

## FR Y-14Q: Pre-Provision Net Revenue Schedule Instructions

### **Pre-Provision Net Revenue (PPNR)**

#### **A. General Technical Details**

This document provides general guidance and data definitions for the Pre-Provision Net Revenue (PPNR) Schedule. The Schedule consists of four worksheets: PPNR Submission Cover Sheet, PPNR Submission worksheet, PPNR Net Interest Income (NII) worksheet, and PPNR Metrics worksheet. The four worksheets are described in detail below.

Certain commonly used terms and abbreviations, including PPNR, are defined at the end of this section. Other definitions are embedded in the Schedule. Undefined terms should be assumed to follow FR Y-9C definitions. In cases where FR Y-9C guidance is unavailable, BHCs should use internal definitions and include information about the definitions used in the supporting documentation for FR Y-14A projections.

All line item definitions and identification numbers are consistent between the Y-14A and Y-14Q and data should be reported accordingly. Where specific FR Y-14 PPNR and/or FR Y-9C guidance exists for business line and/or other items, provide both historical and projections data consistently throughout time in accordance with the instructions. If a BHC has not done so in prior filings, restate and resubmit. If a BHC is unable to consistently adhere to definitions, it can rely on internal definitions at the present time. Note in such cases which FR Y-14 PPNR items were affected, which quarters were affected, describe the reasons, and note how the situation may be remedied over time (including estimate of time required). Where BHCs were instructed or allowed to rely on internal definitions in mapping internal data to FR Y-14 PPNR schedules (historical and/or projections), they do not need to provide consistency across different quarters at the present time. However, identify all quarters where major shifts in mapping have occurred historically or are expected to occur during the projection period, describe such shifts, and provide pertinent information in the memo supporting the FR Y-14A submission. Such information may include, but is not limited to, the internal business line relationships to a) major client segments (and how those are defined e.g. sales thresholds, asset size thresholds, etc.), b) major product categories, and c) key types of revenues (e.g. equity investment income, brokerage commissions, etc.), as well as the motivations behind the shifts.

All quarterly figures should be reported on a quarterly basis (not on a year-to-date basis).

Provide data for all non-shaded cells, except where the data requested is optional. The BHC is not required to populate cells shaded gray.

If there are no data for certain fields, then populate the fields with a zero (0). If the fields are optional and a BHC chooses not to report data, leave the fields blank.

#### **Materiality Thresholds**

BHCs for which deposits comprise less than 25 percent of total liabilities for any period reported in any FR Y-14Q should complete the PPNR Submission worksheet as well as the Metrics by Business Segment/Line and “Firm-Wide Metrics: PPNR Submission Worksheet” sections of the PPNR Metrics worksheet. The Net Interest Income worksheet is optional for these BHCs.

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All other BHCs should complete all four worksheets, including the Net Interest Income worksheet and the Net Interest Income worksheet section of the PPNR Metrics worksheet.

Report data for all quarters for a given business segment in the PPNR Submission and PPNR Metrics worksheets if the total revenue of that business segment (calculated as the sum of net interest income and non interest income for that segment), relative to total revenue of the BHC exceeded 5 percent in any of the most recent four actual quarters as provided by the BHC in the FR Y-14Q. BHCs have the option to report less material business segment revenue in separate line items “Optional Immaterial Business Segments”. The reported total optional immaterial business segment revenue relative to total revenue cannot exceed 10 percent. If the total immaterial business segment revenue relative to total revenue would be greater than 10 percent in any of the most recent four actual quarters as provided by the BHC in the FR Y-14Q, report data for the largest business segment among the immaterial business segments for all quarters in the PPNR Submission and PPNR Metrics worksheets such that the amount reported in the Optional Immaterial Business segments line items does not exceed 10 percent. BHCs should provide comprehensive information in the supporting documentation on which business segments are included in the Optional Immaterial Business Segments line items in both the FR Y-14Q and FR Y-14A schedules, and their relative contribution to the totals reported in both schedules.

If international revenue exceeded 5 percent of total revenue in any of the most recent four actual quarters as provided by the BHC in the FR Y-14Q, provide regional breakouts (PPNR Metrics worksheet, line items 46A-46D) for all quarters in the PPNR Metrics worksheet.

If International Retail and Small Business revenues exceeded 5 percent of Total Retail and Small Business Segment revenue and Total Retail and Small Business Segment revenues were material based on an applicable 5 percent threshold in any of the most recent four actual quarters as provided by the BHC in the FR Y-14Q, provide related metrics data for all quarters (PPNR Metrics worksheet, line item 10).

### **Net Interest Income: Primary and Supplementary Designation**

BHCs are expected to report all line items for all worksheets subject to applicable thresholds as detailed in the instructions. In addition, for all BHCs that are required to complete the *PPNR Net Interest Income* worksheet, the *PPNR Net Interest Income* worksheet should be designated as “Primary Net Interest Income.” The PPNR Submission worksheet for such BHCs will be “Supplementary Net Interest Income” by default. For BHCs that are not required to complete the *PPNR Net Interest Income* worksheet the *PPNR Submission/Projections* worksheet should be designated as “Primary Net Interest Income.” PPNR Net Interest Income Worksheet will be “Supplementary Net Interest Income” for such BHCs by default, but is optional. Note that this designation would refer only to the net interest income portion of the worksheets.

### **B. PPNR Submission Cover Sheet**

PPNR submissions for each reporting period should be accompanied by a PPNR Submission Cover Sheet. This worksheet collects pertinent summary information including the name and RSSD ID of the BHC.

### **C. PPNR Submission Worksheet**

The PPNR Submission worksheet is based on standardized reporting of each component of PPNR, using business segment/line views as discussed below. Data reflecting a BHC view of PPNR revenues and expenses should be provided separately, accompanying the memo required with the FR Y-14A Projections.

#### **Revenue Components**

Revenue items are divided into net interest income and non-interest income, with totals expected to reconcile with what would be reported in the FR Y-9C when adjusted for Valuation Adjustment for firm's own debt under fair value option (FVO) and operational risk expense adjustments required for PPNR purposes. For related items, reference PPNR Submission worksheet and related instructions for the line items 29 and 40. In the documentation supporting the FR Y-14A PPNR submission, BHCs are encouraged to discuss operational risk losses reported as contra-revenues for FR Y-9C purposes and their reallocation to Operational Risk expense in accordance with the PPNR instructions. Do not report gains and losses on AFS and HTM securities, including other than temporary impairments (OTTI) estimates, as a component of PPNR.

Report all items either in the segments that generated them and/or segments that they were allocated to through funds transfer pricing (FTP). Net interest income allocation to the defined segments should be based on the cost of funds applicable to those segments as determined by the BHC. Supporting documentation regarding methodology used should be provided in the memo required with the FR Y-14A Projections. Business segments and related sub-components do not have to correspond to but may include certain line items on the FR Y-9C schedule. The Business segment structure of the worksheet is defined by product/service (e.g. credit cards, investment banking) and client type (e.g. retail, medium size businesses); it is not defined by client relationship.

BHCs are encouraged to note which line items contain Debit Valuation Adjustments (DVA) and/or Credit Valuation Adjustments (CVA) (note: these are different from fair value adjustment on the BHC's own debt under the Fair Value Option (FVO) which is excluded from PPNR by definition), including amounts if available, and whether these are generated with the purpose to generate profit.

#### **Business Segment Definitions**

Subject to applicable thresholds, reporting of net interest income and non-interest income items is requested based on a business segment/line view, with business segments/lines defined as follows<sup>1</sup>:

- Retail and Small Business Banking and Lending Services: Report in the appropriate sub-item all revenues related to retail and small business banking and lending, including both ongoing as well as run-off and liquidating businesses<sup>2</sup>. Exclude any revenues related to Wealth Management/Private Banking (WM/PB) clients. BHCs may include such revenues in WM/PB line items instead. In case of WM/PB mortgage repurchase contra-revenues, if any, report them as outlined in the PPNR Submission worksheet.

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<sup>1</sup> As noted earlier, data reflecting a BHC view should be provided separately, accompanying the memo required with the FR Y-14A Projections.

<sup>2</sup> See "Commonly Used Terms and Abbreviations" for the definition.

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As general guidance, small business clients are those with annual sales of less than \$10 million. Business, government, not-for-profit, and other institutional entities of medium size are those with annual sales between \$10 million and \$2 billion. Large business and institutional entities are those with annual sales of more than \$2 billion. If a BHC's internal reporting for these client segments deviates from this general guidance, continue to report according to internal definitions and describe how the BHC defined these or similar client segments and the scope of related business segments/lines (internal and those defined in the FR Y-14 PPNR worksheets) in the memo supporting the FR Y-14A submission.

Business lines are defined as follows:

### *Domestic:*

- **Credit Cards:** Domestic credit and charge cards offered to retail customers. Exclude other unsecured borrowing and debit cards. May include revenue that is generated on domestic accounts due to foreign exchange transactions.
- **Mortgages:** Domestic residential mortgage loans offered to retail customers.
- **Home Equity:** Domestic Home Equity Loans and Lines of Credit (HELOANS/HELOCs) provided to retail customers.
- **Retail and Small Business Deposits:** Domestic branch banking and deposit-related products and services provided to retail and small business customers. Include debit card revenues in this line. May include revenue that is generated on domestic accounts due to foreign exchange transactions.
- **Other Retail and Small Business Lending:** Other Domestic Retail and Small Business lending products and services. These include but are not limited to small business loans, auto loans, student loans, or personal unsecured credit.

### *International Retail and Small Business:*

Includes, but is not limited to, all revenues from credit /charge/debit cards, mortgages, home equity, branch and deposit services, auto, student, and small business loans generated outside of the US and Puerto Rico.

- **Commercial Lending:** Report revenues from lending products and services provided to business, government, not-for-profit, and other institutional entities of medium size, as well as to commercial real estate investors and owners. Exclude treasury, deposit, and investment banking services provided to commercial lending clients.
- **Investment Banking:** Report in the appropriate sub-item all revenues generated from investment banking services provided to business and institutional entities of both medium and large size. Include revenues from new issue securitizations for third parties. Business lines are defined as follows:
  - **Advisory:** Corporate strategy and financial advisory, such as services provided for mergers and acquisitions (M&A), restructuring, financial risk management, among others.
  - **Equity Capital Markets:** Equity investment banking services (e.g. IPOs or secondary offerings).
  - **Debt Capital Markets:** Generally non-loan debt investment banking services.

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- Syndicated/Corporate Lending: Lending commitments to larger corporate clients, including event or transaction-driven lending (e.g. to finance M&A, leveraged buyouts, bridge loans). Generally, all syndicated lending origination activity should be included here (not in Commercial Lending).
- Merchant Banking/ Private Equity: Report revenues from private equity (PE), real estate, infrastructure, and principal investments in hedge funds. May include principal investment related to merchant banking activities.
- Sales and Trading: Report in the appropriate sub-item all revenues generated from sales and trading activities. Any interest income from carry should be included in Sales & Trading net interest income. May include short-term trading made for positioning or profit generation related to the Sales & Trading activities in this line item. Business lines are defined as follows:
  - Equities: Commissions, fees, dividends, and trading gains and losses on equity products. Exclude prime brokerage services.
  - Fixed Income: Commissions, fees, and trading gains and losses on rates, credit, and other fixed income products. Exclude prime brokerage services.
    - Rates: Generally U.S. Treasury, investment grade sovereign, U.S. agency bonds, and interest rate swaps. Rates revenues related to trading activities outside of the Sales & Trading division need not be included into the Rates trading in this section, but describe where they are allocated in the BHC's documentation supporting the FR Y-14A submission.
    - Credit: Generally corporate bonds, loans, ABS, muni, emerging markets, CDS. If a BHC classifies some of the credit related trading (such as distressed debt) in segments other than "Sales & Trading," it can continue to report it as in its internal financial reports but indicate where they are reported in the documentation supporting FR Y-14A submission.
    - Other: e.g. FX/Currencies if not included above.
  - Commodities: Commissions, fees, and trading gains and losses on commodity products. Exclude prime brokerage services.
  - Prime Brokerage: Securities financing, securities lending, custody, clearing, settlement, and other services for hedge funds and other prime brokerage clients. Include all prime brokerage revenues in this line and not in any other business segments/lines.
- Investment Management: Report in the appropriate sub-item all revenues generated from investment management activities. Business lines are defined as follows:
  - Asset Management: Professional management of mutual funds and institutional accounts. Institutional clients may include endowments, not-for-profit entities, governments, and others.
  - Wealth Management/Private Banking (WM/PB): Professional portfolio management and advisory services for individuals. Individual clients may be defined as mass market, affluent, and high net worth. Activities may also include tax planning, savings, inheritance, and wealth planning, among others. May include deposit and lending services to WM/PB clients here. Also include retail brokerage services. May report retail brokerage revenues for both WM/PB and non WM/PB clients here.
- Investment Services: Report in the appropriate sub-item all revenues generated from investment servicing. Exclude prime brokerage revenues. Business lines are defined as follows:
  - Asset Servicing: Custody, fund services, securities lending, liquidity services, collateral

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management; and other asset servicing. Include record keeping services for 401K and employee benefit plans, but exclude funding or guarantee products offered to such clients.

- Issuer Services: Corporate trust, shareowner services, depository receipts, and other issuer services.
- Other Investment Services: Clearing and other investment services.
- Treasury Services: Report cash management, global payments, working capital solutions, deposit services, and trade finance from business and institutional entities of both medium and large size. Include wholesale and commercial cards.
- Insurance Services: Report revenues from insurance activities including, but not limited to, individual (e.g. life, health), auto and home (property and casualty), title insurance and surety insurance, and employee benefits insurance.
- Retirement/Corporate Benefit Products: Report premiums, fees, and other revenues generated from retirement and corporate benefit funding products, such as annuities, guaranteed interest products, and separate account contracts. The fees/revenues that may be recorded here are generally generated as a result of the BHC accepting risks related to actuarial assumptions or the estimation of market returns where guarantees of future income streams have been made to clients.
- Corporate/Other: Report revenues associated with:
  - Capital and asset-liability management (ALM) activities. Among other items, may include investment securities portfolios (but not gains and losses on AFS and HTM securities, including OTTI, as these are excluded from PPNR by definition). Also may include principal investment supporting the corporate treasury function to manage firm-wide capital, liquidity, or structural risks.
  - Run-off or liquidating businesses<sup>3</sup> (but exclude retail and small business run-off/liquidating businesses per Retail and Small Business segment definition)
  - Non-financial businesses (e.g. publishing, travel services)
  - Corporate support functions (e.g. Human Resources, IT)
  - Other non-core revenues not included in other segments (e.g. intersegment eliminations).

A BHC may include public funds in the segment reporting based on the type of the relationship that exists between the public funds and the BHC. For example, if the BHC acts in a custodial or administrative capacity, the BHC may report public funds in Investor Services. If a BHC is involved in the management of funds, the BHC may report the public funds in “Investment Management.”

### **Non-Interest Expense Components**

Non-Interest Expense figures are to be broken out as detailed on the worksheet. The total is expected to reconcile with what would be reported in the FR Y-9C when adjusted for certain items. As presented on the PPNR schedule, the adjustments include exclusions of goodwill impairment and adjustments related to operational risk expense required for PPNR purposes. For the related items, reference PPNR Submission worksheet and related instructions for the line items 29 and 41.

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<sup>3</sup> See “Commonly Used Terms and Abbreviations” for the definition.

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Expense data on the PPNR Submission worksheet are only intended to be reported as firm-wide BHC expenses, with exception of line item 34A, i.e. Marketing Expense for Domestic Credit Cards. This line item is for the Domestic Credit Cards business line only. See the description of the Domestic Credit Card business line in the Business Segment Definitions section of the document.

### **D. PPNR Net Interest Income (NII) Worksheet**

BHCs for which deposits comprise 25 percent or more of total liabilities for any period reported in any FR Y-14Q are required to submit the Net Interest Income worksheet. This worksheet requires BHCs to provide average asset and liability balances and average yields to calculate net interest income. The total net interest income calculated should equal the total net interest income reported using a business segment/line view in the PPNR Submission worksheet.

The average balances and rates are meant to reflect the average over each quarter as best as possible. The Federal Reserve understands that because of changes in balances over the period, the simple multiplication of average loan rates and balances may not yield the actual interest income. In these cases, the BHCs may report the average loan rate so that it equals a weighted average rate over the period and the interest income total for each quarter reflects historical results or the BHC's projection, as applicable. If the average rates are materially impacted by large shifts in balances over the period, highlight this in documentation supporting the FR Y-14A submission.

#### **Average Interest Bearing Assets**

BHCs should reference FR Y-9C and other definitions provided in the PPNR Net Interest Income worksheet when completing this section. Align the asset categories definitions, where no FR Y9C code is provided, with those on the Balance Sheet worksheet of the FR Y-14A Summary Schedule. In the case of loans, align definitions with the "total loans" section of the Balance Sheet worksheet. Note that the definitions for Large Commercial Credits and Small Business (Graded) are too aligned with Balance Sheet definitions (e.g. in the current reports, consistent with CCAR 2012 Balance Sheet worksheet). However, on the Net Interest Income worksheet, exclude from the balances reported loans that are classified as nonaccrual. The aggregate total of all nonaccrual loans should be reported on the PPNR Metrics worksheet instead (line item 55). Although the metric aggregates all nonaccruals for reporting purposes, BHCs are encouraged to provide details on the nonaccrual loans by Balance Sheet worksheet definition, if available, in the documentation supporting their FR Y-14A submission.

#### **Average Interest Bearing Liabilities**

For the classification of liabilities, BHCs should report based on internal definitions (those deemed to best represent the behavior characteristics of deposits).

### **E. PPNR Metrics worksheet**

The PPNR Metrics worksheet requests information on certain metrics relevant for the assessment of various components of PPNR. Elements in Section C of the PPNR Metrics worksheet (line items 55-85B) are required only for BHCs that must complete the Net Interest Income worksheet. All other metrics are required of all BHCs, subject to applicable thresholds.

Metrics in Section A, "Metrics by Business Segment/Line," correspond to Business Segments/Lines on PPNR Submission worksheet. This means that each metric is reflective of revenues reported on the

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PPNR Submission worksheet for a given business segment/line, unless explicitly stated otherwise (e.g. line item 2). In contrast, Sections B and C are both for firm-wide metrics.

In providing industry market size information, BHCs can use third party data and are not required to independently derive these metrics. Any supporting information should be described in detail, including the data source, and corresponding data should be provided in the worksheet.

BHCs should use internal definitions of proprietary trading and clearly describe the covered activities and transactions in methodology narratives.

If a BHC is unable to provide a metric on the PPNR Metrics worksheet, it should offer a data series for alternative metrics that are considered by the BHC in projecting the relevant component(s) of PPNR and include in the documentation memo required with the FR-14A Projections a discussion of why the standard metric could not be provided.

### **F. Commonly Used Terms and Abbreviations**

- Domestic Revenues: Revenues from the US and Puerto Rico only.
- International Revenues: Revenues from regions outside the US and Puerto Rico.
- Pre-Provision Net Revenue (PPNR): Sum of net interest income and non-interest income net of non-interest expense, with components expected to reconcile with those reported in the FR Y-9C when adjusted for certain items. As presented on the PPNR schedules, the adjustments include exclusions of Valuation Adjustment for BHC's debt under fair value option (FVO), goodwill impairment, loss resulting from trading shock exercise (if applicable), as well as adjustments related to operational risk expense required for PPNR purposes. For the related items, reference the PPNR Submission worksheet and related instructions for the line items 29, 40-41. Gains and losses on AFS and HTM securities, including other than temporary impairments (OTTI) estimates, are not a component of PPNR. All revenue and expenses related to mortgage servicing rights (MSRs) are components of PPNR to be reported in the associated noninterest income and non-interest expense line items on the PPNR schedules.
- Run-Off or Liquidating Businesses: operations that do not meet an accounting definition of "discontinued operations" but which the BHC intends to exit.
- Revenues: Sum of net interest income and non-interest income adjusted for selected exclusions, as reported on line item 27 of the PPNR Submission worksheet.