

**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 (FR Y-14 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.

On July 8, 2020,³ and September 17, 2020,⁴ the Board approved temporary revisions to the FR Y-14 reports that implement changes necessary in response to the coronavirus disease 2019 (COVID-19) event. On December 22, 2020, the Board approved an extension of most of these temporary revisions. Specifically, the Board has extended the temporary revisions to the FR Y-14 reports to collect data related to implementation of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act),⁵ including firms' exposures to the Paycheck Protection Program (PPP) and to loans in loss mitigation or forbearance programs.⁶ However, the Board has not extended temporary revisions to the FR Y-14 reports associated with Federal Reserve lending facilities, such as the Main Street Lending Program (MSLP),⁷ that were established to support markets and the broader economy during the ongoing COVID event. The temporary revisions to the FR Y-14 reports associated with Federal Reserve lending facilities will expire following the December 31, 2020, as of date, and the rest of the temporary revisions will expire following the March 31, 2021, as of date. The Board also has made minor changes to certain temporary revisions that are effective for the December 31, 2020, as of date.

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 See 85 FR 41040 (July 8, 2020).

⁴ See 85 FR 58048 (September 17, 2020).

⁵ Coronavirus Aid, Relief, and Economic Security Act, Pub. L. No. 116-136, 134 Stat. 281 (March 27, 2020).

⁶ See 85 FR 20387 (April 13, 2020).

⁷ <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm>.

On March 31, 2020,⁸ the Board adopted an interim final rule to change the CECL transition provisions which required changes to the FR Y-14A instructions. On September 30, 2020,⁹ the Board adopted a final rule, which finalized the changes to the FR Y-14A instructions.

In addition, in response to various questions received from the industry following the publication of the interim final rule to change the CECL transition provisions,¹⁰ the Board adopted revisions to the FR Y-14A that allow firms to accurately reflect in their reporting the greater flexibility on CECL implementation afforded in the interim final rule and has made minor revisions and clarifications to several capital items on the FR Y-14A and FR Y-14Q reports, effective for the December 31, 2020, as of date.

Finally, the Board adopted revisions to the FR Y-14 reports that allow the Board to collect additional FR Y-14 data in connection with the resubmission of a firm's capital plan, effective for the December 31, 2020, as of date.

The current estimated total annual burden for the FR Y-14 reports is 838,324 hours, and would increase to 847,864 hours. The revisions would result in an increase of 9,540 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)¹¹ requires the Board to conduct an annual stress test of certain companies to 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).¹² 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.¹³ 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.¹⁴ The Board's rules implementing sections 165(i)(1) and (i)(2) of the Dodd-Frank Act, and section 401 of EGRRCPA, 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.¹⁵

⁸ See 85 FR 17723 (March 31, 2020).

⁹ See 85 FR 61577 (September 30, 2020).

¹⁰ See 85 FR 17723 (March 31, 2020).

¹¹ Pub. L. No. 111-203, 124 Stat. 1376 (2010).

¹² See 12 U.S.C. § 5365(i)(1).

¹³ See 12 U.S.C. § 5365(i)(2).

¹⁴ 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.

¹⁵ See 12 CFR 252, subparts B, E, F, and O.

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.¹⁶ 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 reports collect 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-14 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 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.¹⁷
- 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

¹⁶ See 12 CFR 225.8.

¹⁷ 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.

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 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.

Respondent Panel

The respondent panel consists of the holding companies with \$100 billion or more in total consolidated assets,¹⁸ 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.

July 8, 2020, Federal Register Notice

Temporary Revisions to the FR Y-14 Reports

In response to the COVID event, the Board temporarily revised the FR Y-14 reports to change the submission frequency of one FR Y-14Q schedule, incorporate the reporting of loans in loss mitigation or forbearance programs, collect information on firm activity associated with the PPP, MSLP, and other Federal Reserve lending facilities. The revised submission frequency

¹⁸ Covered SLHCs with \$100 billion or more in consolidated assets were 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.

of FR Y-14Q, Schedule H (Wholesale) was effective beginning with the report as of July 31, 2020. All other FR Y-14Q and FR Y-14M temporary revisions were effective beginning with reports as of September 30, 2020. In addition, the FR Y-14Q instructions specify that attestations were not required for non-quarter-end submissions, or for new items temporarily added as part of this notice. The Board determined that it had to revise the FR Y-14Q and FR Y-14M quickly and public participation in the approval process would have defeated the purpose of the collection of information, as delaying the revisions would have resulted in the collection of inaccurate information and would have interfered with the Board's ability to perform its statutory duties pursuant to section 165 of the Dodd-Frank Act.¹⁹

FR Y-14Q Reporting Frequency

Effective for data as of July 31, 2020, the Board temporarily revised the submission frequency of FR Y-14Q, Schedule H (Wholesale) from a quarterly basis to a monthly basis for firms subject to Category I-III standards. This schedule has month-end as of dates and is due either 30 days after the as of date, or seven days after the FR Y-9C submission date (i.e., at the same time as most of the FR Y-14Q), depending on whether the as of date aligns with a quarter-end date. In order to effectively understand and react to the potentially quickly evolving effects of the COVID event on bank positions and the broader economy, particularly with respect to corporate and commercial real estate exposures, the Board needed the information on this schedule on a more frequent basis. Note that Schedule H data submitted monthly may be used for supervisory purposes including, but not limited to, stress testing. The Board committed to reviewing the continued need for monthly reporting of Schedule H in the future. In addition, the Board revised the FR Y-14Q instructions to indicate the Board may require submission of the FR Y-14Q, or certain schedules or items on the FR Y-14Q, on a more frequent basis in times of crisis.

Loans in Loss Mitigation or Forbearance Programs

As described in the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus Guidance,²⁰ the CARES Act, among other things, “creates a forbearance program for federally backed mortgage loans, protects borrowers from negative credit reporting due to loan accommodations related to the National Emergency, and provides financial institutions the option to temporarily suspend certain requirements under U.S. generally accepted accounting principles (GAAP) related to troubled debt restructurings (TDR) for a limited period of time to account for the effects of COVID-19.” In the Guidance, the Board and other regulatory agencies encouraged financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations because of the effects of the COVID event.

Because firms may hold a larger number of loans in forbearance programs and loans with other loss mitigation circumstances during the COVID event, the Board temporarily revised certain FR Y-14Q and FR Y-14M schedules to add fields and options to existing fields to collect information on loans in forbearance programs and other loss mitigation circumstances.

¹⁹ 12 U.S.C. § 5365.

²⁰ <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200407a1.pdf>.

FR Y-14Q, Schedule A (Retail)

In order to capture loss mitigation and forbearance loan balances, the Board temporarily added the “\$ Loss mitigation and forbearance” summary variable to the six retail schedules that do not currently capture this information. Specifically, the summary variable was added to the following schedules:

- Schedule A.1 (International Auto Loan),
- Schedule A.3 (International Credit Card),
- Schedule A.4 (International Home Equity),
- Schedule A.5 (International First Lien Mortgage),
- Schedule A.6 (International Other Consumer Schedule), and
- Schedule A.7 (US Other Consumer).

Three retail schedules already have summary variables to capture information regarding loss mitigation and modified loans. However, in order to be consistent across Schedule A, the Board temporarily replaced the following summary variables with the same “\$ Loss mitigation and forbearance” summary variable as described above:

- Schedule A.2 (US Auto Loan), Field #26 (“\$ Loss mitigation”),
- Schedule A.8 (International Small Business), Field #6 (“\$ Modifications”), and
- Schedule A.9 (US Small Business), Field #6 (“\$ Modifications”).

FR Y-14Q, Schedule H (Wholesale)

The Board temporarily added the “Modifications Flag” item to Schedules H.1 (Corporate) and H.2 (Commercial Real Estate) (items 109 and 70, respectively) to capture information on loans in loss mitigation or forbearance programs because of the COVID event. Prior to this revision, it was not possible to identify loans in these programs on these schedules. Loans in loss mitigation and forbearance programs have different risk characteristics than other loans reported on this schedule, and therefore needed to be separately identified.

FR Y-14Q, Schedule J (Retail Fair Value Option/Held for Sale (FVO/HFS))

The Board temporarily added Column J (Loss Mitigation) to Schedule J to capture information on FVO/HFS loans in loss mitigation programs. Loans in loss mitigation programs have different risk characteristics than other loans reported on this schedule, and therefore needed to be separately identified.

FR Y-14M, Schedule B (Home Equity)

In order to capture information regarding loans in forbearance programs and for consistency with the corresponding item on FR Y-14M, Schedule A (First Lien), the Board temporarily added an option (“9 = Forbearance plan”) to item 61 (“Workout Type Completed”).

PPP

On April 9, 2020, the Federal Reserve announced it would help facilitate the Small Business Administration's PPP by supplying liquidity to participating financial institutions through term financing backed by PPP loans to small businesses.²¹ The PPP provides loans to small businesses so that they can keep their workers on the payroll. The Paycheck Protection Program Liquidity Facility (PPPLF) extends credit to eligible financial institutions that originate PPP loans, taking the loans as collateral at face value.

FR Y-14Q, Schedule A (Retail)

In order to identify loans fully guaranteed by the U.S. government, such as loans associated with the PPP, the Board temporarily added the "\$ Under federally guaranteed programs" (item 13) summary variable to Schedule A.9 (US Small Business). This summary variable was necessary as the credit risk characteristics of loans fully guaranteed under federal programs differ from other loans reported on Schedule A.9, and therefore these loans needed to be reported separately from other small business exposures for appropriate evaluation during the stress test.

FR Y-14Q, Schedule H

In response to questions received from the industry, the Board temporarily revised the instructions to Schedules H.1 and H.2 to explicitly exclude PPP loans. The Board did not need information for PPP loans on these schedules.

FR Y-14Q, Schedule M (Balances)

The Board temporarily added item 2.b.(1), "Paycheck Protection Program (PPP) loans," to Schedule M.1 (Quarter-end Balances), to capture the balance of PPP loans. The Board also temporarily added references to new item 2.b.(1) to Schedule M.2 (FR Y-9C Reconciliation). In addition, the Board temporarily added language to the instructions for items 2.a, "Graded C&I loans," and 2.b, "Small business loans," requiring that PPP loans be excluded from these items. PPP loans have different risk characteristics than non-guaranteed loans, and therefore needed to be separately identified.

MSLP

On April 9, 2020, the Board announced the MSLP, which supports lending to small and medium-sized for profit businesses and nonprofit organizations that were in sound financial condition before the onset of the COVID event.

FR Y-14Q, Schedule A

The Board temporarily added the following items to Schedule A.9: item 14, "\$ Main Street New Loan Facility (MSNLF)," item 15, "\$ Main Street Priority Loan Facility (MSPLF),"

²¹ <https://www.federalreserve.gov/newsevents/pressreleases/monetary20200409a.htm>.

and item 16, “\$ Main Street Expanded Loan Facility (MSELF).” MSLP loans have different risk characteristics than other loans reported on this schedule, and therefore needed to be separately identified.

FR Y-14Q, Schedule H

The Board temporarily added the “Extended Facility ID” item to Schedules H.1 and H.2 (items 110 and 71, respectively). The Board also temporarily added options to the “Credit Facility Purpose” item on Schedule H.1 (item 25) and the “Loan Purpose” item on Schedule H.2 (item 22) to capture information on MSLP loans. Specifically, the Board temporarily added the following options to both items: “MSLP New Loan Facility,” “MSLP Expanded Loan Facility,” and “MSLP Priority Loan Facility.” MSLP loans have different risk characteristics than other loans reported on these schedules, and so needed to be separately identified.

FR Y-14Q, Schedule K (Supplemental)

In order to capture MSLP loans that aren’t reported on FR Y-14Q, Schedules A and H, the Board temporarily added three columns to Schedule K: D.1, “Main Street Loan Program New Loan Facility loans under \$1M in committed balance,” D.2, Main Street Loan Program Expanded Loan Facility loans under \$1M in committed balance,” and D.3, Main Street Loan Program Priority Loan Facility loans under \$1M in committed balance.” In addition, the Board temporarily added language to the instructions for column D, “Outstanding Balance of Commercial Real Estate (CRE) and Corporate loans under \$1M in committed balance,” requiring that firms exclude MSLP loans balances from this column.

Other Federal Reserve Lending Facilities

FR Y-14Q, Schedule B (Securities)

The Board temporarily added an item (COVID-19 facility) to Schedule B.1 (Main Schedule) to capture securities that have been pledged under a Federal Reserve facility that supports the flow of credit during the COVID event (e.g., Money Market Mutual Fund Liquidity Facility). This information was needed to determine the amount of protection provided by the put option positions associated with these facilities.

FR Y-14Q, Schedule F (Trading)

The Board temporarily created new submission types for Schedule F dedicated to capturing information on trading assets that have been pledged to Federal Reserve lending facilities. The submission type mirrored the other submission types of the trading schedule and firms completed the submission type in the same manner as for other submission types, as outlined in the Schedule F instructions, unless otherwise indicated. This information was needed to determine the amount of protection provided by the put option positions associated with these facilities.

Other Revisions Related to the COVID Event

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

In order to provide capital relief related to CECL to align with the purpose of the interim CECL final rule²² and CARES Act, the Board temporarily revised Schedule D to allow firms to apply the CECL transition provisions to reported values.

Proposed Revisions to the FR Y-14 Reports

The Board proposed to make several revisions to FR Y-14A, Supplemental Collection of CECL Information, and capital schedules across the FR Y-14A and FR Y-14Q, effective for the December 31, 2020, as of date.

CECL

In order to accurately reflect the CECL transition provision as modified by the interim CECL final rule, as well as the CARES Act, the Board proposed to revise the instructions to the Supplemental Collection of CECL Information schedule of the FR Y-14A. Since this schedule was designed to capture data surrounding the CECL transition provision before the interim CECL final rule, several items on the schedule needed to be revised.

First, the Board proposed to revise the schedule to only require it to be reported one time by firms, as opposed to being reported repeatedly over the course of the CECL transition horizon. This revision was necessary since the interim CECL final rule revised the day one impact to include the CECL, deferred tax asset (DTA), and adjusted allowance for credit losses (AACL) transitional amounts. As a result of this change, the Board no longer needed information over the course of the CECL transition horizon.

Second, under the CARES Act, firms can delay adopting CECL until December 31, 2020, or until the end of the national emergency, whichever comes sooner. Therefore, firms may not adopt CECL on the timetable expected prior to the COVID event. Given firms may adopt CECL at different times throughout the year, the following items were proposed to be revised to require firms to report expected values if the firm adopts in the first quarter of a given year (i.e., before the data are due in early April), and actual values if the firm adopted CECL in the second through the fourth quarters of a given year. The instructions would have clarified that firms that adopt CECL in the second through fourth quarters of a given year would have submitted actual data in the reporting year (e.g., if a firm adopted CECL in September of 2020, then it would have to report actual data for the December 31, 2020, FR Y-14A submission). This revision would have applied to the following items:

- Item 3, “Adoption of Current Expected Credit Loss Methodology – ASC Topic 326”,
- Item 4, “Allowances for credit losses recognized upon the acquisition of purchased credit-deteriorated assets”,

²² See 85 FR 17723 (March 31, 2020).

- Item 5, “Effect of adoption of current expected credit losses methodology on allowances for credit losses on loans and leases held for investment and held-to-maturity debt securities”,
- Item 6, “Total allowance for credit losses”,
- Item 6a, “Allowance for credit losses on loans and leases held for investment”,
- Item 6b, “Allowance for credit losses on held-to-maturity securities”, and
- Item 6c, “Allowance for credit losses on available-for-sale securities”.

Capital

Due to various questions received from the industry regarding reporting of several capital items, the Board proposed changes to these items.

On December 23, 2019, the Board finalized revisions to the FR Y-14 reports.²³ As part of those revisions, the Board provided guidance on how firms should reflect the impact of the “global market shock” on items subject to adjustment or deduction from capital. However, the Board omitted FR Y-14A, Schedule A.1.d (Capital), item 68, “Permitted offsetting short positions in relation to the specific gross holdings included above” from this guidance. The Board proposed to allow firms to reflect the impact of the “global market shock” for this item.

FR Y-14A, Schedule A.1.d, already captures data for aggregate non-significant investments in the capital of unconsolidated financial entities, including the form of common stock, additional tier 1 capital, and additional tier 2 capital in item 64 (Aggregate non-significant investments in the capital of unconsolidated financial institutions, including in the form of common stock, additional tier 1, and tier 2 capital). However, in order to properly derive item 66 (Amount of non-significant investments that exceed the 10 percent deduction threshold for non-significant investments), the Board determined that it needed to isolate the amount of aggregate non-significant investments in the capital of unconsolidated financial institutions in the form of common stock. Therefore, the Board proposed to renumber existing item 64 to item 64a, and add item 64b, “Aggregate non-significant investments in the capital of unconsolidated financial institutions in the form of common stock.” As a result, the Board also proposed to revise the derivation of item 66 to reference items 64a and 64b.

Finally, to ensure consistent reporting across firms, the Board proposed to revise the instructions for FR Y-14A, Schedule A.1.d, item 113 (Valuation allowances related to DTAs arising from temporary differences) and FR Y-14Q, Schedule D (Regulatory Capital), item 16 (Valuation allowances related to DTAs arising from temporary differences) to clarify that these items should be reported as positive values.

²³ 84 FR 70529 (December 23, 2019).

September 17, 2020, Federal Register Notice

Temporary Revisions to the FR Y-14 Reports

On June 25, 2020, the Board notified certain large firms that they would be required to resubmit and update their capital plans later this year and announced²⁴ that it would conduct additional analysis in connection with that resubmission as economic conditions evolve. The Board has decided to conduct this additional analysis using data as of June 30, 2020. This additional analysis will enable the Board to ensure that firms subject to the stress test are adequately capitalized and able to withstand the economic effects of the COVID event. This additional analysis will include GMS and largest counterparty default (LCPD) components.

Additional FR Y-14A Submission

The Board uses data collected on the FR Y-14 reports to conduct its CCAR and DFAST exercises. The FR Y-14Q and FR Y-14M are currently submitted for the June 30, 2020, as of date. However, the FR Y-14A is currently only submitted for the fourth quarter of a given year. In order for the Board to conduct additional analysis using data as of June 30, 2020, the Board has required firms to submit FR Y-14A data as of June 30, 2020. Specifically, firms subject to Category I-III standards²⁵ are required to submit the entire FR Y-14A report, while firms subject to Category IV standards²⁶ are required to submit FR Y-14A, Schedule C (Regulatory Capital Instruments).²⁷

Global Market Shock (GMS)

The GMS is a set of hypothetical shocks to a large set of risk factors reflecting general market distress and heightened uncertainty. Firms with significant trading activity must consider the global market shock as part of their supervisory severely adverse scenario, and recognize associated losses in the first quarter of the planning period.²⁸ In addition, certain large and highly interconnected firms must apply the same GMS to project losses under the counterparty default scenario component. The global market shock is applied to asset positions held by the firms on a

²⁴ See <https://www.federalreserve.gov/publications/files/2020-sensitivity-analysis-20200625.pdf>.

²⁵ Category I standards apply to firms that qualify as U.S. GSIBs. Category II standards apply to firms with \$700 billion or more in assets, or firms with \$75 billion or more in cross-jurisdictional activity and \$100 billion or more in assets, that do not qualify as U.S. GSIBs. Category III standards apply to firms with \$250 billion or more in assets, or firms with \$100 billion or more in assets and at least \$75 billion in (1) nonbank assets, (2) weighted short-term wholesale funding, or (3) off-balance sheet exposure, that are not subject to Category I or II standards.

²⁶ Category IV standards apply to firms with \$100 billion or more in total consolidated assets that do not meet the criteria for Categories I, II or III.

²⁷ The FR Y-14A submission as of June 30, 2020, would include certain revisions to the FR Y-14A, Schedules A.1.c.1 (Standardized RWA) and A.1.d (Capital) that allow eligible firms to incorporate the effects of the tailoring rule, the capital simplifications rule, and the standardized approach for counterparty credit risk (SA-CCR). See 84 FR 59230 (November 1, 2019) (tailoring rule); 84 FR 35234 (July 22, 2019) (capital simplifications rule); 85 FR 4362 (January 24, 2020) (SA-CCR). These revisions also include the removal of FR Y-14A, Schedules A.1.c.2 (Advanced RWA) and A.7.c (PPNR Metrics), and were recently adopted by the Board.

²⁸ Bank of America Corporation, Barclays US LLC, Citigroup Inc., Credit Suisse Holding (USA), DB USA Corporation, The Goldman Sachs Group, Inc., HSBC North America Holdings Inc., JPMorgan Chase & Co., Morgan Stanley, UBS Americas Holdings LLC, and Wells Fargo & Company.

given as of date. These shocks do not represent a forecast of the Federal Reserve.

The design and specification of the global market shock differ from that of the macroeconomic scenarios for several reasons. First, profits and losses from trading and counterparty credit are measured in mark-to-market terms, while revenues and losses from traditional banking are generally measured using the accrual method. Another key difference is the timing of loss recognition. The GMS affects the mark-to-market value of trading positions and counterparty credit losses in the first quarter of the projection horizon. This timing is based on an observation that market dislocations can happen rapidly and unpredictably any time under stress conditions.

Typically, the GMS is applicable only to FR Y-14 data associated with the fourth quarter submission of a given year. However, the Board has required firms subject to the GMS component to submit the stressed data portion of FR Y-14Q, Schedule L (Counterparty), as well as to incorporate the GMS component into their FR Y-14A submissions, for data as of June 30, 2020, so that the Board can conduct additional analysis (i.e., June 30, 2020, is the GMS as of date). All firms that were subject to the GMS component for the 2020 DFAST and CCAR exercises are also subject to the GMS component for the additional analysis in connection with the resubmission of firms' capital plans.

Largest Counterparty Default (LCPD)

The Board has required certain firms²⁹ to incorporate a LCPD component in the severely adverse scenario used for the additional analysis that are conducted using data as of June 30, 2020. The LCPD component is intended to assess the potential losses and capital impact associated with the default of each applicable firm's largest counterparty. The Board will include a substantially similar largest counterparty default scenario component in its additional analysis for each firm in the severely adverse scenario.

The counterparty default scenario component will allow the Board and each firm to evaluate whether the firm has sufficient capital to withstand the default of its largest counterparty. The counterparty default scenario component will account for the possibility that a firm experiences counterparty losses from certain activities that are not captured in supervisory macroeconomic scenarios. Generally, firms are subject to the counterparty default scenario component in addition to the GMS.

The counterparty default scenario component must be treated as an add-on to the macroeconomic environment specified in the severely adverse scenario. Any potential losses from the counterparty default scenario component must be assumed to occur instantaneously and must be included in projected losses for the first quarter of the planning horizon. The largest total net stressed loss amount associated with a single counterparty default must be reported as the loss associated with the counterparty default scenario component.

²⁹ Bank of America Corporation, The Bank of New York Mellon, Barclays US LLC, Citigroup Inc., Credit Suisse Holding (USA), DB USA Corporation, The Goldman Sachs Group, Inc., HSBC North America Holdings Inc., JPMorgan Chase & Co., Morgan Stanley, State Street Corporation, UBS Americas Holdings LLC, and Wells Fargo & Company.

The counterparty default scenario component for the additional analysis using data as of June 30, 2020, is generally similar to the component provided for the stress test cycle that began on January 1, 2020. It requires each firm to assume an instantaneous and unexpected default of its largest counterparty, where the largest counterparty is identified based on net stressed losses. In selecting its largest counterparty, each firm is required to not consider certain sovereign entities (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) or qualifying central counterparties (QCCP).³⁰ For an IHC, affiliates, as defined by 12 CFR 252.71(b), are also excluded from the selection of a firm's largest counterparty. Furthermore, each firm is required to aggregate net stressed losses across securities lending and repurchase agreement (collectively, Securities Financing Transactions or SFT)³¹ activities and derivatives for each counterparty.³²

In selecting the largest counterparty, each firm is required to aggregate net stressed losses across SFT activities and derivatives for each counterparty, taking into account close-out netting agreements in place for the derivatives and SFT activities with each legal entity of that counterparty. For SFT and derivatives transactions where a netting agreement is legally enforceable in the jurisdiction where the counterparty legal entity is located, a firm is authorized to assume close-out netting such that estimated losses reflects the difference between the stressed value of securities or cash transferred to the counterparty legal entity and the stressed value of securities or cash received from the same counterparty legal entity, within each master netting agreement. For SFT activities, each firm is required to include potential losses associated with acting as a principal as well as potential losses that could result from transactions where each firm is acting as an agent but provides borrower-default indemnification in the event of a counterparty default.

In estimating net stressed losses of a counterparty, each firm is required to revalue its exposures and collateral (securities or cash) using the hypothetical GMS scenario. Certain large and highly interconnected firms not subject to the GMS component must also apply the same global market shock to project losses under the counterparty default scenario component. Each firm must apply the global market shock to stress the current exposure, collateral, and value of derivatives-related transactions. Each firm must assume a recovery rate that the firm views as appropriate, based on its own internal analysis, for purposes of the counterparty default scenario component in the severely adverse scenario used in its additional analysis. A firm should not assume any additional recovery in subsequent quarters of the planning horizon. Reinvestment of collateral should be included to the extent that the reinvested collateral is part of another SFT agreement.

The total net stressed losses should be calculated as follows: First, firms should compute the total stressed net current exposure (Total Stressed Net CE), as defined in the instructions for

³⁰ Any state-owned enterprise backed by the full faith and credit of an excluded sovereign entity should also be excluded. See definition of QCCP at 12 CFR 217.2.

³¹ SFT activities subject to the counterparty default scenario component include repurchase agreements, reverse repurchase agreements, securities lending, and securities borrowing.

³² All exposures within a consolidated organization, including to any subsidiaries and related companies, will be treated as exposures to a single counterparty. However, losses should first be computed at the subsidiary or related company level, accounting for legal netting agreements at that level, and then aggregated to the consolidated organization.

FR Y-14Q, Schedule L (Counterparty). Total Stressed Net CE represents the stressed current exposures to a counterparty after applying the GMS to any derivatives and SFT assets (securities/collateral) exchanged under repo-style transactions, as defined in section 2 of 12 CFR Part 217, associated with the counterparty after taking all applicable netting agreements into account. Next, firms should subtract the notional amount of any single-name Credit Default Swap (CDS) hedges.³³ Exclude from the trading book stress results the mark-to-market gain related to these single-name CDS hedges. Then, firms should multiply the result by one minus the recovery rate. Finally, firms should subtract the stressed Credit Value Adjustment (CVA) attributed to the counterparty.³⁴

The LCPD component is generally only applicable to FR Y-14 data associated with the fourth quarter submission of a given year. However, in order to be able to conduct additional analysis, the Board has required firms subject to the LCPD component to incorporate the LCPD component into their FR Y-14A submissions for data as of June 30, 2020 (i.e., June 30, 2020, is the LCPD as of date). To maintain continuity, all firms that were subject to the LCPD component for the 2020 DFAST and CCAR exercises are also subject to the LCPD component for the additional analysis in connection with the resubmission of firms' capital plans.

Proposed Revisions to the FR Y-14 Reports

In the event the Board needs to conduct additional analysis in connection with the resubmission of a firm's capital plan in the future, the Board would need certain data. Therefore, the Board proposes to revise the FR Y-14A instructions to indicate that the Board may require submission of the full or partial FR Y-14A report, including stressed data associated with LCPD, in connection with the resubmission of a firm's capital plan. The Board also proposes to revise the FR Y-14Q instructions to indicate the Board may require submission of stressed FR Y-14Q, Schedule L (Counterparty) data in connection with the resubmission of a firm's capital plan.

CECL Interim Final and Final Rule

The Board temporarily revised the instructions to FR Y-14A report to accurately reflect the CECL transition provision as modified by the interim CECL final rule. Specifically, the Board has temporarily revised the FR Y-14A general instructions, as well as the instructions to the following FR Y-14A schedules or line items:

- Schedule A.1.d (Capital),
- Schedule A.1.d, Line item 20 (Retained earnings),
- Schedule A.1.d, Line item 39 (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),

³³ When reporting gains associated with CVA hedges on Trading Schedule A.4 of the FR Y-14A for all counterparties, firms are instructed to exclude gains from name-specific credit default swaps associated with the counterparty default scenario component.

³⁴ This is to reflect the fact that stressed CVA loss and baseline CVA are already incorporated in the FR Y-14A Summary Schedule and the firm's balance sheet, respectively.

- Schedule A.1.d, Line item 54 (Allowance for loan and lease losses includable in tier 2 capital),
- Schedule A.1.d, Line item 77 (DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs), and
- Collection of Supplemental CECL Information, Line Item 2 (Institutions applying the CECL transition provision)”.

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 31 st .	April 5 th of the following year.
<u>CCAR Market Shock exercise</u> Summary schedule <ul style="list-style-type: none"> • Trading Risk • Counterparty 	A specified date in the first quarter that would be communicated by the Board. ³⁵	April 5 th .
Regulatory Capital Instruments	December 31 st .	<ul style="list-style-type: none"> • 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: Within 15 days after making any capital distribution in excess of those included in a firm’s capital plan (see 12 CFR 225.8(k)).

³⁵ 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).

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.	<p>For non-quarter end month-ends (e.g., July): By the 30th calendar day after the last day of the preceding calendar month.</p> <p>For quarter-end month-ends (e.g., September): Seven days after the 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).</p>
	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).
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<p>Trading Counterparty</p>	<p>All firms</p>	<p>Quarterly</p>	<p>Fourth Quarter: GMS as of date for all exposures except Trading FVO Loan Hedges, which should be reported as of calendar quarter-end.</p> <p>All Other: Quarter-end.</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>, 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.</p> <p>Fourth quarter – Counterparty stressed GMS submission: April 5th.</p> <p>All other: 47 calendar days after the calendar quarter-end (Seven days after the FR Y-9C reporting schedule).</p>
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Schedules	Data as of date	Submission Date to Board
FR Y-14M (Monthly Filings)		
<p>All schedules</p>	<p>The last business day of each calendar month.</p>	<p>By the 30th calendar day of the following month.</p>

Public Availability of Data

No data received through this information collection is made 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.³⁶ 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 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. §§ 5311(a)(1) and 5365).³⁷ 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.”³⁸ The obligation to file the 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)).³⁹

³⁶ Pub. L. No. 115-174, Title IV § 401(a) and (e), 132 Stat. 1296, 1356-59 (2018).

³⁷ 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.

³⁸ 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).

³⁹ 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

Consultation Outside the Agency

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

Public Comments and Adopted Revisions

On March 31, 2020, July 8, 2020, and September 17, 2020, the Board published an interim final rule, and two separate notices in the *Federal Register* (85 FR 17723, 85 FR 41040 and 85 FR 58048, respectively) that temporarily revised the FR Y-14 reports and requested public comment on the extension, with the revisions described above, of the FR Y-14 reports.

The comment periods for the March 31, 2020, July 8, 2020, and September 17, 2020, publications expired on June 1, 2020, September 8, 2020, and November 16, 2020, respectively. The Board received two comment letters from banking industry groups and one comment letter from a banking organization on the July notice, and did not receive any comments on the September notice or the March interim final rule.

On September 30, 2020, the Board published a final rule in the *Federal Register* (85 FR 61577) extending the FR Y-14 reports for three years, with revision, as originally proposed.

On December 30, 2020, the Board published a final notice in the *Federal Register* (85 FR 86560). The Board has extended most of the temporary revisions, with minor changes, for three additional months. The temporary revisions will automatically expire following the March 31, 2021, as of date. In addition, the Board has adopted the proposed revisions from the July and September notices. All revisions are effective for the December 31, 2020, as of date.

Detailed Discussion of Public Comments

General

Adoption of Temporary Revisions

The Board solicited comment on a proposal to extend the temporary revisions included in the July 8, 2020, notice for three years, while noting that the temporary revisions would automatically expire following the December 31, 2020, as of date, unless explicitly reauthorized by the Board. Two commenters recommended that the Board only reauthorize specific temporary revisions to the extent those revisions are critical, and to keep in mind firm resource constraints during the COVID event when deciding whether to reauthorize any temporary revisions. Additionally, two commenters recommended the Board provide reporting firms and the public as much notice as possible, preferably at least three months, before requiring firms to continue to report any reauthorized revisions, in order to ease the reporting burden.

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 by the Board in the Paperwork Reduction Act clearance for FR LL (OMB No. 7100-0380).

Given ongoing economic uncertainty surrounding the COVID event, the Board has adopted the proposal to extend the FR Y-14 reports with most of these revisions with certain changes that are effective for the December 31, 2020, as of date. However, in order to reduce reporting burden, temporary revisions associated with Federal Reserve lending facilities that are set to expire at the end of December 2020, including the Main Street Lending Program (MSLP), will only remain in place through the December 31, 2020, as of date. All other temporary revisions will remain in place through the reports as of March 31, 2021.

Submission Frequency

The Board temporarily revised the FR Y-14Q instructions to indicate that in times of crisis, the Board may temporarily request submissions of schedules more frequently than firms are generally required to submit the schedules. One commenter stated that requiring FR Y-14Q schedules more frequently would cause reporting burden on firms, and requested that any more frequent submission of schedules be required only if firms are given at least 60 days' notice and if possible, an opportunity to provide comments.

The Board notes that requiring any FR Y-14Q schedules more frequently than firms generally are required to submit them would only be done in times of crisis, and the Board would provide firms with as much notice as possible given the circumstances.

FR Y-14 Reporting Questions

The Board did not temporarily revise or propose to revise its current process for responding to FR Y-14 reporting questions. One commenter requested that the Board expedite its responses to reporting questions associated the FR Y-14 temporary revisions given that the temporary revisions were implemented prior to the public comment period.

The Board strives to respond to all FR Y-14 reporting questions it receives from firms as soon as possible. Some questions require significant time to research. The Board notes that it has responded promptly to many questions regarding the temporary revisions to the FR Y-14.

Supplemental Collections

At times, the Board has requested that certain firms submit supplemental collections that provide alternative breakouts of FR Y-14 data that are not available from other sources in conjunction with the FR Y-14 data submitted for use in the DFAST and CCAR exercises. One commenter requested that the Board incorporate all supplemental collections into the FR Y-14 report so firms can adequately plan for the data requirements surrounding a given FR Y-14 submission.

The Board has incorporated several supplemental collections into the FR Y-14 report. For example, as finalized on September 14, 2020,⁴⁰ the Board incorporated three supplemental collections into the FR Y-14Q report (two were incorporated into Schedule F (Trading) and one was incorporated into Schedule M (Balances)). Where appropriate, the Board will continue to

⁴⁰ See 85 FR 56607 (September 14, 2020).

incorporate supplemental collections into the FR Y-14 report.

Wholesale

Submission Frequency

The Board temporarily revised FR Y-14Q, Schedule H (Wholesale) to be reported monthly instead of quarterly for firms subject to Category I-III standards. Two commenters stated that certain items on Schedule H are not available or are not collected by firms from third parties on a monthly basis, and that firm resources are already constrained as a result of the COVID event. Per the commenter, firms have not been able to make permanent technological changes and have not been able to put adequate resources towards a more streamlined solution to obtain and verify data on a monthly basis due to the fact that this reporting frequency change went into effect prior to the public comment period, as well as the fact that this revision could have expired following the December 31, 2020, as of date (i.e., Schedule H would revert to being reported quarterly for all firms).

As indicated in the Schedule H instructions, the Board has identified certain items that are not required for the monthly Schedule H submissions that do not coincide with quarter ends (e.g., as of July 31). The remaining items are needed on a monthly basis in order to assess the current economic status and to better understand potential shifts in the risk profiles of firms. The Board acknowledges that some items are not collected by third parties or are not available on a monthly basis. In those cases, firms should report the information available to the firm on a given as of date. In addition, the instructions for several items allow firms to report the most recently updated data or “NA” if updated information is not available.

Data Quality Checks

The Board performs quality checks on data submitted through regulatory reports, such as the FR Y-14 reports. Two commenters suggested that the Board should exclude certain quality checks for FR Y-14Q, Schedule H (Wholesale) data submitted on a monthly basis, as certain quality checks are tied to other regulatory reports that are submitted quarterly (e.g., FR Y-9C). The commenters went on to say that responding to these quality checks on a monthly basis is particularly challenging as firm resources are constrained by the COVID event. One commenter stated that in some cases, values reported in certain “Obligor Financial Data” items (items 52 through 82) of Schedule H.1 (Corporate) do not factor into the credit decision for a given exposure, such as in cases of startup companies with limited or no available financial data. In these cases, the commenter recommends that in order to reduce burden, firms should be allowed to report “NA” for certain “Obligor Financial Data” items and not be required to address any associated data quality checks.

In order to facilitate the monthly Schedule H submission process, the Board has reduced the number of edit responses required for non-quarter end submissions. For example, the Board has not been running data quality checks for non-quarter end monthly Schedule H submissions that compare values to the FR Y-9C.

Main Street Lending Program

The Board temporarily revised FR Y-14Q, Schedule H (Wholesale) to require firms to report only their exposures to loans associated with the MSLP (i.e., not include the amount participated to third parties or the unused portion of loan commitments). For other exposures reported on Schedule H, firms are required to include the amount participated to third parties, as well as the unused portion of loan commitments, as part of the reporting firm's total lending commitment. One commenter expressed concern that this divergence would cause an issue when comparing commitments on Schedule H to those reported on the FR Y-9C, which is referenced in the instructions for several Schedule H items. The commenter stated that this different treatment for commitment reporting is causing operational burden for firms, and recommends that loans associated with the MSLP be reported consistently with other loans reported on Schedule H.

The Board did not intend to require different treatment for loans associated with the MSLP compared to other commitments reported on Schedule H. In light of the concerns raised by the commenter, the Board has revised the Schedule H instructions to align the reporting of commitments to loans associated with the MSLP with other commitments reported on the schedule, effective for the December 31, 2020, as of date.

Internal Risk Rating Schedule

The Board did not temporarily revise or propose to revise FR Y-14Q, Schedule H.4 (Internal Risk Rating). One commenter suggested that the Board expand Schedule H.4 to require additional items, such as probability of default information, which would provide the Board with better context for understanding firms' internal risk ratings. The commenter also suggested that the Board revise Schedule H.4 to correspond with FR Y-14Q, Schedule L (Counterparty), as both schedules require an internal and external rating equivalent factor.

The Board notes that firms are currently allowed to provide as much detail as possible in the free text description of Schedule H.4, item 1 (Internal Risk Rating). For example, firms can provide information that would provide a better understanding their internal ratings, such as external rating equivalent data points. The Board intends to consider adding items to Schedule H.4 that would provide more context to the data submitted as part of a future notice. However, the Board has not expanded Schedule H.4 to correspond with Schedule L, as the data between the two schedules does not readily align.

Collateral Market Value

The current FR Y-14Q, Schedule H.1 (Corporate), item 93, "Collateral Market Value," instructions require firms to report the market value of collateral as of the reporting date, and to report "NA" if the value of the collateral has not been updated since reported on the previous Schedule H.1 submission. The Board did not temporarily revise or propose to revise Schedule H.1, item 93. One commenter pointed out that the instructions for Schedule H.1, item 93 do not specify how to report the value of collateral that is typically recorded at book value, such as receivables and inventory comprising a borrowing base for asset-based lending. To ensure

consistent reporting across firms, the commenter recommended that the Board clarify how item 93 should be reported for types of collateral that are not typically recorded at market value.

For consistency across exposures, firms should continue to report in line with the current instructions. The Board has not revised the Schedule H.1, item 93 instructions to allow for reporting at book value.

Past Due Reporting

The Board did not temporarily revise or propose to revise the reporting of past due exposures in the “# Days Principal or Interest Past Due” items (Schedule H.1, item 32; Schedule H.2, item 37). One commenter noted that while Schedule H is reported at the facility level, there could be cases where only some of the multiple loans under a given facility are past due. Per the commenter, this creates ambiguity for reporting the number of days past due for an entire facility. The commenter recommended that the Board revise Schedule H to add more granular delinquency buckets or an item to capture the total balance past due within a given facility.

Per the instructions for the “# Days Principal or Interest Past Due” items, firms are required to report the longest number of days principal or interest are past due for any loan within the facility. Given the different uses of the collected data on the FR Y-14 and FR Y-9C, the Board has not revised the FR Y-14 to have similar delinquency buckets as the FR Y-9C. In addition, the Board does not currently need to capture the total balance of loans past due within a facility to conduct its analysis, and so has not added an item to collect this information.

Capital Call Subscriptions

The Board did not temporarily revise or propose to revise the reporting of capital call subscriptions on FR Y-14Q, Schedule H (Wholesale). One commenter noted that the Board previously revised Schedule H.1 (Corporate), items 20 (Credit Facility) and 22 (Credit Facility Purpose) to require firms to indicate which facilities are capital call subscriptions, effective for the September 30, 2020, as of date.⁴¹ Per the commenter, the Board should also revise Schedule H.1 item 36 (Security Type) to allow firms to identify the collateral associated with capital call subscriptions. The commenter noted that this additional collateral information would enable the Board to better capture information regarding a firm's ability to require a fund manager to inject capital into a fund that is declining in value, which would more accurately reflect the true risk of these exposures. Relatedly, one commenter requested that the Board provide definitions for the allowable values to be reported in Schedule H.1, items 20 and 22, as there could be a divergence in practice across firms.

As indicated in the instructions, the values for the descriptions and codes used in Schedule H.1, items 20 and 22 relate to the requirements referenced in the reporting for Shared National Credit data.⁴² Please note that while the listing referenced in the reporting for Shared National Credit data is not the entirety of the types and purposes possible for Schedule H reporting, it does cover a majority of them. The Board intends to consider adding definitions to

⁴¹ See 85 FR 56607 (September 14, 2020).

⁴² See <https://www.kansascityfed.org/banking/bankerresource/complete-and-file-reports/shared-national-credit>.

the FR Y-14Q, Schedule H instructions as part of a future notice.

Disposed Loans

The Board did not temporarily revise or propose to revise the reporting of disposed loans on FR Y-14Q, Schedule H (Wholesale). However, one commenter suggested that the Board revise the Schedule H instructions to allow disposed facilities to be reported with data as of the prior reporting cycle rather than as of the day of disposition.

The Board believes collecting loan disposition information as it existed at the point of disposition is critical, and accordingly has not revised the current requirements for disposed loans on Schedule H.

Par and Fair Value Items

The Board did not temporarily revise or propose to revise the reporting of par value and fair value exposure items on FR Y-14Q, Schedule H (Wholesale). However, one commenter noted that previous FR Y-14 questions and answers (Q&As) have clarified that firms should report certain fair value exposure items based on the predominate share of the committed balance. Per the commenter, the reporting based on these Q&As would enable the Board to derive the value for two par/fair value exposure items (“Lower of Cost or Market (LOCOM) Flag,” Schedule H.1, item 86 and Schedule H.2, item 56 and “Target Hold” Schedule H.1, item 101) from the four par/fair value exposure items (“Committed Exposure Global Par Value”, Schedule H.1, item 105”, Schedule H.2, item 66; “Utilized Exposure Global Par Value”, Schedule H.1, item 106; “Committed Exposure Global Fair Value”, Schedule H.1, item 107, Schedule H.2, item 68; “Utilized Exposure Global Fair Value”, Schedule H.1, item 108; “Outstanding Balance Par Value”, Schedule H.2, item 67; and “Outstanding Balance Fair Value”, Schedule H.2, item 69) that were added for the March 31, 2020, as of date.⁴³ Therefore, the commenter recommends that the “LOCOM Flag” and “Target Hold” items be removed from Schedule H. The commenter further stated that if the “LOCOM Flag” item is retained, then it is unclear how exposures should be reported in the par/fair value exposure items.

The Board notes that each par/fair value exposure item on Schedule H provides a different perspective on the exposures and gives a more holistic view of the valuation of exposures. The “LOCOM Flag” and “Target Hold” items allow for validation and categorization of loan data. Per the instructions, firms should report appropriate values of the entire credit facility for held for sale loans and loans accounted for under a fair value option for the par/fair value items. The Board further notes that reporting guidance based on FR Y-14 Q&As issued prior to the addition of the par/fair value exposure items (i.e., prior to March 31, 2020) should not be applied to the par/fair value exposure items that were added for the March 31, 2020, as of date. Firms should report these items based on the Schedule H instructions.

Obligor and Guarantor Reporting

The Board did not temporarily revise or propose to revise the reporting of the legal entity

⁴³ See 84 FR 70529 (December 23, 2019).

that provides the primary source of repayment for a credit facility on FR Y-14Q, Schedule H (Wholesale). The current FR Y-14Q, Schedule H.1 (Corporate) instructions require firms to report the obligor in the “Obligor Financial Data” items (items 52 through 82) as the legal entity that provides the primary source of repayment for a credit facility identified in item 15 (Internal Credit Facility ID). The instructions further state that the legal entity that provides the primary source of repayment will generally be different than the guarantor, which provides secondary support for repayment. Per one commenter, the instructions regarding the obligor and guarantor create ambiguity as it is not clear whether the guarantor could ever be viewed as the primary source of repayment, which the commenter states could happen in cases where the guarantor is used in underwriting as a primary source of repayment.

Per the instructions, Schedule H.1, item 15 should reflect the legal entity providing the primary source of repayment or, if different, the legal entity used by underwriting as the primary source of repayment identified. Information surrounding the guarantor, or secondary source of repayment, is outlined and differentiated in Schedule H.1, items 44 through 48 (“Guarantor Flag”, “Guarantor Internal ID”, “Guarantor Name”, “Guarantor TIN”, and “Guarantor Internal Risk Rating”, respectively).

Loss Mitigation

Loss Mitigation Item Reporting

The Board temporarily added items and options to existing items to capture loans in forbearance or other loss mitigation programs on several FR Y-14 schedules, such as FR Y-14Q, Schedule H (Wholesale) and FR Y-14M, Schedule B (Home Equity). One commenter recommended that these items and options to existing items only be reported quarterly so that the firms would not be required to recode systems for potentially temporary changes to the FR Y-14 report. Per the commenter, quarterly reporting of these items would reduce reporting burden.

Given that these loans in forbearance or other loss mitigation programs have different risk characteristics than loans not in these programs, receiving this information on a monthly basis is critical to enable the Board to more accurately assess current banking conditions.

The Board temporarily added items to FR Y-14Q, Schedule A (Retail) and Schedule J (Retail FVO/HFS) to require firms to report loans that have completed loss mitigation or for which mitigation has expired during the reporting period. One commenter stated that it is burdensome for firms and may not provide valuable insight to commingle loans no longer in loss mitigation programs with loans currently in loss mitigation programs. The commenter recommends that the requirement to include loans no longer in loss mitigation be removed.

Given the reporting burden and commingling effect of reporting loans no longer in loss mitigation programs with loans currently in loss mitigation programs, the Board has revised the Schedule A and Schedule J instructions to require firms to exclude the balances of loans that completed their loss mitigation programs in the current month from these added items. In addition, due to questions from reporting firms, the Board has revised the loss mitigation item on Schedule J to capture the carrying value of loans in loss mitigation, as opposed to the unpaid

principal balance. Both of these revisions are effective for the December 31, 2020, as of date.

The Board temporarily added items to FR Y-14Q, Schedule H (Wholesale) to capture loans currently in loss mitigation programs or forbearance as a result of the COVID event. One commenter pointed out that the instructions for these new items does not capture loans that were classified as troubled debt restructurings (TDRs) prior to the onset of the COVID event that have been subsequently modified as a result of the COVID event. The commenter requested that the Board clarify how these modified loans should be reported on Schedule H.

To remove ambiguity, the Board has revised the instructions to the “Modifications Flag” items (Schedule H.1, item 109; Schedule H.2, item 70) to clarify that loans that were classified as TDRs prior to the onset of the COVID event and have been subsequently modified should be reported under Option 3 (Other), effective for the December 31, 2020, as of date.

Risk Mitigation Activities

The Board did not temporarily revise or propose to revise the reporting of risk mitigation activities (e.g., subordinated credit protection from third parties referencing an on-balance sheet portfolio of loans) on the FR Y-14 report. However, one commenter noted that the existing FR Y-14 report does not capture the data necessary to allow risk mitigation activities to be taken into consideration by supervisory models. Per the commenter, the inclusion of risk mitigation activity data on the FR Y-14 report would allow the Board to more accurately reflect the exposure risks to firms as part of the stress test.

The Board intends to consider revising the FR Y-14 reports to capture risk mitigation activities as part of a future notice.

Retail

Paycheck Protection Program Loans

The Board temporarily added an item to FR Y-14Q, Schedule A.9 (US Small Business) to capture loans fully guaranteed by the United States government, which would include Paycheck Protection Program (PPP) loans. One commenter stated that per the Schedule A.9 instructions, only “scored” or “delinquency managed” loans should be reported, and neither of those criteria apply to PPP loans. Schedule A.9 requires certain variables (e.g., product type, available credit bureau score, etc.) to be reported for loans reported on the schedule. According to two commenters, many of these variables do not apply to PPP loans because they are originated outside of the typical process for firms given that they are fully guaranteed by the Small Business Association (SBA). Additionally, one commenter raised that Schedule A.9 is only supposed to capture retail exposures, but the current instructions for the new item require reporting of both retail and wholesale exposures. Given these concerns, two commenters recommend that the Board exclude PPP loans from Schedule A.9 and instead have them reported on FR Y-14Q, Schedule K (Supplemental), similar to how loans associated with the MSLP are reported.

In response, the Board notes that it is important to capture PPP loans in a consistent manner across FR Y-14 submissions for purposes of data comparability. If certain variables required for Schedule A are not available for PPP loans, then firms should only report the variables for PPP loans that they have available. The Board has not revised the reporting of PPP loans.

Historical Data Requirement

One commenter noted that the inclusion of PPP loans in Schedule A.9 has caused some firms to exceed the quantitative threshold for reporting this schedule.⁴⁴ With the initial submission of this schedule, firms are required to report historical data going back to January of 2007. One commenter stated that PPP loans are only expected to be on a firm's books for a short period of time (i.e., less than one year), and that once the PPP loans are no longer reported on Schedule A.9, some firms will drop back below the reporting threshold. The commenter further stated that firms face operational challenges with gathering and validating 13 years of historical data. The commenter recommended that if the Board continues to require PPP loans to be reported on Schedule A.9, then firms should not be required to submit historical data for Schedule A.9 if they exceed the reporting threshold as a result of including PPP loans in this schedule.

The Board believes that the required historical data on Schedule A.9 are critical to adequately monitor ongoing risks, and accordingly has not revised this requirement.

Trading

Private Equity Investments

The Board did not temporarily revise or propose to revise the reporting of non-fair value private equity investments on FR Y-14Q, Schedule F (Trading). However, on December 23, 2019,⁴⁵ the Board indicated that it would assess whether the macro scenario is more appropriate than the global market shock for evaluating losses associated with non-fair value private equity investment exposures. One commenter inquired about the status of this assessment.

At this time, the Board believes the macro scenario is more appropriate than the global market shock for evaluating losses associated with non-fair value private equity investment exposures, but will continue to analyze the issue.

Separately, in an FR Y-14 question and answer (Q&A) published in March of 2020,⁴⁶ the

⁴⁴ Large and complex firms, Large Institution Supervision Coordinating Committee (LISCC) firms, and SLHCs subject to Category II-III standards with a portfolio of US small business (retail) loans with an asset balance greater than \$5 billion or greater than ten percent of Tier 1 capital on average for four quarters preceding the reporting quarter are required to file FR Y-14Q, Schedule A.9. Large and noncomplex firms and SLHCs subject to Category IV standards with a portfolio of US small business (retail) loans with an asset balance greater than \$5 billion or greater than ten percent of Tier 1 capital on average for four quarters preceding the reporting quarter are required to file FR Y-14Q, Schedule A.9.

⁴⁵ See 84 FR 70529 (December 23, 2019).

⁴⁶ See <https://www.federalreserve.gov/publications/y-14-qas.htm>.

Board clarified that firms could exclude tax oriented investments held under the equity method of accounting from the “Other Fair Value Assets” portion of FR Y-14Q, Schedule F (Trading). The Board further clarified that tax oriented investments held under the equity method of accounting should only be reported on Schedule F if they are included in other portions of Schedule F (i.e., not the “Other Fair Value Assets” portion). One commenter suggested that this same treatment should be applied to non-fair value private equity investments, as non-fair value private equity investments share many characteristics with fair value private equity investments, such as an illiquid nature, expected multi-year holding period, as well as the timing and amount of associated losses.

The exclusion of non-fair value tax oriented investments from Schedule F was not based on an assessment of their risk characteristics, but rather on the fact that they are neither trading positions, private equity positions, nor fair value assets, and so do not fall under the scope of Schedule F. The same rationale does not apply to non-fair value private equity positions, which do fall under the scope of Schedule F, as they are private equity positions. Given this, the Board has not revised the reporting for non-fair value private equity positions.

Seed Capital Invested in Mutual Funds

The Board did not temporarily revise or propose to revise the reporting of seed capital invested in mutual funds. The current FR Y-14Q, Schedule F (Trading) instructions require firms to report seed capital invested in mutual funds as private equity exposures. One commenter noted that this treatment may subject firms to unfavorable stressed losses, as the underlying investments of seed capital invested in mutual funds are in liquid, marketable securities across multiple asset classes, including fixed income and equity. Given the liquid, marketable nature of these underlying investments, the commenter recommended that these exposures should not be reported as private equity exposures, but rather reported within the respective sub-schedules of Schedule F, according to the underlying exposure.

The Board intends to consider revising the reporting of seed capital invested in mutual funds as part of a future notice.

Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR Y-14 reports is 838,324 hours, and would increase to 847,864 hours as a result of the revisions. The Board estimates that the average hours per response for the FR Y-14A would increase from 929 hours to 1,186 hours, and that the average hours per response for the FR Y-14Q would increase from 2,201 hours to 2,203 hours. These reporting requirements represent approximately 11.1 percent of the Board’s total paperwork burden.

FR Y-14	<i>Estimated number of respondents⁴⁷</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current				
FR Y-14A	36	1	929	33,444
FR Y-14Q ⁴⁸	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	<u>33,280</u>
<i>Current Total</i>				838,324
Proposed				
FR Y-14A	36	1	1,186	42,696
FR Y-14Q ⁴⁸	36	4	2,203	317,232
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	<u>33,280</u>
<i>Proposed Total</i>				847,864
<i>Change</i>				9,540

The estimated total annual cost to the public for the FR Y-14 reports is \$49,586,865, and would increase to \$50,151,156 with the revisions.⁴⁹

⁴⁷ 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.

⁴⁸ Note that for firms subject to Category I-III standards, FR Y-14Q, Schedule H (Wholesale), is submitted 12 times a year and the stressed counterparty data on FR Y-14Q, Schedule L (Counterparty) is submitted twice a year. However, the rest of the FR Y-14Q schedules are only submitted 4 times a year.

⁴⁹ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by a annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$20, 45% Financial Managers at \$73, 15% Lawyers at \$72, and 10% Chief Executives at \$95). 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 2020*, published March 31, 2021, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.

Sensitive Questions

These collections of information contain 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 the FR Y-14 reports is \$2,677,200.