeking the Board's prior approval if certain conditions are met.[46] A firm seeking to avail itself of this de minimis exception must provide the Board with prior written notice that it is doing so.

The capital plan rule now includes a one-quarter blackout period while the Board is conducting CCAR, during which BHCs may not submit a notice to use the de minimis exception. The blackout period is also applicable to capital distribution requests that do not qualify for the de minimis exception and require prior approval.

In addition, a BHC generally must request the Board's non-objection for capital distributions included in the BHC's capital plan if the BHC has issued less capital of a given class of regulatory capital instrument (net of distributions) than the BHC had included in its capital plan, measured cumulatively, beginning with the third quarter of the planning horizon.[47]

[46] 12 CFR 225.8(g)(2).

[47] The classes of regulatory capital instruments are common equity tier 1, additional tier 1, and tier 2 capital instruments, as defined in 12 CFR 217.2. BHCs are not required to provide prior notice and seek approval for distributions included in their capital plans that are scheduled payments on additional tier 1 or tier 2 capital. Additionally, BHCs are not required to provide prior notice and seek approval where the shortfall in capital issuance (net of distributions) is due to employee-directed capital issuances related to an employee stock ownership plan; a planned merger or acquisition that is no longer expected to be consummated or for which the consideration paid is lower than the projected price in the capital plan; or if aggregate excess net distributions is less than 0.25 percent of the BHC's tier 1 capital. See 12 CFR 225.8(g)(2)(iii).

A BHC should notify the Board as early as possible before redeeming any capital instrument that counts as regulatory capital and that was not included in its capital plan, or if it has excess net distributions.[48] As with all formal communications on CCAR-related issues, a BHC should use the CCAR Communications mailbox to submit any requests for capital distributions (gross or net) not included in its capital plan.

Any such requests should include the change in the BHC's planned capital issuances and any other relevant changes in the capital plan. The BHC may be required to submit additional supporting information, including a revised capital plan, the BHC's forward-looking assessment of its capital adequacy under revised scenarios, any supporting information, and a description of any quantitative methods used that are different than those used in its original capital plan.[49] In acting on the request, the Federal Reserve will examine the BHC's performance relative to the initial projections and the rationale for the request.[50] A LISCC or large and complex firm's consistent failure to execute planned capital issuances may be indicative of shortcomings in its capital planning processes and may indicate that the assumptions and analysis underlying the firm's capital plan or the BHC's methodologies and practices that support its capital planning process are not reasonable or appropriate. Accordingly, a consistent failure to execute capital issuances as indicated in its capital plan may form the basis for objection if the firm is unable to explain the discrepancies between its planned and executed capital issuances.

[48] See 12 CFR 225.8(g) for circumstances under which approval would be required where a BHC had received a non-objection to its capital plan.

[49] See 12 CFR 225.8(g)(4).

[50] 12 CFR 225.8(f)(2)(ii)(B).

Appendix A: Templates for Comprehensive Capital Analysis and Review Results 2017

This appendix provides the format that the Federal Reserve will use to disclose the results of the supervisory stress test under the Comprehensive Capital Analysis and Review.

Tables begin on next page.

Table A.1. Projected minimum common equity tier 1 ratio in the severely adverse scenario, 2017:Q1–2019:Q1

Bank holding company	Stressed ratio with original planned capital actions	Stressed ratio with adjusted planned capital actions
Ally Financial Inc.		
American Express Company		
BancWest Corporation		
Bank of America Corporation		
The Bank of New York Mellon Corporation		
BB&T Corporation		
BBVA Compass Bancshares, Inc.		
BMO Financial Corp.		
Capital One Financial Corporation		
CIT Group Inc.		
Citigroup Inc.		
Citizens Financial Group, Inc.		
Comerica Incorporated		
Deutsche Bank Trust Corporation		
Discover Financial Services		
Fifth Third Bancorp		
The Goldman Sachs Group, Inc.		
HSBC North America Holdings Inc.		
Huntington Bancshares Incorporated		
JPMorgan Chase & Co.		
KeyCorp		
M&T Bank Corporation		
Morgan Stanley		
MUFG Americas Holdings Corporation		
Northern Trust Corporation		
The PNC Financial Services Group, Inc.		
Regions Financial Corporation		
Santander Holdings USA, Inc.		
State Street Corporation		
SunTrust Banks, Inc.		
TD Group US Holdings LLC		
U.S. Bancorp		
Wells Fargo & Company		
Zions Bancorporation		

Note: These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The tables include the minimum ratios assuming the capital actions originally submitted in April 2017 by the bank holding companies (BHCs) in their annual capital plans and the minimum ratios incorporating any adjustments to capital distributions made by BHCs after reviewing the Federal Reserve's stress test projections and original planned capital distributions for those BHCs that did not make adjustments. The minimum capital ratios are for the period 2017:Q1 to 2019:Q1 and do not necessarily occur in the same quarter.

Source: Federal Reserve estimates in the severely adverse scenario.

Table A.2. Projected minimum common equity tier 1 ratio in the adverse scenario, 2017:Q1–2019:Q1		
Bank holding company	Stressed ratio with original planned capital actions	Stressed ratio with adjusted planned capital actions
Ally Financial Inc.		
American Express Company		
BancWest Corporation		
Bank of America Corporation		
The Bank of New York Mellon Corporation		
BB&T Corporation		
BBVA Compass Bancshares, Inc.		
BMO Financial Corp.		
Capital One Financial Corporation		
CIT Group Inc.		
Citigroup Inc.		
Citizens Financial Group, Inc.		
Comerica Incorporated		
Deutsche Bank Trust Corporation		
Discover Financial Services		
Fifth Third Bancorp		
The Goldman Sachs Group, Inc.		
HSBC North America Holdings Inc.		
Huntington Bancshares Incorporated		
JPMorgan Chase & Co.		
KeyCorp		
M&T Bank Corporation		
Morgan Stanley		
MUFG Americas Holdings Corporation		
Northern Trust Corporation		
The PNC Financial Services Group, Inc.		
Regions Financial Corporation		
Santander Holdings USA, Inc.		
State Street Corporation		
SunTrust Banks, Inc.		
TD Group US Holdings LLC		
U.S. Bancorp		
Wells Fargo & Company		
Zions Bancorporation		

Note: These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The tables include the minimum ratios assuming the capital actions originally submitted in April 2017 by the bank holding companies (BHCs) in their annual capital plans and the minimum ratios incorporating any adjustments to capital distributions made by BHCs after reviewing the Federal Reserve's stress test projections and original planned capital distributions for those BHCs that did not make adjustments. The minimum capital ratios are for the period 2017:Q1 to 2019:Q1 and do not necessarily occur in the same quarter.

Source: Federal Reserve estimates in the adverse scenario.

Table A.3. BHC XYZ, Inc.

Actual and minimum projected regulatory capital ratios, actual 2016:Q4 and projected 2017:Q1–2019:Q1

Federal Reserve estimates: Severely adverse scenario

Actual 2016:Q4 and projected capital ratios through 2019:Q1
Percent

Regulatory ratio	Actual 2016:Q4	Minimum stressed ratios	
		Original planned capital actions	Adjusted planned capital actions
Common equity tier 1 capital ratio			
Tier 1 risk-based capital ratio			
Total risk-based capital ratio			
Tier 1 leverage ratio			
Supplementary leverage ratio	n/a		

Note: These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The tables include the minimum ratios assuming the capital actions originally submitted in April 2017 by the bank holding companies (BHCs) in their annual capital plans and the minimum ratios incorporating any adjustments to capital distributions made by BHCs after reviewing the Federal Reserve's stress test projections and original planned capital distributions for those BHCs that did not make adjustments. The minimum capital ratios are for the period 2017:Q1 to 2019:Q1 and do not necessarily occur in the same quarter.

n/a Not applicable.

BHCs subject to the capital ratios below: American Express Company; Bank of America Corporation; The Bank of New York Mellon Corporation; Capital One Financial Corporation; Citigroup Inc.; the Goldman Sachs Group, Inc.; HSBC North America Holdings Inc.; JPMorgan Chase & Co.; Morgan Stanley; Northern Trust Corporation; The PNC Financial Services Group, Inc.; State Street Corporation; TD Group US Holding LLC; U.S. Bancorp; and Wells Fargo & Company

Required minimum capital ratios for firms subject to the advanced approaches capital framework in CCAR 2017
Percent

Regulatory ratio	Minimum ratio	
	2017	2018–19
Common equity tier 1 capital ratio	4.5	4.5
Tier 1 risk-based capital ratio	6.0	6.0
Total risk-based capital ratio	8.0	8.0
Tier 1 leverage ratio	4.0	4.0
Supplementary leverage ratio	n/a	3.0

Note: All ratios are calculated in accordance with the transition arrangements provided in the Board's revised capital framework, issued in July 2013. Per recent technical amendments to the stress test and capital plan rules, the use of the advanced approaches risk-weighted asset calculations is indefinitely delayed.

n/a Not applicable.

BHCs subject to the capital ratios below: Ally Financial Inc.; BancWest Corporation; BB&T Corporation; BBVA Compass Bancshares, Inc.; BMO Financial Corp.; CIT Group Inc.; Citizens Financial Group, Inc.; Comerica Incorporated; Deutsche Bank Trust Corporation; Discover Financial Services; Fifth Third Bancorp; Huntington Bancshares Incorporated; KeyCorp; M&T Bank Corporation; MUFG Americas Holdings Corporation; Regions Financial Corporation; Santander Holdings USA, Inc.; SunTrust Banks, Inc.; Zions Bancorporation.

Required minimum capital ratios for firms not subject to the advanced approaches capital framework in CCAR 2017
Percent

Regulatory ratio	Minimum ratio	
	2017	2018–19
Common equity tier 1 capital ratio	4.5	4.5
Tier 1 risk-based capital ratio	6.0	6.0
Total risk-based capital ratio	8.0	8.0
Tier 1 leverage ratio	4.0	4.0

Note: All ratios are calculated in accordance with the transition arrangements provided in the Board's revised capital framework, issued in July 2013. Per recent technical amendments to the stress test and capital plan rules, the use of the advanced approaches risk-weighted asset calculations is indefinitely delayed.

Table A.4. BHC XYZ, Inc.

Actual and minimum projected regulatory capital ratios, actual 2016:Q4 and projected 2017:Q1–2019:Q1

Federal Reserve estimates: Adverse scenario

Actual 2016:Q4 and projected capital ratios through 2019:Q1
Percent

Regulatory ratio	Actual 2016:Q4	Minimum stressed ratios	
		Original planned capital actions	Adjusted planned capital actions
Common equity tier 1 capital ratio			
Tier 1 risk-based capital ratio			
Total risk-based capital ratio			
Tier 1 leverage ratio			
Supplementary leverage ratio	n/a		

Note: These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The tables include the minimum ratios assuming the capital actions originally submitted in April 2017 by the bank holding companies (BHCs) in their annual capital plans and the minimum ratios incorporating any adjustments to capital distributions made by BHCs after reviewing the Federal Reserve's stress test projections and original planned capital distributions for those BHCs that did not make adjustments. The minimum capital ratios are for the period 2017:Q1 to 2019:Q1 and do not necessarily occur in the same quarter.

n/a Not applicable.

BHCs subject to the capital ratios below: American Express Company; Bank of America Corporation; The Bank of New York Mellon Corporation; Capital One Financial Corporation; Citigroup Inc.; the Goldman Sachs Group, Inc.; HSBC North America Holdings Inc.; JPMorgan Chase & Co.; Morgan Stanley; Northern Trust Corporation; The PNC Financial Services Group, Inc.; State Street Corporation; TD Group US Holding LLC; U.S. Bancorp; and Wells Fargo & Company.

Required minimum capital ratios for firms subject to the advanced approaches capital framework in CCAR 2017
Percent

Regulatory ratio	Minimum ratio	
	2017	2018–19
Common equity tier 1 capital ratio	4.5	4.5
Tier 1 risk-based capital ratio	6.0	6.0
Total risk-based capital ratio	8.0	8.0
Tier 1 leverage ratio	4.0	4.0
Supplementary leverage ratio	n/a	3.0

Note: All ratios are calculated in accordance with the transition arrangements provided in the Board's revised capital framework, issued in July 2013. Per recent technical amendments to the stress test and capital plan rules, the use of the advanced approaches risk-weighted asset calculations is indefinitely delayed.

n/a Not applicable.

BHCs subject to the capital ratios below: Ally Financial Inc.; BancWest Corporation; BB&T Corporation; BBVA Compass Bancshares, Inc.; BMO Financial Corp.; CIT Group Inc.; Citizens Financial Group, Inc.; Comerica Incorporated; Deutsche Bank Trust Corporation; Discover Financial Services; Fifth Third Bancorp; Huntington Bancshares Incorporated; KeyCorp; M&T Bank Corporation; MUFG Americas Holdings Corporation; Regions Financial Corporation; Santander Holdings USA, Inc.; SunTrust Banks, Inc.; Zions Bancorporation.

Required minimum capital ratios for firms not subject to the advanced approaches capital framework in CCAR 2017
Percent

Regulatory ratio	Minimum ratio	
	2017	2018–19
Common equity tier 1 capital ratio	4.5	4.5
Tier 1 risk-based capital ratio	6.0	6.0
Total risk-based capital ratio	8.0	8.0
Tier 1 leverage ratio	4.0	4.0

Note: All ratios are calculated in accordance with the transition arrangements provided in the Board's revised capital framework, issued in July 2013. Per recent technical amendments to the stress test and capital plan rules, the use of the advanced approaches risk-weighted asset calculations is indefinitely delayed.

Appendix B: Templates for Dodd-Frank Act Stress Testing Results 2017

This appendix provides the format that the Federal Reserve will use to disclose the results of the supervisory stress test in accordance with the Dodd-Frank Act stress test rules.

Tables begin on next page.

Table B.1. Projected minimum common equity tier 1 ratio in the severely adverse scenario, 2017:Q1–2019:Q1: All bank holding companies

Bank holding company	Stressed ratios with DFA stress testing capital action assumptions
Ally Financial Inc.	
American Express Company	
BancWest Corporation	
Bank of America Corporation	
The Bank of New York Mellon Corporation	
BB&T Corporation	
BBVA Compass Bancshares, Inc.	
BMO Financial Corp.	
Capital One Financial Corporation	
CIT Group Inc.	
Citigroup Inc.	
Citizens Financial Group, Inc.	
Comerica Incorporated	
Deutsche Bank Trust Corporation	
Discover Financial Services	
Fifth Third Bancorp	
The Goldman Sachs Group, Inc.	
HSBC North America Holdings Inc.	
Huntington Bancshares Incorporated	
JPMorgan Chase & Co.	
KeyCorp	
M&T Bank Corporation	
Morgan Stanley	
MUFG Americas Holdings Corporation	
Northern Trust Corporation	
The PNC Financial Services Group, Inc.	
Regions Financial Corporation	
Santander Holdings USA, Inc.	
State Street Corporation	
SunTrust Banks, Inc.	
TD Group US Holdings LLC	
U.S. Bancorp	
Wells Fargo & Company	
Zions Bancorporation	

Note: The common equity tier 1 ratio is calculated using the definitions of capital and risk-weighted assets that are in effect during a particular planning horizon quarter. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The minimum stressed ratios (%) are the lowest quarterly ratios from 2017:Q1 to 2019:Q1 under the severely adverse scenario.

Source: Federal Reserve estimates in the severely adverse scenario. Stressed ratios with Dodd-Frank Act capital action assumptions through 2019:Q1.

Table B.2. Projected minimum common equity tier 1 ratio in the adverse scenario, 2017:Q1–2019:Q1: All bank holding companies

Bank holding company	Stressed ratios with DFA stress testing capital action assumptions
Ally Financial Inc.	
American Express Company	
BancWest Corporation	
Bank of America Corporation	
The Bank of New York Mellon Corporation	
BB&T Corporation	
BBVA Compass Bancshares, Inc.	
BMO Financial Corp.	
Capital One Financial Corporation	
CIT Group Inc.	
Citigroup Inc.	
Citizens Financial Group, Inc.	
Comerica Incorporated	
Deutsche Bank Trust Corporation	
Discover Financial Services	
Fifth Third Bancorp	
The Goldman Sachs Group, Inc.	
HSBC North America Holdings Inc.	
Huntington Bancshares Incorporated	
JPMorgan Chase & Co.	
KeyCorp	
M&T Bank Corporation	
Morgan Stanley	
MUFG Americas Holdings Corporation	
Northern Trust Corporation	
The PNC Financial Services Group, Inc.	
Regions Financial Corporation	
Santander Holdings USA, Inc.	
State Street Corporation	
SunTrust Banks, Inc.	
TD Group US Holdings LLC	
U.S. Bancorp	
Wells Fargo & Company	
Zions Bancorporation	

Note: The common equity tier 1 ratio is calculated using the definitions of capital and risk-weighted assets that are in effect during a particular planning horizon quarter. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The minimum stressed ratios (%) are the lowest quarterly ratios from 2017:Q1 to 2019:Q1 under the adverse scenario.

Source: Federal Reserve estimates in the adverse scenario. Stressed ratios with Dodd-Frank Act capital action assumptions through 2019:Q1.

Table B.3. BHC XYZ, Inc.

Projected stressed capital ratios, risk-weighted assets, losses, revenues, net income before taxes, and loan losses

Federal Reserve estimates: Severely adverse scenario

Capital ratios, actual 2016:Q4 and projected 2017:Q1–2019:Q1

Percent

Regulatory ratio	Actual 2016:Q4	Projected stressed capital ratios[1]	
		Ending	Minimum
Common equity tier 1 capital ratio			
Tier 1 risk-based capital ratio			
Total risk-based capital ratio			
Tier 1 leverage ratio			
Supplementary leverage ratio	n/a		

[1] The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period 2017:Q1 to 2019:Q1.

n/a Not applicable.

Projected loan losses, by type of loan, 2017:Q1–2019:Q1

Loan type	Billions of dollars	Portfolio loss rates (percent)[1]
First-lien mortgages, domestic		
Junior liens and HELOCs, domestic		
Commercial and industrial[2]		
Commercial real estate, domestic		
Credit cards		
Other consumer[3]		
Other loans[4]		
Total projected loan losses		

[1] Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.

[2] Commercial and industrial loans include small- and medium-enterprise loans and corporate cards.

[3] Other consumer loans include student loans and automobile loans.

[4] Other loans include international real estate loans.

Risk-weighted assets, actual 2016:Q4 and projected 2019:Q1

Billions of dollars

Item	Actual 2016:Q4	Projected 2019:Q1
Risk-weighted assets[1]		

[1] Risk-weighted assets are calculated under the Basel III standardized capital risk-based approach.

Projected losses, revenue, and net income before taxes through 2019:Q1

Item	Billions of dollars	Percent of average assets[1]
Pre-provision net revenue[2]		
Other revenue[3]		
less		
Provisions		
Realized losses/gains on securities (AFS/HTM)		
Trading and counterparty losses[4]		
Other losses/gains[5]		
equals		
Net income before taxes		
Memo items		
Other comprehensive income[6]		
Other effects on capital	*Actual 2016:Q4*	*2019:Q1*
AOCI included in capital (billions of dollars)[7]		

[1] Average assets is the nine-quarter average of total assets.

[2] Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses, and other real estate owned (OREO) costs.

[3] Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.

[4] Trading and counterparty losses include mark-to-market and credit valuation adjustment (CVA) losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.

[5] Other losses/gains includes projected change in fair value of loans held for sale and loans held for investment measured under the fair-value option, and goodwill impairment losses.

[6] Other comprehensive income is only calculated for advanced approaches BHCs, and other BHCs that opt into advanced approaches treatment for AOCI.

[7] Certain aspects of AOCI are subject to transition arrangements for inclusion in projected regulatory capital. The transition arrangements are 60 percent included in projected regulatory capital for 2016, 80 percent included in projected regulatory capital for 2017, and 100 percent included in projected regulatory capital for 2018.

Table B.4. BHC XYZ, Inc.

Projected stressed capital ratios, risk-weighted assets, losses, revenues, net income before taxes, and loan losses

Federal Reserve estimates: Adverse scenario

Capital ratios, actual 2016:Q4 and projected 2017:Q1–2019:Q1

Percent

Regulatory ratio	Actual 2016:Q4	Projected stressed capital ratios[1]	
		Ending	Minimum
Common equity tier 1 capital ratio			
Tier 1 risk-based capital ratio			
Total risk-based capital ratio			
Tier 1 leverage ratio			
Supplementary leverage ratio	n/a		

1 The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period 2017:Q1 to 2019:Q1.

n/a Not applicable.

Projected loan losses, by type of loan, 2017:Q1–2019:Q1

Loan type	Billions of dollars	Portfolio loss rates (percent)[1]
First-lien mortgages, domestic		
Junior liens and HELOCs, domestic		
Commercial and industrial[2]		
Commercial real estate, domestic		
Credit cards		
Other consumer[3]		
Other loans[4]		
Total projected loan losses		

1 Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.

2 Commercial and industrial loans include small- and medium-enterprise loans and corporate cards.

3 Other consumer loans include student loans and automobile loans.

4 Other loans include international real estate loans.

Risk-weighted assets, actual 2016:Q4 and projected 2019:Q1

Billions of dollars

Item	Actual 2016:Q4	Projected 2019:Q1
Risk-weighted assets[1]		

1 Risk-weighted assets are calculated under the Basel III standardized capital risk-based approach.

Projected losses, revenue, and net income before taxes through 2019:Q1

Item	Billions of dollars	Percent of average assets[1]
Pre-provision net revenue[2]		
Other revenue[3]		
less		
Provisions		
Realized losses/gains on securities (AFS/HTM)		
Trading and counterparty losses[4]		
Other losses/gains[5]		
equals		
Net income before taxes		
Memo items		
Other comprehensive income[6]		
Other effects on capital	*Actual 2016:Q4*	*2019:Q1*
AOCI included in capital (billions of dollars)[7]		

1 Average assets is the nine-quarter average of total assets.

2 Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses, and other real estate owned (OREO) costs.

3 Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.

4 Trading and counterparty losses include mark-to-market and credit valuation adjustment (CVA) losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.

5 Other losses/gains includes projected change in fair value of loans held for sale and loans held for investment measured under the fair-value option, and goodwill impairment losses.

6 Other comprehensive income is only calculated for advanced approaches BHCs, and other BHCs that opt into advanced approaches treatment for AOCI.

7 Certain aspects of AOCI are subject to transition arrangements for inclusion in projected regulatory capital. The transition arrangements are 60 percent included in projected regulatory capital for 2016, 80 percent included in projected regulatory capital for 2017, and 100 percent included in projected regulatory capital for 2018.

Appendix C: Organizing Capital Plan Submissions

When submitting materials to the secure collaboration site, BHCs may categorize each component in order to facilitate identification and review of relevant documentation. Table C.1 shows the categorization system that may be used for submissions to the secure collaboration site.

Table C.1. Capital plan submission categorization scheme

Submission type (REQUIRED)	Submission subtype (REQUIRED)	Supporting materials only	
		Comment (OPTIONAL)[1]	Topic (REQUIRED)
Capital plan narrative	Complete narrative Capital plan Capital policy Planned capital actions Capital adequacy process Risk-identification program overview BHC scenario design process overview Material business plan changes Assumptions - limitations - weaknesses Governance framework Summary of audit findings Other (please define)		
Supporting documents (capital plan & FR Y-14)	Policies and procedures Methodology inventory mapped to Y-14A Methodology and process overview Model technical document Model validation Audit report Results finalize & challenge materials Cons pro forma financials methodology Contact list Other (please define)[2]		General Wholesale Retail Operational risk Securities Trading Counterparty PPNR - balance sheet - RWA Regulatory capital
FR Y-14 schedule (OFFICIAL TEMPLATES)[3]	Y-14A - Sch A - Summary Y-14A - Sch B - Scenario Y-14A - Sch C - Reg cap instruments Y-14A - Sch D - Reg cap transitions Y-14A - Sch E - Ops risk Y-14A - Sch F - Business plan changes Y-14Q - Sch A - Retail Y-14Q - Sch B - Securities Y-14Q - Sch C - Reg cap instruments Y-14Q - Sch D - Reg cap transitions Y-14Q - Sch E - Ops risk Y-14Q - Sch F - Trading Y-14Q - Sch G - PPNR Y-14Q - Sch H - Wholesale Y-14Q - Sch I - MSR valuation Y-14Q - Sch J - FVO/HFS Y-14Q - Sch K - Supplemental Y-14Q - Sch L - Counterparty Y-14Q - Sch M - Balances		

1 See FR Y-14A Instructions, Appendix A: Supporting Documentation.
2 If BHC selects “Other,” it will be prompted to provide a description of the submission.
3 These will be additional submission categories for special collections in CCAR 2017.

Capital Plan Narrative

This section outlines, as an illustrative example, a potential organizational structure for a BHC's capital plan narrative. Components of this structure that reflect one of the four mandatory elements of a capital plan under the capital plan rule are noted (see the section "Mandatory Elements of a Capital Plan" on page 5 for more information).

- **Capital plan**—provides a summary of the BHC's capital plan and the *pro forma* financial results under the different scenarios evaluated as part of the capital planning process. The document should summarize the BHC's proposed capital actions, the various scenarios used in the capital planning process, the key risks and drivers of financial performance under each scenario, key assumptions, and other relevant information.
- **Capital policies**—provides the BHC's policies outlining the principles and guidelines used for capital planning, capital issuance, usage, and distributions *(mandatory element 3)*.
- **Planned capital actions**—provides (1) a description of all planned capital actions over the planning horizon and (2) a summary of all capital actions by instrument quarterly over the nine-quarter path, which should align with the capital actions included in the FR Y-14A Summary and Regulatory Capital Instruments schedules *(mandatory element 1(d))*. (See "Description of All Capital Actions Assumed over the Planning Horizon" on page 8.)
- **Capital planning process**—provides a detailed description of the BHC's process for assessing capital adequacy, including key assumptions and limitations *(mandatory element 2)*.
- **Risk-identification program overview**—describes the risk-identification process the BHC uses to support the BHC-wide stress testing required in the capital plans and how these risks are captured in the BHC's capital planning process.
- **BHC scenario design process overview**—describes the BHC's process and approach to developing the BHC baseline and BHC stress scenarios, including all methodologies, variables, and key assumptions, and how the BHC stress scenarios address the BHC's particular vulnerabilities. (See "BHC Scenarios" on page 8.)
- **Material business plan changes**—provides a discussion of any expected changes to the BHC's business plan that are likely to have a material impact on the BHC's capital adequacy and funding profile (e.g., a proposed merger, acquisition, or divestiture; changes in key business strategies; or significant investments) *(mandatory element 4)*.
- **Summary of assumptions, limitations, and weaknesses**—provides credible support for all assumptions used to derive loss estimates, including assumptions related to the components of loss, severity of loss, and any known weaknesses in the translation of assumptions into loss estimates.
- **Governance framework**—describes internal governance around the development of the BHC's comprehensive capital plan. Documentation should demonstrate that senior management has provided the board of directors with sufficient information to facilitate the board's full understanding of stress testing used by the firm for capital planning purposes.
- **Summary of audit findings**—provides a summary of the most recent findings and conclusions from a review of the BHC's capital planning process carried out by internal audit or an independent party. In the discussion, the BHC should describe the scope of audit work and specifically identify any areas of the end-to-end capital planning process that have not been independently reviewed.

If the BHC chooses to organize its capital plan narrative in the format set forth above, the capital plan narrative elements may be submitted as one large file, as individual files, or as several files that combine various elements. When uploading these documents to the secure collaboration site, a BHC should follow these instructions:

1. For document type, categorize all documents as "Capital plan narrative."
2. For document subtype, please choose the appropriate category from the list below based on the descriptions above.
    - *Document subtype categories:* (1) Complete narrative, (2) Capital plan summary, (3) Capital policy, (4) Planned capital actions, (5) Capital planning process, (6) Risk-identification and risk inventory, (7) BHC scenario design process overview, (8) Material business plan changes, (9) Assumptions – limitations – weaknesses, (10) Governance framework, (11) Summary of audit findings, and (12) Other.

—If the entire capital plan narrative (i.e., all elements above) is in one file, please choose "Complete narrative."

—If combining some of the elements above into one file, please choose "Other" and provide a description of the supporting document in the "Other – defined" field.

—If supporting documentation does not fit one of the defined elements above, please choose "Other" and provide a description of the supporting document in the "Other – defined" field.

Capital Plan and FR Y-14A Supporting Documentation

This section outlines, as an illustrative example, a potential organizational structure for the required documentation that each BHC must submit through the collaboration site to support the capital plan and the FR Y-14A schedules. All model and methodology documentation described below should be organized by the following work streams: retail, wholesale, fair value option and held-for-sale loans, securities, trading, counterparty, operational risk, pre-provision net revenue (PPNR), mortgage-servicing rights (MSR), and regulatory capital transitions. This supporting documentation also addresses *mandatory element 1* under the capital plan rule.

- **Policies and procedures**—all policies and procedures related to the capital planning process, including the BHC's model risk management policy. (See the FR Y-14A Instructions and SR letter 15-18 for specific supervisory expectations for a model risk management policy.)
- **Methodology and model inventory mapping to FR Y-14A**—provides an inventory of all models and methodologies used to estimate losses, revenues, expenses, balances, and risk-weighted assets and the status of validation/independent review for each. As required by the FR Y-14A Instructions, documentation should also include mapping that clearly conveys the methodology used for each FR Y-14A product line under each stress scenario.
- **Methodology documentation**—Methodology documentation should include, at a minimum, the following documents:[51]

  —**Methodology and process overview**—describes key methodologies and assumptions for performing stress testing on the BHC's portfolios, business, and performance drivers. Documentation should clearly describe the model-development process, the derivation of outcomes, and validation procedures, as well as assumptions concerning the evolution of balance sheet and risk-weighted assets under the scenarios, changing business strategies, and other impacts to a BHC's risk profile. Supporting documentation should clearly describe any known model weaknesses and how such information is factored into the capital plan.[52]

  —**Model technical documents**—BHCs should include thorough documentation in their capital plan submissions that describes and makes transparent key methodologies and assumptions for performing stress testing on the BHC's portfolios. In particular, the design, theory, and logic underlying the methodology should be well-documented and generally supported by published research and sound industry practice.[53]

  —**Model validation**—Models employed by BHCs (either developed internally or supplied by a vendor) should be independently validated or otherwise reviewed in line with model risk management expectations presented in existing supervisory guidance, including SR letter 11-7 and SR letter 15-18. Institutions should provide model validation documentation developed in accordance with their internal policies and consistent with supervisory expectations. (See appendix A of the FR Y-14A Instructions.)

  —**Audit reports**—BHCs should submit audit reports from their internal audit of the capital planning process including reviews of the models and methodologies used in the process. (See appendix A of the FR Y-14A Instructions.)

51 See appendix A of Capital Assessment and Stress testing information collection (FR Y-14A) (OMB No. 7100-0341).

52 Ibid.

53 Ibid.

—**Results finalization and challenge materials**—BHCs should ensure that they have sound processes for review, challenge, and aggregation of estimates used in their capital planning processes. This category would be used to provide any documentation relating to the review, challenge, and aggregation processes and the finalization of results that ensures transparency and repeatability. (See appendix A of the FR Y-14A Instructions.)

Methodology documentation should be provided in accordance with the supporting documentation requirements outlined in the appendix of the FRY-14A Instructions as follows:

- **Retail**—See A.2 in the appendix.
- **Wholesale**—See A.3 in the appendix.
- **Fair value option and held-for-sale loans**—See A.4 in the appendix.
- **AFS/HTM Securities**—See A.5 in the appendix.
- **Trading**—See A.6 in the appendix.
- **Counterparty credit risk**—See A.7 in the appendix.
- **Operational risk**—See A.8 in the appendix.
- **PPNR**—See A.9 in the appendix.
- **MSR**—See A.10 in the appendix.
- **Regulatory capital transitions**—See Schedule D in the appendix.
- **Consolidated pro forma financials methodology**—describes (1) how the various balance sheet and income statement line items were developed and reported, (2) the specific assumptions used to calculate regulatory capital, including a discussion of any proposed capital distributions, and (3) any other information necessary to understand the BHC's capital calculations (e.g., calculations related to the projections of the deferred tax asset or servicing assets that may be disallowed for regulatory capital purposes). Methodology documentation should be provided in accordance with the supporting documentation requirements outlined in A.1 of the appendix of the FR Y-14A Instructions for the Income Statement, Balance Sheet, and Capital worksheets.

If a BHC chooses to organize its capital plan and FR Y-14A supporting documentation in the format set forth above, the BHC should consider the following:

1. For document type, categorize all supporting documents as "Supporting materials."
   - A BHC should ***not*** categorize any FR Y-14 supporting documentation as "FR Y-14 Schedule." That category is for FR Y-14 schedules only—that is, Excel or XML files only.

2. For document subtype, choose the appropriate category from the list below based on the descriptions above.
   - *Document subtype categories:* (1) Policies and procedures, (2) Methodology inventory mapped to FR Y-14A, (3) Methodology and process overview, (4) Model technical documents, (5) Model validation, (6) Audit reports, (7) Results finalize & challenge materials, (8) Cons pro forma financials methodology, and (9) Other

     —If a BHC has combined some of the elements above into one file, choose "Other" and provide a description of the supporting document in the "Other –defined" field.

     —If a BHC has other supporting documentation that does not fit one of the defined elements above, choose "Other" and provide a description of the supporting document in the "Other – defined" field.

3. In the "Comment" field, provide the information described in the appendix of the FR Y-14A Instructions for each supporting document.

4. For the work stream, choose the appropriate category from the list below.
   - *Work stream categories:* (1) General, (2) Wholesale, (3) Retail, (4) Operational risk, (5) Securities, (6) Trading, (7) Counterparty, (8) PPNR – balance sheet – RWA, and (9) Regulatory capital.

     —All supporting documentation should be categorized by one of the specific work-stream categories above. The "General" category should only be used for (1) policies and procedures that are not related to a specific work stream, (2) the model/methodology inventory, (3) consolidated pro forma financials methodology, and (4) any documentation on results finalization and the challenge process that are not work-stream specific.

www.federalreserve.gov
0217