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

Summary

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the Capital Assessments and Stress Testing Reports (FR Y-14A/Q/M; OMB No. 7100-0341). These collections of information are currently applicable to top-tier U.S. bank holding companies (BHCs) and U.S. intermediate holding companies of foreign banking organizations (IHCs) with $100 billion or more in total consolidated assets. Covered savings and loan holding companies (SLHCs)[1] (collectively with BHCs, IHCs, and SLHCs, holding companies) with $100 billion or more in total consolidated assets became respondents to the FR Y-14Q and FR Y-14M effective June 30, 2020, and will become respondents to the FR Y-14A effective December 31, 2021.[2] The FR Y-14A, FR Y-14Q, and FR Y-14M reports are used to support the Board's Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Test (DFAST) exercises and supervisory stress test models, and also are used in connection with the supervision and regulation of these financial institutions.

The Board has adopted a number of revisions to FR Y-14 reports, such as revisions related to counterparty and trading exposures that enhance the Board's ability to identify risk as a part of CCAR and DFAST, as well as made other clarifications. The Board has also adopted revisions to the FR Y-14 reports to implement various changes to its capital rule that the Board has recently adopted.[3] These changes to the capital rule are related to capital simplifications, total loss-absorbing capacity (TLAC), and the standardized approach for counterparty credit risk (SA-CCR). For the FR Y-14Q and FR Y-14M, the adopted revisions are effective for dates ranging from September 30, 2020, as of date, to the June 30, 2021, as of date. For the FR Y-14A, the revisions are effective for the December 31, 2020, as of date.

The current estimated total annual burden for the FR Y-14 reports is 835,444 hours, and would increase to 838,216 hours. The revisions would result in an increase of 2,772 hours. The draft reporting forms and instructions are available on the Board's public website at https://www.federalreserve.gov/apps/reportforms/review.aspx.

Background and Justification

Section 165(i)(1) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)[4] requires the Board to conduct an annual stress test of certain companies to

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[1] Covered SLHCs are those that are not substantially engaged in insurance or commercial activities. See 12 CFR 217.2.
[2] See 84 FR 59032 (November 1, 2019).
[3] The Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation (FDIC) (collectively, with the Board, the agencies) have proposed or adopted corresponding changes to their respective capital rules.
[4] Pub. L. No. 111-203, 124 Stat. 1376 (2010).

evaluate whether the company has sufficient capital, on a total consolidated basis, to absorb losses as a result of adverse economic conditions (supervisory stress test).[5] Further, section 165(i)(2) of the Dodd-Frank Act requires the Board to issue regulations requiring such companies to conduct company-run stress tests.[6] On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) amended sections 165(i)(1) and (2) of the Dodd-Frank Act, among other changes.[7] The Board's rules implementing sections 165(i)(1) and (i)(2) of the Dodd-Frank Act establish stress testing requirements for certain BHCs, state member banks, savings and loan holding companies, foreign banking organizations, and nonbank financial companies supervised by the Board.[8]

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.[9] 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 risk management.

The FR Y-14 reports complement 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 regular assessments of credit, market, and operational risks, and associated risk management practices.

The FR Y-14 series of reports collects stress test and capital plan data from the largest holding companies, which are those with $100 billion or more in total consolidated assets. The data collected through the FR Y-14A/Q/M reports provide the Board with the information needed to help ensure that large holding companies 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. Information gathered in this data collection is also used in the supervision and regulation of these financial institutions.

Description of Information Collection

These collections of information are applicable to top-tier holding companies with total consolidated assets of $100 billion or more. This family of information collections is composed

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[5] See 12 U.S.C. § 5365(i)(1).
[6] See 12 U.S.C. § 5365(i)(2).
[7] EGRRCPA requires "periodic" supervisory stress tests for bank holding companies with $100 billion or more, but less than $250 billion, in total consolidated assets and amended section 165(i)(1) to require annual supervisory stress tests for bank holding companies with $250 billion or more in total consolidated assets. EGRRCPA amended section 165(i)(2) to require bank holding companies with $250 billion or more in total consolidated assets, and financial companies with more than $250 billion in total consolidated assets, to conduct "periodic" stress tests. Finally, EGRRCPA amended both sections 165(i)(1) and (2) to no longer require the Board to include an "adverse" scenario in company-run or supervisory stress tests, reducing the number of required stress test scenarios from three to two.
[8] See 12 CFR 252, Subparts B, E, F, and O.
[9] See 12 CFR 225.8.

of the following three mandatory reports:

- The annual FR Y-14A, which 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.[10]
- The quarterly FR Y-14Q, which collects granular data on various asset classes, including loans, securities, trading assets, and pre-provision net revenue (PPNR) for the reporting period.
- The monthly FR Y-14M, which 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.

FR Y-14A (annual collection)

The annual collection of quantitative projected regulatory capital ratios across various macroeconomic scenarios is comprised of five primary schedules (Summary, Scenario, Regulatory Capital Instruments, Operational Risk, and Business Plan Changes), each with multiple supporting tables. The FR Y-14A schedules collect current financial information and projections under the Board's supervisory scenarios. The information includes balances for balance sheet and off-balance-sheet positions, income statement and pre-provision net revenue (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, Operational Risk, Trading, PPNR, Wholesale Risk, Fair Value Option/Held for Sale, Supplemental, Counterparty, and Balances) 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 report includes two portfolio- and loan-level schedules for First Lien data and Home Equity data, and an account- and portfolio-level schedule for Domestic Credit Card data. To match senior and junior lien residential mortgages on the same collateral, the Address Matching schedule gathers additional information on the residential mortgage loans reported in the First Lien and Home Equity schedules.

[10] In certain circumstances, a BHC or IHC may be required to re-submit its capital plan. See 12 CFR 225.8(e)(4). Firms that must re-submit their capital plan generally also must provide a revised FR Y-14A in connection with their resubmission.

Respondent Panel

The respondent panel consists of the holding companies with $100 billion or more in total consolidated assets,[11] as based on: (1) 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 (2) 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.

Proposed Revisions to the FR Y-14A/Q/M

The proposed revisions consisted of revisions necessary to better identify risk as part of the stress tests, such as revisions to the Trading and Counterparty schedules or sub-schedules, as well as capital revisions related to capital simplification, TLAC, and SA-CCR. The Board also proposed to make several clarifications to the instructions that were, in part, prompted by questions the Board has received from reporting institutions. All proposed revisions would have been effective for the September 30, 2020, report date for the FR Y-14Q and FR Y-14M, and for the December 31, 2020, report date for the FR Y-14A.

Capital Simplifications

On July 22, 2019, the Board, Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) (the agencies) published a final rule amending their regulatory capital rules[12] to make a number of burden-reducing changes.[13] In the simplifications rule, the agencies adopted a simpler methodology for firms not subject to the advanced approaches rule (non-advanced approaches banking organizations)[14] to calculate minority interest limitations and simplified the regulatory capital treatment of mortgage service assets (MSAs), temporary difference deferred tax assets (DTAs), and investments in the capital of unconsolidated financial institutions for non-advanced approaches banking organizations. The revisions implemented by the simplifications rule become effective April 1, 2020.[15]

In order to implement the effects of the simplifications rule into the FR Y-14 reports, the Board proposed to make a number of changes to the calculation of Common Equity Tier 1

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[11] Covered SLHCs with $100 billion or more in consolidated assets are not required to file the FR Y-14Q and FR Y-14M until the reports with the June 30, 2020, as of date, and are not required to file the FR Y-14A until the report with the December 31, 2021, as of date.

[12] See 12 CFR Part 3 (OCC); 12 CFR Part 217 (Board); 12 CFR Part 324 (FDIC). While the agencies have codified the capital rule in different parts of title 12 of the Code of Federal Regulations, the internal structure of the sections within each agency's rule is substantially similar. All references to sections in the capital rule or the proposal are intended to refer to the corresponding sections in the capital rule of each agency.

[13] See 84 FR 35234 (July 22, 2019).

[14] Non-advanced approaches banking organizations are institutions that do not meet the criteria in 12 CFR 3.100(b) (OCC); 12 CFR 217.100(b) (Board); or 12 CFR 324.100(b) (FDIC).

[15] Eligible firms can choose to adopt the simplifications rule effective January 1, 2020.

(CET1) capital, Additional Tier 1 (AT1) capital, and Tier 2 (T2) capital for non-advanced approaches institutions only. Under the simplifications rule, the agencies raised the threshold for non-advanced approaches institutions for determining the amount of MSAs, temporary difference DTAs that could not be realized through net operating loss carrybacks (temporary difference DTAs),[16] and investments in the capital of unconsolidated financial institutions that must be deducted from regulatory capital. In addition, the simplifications rule streamlined the capital calculation for minority interest includable in regulatory capital for non-advanced approaches institutions and made other technical changes to the regulatory capital rule.

The current regulatory capital calculations in FR Y-14A, Schedule A.1.d (Capital), and FR Y-14Q, Schedule D (Regulatory Capital), require that an institution's capital cannot include MSAs, certain temporary difference DTAs, and significant investments in the common stock of unconsolidated financial institutions in an amount greater than 10 percent of CET1 capital, on an individual basis, and that those three data items combined cannot comprise more than 15 percent of CET1 capital. When the reporting of regulatory capital calculations by non-advanced approaches institutions in accordance with the simplifications rule takes effect, this calculation would be revised to require that MSAs or temporary difference DTAs in an amount greater than 25 percent of CET1 capital, must be deducted from a non-advanced approaches institution's capital. The 15 percent aggregate deduction threshold was removed by the simplifications rule. In addition, the simplifications rule has streamlined the current three categories of investments in financial institutions (non-significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are in the form of common stock, and significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock) into a single category, investments in the capital of unconsolidated financial institutions, and requires that non-advanced approaches institutions deduct amounts of these investments that exceed 25 percent of CET1 capital. Any investments in excess of the 25 percent threshold have been deducted from capital using the corresponding deduction approach.

Per the final tailoring rules, Category I and II firms are subject to the advanced approaches rule, while Category III and IV firms are not subject to the advanced approaches rule.[17] Therefore, the Board proposed to specify reporting of capital simplifications to clearly delineate between the requirements for the different firm categories. In order to implement these regulatory capital changes from a regulatory reporting perspective, the Board proposed the following revisions to FR Y-14A, Schedule A.1.d and FR Y-14Q, Schedule D.

FR Y-14A, Schedule A.1.d (Capital)

The Board proposed to add new items and revise several existing items that relate to CET1 capital deductions to align with the revisions proposed to the FR Y-9C, Schedule HC-R (Regulatory Capital), Part I (Regulatory Capital Components and Ratios). These items would

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[16] The Board notes that An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, P.L. 115-97 (originally introduced as the Tax Cuts and Jobs Act), enacted December 22, 2017, eliminated the concept of net operating loss carrybacks for U.S. federal income tax purposes, although the concept may still exist in particular jurisdictions for state or foreign income tax purposes.
[17] See 84 FR 59230 (November 1, 2019).

have allowed Category III and IV firms to reflect the 25 percent of CET1 capital limit for MSAs and certain temporary difference DTAs. The new items would have only been required for Category III and IV firms. These new items would have been:

- Investments in the capital of unconsolidated financial institutions, net of associated [deferred tax liabilities] DTLs, that exceed 25 percent common equity tier 1 capital deduction threshold,
- Aggregate amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs,
- 25 percent common equity tier 1 deduction threshold, and
- Amount to be deducted from common equity tier 1 due to 25 percent deduction threshold.

The existing items that the Board proposed to revise were:

- Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed 10 percent common equity tier 1 capital deduction threshold (item 37),
- MSAs, net of associated DTLs, that exceed the common equity tier 1 capital deduction threshold (item 38),
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the common equity tier 1 capital deduction threshold (item 39),
- Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold (item 40),
- Common equity tier 1 deduction threshold (item 75),
- Amount to be deducted from common equity tier 1 due to the deduction threshold (item 76),
- Common equity tier 1 deduction threshold (item 78), and
- Amount to be deducted from common equity tier 1 due to the deduction threshold (item 79).

Also, the Board proposed to revise the instructions for the following groups of items and to indicate that they would have only been reported by Category I and II firms:

- Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of DTLs (items 64 through 66),
- Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of DTLs (items 67 through 71), and
- Aggregate of items subject to the 15% limit (significant investments, mortgage servicing assets and deferred tax assets arising from temporary differences) (items 80 through 83).

On the FR Y-9C, Schedule HC-R, Part I, several items were renumbered to reflect the simplifications rule. As a result, the Board also proposed to revise the corresponding FR Y-14A, Schedule A.1.d, items to reference the renumbered FR Y-9C items.

Additionally, the Board proposed to make a number of revisions to the instructions for certain FR Y-14A, Schedule A.1.d, items that would have removed language regarding the inclusion of any applicable transition provisions. These revisions would have been applicable to Categories I, II, III, and IV firms. Specifically, the Board proposed to revise the instructions for the following items:

- AOCI opt-out election (item 18),
- Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments (item 35),
- Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed 10 percent common equity tier 1 capital deduction threshold (item 37),
- MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold (item 38),
- DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold (item 39),
- Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold (item 40),
- Additional tier 1 capital deductions (item 48),
- Amount to be deducted from common equity tier 1 due to 15 percent deduction threshold, prior to transition provision (item 84), and
- Deferred tax assets that arise from net operating loss and tax credit carryforwards, net of DTLs, but gross of related valuation allowances (item 110).

FR Y-14Q, Schedule D (Regulatory Capital)

In order to incorporate the effects of the simplifications rule on FR Y-14Q, Schedule D, the Board proposed to add four items related to non-significant investments in the capital of unconsolidated financial institutions in the form of common stock:

- Aggregate amount of non-significant investments in the capital of unconsolidated financial institutions,
- Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock,
- 10 percent threshold for non-significant investments, and
- Amount to be deducted from common equity tier 1 due to 10 percent deduction threshold.

The Board further proposed that these four new items, as well as the items formerly numbered 1 through 5 (Significant investments in the capital of unconsolidated financial institutions in the form of common stock) and 21 through 25 (Aggregate of items subject to the 15% limit (significant investments, mortgage servicing assets, and deferred tax assets arising from temporary differences)), would have been reported only by Category I and II firms.

The Board also proposed to add three items related to investments in the capital of unconsolidated financial institutions that would have only been reported by Category III and IV firms:

- Aggregate amount of investments in the capital of unconsolidated financial institutions,
- 25 percent threshold for investments in the capital of unconsolidated financial institutions, and
- Amount to be deducted from common equity tier 1 due to 25 percent deduction threshold.

Finally, the Board proposed to rename two items and revise the instructions for four items to account for the different deduction threshold for Category I, II, III, and IV firms:

- The instructions would have been revised for "10 percent common equity tier 1 deduction threshold" (existing items 13 and 19). These items would have also been renamed to "Common equity tier 1 deduction threshold: 10 percent for Category I and II firms, 25 percent for Category III and IV firms" and
- The instructions would have been revised for "Amount to be deducted from common equity tier 1 due to 10 percent deduction threshold" (existing items 14 and 20).

Total Loss-Absorbing Capacity

On April 8, 2019, the agencies published a notice of proposed rulemaking that would have addressed an advanced approaches banking organization's regulatory capital treatment of an investment in unsecured debt instruments issued by foreign or U.S. global systemically important banks (GSIBs) for the purposes of meeting minimum TLAC and, where applicable, long-term debt (LTD) requirements, or liabilities issued by GSIBs that are pari passu or subordinated to such debt instruments (TLAC Holdings NPR).[18] Under the proposal, investments by an advanced approaches banking organization in such unsecured debt instruments generally would have been subject to deduction from the advanced approaches banking organization's own regulatory capital. The Board also proposed to require that banking organizations subject to minimum TLAC and LTD requirements under Board regulations publicly disclose their TLAC and LTD issuances in a manner described in this proposal.

Under the TLAC Holdings NPR, the capital calculations of advanced approaches banking organizations would have taken into account the total amount of deductions related to investments in own CET1, AT1, and T2 capital instruments; investments in own covered debt instruments, if applicable; reciprocal cross holdings; non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that exceeded certain thresholds; certain investments in excluded covered debt instruments, as applicable; and significant investments in the capital and covered debt instruments of unconsolidated financial institutions. Any deductions related to covered debt instruments and excluded covered debt instruments (together, TLAC debt holdings) would have been applied at the level of T2 capital under the agencies' existing regulatory capital rule. Any required deduction would have been made using the "corresponding deduction approach," by which the advanced approaches banking organization would have deducted TLAC debt holdings first from T2 capital and, if it had insufficient T2 capital to make the full requisite deduction, have deducted the remaining amount from AT1 capital and then, if necessary, from CET1 capital.

[18] See 84 FR 13814 (April 8, 2019).

In order to incorporate these regulatory changes, the Board proposed the following revisions to FR Y-14A, Schedule A.1.d, and FR Y-14Q, Schedule D.

FR Y-14A, Schedule A.1.d (Capital)

As a part of the TLAC Holdings NPR, the Board proposed revisions to the FR Y-9C, Schedule HC-R, Part I, that would have collected information from U.S. GSIBs and from IHCs of foreign GSIBs. Specifically, the proposed items would have collected information on these holding companies' LTD and TLAC amounts, LTD and TLAC ratios, and TLAC buffer. In order to align Schedule A.1.d with the FR Y-9C, the Board proposed to add the following items to Schedule A.1.d:

- Outstanding eligible long-term debt,
- Total loss-absorbing capacity,
- LTD and TLAC total risk-weighted assets ratios,
- LTD and TLAC leverage ratios,
- LTD and TLAC supplementary leverage ratios,
- Institution-specific TLAC buffer necessary to avoid limitations on distributions discretionary bonus payments,
- TLAC risk-weighted buffer, and
- TLAC leverage buffer.

FR Y-14Q, Schedule D (Regulatory Capital)

The Board proposed that the instructions for proposed item 1 (Aggregate amount of non-significant investments in the capital of unconsolidated financial institutions) would have required Category I and II firms to include covered debt instruments.

Standardized Approach for Counterparty Credit Risk on Derivative Contracts

On January 24, 2020, the agencies published a final rule to implement the SA-CCR approach for calculating the exposure amount of derivative contracts under the capital rule.[19] The SA-CCR final rule became effective on April 1, 2020, with a mandatory compliance date of January 1, 2022.

The final rule replaced the current exposure methodology (CEM) with SA-CCR in the capital rule for advanced approaches banking organizations. Under the final rule, an advanced approaches banking organization must choose either SA-CCR or the internal models methodology to calculate the exposure amount of its noncleared and cleared derivative contracts and use SA-CCR to determine the risk-weighted asset amount of its default fund contributions. In addition, an advanced approaches banking organization are required to use SA-CCR (instead of CEM) to calculate the exposure amount of its noncleared and cleared derivative contracts and to determine the risk-weighted asset amount of its default fund contributions under the standardized approach, as well as to determine the exposure amount of its derivative contracts for purposes of the supplementary leverage ratio. When using SA-CCR, a banking organization

[19] See 85 FR 4362 (January 24, 2020).

should use the value of the replacement cost amount for its current credit exposure.

Under the final rule, a non-advanced approaches banking organization is able to use either CEM or SA-CCR to calculate the exposure amount of its noncleared and cleared derivative contracts and to determine the risk-weighted asset amount of its default fund contributions under the standardized approach. A Category III banking organization also uses SA-CCR for calculating its supplementary leverage ratio if it chooses to use SA-CCR to calculate its derivative and default fund exposures.

The Board proposed to revise FR Y-14A, Schedule A.1.c.1 (Risk-weighted Assets) as follows to incorporate SA-CCR.

FR Y-14A, Schedule A.1.c.1 (Risk-weighted Assets)

Generally, the reporting of derivatives elements in Schedule A.1.c.1 is driven by the treatment of cleared derivatives' variation margin (settled-to-market versus collateralized-to-market), netting provisions impacting the calculations of notional and exposure amounts, and attributions of derivatives to cleared versus non-cleared derivatives. In order to incorporate the SA-CCR final rule and to ensure alignment with the FR Y-9C, Schedule HC-R, Part II (Risk-Weighted Assets), the Board proposed to revise the instructions for Schedule A.1.c.1, item 45 (Current credit exposure across all derivative contracts covered by the regulatory capital rules) to refer to the corresponding FR Y-9C item (Schedule HC-R, Part II, Memoranda Item 1, (Current credit exposure across all derivative contracts covered by the regulatory rules).

General

For clarification purposes, the Board proposed to clarify the FR Y-14A and FR Y-14Q instructions to affirm that the threshold for filing the Trading and Counterparty schedules (in the FR Y-14Q) and sub-schedules (in the FR Y-14A) would have been based on a four-quarter average of trading assets and liabilities (either in aggregate of $50 billion or more or in aggregate greater than or equal to 10 percent of total consolidated assets, as indicated in the instructions), calculated as of two quarters preceding the reporting quarter.

FR Y-14A, Schedule A (Summary)

Schedule A.1.d (Capital)

Firms are currently required to report the Capital - DFAST sub-schedule of FR Y-14A, Schedule A.1.d, using applicable capital action assumptions.[20] The tailoring rules adjusted the frequency of the requirement to conduct the company-run stress tests under the mandated scenarios provided by the Federal Reserve for firms subject to Category III standards.[21] As a result, the Board proposed to revise the instructions to require firms subject to Category III

[20] See 12 CFR 225.8 and the CCAR instructions for more information regarding the capital action assumptions used to complete the Capital - CCAR sub-schedule. See 12 CFR 252.56(b) for information regarding the capital assumptions used to complete the Capital - DFAST sub-schedule.
[21] See 84 FR 59230 and 84 FR 59032 (both November 1, 2019).

standards to only report the Capital - DFAST sub-schedule of FR Y-14A, Schedule A.1.d, every other year. Annual submission of this sub-schedule would have no longer be required.

The Board proposed to make minor clarifications to several ratio items on Schedule A.1.d in response to previous industry comments. The current instructions for item 104 (Supplementary Leverage Ratio) indicate that this item is derived. However, this item is actually reported by firms. The Board proposed to make this item derived, and to indicate that this item should have corresponded to the definition used in FR Y-9C, Schedule HC-R, Part I, item 45 (Advanced approaches holding companies only: Supplementary leverage ratio). Further, several ratio fields are not derived in a consistent format on the FR Y-9C and FR Y-14. For some items, the FR Y-9C requires the ratio in 'x.xxx' format while the FR Y-14 requires the same ratio in '.0xxxx' format. To align the required format of these items, the Board proposed to revise the instructions for the following Schedule A.1.d ratio items so that they would have been derived in the same format as on the FR Y-9C:

- Common Equity Tier 1 Ratio (item 97),
- Tier 1 Capital Ratio (item 99),
- Total risk-based capital ratio (item 101),
- Tier 1 Leverage Ratio (item 103), and
- Supplementary Leverage Ratio (item 104).

Other Schedules

The Board proposed to eliminate FR Y-14A, Schedules A.1.c.2 (Advanced RWA) and A.7.c (PPNR Metrics), in order to reduce burden while continuing to collect all information necessary to conduct supervisory stress testing and qualitative reviews of firms' capital plans. The Board also proposed to remove any references to these schedules across the FR Y-14A/Q/M instructions. Per section 225.8 of the Board's Regulation Y, firms should not use the advanced approaches to calculate their regulatory capital ratios for purposes of stress testing and capital planning. As a result, firms are not required to report Schedule A.1.c.2, and so the Board proposed to eliminate this schedule. For Schedule A.7.c, it was determined that point-in-time values (as opposed to projected values, which are reported in Schedule A.7.c), are more useful for stress testing purposes. Point-in-time PPNR metric values are currently reported in FR Y-14Q, Schedule G.3 (PPNR Metrics).

FR Y-14Q, Schedule F (Trading)

Formalizing supplemental collections

The Board proposed to formalize two supplemental collections by incorporating them into Schedule F. First, the Board proposed to require firms to report corporate single name exposures at the obligor level in Schedule F.22 ([Incremental Default Risk] IDR - Corporate Credit) along with corporate index exposures at the series level. Collecting this information would have allowed the Board to enhance its stress testing of issuer default risk. Second, the Board proposed to require firms to report a version of Schedule F that captures fair value option (FVO) loan hedges. Requiring firms to report a version of Schedule F that captures FVO loan hedges would have enabled the Board to more adequately assess the risk associated with firm positions as they relate to FVO loan hedges.

Hedge reporting

Currently, some firms are reporting X-valuation adjustment (XVA) hedges (e.g. funding valuation adjustment hedges) and accrual loan hedges within the credit valuation adjustment (CVA) hedge version of Schedule F. This causes an inadvertent comingling of CVA, XVA, and accrual loan hedges, and subsequent calculation of profit and loss on these hedges. In order to isolate the impact of specific hedges, the Board proposed two changes related to hedge reporting on Schedule F. First, to remove ambiguity, the Board proposed to revise the instructions to clarify that XVA hedges should not have been reported on Schedule F. Second, the Board proposed to require firms to report a version of Schedule F that would have captured the impact of accrual loan hedges. Separately collecting hedges for accrual loans would have ensured consistent hedge treatment between firms, which would have allowed the Board to better assess the risks associated with accrual loans.

Municipal exposures

Currently, Schedule F.16 (Munis) has a “<B” rated category, but not does further distinguish into “<B Defaulted,” “<B Not Defaulted,” and “<B Default Status Unknown” categories, as the Corporate Credit Schedules (e.g., F.18 - Corporate Credit - Advanced) do. Therefore, it is not possible to evaluate <B municipal exposures that have defaulted separately from those that have not or are of unknown status. Municipal exposures that have defaulted carry different risk characteristics than those that have not defaulted. In order to be able to assess municipal exposures that have defaulted separately from those that have not defaulted, the Board proposed to replace the existing “<B” category on Schedule F.16 with the three <B categories that exist on the Corporate Credit Schedules.

FR Y-14Q, Schedule H (Wholesale Risk)

Legal entity identifier (LEI)

In order to enhance entity identification, the Board proposed to add fields to Schedules H.1 (Corporate Loan Data) and H.2 (Commercial Real Estate) that capture the LEIs assigned to reported obligors and, if applicable, entities that are identified as the primary source of repayment, when the primary source of repayment differs from the reported obligor. LEI is a publicly available, standardized, global identification system for entities that engage in financial transactions. LEI allows for precise identification of entities across markets and jurisdictions, including global entities, and provides information about an entity’s ownership structure. Adding an LEI field would have enhanced data quality of the stress tests by allowing the Board to precisely identify parties to financial transactions, including linking parent/subsidiary relationships and cross-referencing obligors across reporting firms.

Fully undrawn loans

The current Schedule H instructions require firms to report fully undrawn loans in

Schedules H.1 (Corporate Loan Data) and H.2 (Commercial Real Estate). However, for certain fields, such as those related to interest rates, firms are not required to provide data for fully undrawn loans. Interest rates provide a measure of risk that is quantitative and uniformly defined across reporting entities. Collecting interest rate information for undrawn exposures would have allowed the Board to more accurately estimate wholesale risk and potential credit availability in a stressed environment. Given this, the Board proposed to revise the instructions to require firms to report interest rate data for fully undrawn loans as if the facility were fully drawn on the reporting date.

Fee-only facilities

Currently, interest rate related fields are reported inconsistently for fee-only facilities. There is not an interest component on certain facilities where the lender is compensated solely through fees, which differs from fully undrawn facilities where interest will be collected when the facility is drawn. This clarification would have allowed the Board to more accurately collect interest rate items for fee-only facilities, as well as to differentiate between fee-only and fully undrawn facilities.

Accordingly, the Board proposed to revise the following interest rate items on Schedules H.1 and H.2 to instruct firms on how to report fully undrawn commitments and fee-only facilities:

- Interest Rate Variability (Schedule H.1, item 37; Schedule H.2, item 26),
- Interest Rate (38; 27),
- Interest Rate Index (39; 28),
- Interest Rate Spread (40; 29),
- Interest Rate Ceiling (41; 30),
- Interest Rate Floor (42; 31), and
- Frequency of Rate Reset (N/A; 32).

Ambiguous or inconsistent instructions

For consistency with the language used in Schedule H.1, item 25 (Utilized Exposure Global), the Board proposed to add language to Schedule H.2, item 3 (Outstanding Balance) that would have required firms to report zero for fully undrawn commitments.

Additionally, the Property Type (Schedule H.2, item 9) description requires reporters to use predominance to determine type when possible. However, the Property Size (Schedule H.2, item 39) instructions do not make clear that predominance is allowed to determine a specific property type (rather than having to report as “Other” if the loan consists of mixed property types). To eliminate this ambiguity, the Board proposed to revise the instructions for item 39 to clarify that predominance couldhave been used to determine the units even if the loan consists of mixed property types.

Finally, the current Schedule H instructions do not require firms to report information regarding exposures to capital call subscriptions. Subscription finance typically provides general-purpose term and revolving credit facilities to private equity funds, is provided by one or more lenders, is secured by a pledge of the right to call, enforces capital calls, and receives capital contributions from a fund's limited partners. In order to monitor the risks associated with capital call subscriptions, the Board proposed to add response options to Schedule H.1, items 20 (Credit Facility) and 22 (Credit Facility Purpose) that would have allowed firms to indicate which facilities are capital call subscriptions.

FR Y-14Q, Schedule L (Counterparty)

Credit default swap (CDS) hedging

The Board has received several questions from firms regarding the definition of CDS Hedge Notional in Schedule L.5.1 (Derivative and securities financing transaction (SFT) information by counterparty legal entity and netting set/agreement), as the current definition is ambiguous. Accordingly, the Board proposed to revise the instructions for this item in several ways. First, the Board proposed to clarify that the net notional amount of specific CDS hedges should have been reported in this item. Second, the Board proposed to clarify that when firms are calculating the net notional amount, purchased CDS hedge notional amounts must have been reflected as negative amounts, and sold amounts must have been reflected as positive amounts. Third, the Board proposed to remove the reference to "plain vanilla CDS" from the instructions, and clarify that single-name and non-tranched index credit derivatives for which one of the constituents matches directly to counterparty legal entity level should have been included. The Board would further have clarified that positions reported in this item must be "eligible credit derivatives," as defined in section 252.71 of the Board's Regulation YY.

Variation margins

There is currently an inconsistency between the FR Y-14Q, Schedule L instructions and SR Letter 17-7 (Regulatory Capital Treatment of Certain Centrally-cleared Derivative Contracts under the Board's Capital Rule)[22] regarding how variation margins can be treated. Per SR Letter 17-7, variation margins can be treated as part of mark-to-market (MtM) value when computing firms' gross current exposure (CE) for centrally cleared derivatives subject to the settle-to-market approach. However, this treatment is not reflected in the Schedule L instructions. To align the instructions with SR Letter 17-7, the Board proposed to revise the instructions that would have allowed for this treatment.

Client-cleared derivatives exposures

The Board proposed to require that all client-cleared derivatives exposures be reported on the large counterparty default (LCPD) section. The Board believes these exposures present credit risk that would have increased under stress, and could potentially have been material for some firms. These derivatives create an exposure for a firm to its client to the extent that the firm is guaranteeing the client performance to the central counterparty (CCP) or the exchange. If a client defaults when its exposure moves significantly out of the money to the CCP (and therefore the CCP is in the money), then the clearing firm would have suffered a loss as a result of the performance guarantee it has provided to the CCP. This proposed reporting change would have

[22] https://www.federalreserve.gov/supervisionreg/srletters/sr1707a1.pdf.

allowed the Board to evaluate the materiality of the potential LCPD loss impact associated with the client cleared derivatives exposures. The Board already collects information on client cleared SFT exposures and proposed a similar treatment for client cleared derivatives exposures. Please note that the Board would not have included these exposures as part of the stress tests at this time. Rather, this information would have been collected only for monitoring purposes.

Additional clarifications

The Board also proposed the following additional revisions that would have addressed inconsistent interpretations:

- Provide illustrative examples to clarify netting agreement reporting requirements on Schedule L.5 (Derivatives and Securities Financing Transitions (SFT) Profile),
- Clarify the definition of “Excess Variation Margin (for CCPs)” to be more consistent with the CCP margining practice,
- Clarify how centrally cleared exposures should be computed. This clarification would have ensured consistent reporting across firms,
- Clarify that IHC affiliate counterparties should have been considered counterparties and included for reporting across Schedule L,
- Provide specific clarifications on reporting requirements associated with CSA details when multiple CSAs apply to a single netting agreement,
- Clarify the definition of “New Notional During Quarter” on Schedules L.1.a-d,
- Clarify the definition of “CDS Reference Entity Type”; provide guidelines for the definitions of vanilla, structured, and exotic contracts; reporting of data fields to specify agreement population (SFT and/or derivatives); and reporting of to be announced (TBA) positions,
- Clarify that the U.S. dollar equivalent of the respective currency bucket should have been used in the “Unstressed MtM Cash Collateral (Derivatives)” and “Total Unstressed MtM Collateral (Derivatives)” items, and
- Clarify rank methodology to include affiliate as an allowable entry. This change would have helped reinforce reporting requirements of counterparty types reported.

The Board also proposed the revise the instructions for the “External Rating” field in Schedule L.5.3 (Aggregate SFTs by Internal Rating), that would have required firms to report an external rating equivalent to a counterparty’s internal rating, as reported in the “Internal Rating” field of Schedule L.5.3. These instructions were inadvertently revised in December of 2019.[23]

FR Y-14Q, Schedule M (Balances)

Effective June 30, 2018, “Purchased credit card relationships and nonmortgage servicing assets” was removed from FR Y-9C, Schedule M (Memoranda), and the values previously reported in this item were added to FR Y-9C, Schedule M, item 12.c, “All other identifiable intangible assets”.[24] This point-in-time item is critical for stress testing modeling. Therefore, the Board proposed to add this item to Schedule M of the FR Y-14Q.

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[23] See 84 FR 70529 (December 23, 2019).
[24] See 83 FR 36935 (July 31, 2018).

FR Y-14M

The Board proposed several revisions to the FR Y-14M that would clarify reporting. The following clarifications to Schedules A.1 (First Lien, Loan Level), B.1 (Home Equity, Loan Level), and D.2 (Credit Card, Portfolio Level) were proposed:

- Schedule A - item 23, Schedule B - item 19 (Property Type): Clarify how to report planned unit developments, as there is currently ambiguity. This clarification would have made it clear that if the property type is known, then firms should have reported the underlying property type. If it is unknown, then firms should have reported it as a planned unit development.
- Schedule A - item 63, Schedule B - item 53 (Foreclosure Status): Expand the definition of these items to have an option to capture loans that have foreclosure suspended for reasons other than loss mitigation or bankruptcy proceedings. This expanded definition would have allowed firms to report all applicable loans as foreclosure suspended, regardless of the reason.
- Schedule A - item 65, Schedule B - item 87 (Foreclosure Suspended): Clarify how to report this field in the month the loan liquidates. This clarification would have made it clear that the foreclosure status should be post-sale foreclosure in these instances.
- Schedule B - item 61 (Workout Type Completed): Define the “Settlement” and “Other” values. “Settlement” and “Other” are not currently defined, and firms are not sure when they should be used. These definitions would have removed that ambiguity.
- Schedule D – items 11 (Projected Managed Losses) and 12 (Projected Booked Losses): Clarify how to report these fields upon the adoption of the Accounting Standards Update 2016-13 (Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments).

Time Schedule for Information Collection

The following tables outline, by schedule and reporting frequency (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-schedules	Data as of date	Submission Date to Board
FR Y-14A (Annual Filings)		
Summary, Macro Scenario, Operational Risk, and Business Plan Changes	December 31st.	April 5th of the following year.
<u>CCAR Market Shock exercise</u> Summary schedule • **Trading Risk** • **Counterparty**	A specified date in the first quarter that would be communicated by the Board.[25]	April 5th.
Regulatory Capital Instruments	December 31st.	• Original submission: Data are due April 5th of the following year. • 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. • Incremental submission: At the time the firm seeks approval for 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)).

Schedules	Firm Category	Frequency	Data as of date	Submission Date to Board
FR Y-14Q Filings				
Wholesale Risk	Category I-III	Monthly	Last day of each calendar month	For non quarter-end month-ends (e.g., July): By the 30th calendar day after the last day of the preceding calendar month. For quarter-end month-ends (e.g., September): Seven days after the

[25] 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. 82 FR 9308 (February 3, 2017).

				FR Y-9C reporting schedule: Reported data (47 days after the calendar quarter-end for March, June, and September and 52 days after the calendar quarter-end for December).
	Category IV	Quarterly	Quarter-end	Seven days after the FR Y-9C reporting schedule: Reported data (47 calendar days after the calendar quarter-end for March, June, and September and 52 calendar days after the calendar quarter-end for December)
Retail, Securities, Regulatory Capital Instruments, Regulatory Capital, Operational Risk, PPNR, FVO/HFS, Supplemental, and Balances	All firms	Quarterly	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).
Trading, Counterparty	All firms	Quarterly	Fourth Quarter: GMS as of date for all exposures except Trading FVO Loan Hedges, which should be reported as of calendar quarter-end.	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</u>**

			All Other: Quarter-end	**<u>over a different weekly period</u>**, BHCs, SLHCs, and IHCs 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. Fourth quarter - Counterparty stressed GMS submission: April 5th All other: 47 calendar days after the calendar quarter-end (Seven days after the FR Y-9C reporting schedule).

Schedules	Data as of date	Submission Date to Board
	FR Y-14M (Monthly Filings)	
All schedules	The last business day of each calendar month.	By the 30th calendar day of the following month.

Public Availability of Data

There is no data related to this information collection available to the public.

Legal Status

The Board has the authority to require BHCs file the FR Y-14 reports pursuant to section 5(c) of the Bank Holding Company Act of 1956 (BHC Act) (12 U.S.C. § 1844(c)), and pursuant to section 165(i) of the Dodd-Frank Act (12 U.S.C. § 5365(i)), as amended by section 401(a) and (e) of the EGRRCPA.[26] The Board has authority to require SLHCs file the FR Y-14 reports pursuant to section 10(b) of the Home Owners' Loan Act (12 U.S.C. § 1467a(b)), as amended by section 369(8) and 604(h)(2) of the Dodd-Frank Act. Lastly, the Board has authority to require IHCs to file the FR Y-14 reports pursuant to section 5 of the BHC Act (12 U.S.C § 1844), as well as pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Act (12 U.S.C. §§

[26] Pub. L. No. 115-174, Title IV § 401(a) and (e), 132 Stat. 1296, 1356-59 (2018).

5311(a)(1) and 5365).[27] In addition, section 401(g) of EGRRCPA (12 U.S.C. § 5365 note) provides that the Board has the authority to establish enhanced prudential standards for foreign banking organizations with total consolidated assets of $100 billion or more, and clarifies that nothing in section 401 "shall be construed to affect the legal effect of the final rule of the Board... entitled 'Enhanced Prudential Standard for [BHCs] and Foreign Banking Organizations' (79 FR 17240 (March 27, 2014)), as applied to foreign banking organizations with total consolidated assets equal to or greater than $100 million."[28] The obligation to file the three FR Y-14 reports is mandatory.

The information reported in the FR Y-14 reports is collected as part of the Board's supervisory process, and therefore, such information is afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(8)). In addition, confidential commercial or financial information, which a submitter actually and customarily treats as private, and which has been provided pursuant to an express assurance of confidentiality by the Board, is considered exempt from disclosure under exemption 4 of the FOIA (5 U.S.C. § 552(b)(4).[29]

Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System with regard to the FR Y-14A/Q/M revisions.

Public Comments and Adopted Revisions

On March 19, 2020, the Board published an initial notice in the *Federal Register* (85 FR 15776) requesting public comment for 60 days on the extension, with the revisions described above, of the FR Y-14 reports. The comment period for this notice expired on May 18, 2020. The Board received two comment letters from banking organizations and one comment

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[27] Section 165(b)(2) of the Dodd-Frank Act (12 U.S.C. § 5365(b)(2)), refers to "foreign-based bank holding company." Section 102(a)(1) of the Dodd-Frank Act (12 U.S.C. § 5311(a)(1)), defines "bank holding company" for purposes of Title I of the Dodd-Frank Act to include foreign banking organizations that are treated as bank holding companies under section 8(a) of the International Banking Act of 1978 (12 U.S.C. § 3106(a)). The Board has required, pursuant to section 165(b)(1)(B)(iv) of the Dodd-Frank Act (12 U.S.C. § 5365(b)(1)(B)(iv)), certain foreign banking organizations subject to section 165 of the Dodd-Frank Act to form U.S. intermediate holding companies. Accordingly, the parent foreign-based organization of a U.S. IHC is treated as a BHC for purposes of the BHC Act and section 165 of the Dodd-Frank Act. Because section 5(c) of the BHC Act authorizes the Board to require reports from subsidiaries of BHCs, section 5(c) provides additional authority to require U.S. IHCs to report the information contained in the FR Y-14 reports.

[28] The Board's Final Rule referenced in section 401(g) of EGRRCPA specifically stated that the Board would require IHCs to file the FR Y-14 reports. See 79 FR 17240, 17304 (March 27, 2014).

[29] The Board publishes a summary of the results of the Board's CCAR testing pursuant to 12 CFR 225.8(f)(2)(v), and publishes a summary of the results of the Board's DFAST stress testing pursuant to 12 CFR 252.46(b) and 12 CFR 238.134, which includes aggregate data. In addition, under the Board's regulations, covered companies must also publicly disclose a summary of the results of the Board's DFAST stress testing. See 12 CFR 252.58; 12 CFR 238.146. The public disclosure requirement contained in 12 CFR 252.58 for covered BHCs and covered IHCs is separately accounted for by the Board in the Paperwork Reduction Act clearance for FR YY (OMB No. 7100-0350) and the public disclosure requirement for covered SLHCs is separately accounted for in by the Board in the Paperwork Reduction Act clearance for FR LL (OMB No. 7100-0380).

letter from a banking industry group.

The Board has adopted the revisions as proposed, except for the modifications discussed below. In addition, although the Board did not receive any comment letters regarding the proposed revisions related to the TLAC Holdings NPR, the Board has not adopted these revisions as proposed. Instead, the Board would address these revisions at such point as the Board adopts a final rule. On September 14, 2020, the Board published a final notice in the *Federal Register* (85 FR 56607).

Detailed Discussion of Public Comments

Capital Simplifications

The Board proposed to revise the FR Y-14 reports to incorporate the changes finalized by the agencies that amended their regulatory capital rules (simplifications rule).[30, 31] The Board proposed these revisions to be effective for the September 30, 2020, FR Y-14Q submission and for the December 31, 2020, FR Y-14A submission. In the simplifications rule, the agencies adopted a simpler methodology for non-advanced approaches banking organizations[32] to calculate minority interest limitations and simplified the regulatory capital treatment of mortgage service assets (MSAs), temporary difference deferred tax assets (DTAs), and investments in the capital of unconsolidated financial institutions for non-advanced approaches banking organizations. The simplifications rule became effective April 1, 2020.[33]

The Board received two comments on the proposed changes to the FR Y-14 reports related to the capital simplifications rule. First, a banking organization asked why the timing of the capital simplifications-related proposed revisions to the FR Y-14Q report did not align with the timing of similar revisions made to the FR Y-9C, which were effective for the March 31, 2020, as of date.[34] The same banking organization also asked whether firms could early adopt the capital simplifications revisions for FR Y-14Q reporting before the proposed effective dates.

In order to allow firms to incorporate the effects of the capital simplifications rule into the FR Y-14Q report, the Board would have needed to add items to Schedule D (Regulatory Capital), which it proposed to do. It was not possible to allow eligible firms to incorporate the effects of the capital simplifications rule before the proposed effective date of September 30, 2020, without temporarily revising the FR Y-14Q. Firms will have to wait until the September 30, 2020, FR Y-14Q submission to be able to incorporate these effects, and firms do not have the option to early adopt for FR Y-14Q reporting purposes. It is important to note that this does not inhibit eligible firms from taking advantage of the capital simplifications rule for purposes of

[30] See 12 CFR Part 3 (OCC); 12 CFR Part 217 (Board); 12 CFR Part 324 (FDIC). While the agencies have codified the capital rule in different parts of title 12 of the Code of Federal Regulations, the internal structure of the sections within each agency's rule is substantially similar. All references to sections in the capital rule or the proposal are intended to refer to the corresponding sections in the capital rule of each agency.
[31] See 84 FR 35234 (July 22, 2019).
[32] Non-advanced approaches banking organizations are institutions that do not meet the criteria in 12 CFR 3.100(b) (OCC); 12 CFR 217.100(b) (Board); or 12 CFR 324.100(b) (FDIC).
[33] Eligible firms could have chosen to adopt the simplifications rule effective January 1, 2020.
[34] See 85 FR 18230 (April 1, 2020).

capital adequacy compliance through other reports, such as the FR Y-9C.

Counterparty

Client-cleared Derivatives

The Board proposed to require all client-cleared derivatives exposures to be reported on the large counterparty default (LCPD) section of FR Y-14Q, Schedule L (Counterparty), effective beginning September 30, 2020. One commenter was not supportive of this revision, as it commented that firms do not have this information readily available. Per the commenter, it would be operationally burdensome for firms to gather information related to client-cleared derivatives, especially given the volume of reported data that this revision would add to Schedule L. The commenter suggested that if the Board were to adopt this revision as proposed, then the Board should delay the effective until June 30, 2021.

The Board acknowledges the operational concerns raised by the industry, especially given the timing of the coronavirus disease 2019 (COVID-19) pandemic. The Board has adopted this revision as proposed, except that it has delayed the effective date until June 30, 2021. In fact, due to the operational concerns raised by the industry and the timing of the COVID-19 pandemic, the Board has delayed the effective date for all FR Y-14Q, Schedule L revisions until June 30, 2021.

The same commenter further stated that this revision would require firms to report exposures of their clients, and not exposures of the banks themselves. Per the comment, this goes against the spirit of the data collection, which is to capture reporting firm exposures.

The Board notes that, per the draft instructions, the requirement for a firm to report its exposures to clients (i.e., member to client leg) applies only when the firm has credit exposures to a client, either directly (i.e., the case in which the firm is acting as a financial intermediary on behalf of the client and enters into an offsetting transaction with a central counterparty (CCP) or an exchange (referred to as a back-to-back derivative)), or indirectly (i.e., the case in which the firm guarantees the client's performance to a CCP or an exchange (referred to as a guaranteed derivative)). Further, a firm's reporting requirement associated with its client-cleared exposures to CCPs (i.e., member to CCP leg) applies only when the firm has a credit exposure to a CCP, that is, either directly (i.e., the case of a back-to-back derivative) or indirectly (i.e., the case in which the firm guarantees the performance of the CCP or exchange to the client). Therefore, firms are only required to report client-clearing derivative exposures in instances where firms are directly or indirectly exposed. For these reasons, the Board has adopted this revision as proposed, except that has delayed the effective date until June 30, 2021.

The commenter also expressed concern that it is not clear on which portions of Schedule L client-cleared derivatives exposures information should be reported. Per the comment, the initial notice used the phrase "large counterparty default" section and the draft instructions provided with the initial notice did not specify where these exposures should be reported.

Per the proposal, client-cleared derivatives exposures information would be reported in Schedule L.5 (Derivatives and Securities Financing Transactions (SFT) Profile). The Board has adopted this revision as proposed, except that has delayed the effective date until June 30, 2021.

The Board specified in the initial notice that it was only going to collect information on client-cleared derivative exposures for monitoring purposes, and not for use in the stress tests at this time. Per the commenter, the draft instructions provided with the initial notice did not make it clear how client-cleared derivative exposures would be delineated from other exposures to ensure they would not be included in the stress tests at this time.

The Board will be able to delineate client-cleared derivative exposures from other exposures using the “Agreement Role” item of Schedule L.5.1 (Derivative and SFT information by counterparty legal entity and netting set/agreement). The “Agreement Role” item provides the firm with a means to report its cleared derivative exposures to a client in a manner that may be distinguished from the firm's other bilateral derivative exposures to the client. The Board has adopted this revision as proposed, except that has delayed the effective date until June 30, 2021.

Netting Agreement Reporting

The Board proposed to revise the FR Y-14Q, Schedule L instructions to provide illustrative examples that clarify netting agreement reporting requirements, including describing when firms should report mark-to-market (MtM) amounts with a counterparty on a gross or net basis. One commenter indicated that under U.S. Generally Accepted Accounting Principles (GAAP), firms are not permitted to offset negative and positive MtM with the same counterparty in the absence of a legally enforceable netting agreement. Per the commenter, the proposed reporting of netting requirements would go against U.S. GAAP. The commenter recommended that the Board permit firms to report positive and negative MtM amounts with a counterparty on a gross basis without offsetting in the absence of a legally enforceable netting agreement between the firm and the counterparty.

While the proposed change to the netting agreement reporting section in Schedule L.5 reiterated the existing language in other parts of the instructions pertaining to Net Current Exposure (CE) and Mark-to-Market (MtM) items, the Board acknowledges the point raised by the commenter concerning the importance of consistency between FR Y-14 reporting and U.S. GAAP, where possible. To that end, the Board has modified the instructions so that firms are required to report MtM amounts with a counterparty on a gross basis without offsetting positive and negative MtM amounts in cases where there is no legally enforceable netting agreement. In essence, the netting rule should apply consistently between MtM and Net CE even when there is no netting agreement in place, or when a netting agreement exists but that is not legally enforceable, so that both data fields are computed after aggregating across positions that have positive MtM amounts, without allowing any offset against negative MtM amounts.

The same commenter also asked the Board to provide additional examples regarding netting agreement reporting provided in the draft instructions to better illustrate how firms should report when both positive and non-positive legal opinions exist for a given netting agreement. Specifically, the commenter recommended that the Board clarify how values should be reported if there are both positive and negative legal opinions on collateral enforceability for a netting agreement.

The Board strives to clarify the instructions to ensure accurate reporting where possible, andhas revised the instructions to state that in cases where mixed legal opinions exist for either a netting agreement or a collateral enforceability, firms should apply the methodologies that are consistent with the treatment for the regulatory capital rules, and report applicable data fields accordingly.

A commenter recommended that the Board include instructions on what agreement type value should be reported in cases where there is both SFT and derivatives exposure, but not cross product netting. Additionally, the commenter recommended that the Board clarify what value of agreement type should be included if there is no netting agreement for SFT and derivatives between CCP and non-CCP.

In order to remove ambiguity, the Board has revised the instructions so that firms may report "Other" under "Agreement Type" in cases where the allowable entries currently listed in the instructions do not represent the characteristics of the exposure being reported.

A commenter asked the Board to clarify how to aggregate contractual terms from credit support annexes (CSAs). Per the commenter, firms currently report at the margin level, while the proposed instructions would require firms to report at netting agreement level.

For clarity, the Board has revised the instructions so that firms may report certain margin agreement details (such as agreement type, CSA contractual features, non-cash collateral type, threshold, minimum transfer amount CP, margin frequency, etc.) at a margin agreement level in cases where multiple CSAs with different contractual features per netting agreement exist. When doing so, firms are required to use the "Netting Set ID" naming convention in a manner that is a concatenation of a unique identifier assigned to a netting agreement and that to a margin agreement.

A commenter further requested that the Board provide clarification regarding reporting granularity of counterparty and netting, as these concepts differ between Schedules L.1 and L.5.

The Board notes that the level of granularity of counterparty and netting intentionally differs between Schedules L.1 and L.5. Consistent with the proposed instructions, firms should report Schedules L.1-L.3 at the counterparty legal entity level and Schedule L.5 at the netting set level. The Board has adopted the revision as proposed, except that has delayed the effective date until June 30, 2021.

CDS Hedge Notional

The Board proposed several revisions to the instructions surrounding the "CDS Hedge Notional" item on FR Y-14Q, Schedule L.5.1, such as clarifying that when firms are calculating the net notional amount, purchased CDS hedge notional amounts must be reflected as negative amounts and sold amounts must be reflected as positive amounts. A commenter stated that the concept of CDS hedges appears also appears on Schedule L.1, and the definitions are not consistent between Schedule L.1 and Schedule L.5.1.

The Board notes that the scope of CDS hedge positions in Schedule L.1 intentionally differs from that of Schedule L.5.1. Consistent with the instructions, the "Single Name Credit Hedges" item in Schedule L.1 is limited to single name CDS only, whereas the "CDS Hedge Notional" item in Schedule L.5.1 covers a range of positions that are eligible credit derivatives as defined in 12 CFR 252.71. The Board has adopted the revisions as proposed, except that has delayed the effective date until June 30, 2021.

Variation margins

The Board proposed to align the FR Y-14Q, Schedule L instructions regarding how variation margins can be treated with the guidance provided in SR Letter 17-7 (Regulatory Capital Treatment of Certain Centrally-cleared Derivative Contracts under the Board's Capital Rule).[35] The commenter asked to confirm whether this guidance could be interpreted as requiring firms to report zero in the variation margin column for exposures to CCPs, whose rulebook considers variation margin as a settlement payment. In addition, the commenter asked the Board to confirm whether variation margin should be included in the Gross CE column of Schedule L, and whether firms should continue to report all exposures to the CCP, such as default fund contributions and initial margin and any other collateral provided to the CCP that exceeds contract MtM amounts in their specific columns.

The Board confirms that the commenter's interpretation of SR 17-7 is appropriate for the Schedule L reporting purposes, and has adopted the revision as proposed, except that has delayed the effective date until June 30, 2021.

Trading

Formalizing supplemental collections

The Board proposed to formalize two supplemental collections by incorporating them into FR Y-14Q, Schedule F (Trading). One of these supplemental collections would require firms to report corporate single name exposures at the obligor level in Schedule F.22 ([Incremental Default Risk] IDR - Corporate Credit) along with corporate index exposures at the series level.

A commenter stated that requiring firms to report corporate single name exposures at the obligor level, as well as corporate index exposures at the series level, would result in significant operational challenges, as this level of data is not readily available in firms' internal systems. Per the commenter, the supplemental collection on which this proposal was based was only collected annually, and so the data was aggregated manually by firms. Since the proposal would have required that this information be provided on a quarterly basis, firms would have needed to develop a systemic solution, which would take time to implement. Therefore, the commenter recommended that this revision be delayed until June 30, 2021. The commenter also

[35] https://www.federalreserve.gov/supervisionreg/srletters/sr1707a1.pdf.

recommended that the Board clarify the definition of “average credit spread” in the instructions for Schedule F.22.

The Board acknowledges the operational concerns raised by the industry, especially given the timing of the COVID-19 pandemic. In light of these concerns, the Board has adopted the requirements to report corporate single name exposures at the obligor level and to report corporate index exposures at the series level as proposed, except that the Board has delayed the effective date of this revision until June 30, 2021. In addition, Board has revised the instructions for Schedule F.22 to specify that the “average credit spread” should be calculated using a standardized 5-year tenor.

Hedge reporting

The Board proposed to require firms to report a version of FR Y-14Q, Schedule F that captures the impact of accrual loan hedges. commented commenter indicated that it would be operationally burdensome to submit data on accrual loan hedges on a quarterly basis, as controls and verification for this data need to be set up. The commenter further stated that for some firms, hedges are generally utilized to cover credit risk without regard for how the underlying loan is accounted. Therefore, in order to comply with the proposed revisions related to accrual loan hedges, such firms would need to isolate hedges based on accounting treatment of their underlying loan risk. Per the commenter, separating this data would pose a significant burden for such firms, and would require them to invest additional time and resources in FR Y-14 reporting. Given this, the commenter recommended that this revision be postponed until June 30, 2021.

The Board acknowledges the operational concerns raised by the industry, especially given the timing of the COVID-19 pandemic. In light of these concerns, the Board has adopted the requirement to separately report accrual loan hedges as proposed, except that the Board has delayed the effective date of this revision until June 30, 2021.

The Board proposed to add the following language to the Schedule F instructions: “Positions that are held outside of the trading book that are hedges of accrual loans or hedges of loans held under fair value accounting (FVO hedges) should not be included in this schedule. Instead, they should each be reported separately in their own FR Y-14Q Trading schedules.” A commenter asked the Board to specify to which “positions” these instructions refer, and to clarify the reporting requirements for such positions.

To minimize ambiguity, the Board has clarified that the phrase “outside the trading book” refers to positions reported outside of FR Y-9C, Schedule HC-D (Trading Assets and Liabilities). Reporting locations for such positions include, for example, FR Y-9C, Schedules HC-F (Other Assets) and HC-G (Other Liabilities).

Further, the Board has revised the instructions to make it clear that positions hedging FVO loans should be reported with submission type “FVO Hedges” and positions hedging accrual loans should be reported with submission type “Accrual Loan Hedges.”

The Board proposed revisions related to hedge reporting on Schedule F in order to isolate the impact of specific hedges (e.g., X-valuation adjustment or XVA hedges). Specifically, the Board proposed to revise the instructions to clarify that XVA hedges should not be reported on Schedule F. A commenter stated that not requiring XVA hedges to be reported on Schedule F would be challenging for firms, as these hedges are built into pricing models when re-valuing positions under the global market shock. Further, per the commenter, these hedges are critical for reporting the impact for private equity exposures. The industry group stated that adopting these revisions as proposed would require significant modeling changes, which would create operational burden in terms of testing and validating results. Therefore, the commenter recommended that this revision be delayed until June 30, 2021.

The Board acknowledges the changes required for firms to comply with this proposed revision. Given these challenges and the timing of the COVID-19 pandemic, the Board has adopted the revision as proposed, except that it has delayed the effective date until June 30, 2021.

Wholesale

Undrawn Commitments

The Board proposed to revise the FR Y-14Q, Schedule H (Wholesale) to require firms to report interest rate data for undrawn commitments as if they were fully drawn on the reporting date. A commenter stated that the Board should not adopt this revision, as most firms do not have systems in place to capture interest rate information on undrawn commitments. Per the commenter, gathering and vetting this information would require significant manual review of physical documents.

The Board needs interest rate information for undrawn exposures to more accurately estimate wholesale risk and potential credit availability in a stressed environment, as interest rate information provides a measure of risk that is quantitative and uniformly defined across reporting entities. However, due to the challenges associated with adopting this revision, as well as the timing of the COVID-19 pandemic, the Board has delayed the effective date for this revision until December 31, 2020.

Two commenters stated that in many cases, there are multiple interest rate options available for an undrawn commitment and the borrower is not required to choose an interest rate until a draw has been made. The commenters also requested that the Board clarify how the interest rate should be reported for variable rate loans, credit facilities with loans with varying interest rates, loans with multiple rate reset scenarios, and interest rates based on performance metrics. The Board proposed instructions that would have required firms to report the most conservative interest rate allowed per the terms of the credit agreement if a credit facility allows for multiple interest rates. Per one of the commenters, requiring the most conservative rate would need to be recalculated for each report date, which would require significant resources.

To reduce the unintended burden of recalculating the most conservative interest rate each quarter, the Board has revised the language regarding which interest rate to report for facilities with multiple interest rate options to specify that firms should report the most conservative (highest) rate as of the most recent of origination or renewal date. The Board has revised the instructions to further clarify that in cases when the facility is an acquired facility and acquired more recently than origination or renewal, the reported rate should be the most conservative at time of acquisition. This revised language allows for consistent reporting over time of the combination of options that comprise an interest rate for an undrawn facility. For example, assuming at origination, a London Inter-Bank Offered Rate (LIBOR) index plus spread amounts to a 4.25% interest rate, and a Base index plus spread amounts to a 4.50% interest rate, the interest rate reported would be the Base index plus spread for each subsequent reporting period that the origination or renewal date does not change and the facility remains fully undrawn. The same logic should be applied to other scenarios that allow for multiple interest rates.

A commenter stated that there was the need for further clarification in order to properly calculate interest rates for undrawn commitments, such as in situations where the date used to calculate the interest rate is a different date than the draw date.

To remove ambiguity, the Board has clarified the instructions to state that the funding date should be considered the reporting date.

Legal Entity Identifiers

The Board proposed to require firms to report Legal Entity Identifiers (LEIs) assigned to obligors and if applicable, entities that are identified as the primary source or repayment when the primary source of repayment differs from the reported obligor, for credit facilities reported on Schedule H. A commenter indicated that many firms do not collect LEI information from their clients and there is no automated way to gather or validate LEI data. Per the commenter, firms do not currently have systems in place to maintain LEI information and small naming differences or misspellings can lead to LEI mismatches. Therefore, requiring LEIs would require costly system updates and significant resources to accurately report.

The commenter further added that requiring LEIs at any time would be challenging, but given the outbreak of the COVID-19 pandemic, firms do not have ample resources to dedicate to system changes associated with LEIs. The commenter recommended that if the Board adopts this proposal, then it should delay this requirement until after the COVID-19 pandemic has subsided.

The Board believes there is a significant benefit to using LEI data to identify obligors, as it is globally available and contains information about entity structure. This makes it a beneficial addition to the other identifiers collected in the Schedule H, and the trend is toward using LEI data. However, the Board acknowledges that firms will need time to capture the LEI data for their obligors, especially given the timing of the COVID-19 pandemic. Accordingly, the Board has adopted this revision as proposed, except that it has delayed the effective date of this revision until June 30, 2021.

Property Size

The Board proposed to revise FR Y-14Q, Schedule H.2, item 39 (Property Size) to clarify that predominance can be used to determine the units even if the loan consists of mixed property types. A commenter stated that this revision inadvertently creates ambiguity as it would no longer be clear when the “Other” option for item 39 would be used. The commenter further stated that the proposed revision would not clearly address the reporting of mixed property types, as it would still be unclear if firms are to only report the size of the single predominate property type and exclude the size of the other property types that secure the facility. For these reasons, the commenter suggested not adopting the proposed revisions.

The Board believes the proposed clarifications remain necessary as they address an ambiguity in the instructions concerning how to report property size when there is a single property with multiple property types where one property type predominates. To provide greater clarity, the Board has revised the instructions for item 39 to indicate the reporting of property size when the option reported in Schedule H.2, item 9 (Property Type) is “Other”. The Board has also revised the instructions to state that the reported property size should be based on the size of the entire property.

Capital Call Subscriptions

The Board proposed to add options of “Revolving Credit (of any type) - Capital Call Subscription” and “Term loan (of any type) - Capital Call Subscription” to FR Y-14Q, Schedule H.1, item 20 (Credit Facility Type). The Board also proposed to add the option of “Capital Call Subscription” to item 22 (Credit Facility Purpose). A commenter indicated that the Board should not adopt the revisions to item 20, as the Board could combine the values reported in items 20 and 22 to identify revolving credit and term loans that are capital call subscriptions.

The Board agrees with the commenter that the revisions as proposed are duplicative. As a result, the Board has not adopted the proposed revisions to the instructions for Schedule H.1, item 20 (Credit Facility Type). However, the Board has adopted the revisions as proposed to Schedule H.1, item 22 (Credit Facility Purpose), so that the Board can still identify capital call subscriptions.

Retail

Credit Cards

The Board proposed to revise items 11 (Projected Managed Losses) and 12 (Projected Booked Losses) of FR Y-14M, Schedule D.2 (Portfolio Level Credit Card Information) to require firms to project lifetime losses under CECL projections on a rolling basis each month, as opposed to only losses over the next twelve months on a rolling basis each month. A commenter stated that these proposed revisions do not allow firms to report losses quarterly, which would align with current CECL practices of calculating losses at most firms. The commenter suggested that the Board revise the instructions to provide firms more flexibility for reporting items 11 and 12.

The Board notes that firms should use an appropriate model for calculating projected managed and booked losses that is consistent with current accounting guidelines and firms’ own modeling frameworks. Therefore, to allow flexibility in reporting, the Board has removed the language “rolling basis each reporting month” from items 11 and 12. Additionally, the Board has not adopted the proposed revisions to the instructions to project through the expected lifetime of the loans for line items 11 and 12. Rather, the Board will continue to require firms to report projected managed and booked losses over the next twelve months for each respective portfolio.

A commenter indicated that the proposed revisions to items 11 and 12 would require firms that have adopted CECL to report duplicative data in these items as they are required to report in Schedule D.2, items 9 (ALL Managed Balance) and 10 (ALL Booked Balance), respectively. Additionally, the commenter asked the Board to clarify whether the values reported in items 11 and 12 should include projected interest and fees.

Given that the Board has not adopted the revision as proposed to items 11 and 12, the instructions for items 11 and 12 will to continue to differ from those of items 9 and 10. The instructions for items 9 and 10 reflect the lifetime expected credit losses for firms that have adopted CECL, whereas the instructions for items 11 and 12 require institutions that have adopted CECL to report the allowance for credit losses managed or booked balance over the next 12 months, respectively. Also, given the intention to capture total projected losses within items 11 and 12, the Board has clarified the instructions for these items to require firms to include projected losses recognized to on-balance sheet interest and fees.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR Y-14 is 835,444 hours, and would increase to 838,216 hours with the adopted revisions. The Board estimates that the revisions would decrease the estimated average hours per response for the FR Y-14A by 159 hours. The Board estimates that the revisions would increase the estimated average hours per response for the FR Y-14Q by 59 hours. These reporting requirements represent approximately 9.1 percent of the Board’s total paperwork burden.

FR Y-14	*Estimated number of respondents*[36]	*Annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current				
FR Y-14A	36	1	1,085	39,060
FR Y-14Q[37]	36	4	2,142	308,448
FR Y-14M	34	12	1,072	437,376
Implementation	0	1	7,200	0
Ongoing automation revisions	36	1	480	17,280
Attestation implementation	0	1	4,800	0
Attestation ongoing	13	1	2,560	33,280
Current Total				835,444
Proposed				
FR Y-14A	36	1	926	33,336
FR Y-14Q[37]	36	4	2,201	316,944
FR Y-14M	34	12	1,072	437,376
Implementation	0	1	7,200	0
Ongoing automation revisions	36	1	480	17,280
Attestation implementation	0	1	4,800	0
Attestation ongoing	13	1	2,560	33,280
Proposed Total				838,216
Change				2,772

The estimated total annual cost to the public for this information collection is currently $48,246,891 and would increase to $48,406,974 with the adopted revisions.[38]

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by

[36] Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than $600 million in total assets), https://www.sba.gov/document/support--table-size-standards. The estimated number of respondents for the FR Y-14M is lower than for the FR Y-14Q and FR Y-14A because, in recent years, certain respondents to the FR Y-14A and FR Y-14Q have not met the materiality thresholds to report the FR Y-14M due to their lack of mortgage and credit activities. The Board expects this situation to continue for the foreseeable future.

[37] Note that FR Y-14Q, Schedule H (Wholeseale) can be submitted up to 12 times a year. However, the rest of the FR Y-14Q scheudles are only submitted 4 times a year.

[38] 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 $20, 45% Financial Managers at $71, 15% Lawyers at $70, 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 2019*, published March 31, 2020, https://www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Standard Occupational Classification System, https://www.bls.gov/soc/.

OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System is $79,200 for one-time costs and $2,677,200 for ongoing costs.