Annual Stress Test Rule and
Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of over $50 Billion under the Dodd-Frank Wall Street Reform and Consumer Protection Act

Supporting Statement A
OMB CONTROL NO. 1557-0319

A. Justification

1. Circumstances Making the Collection of Information Necessary

OMB Control No. 1557-0319 currently encompasses information collection requirements contained in the OCC's stress testing reporting templates for covered institutions with over $50 billion in total consolidated assets (DFAST-14A reporting templates). The OCC has separately requested to revise the collection under OMB Control No. 1557-0311 to reflect changes to the templates for institutions with total consolidated assets of $10 billion to $50 billion.

The annual stress test rule[1] implemented section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act[2] ("Dodd-Frank Act"), which requires certain companies to conduct annual stress tests. National banks and Federal savings associations with total consolidated assets of more than $10 billion are required to conduct annual stress tests and comply with reporting and disclosure requirements under the rule. The reporting templates for institutions with total consolidated assets of over $50 billion were finalized in 2012.[3]

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires certain financial companies, including national banks and Federal savings associations, to conduct annual stress tests[4] and requires the primary financial regulatory agency[5] of those financial companies to issue regulations implementing the stress test requirements.[6] A national bank or Federal savings association is a "covered institution" and therefore subject to the stress test requirements if its' total consolidated assets are more than $10 billion.

Under section 165(i)(2), a covered institution is required to submit to the Board of Governors of the Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing such information as the primary financial regulatory agency may require.[7]

[1] October 9, 2012 – Final Rule (77 FR 61238)
[2] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).
[3] 77 FR 49485 (August 16, 2012); 77 FR 66663 (November 6, 2012).
[4] 12 U.S.C. 5365(i)(2)(A).
[5] 12 U.S.C. 5301(12).
[6] 12 U.S.C. 5365(i)(2)(C).
[7] 12 U.S.C. 5365(i)(2)(B).

2. Purpose and Use of the Information Collection

The OCC intends uses the data collected through the current templates to assess the reasonableness of the stress test results of covered institutions and to provide forward-looking information to the OCC regarding a covered institution's capital adequacy. The OCC also uses the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered institution. The stress test results support ongoing improvement in a covered institution's stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

The Dodd-Frank Act stress testing requirements apply to all covered institutions, but the OCC recognizes that many covered institutions with consolidated total assets of $50 billion or more have been subject to stress testing requirements under the Board's Comprehensive Capital Analysis and Review (CCAR). The OCC also recognizes that these institutions' stress tests are applied to more complex portfolios and therefore warrant a broader set of reports to adequately capture the results of the company-run stress tests. These reports necessarily require more detail than would be appropriate for smaller, less complex institutions. Therefore, the OCC has specified separate reporting templates for covered institutions with total consolidated assets between $10 and $50 billion and for covered institutions with total consolidated assets of $50 billion or more. In cases where a covered institution with assets less than $50 billion is affiliated with a banking organization with assets of $50 billion or more, the OCC reserves the authority to require that covered institution to use the reporting template for larger institutions with total consolidated assets of $50 billion or more. The OCC may also, on a case-by-case basis, require a covered institution with assets of $50 billion or more to report stress test results using a simpler format to be specified by the OCC.

The revisions to the DFAST-14A reporting templates consist of adding data items, deleting data items, and redefining existing data items. These changes will: (1) provide additional information to greatly enhance the ability of the OCC to analyze the validity and integrity of firms' projections, (2) improve comparability across firms, and (3) increase consistency between the Federal Reserve's FR Y–14A reporting templates and DFAST-14A reporting templates. The OCC has conducted a thorough review of the changes and believes that the incremental burden of these changes is justified given the need for these data to properly conduct the OCC's supervisory responsibilities related to the stress testing.

3. Use of Improved Information Technology and Burden Reduction

Respondents may use any method of improved technology that meets the requirements of the collection.

4. Efforts to Identify Duplication and Use of Similar Information

The required information is unique and is not duplicative of any other information already collected.

5. Methods used to Minimize burden if the collection has a significant impact on Small Businesses or Other Small Entities

   The information collection does not have a significant impact on a substantial number of small businesses or other small entities.

6. Consequences of Collecting the Information Less Frequently

   The collection of information is required by federal statute. The consequences of collecting the information less frequently would prevent OCC from implementing Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act.[8]

7. Special Circumstances Relating to the Guidelines of 5 CFR 1320.5

   The information collection would be conducted in a manner consistent with 5 CFR Part 1320.5.

8. Comments in Response to the Federal Register Notice and Efforts to Consult Outside the Agency

   On November 16, 2016, the OCC published notice of its intention to revise these templates. 81 FR 70717. The OCC received three comments in response to this Federal Register notice. On February 3, 2017, the OCC published a second Federal Register notice describing the final changes to its reporting templates. 82 FR 9273. One comment was submitted in response to this Federal Register notice.

   Three comments received in response to first Federal Register notice

   The OCC received three comments in response to the Federal Register notice published on November 16, 2016.

   One commenter objected to the submission of bank-specific scenarios. The commenter argued that the submission of a bank-specific scenario would be duplicative with the submission of a BHC-specific scenario if a covered institution subsidiary constitutes nearly all of the BHC's assets. The commenter also argued that, if a covered institution represents a smaller fraction of a BHC's assets, then it is inappropriate for the bank-specific scenario to be consistent with the BHC-specific scenario. The commenter further asked whether the OCC and the Board would draw the same conclusions on the adequacy of the BHC-specific versus bank-specific scenarios. While the bank-specific scenario results may be broadly similar to the BHC-specific scenario results, especially for holding companies where the covered institution includes an overwhelming majority of the holding company's total assets and exposures, the holding company's nonbank assets may contain risks that are materially different from the rest of the holding company's exposures. Applying the bank-specific scenario against the covered

[8] Public Law 111-203, 124 Stat. 1376, July 2010.

institution's exposures ensures that supervisory analysis is conducted on the covered institution's reported numbers, rather than OCC estimates interpolated from results at the holding-company level. Furthermore, the holding company and the subsidiary national bank or federal savings association may implement different capital actions which may result in different capital outcomes between the BHC and bank-specific scenarios. Therefore, the bank-specific scenario may potentially result in a different assessment from the BHC-specific scenario.

One commenter indicated that covered institutions may have the data required for the Supplemental Schedule (the portion of the reporting templates that collects information not included on the FR Y-14A reporting forms) but that this data may not be segmented in the manner used by the Supplemental Schedule. Another commenter noted that covered institutions do not have systems in place to report the level of granularity required in the schedule, as much of the additional information would require substantial systems revisions and information technology changes. The OCC understands that existing data systems and processes may not be currently designed to align with the specific loan types, product types, and other classifications delineated on the OCC Supplemental Schedule. As indicated in the OCC's proposal, covered institutions should not develop new models or methodologies to provide the loss, balance, provision, and allowance numbers requested in the OCC Supplemental Schedule. Instead, institutions should use existing models and methodologies to furnish the requested information. The OCC expects covered institutions to use reasonable efforts to supply the data requested by the Supplemental Schedule. Also, most items in the OCC Supplemental Schedule include materiality thresholds to ensure that only sizeable portfolios and exposures, as measured in terms of total assets and as a percentage of tier 1 capital, are reported.

One commenter noted that the additional information to be collected in the OCC Supplemental Schedule is already received by the OCC from other sources. Certain line items requested in the OCC Supplemental Schedule are contained in the Call Report; however, the Call Report collects historical information, whereas the OCC Supplemental Schedule collects forward-looking projections. Existing sources of information do not contain the forward-looking projections which are essential to evaluating impact on capital adequacy in adverse and severely adverse macroeconomic conditions.

One commenter suggested that covered institutions will need clear instructions about what each line in the Supplemental Schedule requires. Another commenter requested that the Supplemental Schedule be dropped in its entirety from the final template. Another commenter provided detailed feedback on the proposed line items. This commenter recommended that: (a) owner-occupied commercial real estate (CRE) loans be reclassified as commercial and industrial (C&I) loans, especially since the Board classifies these loans as C&I in the FR Y-14Q Schedule; (b) line items relating to portfolio vacancy rates and weighted-average loan to value (LTV) be removed from the schedule; (c) more guidance be provided on calculating counterparty funding value adjustment (FVA) losses; (d) institutions not be required to submit historical data for line items relating to C&I exposures; (e) the OCC provide analysis of the purported benefits of the additional information to be provided in the Supplemental Schedule; and (f)

institutions whose internal modeling practices do not align to the regulatory definition with respect to the additional granularity in the OCC Supplemental Schedule be permitted to use a pro-rata allocation approach or to note "N/A" as applicable.
For certain line items, the OCC has provided North American Industry Classification System (NAICS) code industry mappings to indicate which obligor-types must be included. Additionally, in the final instructions, the OCC has provided additional clarity on which obligors must be included for non-U.S. exposures. Line items pertaining to leverage exposure for the Supplementary Leverage Ratio are defined in the same way as analogous line items contained in the DFAST-14A Regulatory Capital Transitions Schedule. In regard to (a), we have re-categorized these line items as C&I loans rather than CRE loans. For (b), we have removed line items for portfolio vacancy rates and weighted-average committed LTV throughout the schedule. For (c), only those institutions that fill out the trading worksheet are responsible for completing this line item. Institutions that do not consider counterparty FVA losses within their counterparty credit modeling should not complete this item. Institutions that are currently calculating counterparty FVA losses should use existing calculations to fill out this item and provide information on how this item was calculated in the bank's supporting documentation. For (d), as the Supplemental Schedule only collects information on the current quarter and projected quarters, historical balances and/or losses need not be submitted. For (e) and (f), the OCC considers those items included in the OCC Supplemental Schedule as material risks which are necessary for monitoring and assessing a covered institution's capital adequacy and capital planning process. Covered institutions that cannot use existing models and methodologies to furnish requested information on the OCC Supplemental Schedule may use allocations, expert judgment, or other methods for projections of balances, losses, and allowances if data is not available at the requested level of granularity. Covered institutions should supply appropriate documentation explaining their approach. Institutions should not supply "N/A" for any fields in the Supplemental Schedule. If the covered institution does not meet the materiality threshold for a given item, the institution should leave this item blank.

One commenter requested a delay of at least one year before requiring submission of the Supplemental Schedule. According to the commenter, submissions of this data would require changes in internal processes. Another commenter requested a delay of unspecified length for the same reasons. As mentioned, covered institutions are expected to use existing models and methodologies and to undertake reasonable effort to furnish requested information. It is not the OCC's intent to cause institutions to redesign existing processes to complete the Supplemental Schedule. The OCC considers those items included in the OCC Supplemental Schedule as material risks which are necessary for monitoring and assessing a covered institution's capital adequacy and capital planning process.

One commenter noted that the ASC 310-30 Schedule had been omitted from the templates but had not been discussed in the PRA notice. This sub-schedule has been removed, effective for the DFAST 2017 submission. This change had already been finalized in the OCC's 2016 Final PRA notice.

One commenter asserted that the OCC should remove the operational risk component from the stress testing reporting forms. However, operational risk is a key element of the stress testing framework. Operational risk losses can significantly influence a covered institution's capital and earnings projections and, thus, comprises an integral part of stress testing. The adverse and severely adverse scenarios do not prescribe specific operational risk events that covered institutions must consider. Rather, institutions are instructed to identify their own idiosyncratic operational risk exposures as part of the material risk identification and scenario design process.

One commenter recommended that the OCC revise its instructions to exclude operational losses from idiosyncratic or low-probability events. However, each covered institution is responsible for assessing the reasonableness of its operational risk loss projections. The decision of which operational risk events to include or omit is a key part of each covered institution's risk identification and scenario design process, and institutions use a combination of quantitative and qualitative approaches, as appropriate, to determine an estimate of operational risk losses. Prohibiting covered institutions from overlaying certain operational risk losses would represent a constraint to the covered institution's risk identification and would prevent the institution from considering its full range of potential operational risk outcomes.

One commenter recommended that the OCC remove the Material Risk Identification worksheet and the Operational Risk Scenarios worksheet from the Operational Risk Schedule. In response to this comment, and in order to align with the Board's Y-14A reporting requirements, the OCC will only require the Material Risk Identification and Operational Risk Scenarios worksheet for a subset of covered institutions. Specifically, institutions that are subsidiaries of large, non-complex firms, as defined by the Board, are not required to provide the Material Risk Identification and Operational Risk Scenarios sub-schedules.

One commenter requested: (a) a minimum of six months between the publication of final changes to the reporting templates and the effective date of the changes; (b) the effective date for changes be aligned with the release of the technical instructions related to the changes; (c) clarifying questions be addressed before the effective date of a change; and (d) the technical instructions accompanying any proposed changes in the reporting templates be subject to public notice and comment. The OCC recognizes the challenges with implementing changes in a timely and controlled manner, especially when the changes are finalized close to the effective date. The OCC continues to balance the need to collect additional information with the objective of providing as much time as is feasible in advance of implementation.

In regard to the proposed changes, the OCC notes that the changes related to collecting components of the Supplementary Leverage Ratio on the Capital worksheet of the Summary Schedule allow for the incorporation of key measures of regulatory capital adequacy into the stress test. In the Operational Risk Schedule, the Material Risk Identification and Operational Risk Scenarios sub-schedules, which are not required for firms deemed "Large and Non-Complex," are often provided as part of the DFAST review in response to follow-up supervisory requests, so filling out these worksheets would simply formalize an existing process. Other changes are clarifying in nature: streamlining the instructions, removing information, or aligning with the Board's FR Y-14A data collection. The OCC will continue to publish technical instructions as early as feasible.

One comment received in response to second Federal Register notice

The OCC received one comment in response to the Federal Register notice published on February 3, 2017. This commenter had previously submitted a comment in response to the first Federal Register notice. The commenter stated that the OCC had not adequately considered the points made in the earlier comment letter. However, the OCC did address and respond to these comments. (Please see the discussion above and the preamble to the February 3, 2017, Federal Register notice.) In particular, the commenter's first letter made four suggestions, which are quoted below:

1. The requirement for submitting bank-specific baseline and stress scenarios that are duplicate of the bank holding company-specific scenarios submitted to the Federal Reserve under the Comprehensive Capital Analysis & Review (CCAR) is unnecessary and has no practical utility.
2. The OCC should remove (delete) the operational risk stress-testing component from the annual stress test.
3. If the OCC does not remove (delete) the operational risk component from the annual stress test, then the OCC should at least revise its instructions on page 72 to read:
   "Operational losses under the Adverse and Severely Adverse scenarios must be those loses that are expected to occur under the Adverse and Severely Adverse scenarios during the nine-quarter planning horizon. Banks should not overlay or add-on operational losses that result from idiosyncratic or low probability events that are unrelated to the Adverse and Severely Adverse scenarios being modeled."
4. The OCC should remove (delete) the Material Risk Identification worksheet and the Operational Risk Scenarios worksheet from the DFAST-14A OpsRisk Schedule. These worksheets are burdensome and unnecessary.

The first suggestion is addressed on page 9274 of the February 3, 2017, Federal Register notice. The second and third suggestions are addressed on pages 9276 and 9277 of the February 3, 2017, Federal Register notice. The third comment is addressed on page 9276 of the February 3, 2017, Federal Register notice.

The commenter's second letter (in response to the February 3, 2017, Federal Register notice) suggested that the OCC had abandoned the tradition of identifying the total number of comments received. However, these comments are publicly available on reginfo.gov, and the OCC's Supporting Statement, also publicly available on reginfo.gov, noted that a total of three comments were received. See https://www.reginfo.gov/public/do/PRAViewDocument?ref_nbr=201701-1557-003.

9. Explanation of Any Payment or Gift to Respondents

OCC has not provided and has no intention to provide any payment or gift to respondents under this information collection.

10. Assurance of Confidentiality Provided to Respondents

The information collection request will be kept confidential to the extent permissible by law.

11. Justification for Sensitive Questions

There are no questions of a sensitive nature.

12. Estimates of Annualized Burden Hours and Costs

Reporting Templates	No. of Respondents	No. of Responses	Estimated average hours per Response	Total Hours
OCC DFAST-14A Summary Schedule	25	1	493.5	11308
OCC DFAST-14A RegCap Transitions Template	25	1	11.5	253
OCC DFAST-14A Regulatory Capital Template	25	1	10	220
OCC DFAST-14A Operational Risk Template	25	1	6	132
OCC DFAST-14A Scenario Template	25	1	15.5	341
50B or More Template Total				**13412.5**

13. Estimates of Annual Cost Burden to Respondents and Record Keepers

Total annual cost burden:

(a) Total annualized capital and start-up costs associated with the Templates are estimated to be $0 (zero dollars). Reporting on the Templates requires neither specialized capital equipment, nor fixed or variable costs that are not already associated with the customary and usual business practices of respondents.

(b) Total annualized operations, maintenance, and purchases of services costs are estimated to be $0 (zero dollars). Reporting on the forms does not in general impose operations, maintenance, or specialized services costs that are not already associated with the customary and usual business practices of respondents.

The above cost estimates are not expected to vary widely among respondents.

14. Annualized Cost to the Federal Government

OCC estimates no annualized cost to the Federal government.

15. Explanation for Program Changes or Adjustments

Prior Burden: 12,254 hours.

Proposed Burden: 13,412.5 hours.

Difference: +1,158.5 hours.

The change is burden is due to the fact that more respondents are expected to complete the templates. Also, the OCC's burden estimate is based upon the Board's estimate of the burden of completing the FR Y-14A reporting form, which is very similar to these reporting templates. To the extent the burden of completing the FR Y-14A increases or decreases, the burden of completing the OCC's reporting templates will also increase or decrease.

16. Plans for Tabulation and Publication and Project Time Schedule

There are no publications.

17. Reason(s) Display of OMB Expiration Date is Inappropriate

The agency is not seeking to display the expiration date of OMB approval of the information collection.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

There are no exceptions to the certification.

B. Collections of Information Employing Statistical Methods

The collection of this information does not employ statistical methods. Statistical methods are not appropriate for the type of information collected and would not reduce burden or improve accuracy of results.