

**Supporting Statement for the  
Capital Assessments and Stress Testing  
(FR Y-14A/Q/M; OMB No. 7100-0341)**

## **Summary**

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to revise, without extension, the Capital Assessments and Stress Testing (FR Y-14A/Q/M; OMB No. 7100-0341) reports. These collections of information are applicable to top-tier bank holding companies (BHCs) with total consolidated assets of \$100 billion or more and U.S. intermediate holding companies (U.S. IHCs) established by foreign banking organizations under 12 CFR 252.153.<sup>1</sup>

The FR Y-14A, FR Y-14Q and FR Y-14M reports are used to support the Comprehensive Capital Analysis and Review (CCAR) exercise, supervisory stress test models, and in connection with the supervision and regulation of these financial institutions.

The Board is proposing to revise the FR Y-14Q by re-adding items that require respondents to report their total stressed net current exposure reporting under the two supervisory stressed scenarios. The proposed revisions do not result in a change to the estimated burden for this series of reports, as the burden from the proposed revisions is already captured in the burden estimates associated with the FR Y-14Q report.

## **Background and Justification**

Prior to the financial crisis that emerged in 2007, many firms made significant distributions of capital without due consideration of the effects that a prolonged economic downturn could have on their capital adequacy and their ability to remain credit intermediaries during times of economic and financial stress. In 2009, the Board conducted the Supervisory Capital Assessment Program, a “stress test” focused on identifying whether large, domestic BHCs had capital sufficient to weather a more-adverse-than-anticipated economic environment while maintaining their capacity to lend. In 2011, the Board continued its supervisory evaluation of the resiliency and capital adequacy processes by conducting CCAR 2011. Through the CCAR 2011, the Board developed a deeper understanding of the processes by which large BHCs form and monitor their assessments and expectations for maintaining adequate capital and the appropriateness of their planned actions and policies for returning capital to shareholders.

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<sup>1</sup> On July 6, 2018, the Board issued a statement regarding the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). *See* <https://www.federalreserve.gov/news-events/pressreleases/files/bcreg20180706b1.pdf>. The Board announced that it will not take action to require FBOs with total global consolidated assets greater than or equal to \$50 billion but less than \$100 billion to comply with subpart O of Regulation YY, except for the risk management and risk committee requirements under section 252.155.

The Board's stress test rules establish stress testing requirements for certain BHCs, state member banks, savings and loan holding companies and foreign banking organizations.<sup>2</sup> The final rules implement sections 165(i)(1) and (i)(2) of the Dodd-Frank Act. Section 165(i)(1) requires the Board to conduct an annual stress test of each covered company to evaluate whether the covered company has sufficient capital, on a total consolidated basis, to absorb losses as a result of adverse economic conditions (supervisory stress test).<sup>3</sup> Section 165(i)(2) requires the Board to issue regulations that require certain companies to conduct company-run stress tests. Additionally, the Board's capital plan rule requires certain firms to submit capital plans to the Board annually and requires such firms to request prior approval from the Board under certain circumstances before making a capital distribution.<sup>4</sup>

In connection with submissions of capital plans to the Board, firms are required, pursuant to 12 CFR 225.8(e)(3), to provide information including, but not limited to, the firm's financial condition, structure, assets, risk exposure, policies and procedures, liquidity, and management. The FR Y-14 series of reports collects these data from top-tier BHCs with total consolidated assets of \$100 billion or more and U.S. IHCs.

## **Description of Information Collection**

These collections of information are applicable to top-tier BHCs with total consolidated assets of \$100 billion or more and U.S. IHCs. This family of information collections is composed of the following three reports:

- The FR Y-14A collects quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios either annually or semi-annually.<sup>5</sup>
- The quarterly FR Y-14Q collects granular data on various asset classes, including loans, securities, and trading assets, and pre-provision net revenue (PPNR) for the reporting period.
- The monthly FR Y-14M is comprised of three retail portfolio- and loan-level schedules, and one detailed address-matching schedule to supplement two of the portfolio and loan-level schedules.

The data collected through the FR Y-14A/Q/M reports provide the Board with the information and perspective needed to help ensure that large firms have strong, firm-wide risk measurement and management processes supporting their internal assessments of capital adequacy and that their capital resources are sufficient given their business focus, activities, and resulting risk exposures. The annual CCAR exercise complements other Board supervisory efforts aimed at enhancing the continued viability of large firms, including continuous monitoring of firms' planning and management of liquidity and funding resources, as well as

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<sup>2</sup> See 12 CFR 252, subparts B, E, F, and O.

<sup>3</sup> See 12 U.S.C. 5365(a).

<sup>4</sup> See 12 CFR 225.8.

<sup>5</sup> Firms that must re-submit their capital plan generally also must provide a revised FR Y-14A in connection with their resubmission. See 12 CFR 225.8(d)(4).

regular assessments of credit, market and operational risks, and associated risk management practices. Information gathered in this data collection is also used in the supervision and regulation of these financial institutions. To fully evaluate the data submissions, the Board may conduct follow-up discussions with, or request responses to follow up questions from, respondents.

Respondent firms are currently required to complete and submit up to 18 filings each year: two semi-annual FR Y-14A filings, four quarterly FR Y-14Q filings, and 12 monthly FR Y-14M filings.<sup>6</sup> Compliance with the information collection is mandatory.

### **Proposed Revisions**

In December 2017, the Federal Reserve Board approved modifications to the FR Y-14 series of reports and a notice was published in the *Federal Register* (December 15, 2017; 82 FR 59608). The proposal modified the FR Y-14Q, Schedule L (Counterparty) effective as of the March 31, 2018, report date. These changes included simplifying the ranking methodology required for reporting positions and combining the previously separate collections of counterparties as ranked by derivatives and securities financing transactions (SFTs), respectively. Following the finalization and adoption of these proposed changes, the Board became aware of unintended omissions from the report forms and instructions for the FR Y-14Q. The omitted items required respondents to report their total stressed net current exposure under the two supervisory stressed scenarios.

To rectify the unintended changes, the Board is proposing to revise sub-schedule L.5 (Derivatives and Securities Financing Transactions (SFT) Profile) on the FR Y-14Q by adding the mistakenly omitted items. This modification would allow continued operationalization of supervisory modeling, and would provide for total stressed net current exposure reporting under the two supervisory stressed scenarios.

With the addition of the total stressed net current exposure item, the instructions would be changed to modify the associated ranking methodologies for the yearly stressed/CCAR submission in sub-schedule L.5 to require the top 25 counterparties to be reported as ranked by the total stressed net current exposure. This modification would ensure that top counterparties are properly rank-ordered by the total stressed net current exposure to be added on sub-schedule L.5 in a manner that captures both derivative and securities financing transaction exposures.

The proposed revisions do not result in a change to the estimated burden for this series of reports, as the burden from the proposed revisions is already captured in the burden estimates associated with the FR Y-14Q report.

### **Respondent Panel**

The respondent panel consists of any top-tier BHC that has \$100 billion or more in total consolidated assets, as determined based on: (i) the average of the firm's total consolidated assets

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<sup>6</sup> The most current reporting templates for the FR Y-14A/Q/M are available at: [www.federalreserve.gov/apps/reportforms/default.aspx](http://www.federalreserve.gov/apps/reportforms/default.aspx).

in the four most recent quarters as reported quarterly on the firm's FR Y-9C; or (ii) the average of the firm's total consolidated assets in the most recent consecutive quarters as reported quarterly on the firm's FR Y-9Cs, if the firm has not filed an FR Y-9C for each of the most recent four quarters. The respondent panel also consists of any U.S. IHC. Reporting is required as of the first day of the quarter immediately following the quarter in which the respondent meets this asset threshold, unless otherwise directed by the Board.

## Time Schedule for Information Collection and Publication

The following tables outlines, by schedule and reporting frequency (annually, semi-annually, quarterly, or monthly), the as-of dates for the data and their associated due date for the current submissions to the Board.

Schedules and Sub-Sub-schedules	Data as-of-date	Submission Date to Board
<b>FR Y-14A - Semi-annual Schedules</b>		
<b>Summary, Macro Scenario</b>	<ul style="list-style-type: none"> <li>December 31st.</li> <li>June 30th.</li> </ul>	<ul style="list-style-type: none"> <li>April 5th of the following year.</li> <li>October 5th of the same year.</li> </ul>
<b>FR Y-14A - Annual Schedules</b>		
<b>Operational Risk and Business Plan Changes Schedules</b>	December 31st.	<ul style="list-style-type: none"> <li>April 5th of the following year.</li> </ul>
<b>CCAR Market Shock exercise</b> <b>Summary schedule</b> <ul style="list-style-type: none"> <li>Trading Risk</li> <li>Counterparty</li> </ul>	Data as of a specified date in the first quarter that would be communicated by the Board. <sup>7</sup>	<ul style="list-style-type: none"> <li>April 5th.</li> </ul>
<b>Regulatory Capital Instruments</b>	Data as-of December 31st.	<ul style="list-style-type: none"> <li>Original submission: Data are due April 5th of the following year.</li> <li>Adjusted submission: The Board will notify companies at least 14 calendar days in advance of the date on which it expects companies to submit any adjusted capital actions.<sup>8</sup></li> <li>Incremental submission: At the time the firm seeks approval for additional capital distributions (see 12 CFR 225.8(g)) or notify the Board of its intention to make additional capital distributions</li> </ul>

<sup>7</sup> See 12 CFR 252.14(b)(2). In February 2017, the Board finalized modifications to the capital plan rule extending the range of dates from which the Board may select the as-of date for the global market shock to October 1 of the calendar year preceding the year of the stress test cycle to March 1 of the calendar year of the stress test cycle *Federal Register* (82 FR 9308 (February 3, 2017)).

<sup>8</sup> The annual CCAR Instructions provide further information regarding adjustments a firm may make to its planned capital distributions: <https://www.federalreserve.gov/supervisionreg/ccar.htm> .

		under the de minimis exception (see 12 CFR 225.8(g)(2)).
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Schedules	Data as-of date	Submission Date to Board
<b>FR Y-14Q (Quarterly Filings)</b>		
<b>Securities</b> <b>PPNR</b> <b>Retail</b> <b>Wholesale</b> <b>Operational</b> <b>MSR Valuation</b> <b>Supplemental</b> <b>Retail FVO/HFS</b> <b>Regulatory Capital Transitions</b> <b>Regulatory Capital Instruments</b> <b>Balances</b>	Data as of each calendar quarter-end.	Data are due seven calendar days after the FR Y-9C reporting schedule (52 calendar days after the calendar quarter-end for December and 47 calendar days after the calendar quarter-end for March, June, and September).
<b>Trading Schedule</b> <b>Counterparty Schedule</b>	<p>Due to the CCAR Market Shock exercise, the as-of date for the fourth quarter would be communicated in the subsequent quarter.</p> <p>For all other quarters, the as-of date would be the last day of the quarter, except for firms that are required to re-submit their capital plan.</p> <p>For these firms, the as-of date for the quarter preceding the quarter in which they are required to re-submit a capital plan would be communicated to the firms during the subsequent quarter</p>	<p>Data are due seven calendar days after the FR Y-9C reporting schedule.</p> <p><b>Fourth quarter – Trading and Counterparty (Regular/unstressed submission):</b>  52 calendar days after the notification date (notifying respondents of the as-of date) or March 15, whichever comes earlier. <b><u>Unless the Board requires the data to be provided over a different weekly period,</u></b> firms may provide these data as of the most recent date that corresponds to their weekly internal risk reporting cycle, as long as it falls before the as-of date.</p> <p><b>Fourth quarter – Counterparty (CCAR/stressed submission):</b>  April 5.  In addition, for firms that are required to re-submit a capital plan, the due date for the quarter preceding the quarter in which the firms are required to re-submit a capital plan</p>

		would be the later of (1) the normal due date or (2) the date that the re-submitted capital plan is due, including any extensions.
<b>FR Y-14M (Monthly Filings)</b>		
<b>All schedules</b>	Data as of the last business day of each calendar month.	<ul style="list-style-type: none"> <li>• By the 30<sup>th</sup> calendar day of the following month.</li> </ul>

## **Legal Authorization and Confidentiality**

The FR Y-14 A/Q/M reports are mandatory. The Board has the authority to require BHCs to file the FR Y-14A/Q/M reports pursuant to section 5 of the Bank Holding Company Act (“BHC Act”) (12 U.S.C. § 1844), and to require the U.S. IHCs of FBOs to file the FR Y-14 A/Q/M reports pursuant to section 5 of the BHC Act, in conjunction with section 8 of the International Banking Act (12 U.S.C. § 3106).

The information collected in these reports is collected as part of the Board’s supervisory process, and therefore is afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act (“FOIA”). 5 U.S.C. § 552(b)(8). In addition, individual respondents may request that certain data be afforded confidential treatment pursuant to exemption 4 of FOIA if the data has not previously been publically disclosed and the release of the data would likely cause substantial harm to the competitive position of the respondent. 5 U.S.C. § 552(b)(4). Determinations of confidentiality based on exemption 4 of FOIA would be made on a case-by-case basis.

## **Consultation Outside the Agency**

On August 8, 2018, the Board published a notice in the *Federal Register* (83 FR 39093) requesting public comment for 60 days on the extension for three years, without revision, of the Capital Assessments and Stress Testing reports (FR Y-14A/Q/M). The comment period for this notice expires on October 9, 2018.

## **Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR Y-14 is estimated to be 858,384 hours. The proposed revisions would not result in an increase in burden. These reporting requirements represent approximately 8.56 percent of the Board’s total paperwork burden.

	<i>Estimated number of respondents<sup>9</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b><u>Current FR Y-14A</u></b>				
Summary	36	2	887	63,864
Macro scenario	36	2	31	2,232
Operational risk	36	1	18	648
Regulatory capital instruments	36	1	21	756
Business plan changes	36	1	16	576
Adjusted Capital Plan Submission	5	1	100	<u>500</u>
<i>Current FR Y-14A Total</i>				<i>68,576</i>
<b><u>Current FR Y-14Q</u></b>				
Retail	36	4	15	2,160
Securities	36	4	13	1,872
PPNR	36	4	711	102,384
Wholesale	36	4	151	21,744
Trading	12	4	1,926	92,448
Regulatory capital transitions	36	4	23	3,312
Regulatory capital instruments	36	4	54	7,776
Operational risk	36	4	50	7,200
MSR Valuation	15	4	23	1,380
Supplemental	36	4	4	576
Retail FVO/HFS	25	4	15	1,500
Counterparty	12	4	514	24,672
Balances	36	4	16	<u>2,304</u>
<i>Current FR Y-14Q total</i>				<i>269,328</i>
<b><u>Current FR Y-14M</u></b>				
Retail Risk				
1 <sup>st</sup> lien Mortgage	34	12	516	210,528
Home Equity	28	12	516	173,376
Credit Card	14	12	512	<u>86,016</u>
<i>Current FR Y-14M total</i>				<i>469,920</i>

**Current Implementation and On-going Automation**

<sup>9</sup> Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) [www.sba.gov/content/small-business-size-standards](http://www.sba.gov/content/small-business-size-standards).

	<i>Estimated number of respondents<sup>9</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Implementation	0	1	7,200	0
On-going revisions	36	1	480	<u>17,280</u>
<i>Current Implementation and On-going Automation total</i>				<i>17,280</i>
<b><u>Attestation</u></b>				
Implementation	0	1	4,800	0
On-going	13	1	2,560	<u>33,280</u>
<i>Current Attestation total</i>				<i>33,280</i>
<b>Current Collection total</b>				<b>858,384</b>

The estimated total annual cost to the public for this collection of information is \$48,112,423.<sup>10</sup>

## Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

## Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System is \$2,779,104 for ongoing costs.

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<sup>10</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$18, 45% Financial Managers at \$69, 15% Lawyers at \$68, and 10% Chief Executives at \$94). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2017*, published March 30, 2018, [www.bls.gov/news.release/ocwage.t01.htm](http://www.bls.gov/news.release/ocwage.t01.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).