

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

*Amendments to the Capital Plan and Stress Test Rules; Regulations Y and YY
(Docket No. R-1548; RIN 7100-AE59)*

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the mandatory Capital Assessments and Stress Testing (FR Y-14A/Q/M; OMB No. 7100-0341) applicable to bank holding companies (BHCs) with total consolidated assets of \$50 billion or more and U.S. intermediate holding companies (IHCs) established by foreign banking organizations under 12 CFR 252.153. This information collection is composed of the following three reports:

- The semi-annual 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.¹
- 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 collections, and one detailed address matching collection to supplement two of the portfolio and loan-level collections.

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 continuous monitoring efforts.

The Board adopted a final rule that reduces burden associated with reporting the FR Y-14 schedules for large and noncomplex firms by raising the materiality threshold, reducing supporting documentation requirements, removing several sub-schedules from the FR Y-14A Summary Schedule, and using the median loss rate for immaterial portfolios. The total annual burden for the FR Y-14A/Q/M is estimated to be 858,138 hours, a decrease of 56,454 hours from the current burden of 914,592 hours.

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

¹ Firms that must re-submit their capital plan generally also must provide a revised FR Y-14A in connection with their resubmission.

Capital Assessment Program (SCAP), 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 through the Comprehensive Capital Analysis and Review (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.

The capital plan rule requires BHCs with total consolidated assets of \$50 billion or more to submit capital plans to the Board annually and to require such firms to request prior approval from the Board under certain circumstances before making a capital distribution.² In connection with submissions of capital plans to the Board, firms are required, pursuant to 12 CFR 225.8(d)(3), to provide certain data to the Board.

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.³ 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 tests).⁴ Section 165(i)(2) requires the Board to issue regulations that require covered companies to conduct stress tests semi-annually and require financial companies with total consolidated assets of more than \$10 billion that are not covered companies and for which the Board is the primary federal financial regulatory agency to conduct stress tests on an annual basis (collectively, company-run stress tests).

On June 1, 2016, the Board published a final notice in the *Federal Register* (81 FR 35016) requiring IHCs of foreign banking organizations to file certain regulatory reports and comply with the information collection requirements associated with regulatory capital requirements, including the FR Y-14 reports. IHCs began filing the FR Y-14 reports as of December 31, 2016.

Description of Information Collection

The data collected through the FR Y-14A/Q/M schedules 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 is complemented by 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

² See 12 CFR 225.8.

³ See 12 CFR 252, subparts B, E, F, and O.

⁴ See 12 U.S.C. 5365(a). A covered company means (1) a bank holding company (other than a foreign banking organization) with average total consolidated assets of \$50 billion or more; (2) A U.S. intermediate holding company subject to 12 CFR 252, subpart F pursuant to §252.153; and (3) A nonbank financial company supervised by the Board.

and 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.⁵ Compliance with the information collection is mandatory.

FR Y-14A (semi-annual collection)

The semi-annual collection of quantitative projected regulatory capital ratios across various macroeconomic scenarios is comprised of seven primary schedules (Summary, Scenario, Regulatory Capital Instruments, Regulatory Capital Transitions, Operational Risk, Business Plan Changes (BPC), and Retail Repurchase Exposures schedules), each with multiple supporting tables.⁶

The FR Y-14A schedules collect current financial information as well as quarterly and annual projections under the Board's supervisory scenarios. The information includes balances for balance sheet and off-balance-sheet positions, income statement and PPNR, and estimates of losses across various portfolios.

Firms are also required to submit qualitative information supporting their projections, including descriptions of the methodologies used to develop the internal projections of capital across scenarios and other analyses that support their comprehensive capital plans.

FR Y-14Q (quarterly collection)

The FR Y-14Q schedules (Retail, Securities, Regulatory Capital Instruments, Regulatory Capital Transitions, Operational Risk, Trading, PPNR, Wholesale, Mortgage Servicing Rights, Fair Value Option/Held for Sale, Supplemental, Counterparty, and Balances schedules) collect firm-specific data on positions and exposures that are used as inputs to supervisory stress test models to monitor actual versus forecast information on a quarterly basis and to conduct ongoing supervision.

FR Y-14M (monthly collection)

The FR Y-14M includes two portfolio and loan-level collections for First Lien data and Home Equity data and an account and portfolio-level collection for Domestic Credit Card data. To match senior and junior lien residential mortgages on the same collateral, the Address

⁵ The most current reporting templates for the FR Y-14A/Q/M are available at: www.federalreserve.gov/apps/reportforms/default.aspx.

⁶ The "mid-cycle" FR Y-14A is limited to three schedules: the Summary, Macro Scenario, and Retail Repurchase Exposure schedules. The Retail Repurchase Exposure schedule is collected on the FR Y-14Q submission date.

Matching schedule gathers additional information on the residential mortgage loans reported in the First Lien and Home Equity schedules.

Proposed Revisions

The Board adopted a final rule that revises the capital plan and stress test rules for BHCs with \$50 billion or more in total consolidated assets and U.S. IHCs of foreign banking organizations. Under the final rule, large and noncomplex firms (those with total consolidated assets of at least \$50 billion but less than \$250 billion, nonbank assets of less than \$75 billion, and that are not U.S. global-systemically important banks) are no longer subject to the provisions of the Board's capital plan rule whereby the Board may object to a capital plan on the basis of qualitative deficiencies in the firm's capital planning process. Accordingly, these firms will no longer be subject to the qualitative component of the annual Comprehensive Capital Analysis and Review (CCAR). The final rule also modifies certain regulatory reports to collect additional information on nonbank assets and to reduce reporting burdens for large and noncomplex firms. For all bank holding companies subject to the capital plan rule, the final rule simplifies the initial applicability provisions of both the capital plan and the stress test rules, reduces the amount of additional capital distributions that a bank holding company may make during a capital plan cycle without seeking the Board's prior approval, and extends the range of potential as-of dates the Board may use for the trading and counterparty scenario component used in the stress test rules.

In discussions on CCAR, several large and noncomplex firms recommended that the Board revise the FR Y-14 series of reports to reduce reporting burdens for these firms. For instance, these large and noncomplex firms suggested that the Board raise the materiality threshold for the FR Y-14 reports and reduce the detail required in the supporting documentation requirements. The final rule reduced burden associated with reporting the FR Y-14 schedules for large and noncomplex firms by raising the materiality threshold, reducing supporting documentation requirements, removing several sub-schedules from the FR Y-14A Summary Schedule, and using the median loss rate for immaterial portfolios.

The final rule increased the materiality thresholds for filing schedules on the FR Y-14Q report and the FR Y-14M report for large and noncomplex firms. The FR Y-14 instructions currently define material portfolios as those with asset balances greater than \$5 billion or asset balances greater than five percent of tier 1 capital, each measured as an average for the four quarters preceding the reporting quarter.⁷ The final rule revised the FR Y-14's definition of a "material portfolio" for large and noncomplex firms to mean a portfolio with asset balances greater than either (1) \$5 billion or (2) 10 percent of tier 1 capital, each measure as an average for the four quarters preceding the reporting quarter.⁸ As a result of this change, respondents will be able to exclude certain portfolios from reporting and in some cases may not be required to report certain schedules at all.

⁷ Respondents have the option to complete the data schedules for immaterial portfolios.

⁸ The four quarter average percent of tier 1 capital is calculated as the sum of the firm's preceding four quarters of balances subject to the particular materiality threshold divided by the sum of the firm's preceding four quarters of tier 1 capital.

In addition, the final rule reduced the supporting documentation a large and noncomplex firm will be required to be submit with its capital plan. Appendix A of the FR Y-14A report outlines qualitative information that a bank holding company should submit in support of its projections, including descriptions of the methodologies used to develop the internal projections of capital across scenarios and other analyses that support the bank holding company's comprehensive capital plans. The final rule revised the instructions to Appendix A of the FR Y-14A to remove the requirement that a large and noncomplex firm include in its capital plan submission certain documentation regarding its models, including any model inventory mapping document, methodology documentation, model technical documents, and model validation documentation. Large and noncomplex firms will still be required to be able to produce these materials upon request by the Federal Reserve, and all or a subset of these firms may be required to provide this documentation depending on the focus of the supervisory review of large and noncomplex firm capital plans. Removing the requirement that a large and noncomplex firm submit this information in connection with its capital plan should reduce the resources needed to prepare the plan for submission and alleviate concerns of an adverse supervisory finding that a capital plan is incomplete based on the failure to provide documentation.

Under the final rule, large and noncomplex firms will no longer be required to complete several elements of the FR Y-14A Schedule A (Summary), including the Securities OTTI methodology sub-schedule, Securities Market Value source sub-schedule, Securities OTTI by security sub-schedule, the Retail repurchase sub-schedule, the Trading sub-schedule, Counterparty sub-schedule, and Advanced RWA sub-schedule.⁹ The revised instructions for the FR Y-14A Summary schedule reporting form are available on the Board's public website. Removing these elements should reduce burdens associated with collecting and validating this data, responding to follow-up inquiries, and implementing and maintaining technical systems. Under the final rule, a large and noncomplex firm may adopt these changes for the FR Y-14A report as of December 31, 2016, or as of June 30, 2017. The Board continues to review the details required to be reported in the FR Y-14 series of reports, and may propose additional changes in the future to further reduce burdens associated with these reporting requirements.

Respondent Panel

The respondent panel consists of any top-tier BHC or IHC, that has \$50 billion or more in total consolidated assets, as determined based on: (i) the average of the firm's total consolidated assets in the four most recent quarters as reported quarterly on the firm's Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128); 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. 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.

⁹ A large and noncomplex firm would be required to report line item 138 of the income statement, as that line item is currently derived from the retail repurchase sub-schedule.

Consultation Outside the Agency

On September 30, 2016, the Board published a notice of proposed rulemaking in the *Federal Register* (81 FR 67239) for public comment. The comment period for this notice expired on November 25, 2016. The Board did not receive any specific comments related to the Paperwork Reduction Act (PRA) analysis. On February 3, 2017, the Board published a final rule in the *Federal Register* (82 FR 9308). The final rule is effective on March 6, 2017.

Legal Status

The Board's Legal Division has determined that this mandatory information collection is authorized by section 165 of the Dodd-Frank Act, which requires the Board to ensure that certain BHCs and nonbank financial companies supervised by the Board are subject to enhanced risk-based and leverage standards to mitigate risks to the financial stability of the United States (12 U.S.C. § 5365). Additionally, section 5 of the Bank Holding Company Act authorizes the Board to issue regulations and conduct information collections with regard to the supervision of BHCs (12 U.S.C. § 1844).

As these data are collected as part of the supervisory process, they are subject to confidential treatment under exemption 8 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(8)). In addition, commercial and financial information contained in these information collections may be exempt from disclosure under exemption 4 of FOIA (5 U.S.C. § 552(b)(4)), if disclosure would likely have the effect of (1) impairing the government's ability to obtain the necessary information in the future, or (2) causing substantial harm to the competitive position of the respondent.

Time Schedule for Information Collection and Publication

The following tables outline, 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 Federal Reserve.

Schedules and Sub-Schedules	Data as-of-date	Submission Date to Federal Reserve
Semi-annual Schedules		
Summary, Macro Scenario	<ul style="list-style-type: none"> • Data as-of December 31st. • Data as-of June 30th. 	<ul style="list-style-type: none"> • Data are due April 5th of the following year. • Data are due October 5th of the same year.
Retail Repurchase Exposures	<ul style="list-style-type: none"> • Data as-of December 31st. • Data as-of June 30th. 	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 June).

Annual Schedules		
Regulatory Capital Instruments, Regulatory Capital Transitions, Operational Risk, and Business Plan Changes schedules	<ul style="list-style-type: none"> Data as-of December 31st. 	<ul style="list-style-type: none"> Data are due April 5th of the following year.
<u>CCAR Market Shock exercise</u> Summary schedule <ul style="list-style-type: none"> Trading Risk Counterparty 	Data as-of a specified date in the first quarter. As-of-date would be communicated by Federal Reserve ¹⁰	<ul style="list-style-type: none"> Data are due April 5th of the following year

Schedules	Data as-of-date	Submission Date to Federal Reserve
FR Y-14Q (Quarterly Filings)		
Securities PPNR Retail Wholesale Operational MSR Valuation Supplemental Retail FVO/HFS Regulatory Capital Transitions Regulatory Capital Instruments Balances	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).

¹⁰ As outlined in Section 252.54 (Annual Stress Tests) of Regulation YY (12 CFR 252), the as of date will be between January 1st and March 1st of that calendar year and will be communicated to the firms by March 1st of the calendar year. Firms are permitted to submit the CCR schedule and the Trading and CCR sub-schedules of the Summary schedule as-of another recent reporting date prior to the supplied as-of date as appropriate.

<p>Trading Schedule Counterparty Schedule</p>	<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>Fourth quarter – Trading and Counterparty (Regular/unstressed submission): 52 calendar days after the notification date (notifying respondents of the as-of-date) or March 15, whichever comes earlier. <u>Unless the Board requires the data to be provided over a different weekly period,</u> 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>Fourth quarter – Counterparty (CCAR/stressed submission): 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 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.</p>
<p>FR Y-14M (Monthly Filings)</p>		
<p>All schedules</p>	<p>Data as-of the last business day of each calendar month.</p>	<p>Data are due by the 30th calendar day of the following month.</p>

As mentioned above, the Board would notify companies at least 14 calendar days in advance of the date on which it expects companies to submit any adjusted capital actions. For the incremental capital action submission, a firm would submit the adjustment at the time the firm seeks approval for the additional capital distributions (see 12 CFR 225.8(g)) or notifies the Board of its intention to make additional capital distributions under the de minimis exception (see 12 CFR 225.8(g)(2)).

Estimate of Respondent Burden

The current total annual burden for the annual, quarterly, and monthly reporting requirements of this information collection is estimated to be 914,592 hours and, with the proposed revisions, would decrease by 56,454 hours, for a total of 858,138 hours, including 18,240 hours of ongoing automation burden. These reporting requirements represent 6.83 percent of total Federal Reserve System paperwork burden.

FR Y-14A Burden

The current total annual burden hours for the FR Y-14A is estimated to be 82,580 hours and, with the proposed revisions, would decrease by 6,346 hours, for a total of 76,234 hours.

FR Y-14Q Burden

The current total annual burden hours for the FR Y-14Q is estimated to be 219,552 hours and, with the proposed revisions, would decrease by 1,088 hours for a total of 218,464 hours.

FR Y-14M Burden

The current total annual burden hours for the FR Y-14M is estimated to be 560,940 hours and, with the proposed revisions, would decrease by 49,020 hours, for a total of 511,920 hours.

Implementation and On-Going Automation Burden

In an effort to more accurately reflect the burden imposed on the BHCs and IHCs for reporting the FR Y-14 data, the Board has included estimates for annual on-going automation burden (for existing respondents) and implementation for new respondents. The Board estimates the burden for each existing respondent BHC or IHC that would update their systems to complete the FR Y-14 submissions would vary across firms. On average, it would take approximately 480 hours (on-going maintenance) to update systems for submitting the data, for a total of 18,240 hours. Additionally, the Board estimates that, on average, it would take approximately 7,200 hours for each new respondent to implement the requirements of the FR Y-14. Since there are no new respondents for the final rule, this estimate results in 0 burden hours.

	<i>Number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<u>Current FR Y-14A</u>				
Summary	38	2	993	75,468
Macro scenario	38	2	31	2,356
Operational risk	38	1	18	684
Regulatory Capital Transitions	38	1	23	874
Regulatory Capital Instruments	38	1	21	798
Business Plan Changes	38	1	10	380
Retail Repurchase Exposures	38	2	20	1,520
Adjusted Capital Submission	5	1	100	<u>500</u>
<i>Current FR Y-14A total</i>				82,580
<u>Current FR Y-14Q</u>				
Retail	38	4	16	2,432
Securities	38	4	14	2,128
PPNR	38	4	711	108,072
Wholesale	38	4	152	23,104
Trading	6	4	1,926	46,224
Regulatory Capital Transitions	38	4	23	3,496
Regulatory Capital Instruments	38	4	52	7,904
Operational Risk	38	4	50	7,600
MSR Valuation	17	4	24	1,632
Supplemental	38	4	4	608
Retail FVO/HFS	27	4	16	1,728
Counterparty	6	4	508	12,192
Balances	38	4	16	<u>2,432</u>
<i>Current FR Y-14Q total</i>				219,552
<u>Current FR Y-14M</u>				
Retail Risk				
1 st lien Mortgage	36	12	515	222,480
Home Equity	31	12	515	191,580
Credit Card	24	12	510	<u>146,880</u>
<i>Current FR Y-14M total</i>				560,940
<u>Implementation and On-going Automation</u>				
Implementation	0	1	7,200	0
On-going revisions	38	1	480	<u>18,240</u>
<i>Implementation and On-going Automation total</i>				18,240

Attestation

Implementation	0	1	4,800	0
On-going	13	1	2,560	<u>33,280</u>
<i>Attestation total</i>				33,280

Current Collection total

914,592

	<i>Number of respondents¹¹</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<u>Proposed FR Y-14A</u>				
Summary	38	2	911	69,236
Macro Scenario	38	2	31	2,356
Operational Risk	38	1	18	684
Regulatory Capital Transitions	38	1	20	760
Regulatory Capital Instruments	38	1	21	798
Business Plan Changes	38	1	10	380
Retail Repurchase Exposures	38	2	20	1,520
Adjusted Capital Submission	5	1	100	<u>500</u>
<i>Proposed FR Y-14A total</i>				76,234
<u>Proposed FR Y-14Q</u>				
Retail	38	4	15	2,280
Securities	38	4	13	1,976
PPNR	38	4	711	108,072
Wholesale	38	4	151	22,952
Trading	6	4	1,926	46,224
Regulatory Capital Transitions	38	4	23	3,496
Regulatory Capital Instruments	38	4	52	7,904
Operational Risk	38	4	50	7,600
MSR Valuation	14	4	23	1,288
Supplemental	38	4	4	608
Retail FVO/HFS	24	4	15	1,440
Counterparty	6	4	508	12,192
Balances	38	4	16	2,432
<i>Proposed FR Y-14Q total</i>				218,464
<u>Proposed FR Y-14M</u>				
Retail Risk				
1 st lien Mortgage	36	12	515	222,480
Home Equity	30	12	515	185,400
Credit Card	17	12	510	<u>104,040</u>
<i>Proposed FR Y-14M total</i>				511,920

¹¹ Of the respondents required to comply with the FR Y-14A/Q/M information collection, none are estimated to be small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets) www.sba.gov/content/table-small-business-size-standards.

Proposed Implementation and On-going Automation

Implementation	0	1	7,200	0
On-going revisions	38	1	480	<u>18,240</u>
<i>Proposed Automation total</i>				<i>18,240</i>

Attestation

Implementation	0	1	4,800	0
On-going	13	1	2,560	<u>33,280</u>
<i>Attestation total</i>				<i>33,280</i>

Proposed Collection total 858,138

Total Change -56,454

The total cost to the public for this information collection is estimated to decrease from \$50,211,101 to \$47,111,776 with the proposed revisions.¹²

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 for collecting and processing this report are \$74,300 for one-time costs and \$2,779,104 for ongoing costs.

¹² 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 \$67, 15% Lawyers at \$67, and 10% Chief Executives at \$93). 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 2016*, published March 31, 2017, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.