**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 applicable to top-tier U.S. bank holding companies (BHCs), U.S. intermediate holding companies of foreign banking organizations (IHCs), and covered savings and loan holding companies (SLHCs)[1] (collectively holding companies) with $100 billion or more in total consolidated assets. The FR Y-14A, FR Y-14Q, and FR Y-14M reports (FR Y-14 reports) are used to set firms' stress capital buffer (SCB) requirements. The data are also used to support the supervision and regulation of these financial institutions.

The Board adopted a number of revisions to the FR Y-14 reports that improve the Board's ability to identify risks not currently captured in the supervisory stress test, enhance data reconciliation efforts, and make other clarifications. For the FR Y-14Q, the revisions are effective for either the September 30, 2022, as of date, or the June 30, 2023, as of date. For the FR Y-14M, the revisions are effective for the September 30, 2022, as of date, and for the FR Y-14A, the revisions are effective for the December 31, 2022, as of date.

The current estimated total annual burden for the FR Y-14 reports is 809,000 hours, and would increase to 810,464 hours. The revisions would result in an increase of 1,464 hours. The draft reporting forms and instructions are available on the Board's public website at https://www.federalreserve.gov/apps/reportingforms/home/review.

## Background and Justification

Section 165(i)(1) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)[2] 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).[3] 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.[4] On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) amended sections 165(i)(1) and

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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] Pub. L. No. 111-203, 124 Stat. 1376 (2010).
[3] See 12 U.S.C. § 5365(i)(1).
[4] See 12 U.S.C. § 5365(i)(2).

(2) of the Dodd-Frank Act, among other changes.[5] 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.[6]

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.[7] In connection with submissions of capital plans to the Board, firms are required, pursuant to 12 CFR 225.8(e)(3) and 12 CFR 238.170(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 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.

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.

**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.[8]

[5] 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.

[6] See 12 CFR 252, subparts B, E, F, and O.

[7] See 12 CFR 225.8; 12 CFR 238.170.

[8] In certain circumstances, a firm may be required to re-submit its capital plan. See 12 CFR 225.8(e)(4); 12 CFR 238.170(e)(4). Firms that must re-submit their capital plan generally also must provide a revised FR Y-14A in connection with their resubmission.

- 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 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.

**<u>Respondent Panel</u>**

The respondent panel consists of holding companies with $100 billion or more in total consolidated assets, 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-14 Reports

The proposed revisions would have allowed the Board to better identify risks not currently captured in the stress test, facilitate data reconciliation, and mitigate ambiguity within the instructions. Data reconciliation is an important step in the stress testing analysis conducted by the Federal Reserve, as it ensures values are being reported consistently across firms. Consistent data leads to consistent treatment for stress testing purposes, which is critical, as stress testing is used to determine a firm's capital requirements via the SCB requirement. The Board also proposed other revisions and clarifications to the instructions. All proposed revisions would have been effective for the September 30, 2022, report date for the FR Y-14Q and FR Y-14M, and for the December 31, 2022, report date for the FR Y-14A.

### General

The Board proposed to change the as of date of the fourth quarter, unstressed submissions of FR Y-14Q, Schedules F (Trading) and L (Counterparty). Per the FR Y-14Q instructions, firms are required to report these schedules the earlier of fifty-two calendar days following the date on which they are notified of the global market shock (GMS) date, or March 15. The instructions also state that unless the Board requires the data to be provided over a different weekly period, firms may provide these data as of the most recent date that corresponds to their weekly internal risk reporting cycle as long as it falls before the as of date. The Board proposed to revise the instructions to allow firms to use the most recent date that corresponds to their weekly internal risk reporting cycles as long as it falls within the same calendar week as the as of date. This change would have provided firms with more flexibility in reporting these schedules and would have corresponded to guidance provided in the *Dodd-Frank Act Stress Test Publications: 2021 Stress Test Scenarios* document.[9]

### Capital

*Savings and loan holding companies*

On February 3, 2021, the Board adopted a final rule,[10] to tailor the requirements in the Board's capital plan rule[11] based on risk. As part of the final rule, the Board adopted several revisions, notably that SLHCs would be subject to capital planning requirements beginning with the 2022 stress testing and capital planning cycle (cycle). Previously, SLHCs were not required to submit FR Y-14Q, Schedule C (Regulatory capital instruments) and Schedule D (Regulatory capital) because they were not subject to capital planning requirements. However, given that SLHCs are now subject to these requirements, the Board proposed to require SLHCs to submit these schedules.[12] This revision would have aligned with the spirit of the capital plan rule.

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[9] See Board of Governors of the Federal Reserve System, *Dodd-Frank Act Stress Test Publications: 2021 Stress Test Scenarios* (Washington: Board of Governors, February 2021), https://www.federalreserve.gov/publications/stress-test-scenarios-february-2021.htm.

[10] 86 FR 7927 (February 3, 2021).

[11] 12 CFR 225.8.

[12] SLHC requirements for submitting the capital information required in these schedules for the 2022 cycle is forthcoming.

*Assumptions associated with Comprehensive Capital Analysis and Review (CCAR) submissions*

The FR Y-14A, Schedule A (Summary) instructions describe when firms must use "planned capital actions" and "alternative capital actions," but do not define either term or list the required assumptions for reported capital actions. Because the Board did not release CCAR instructions[13] for the 2021 cycle, it instead issued a CCAR Q&A (GEN0500) that contained the definitions and assumptions of capital actions required per the capital plan rule. The Board proposed to incorporate the definitions and assumptions of "planned capital actions" and "alternative capital actions" previously contained in CCAR Q&A GEN0500 into the FR Y-14A instructions to provide clarity regarding the meaning of these terms.

Under the supervisory severely adverse (SSA) scenario CCAR submission, firms are required to include the effects of planned business plan changes (BPCs) and use planned capital actions. Per the Board's capital rule,[14] if a firm does not stay above its minimum capital requirements, including regulatory capital buffers that may encompass the SCB requirement, then it is subject to automatic restrictions on capital distributions and discretionary bonus payments. Requiring firms to assume that their planned BPCs and planned capital actions will occur under stressed conditions has resulted in unrealistic projections, as some or all of the planned capital actions would not be able to materialize if firms dropped into their regulatory capital buffers over the course of the projection horizon. Under the Internal stress scenario, firms are required to only include the effects of planned BPCs that the firm anticipates occurring, given the scenario, and to use alternative capital actions. To improve comparability between the CCAR Summary submissions under the Internal stress and SSA scenarios, the Board proposed to revise the planned BPC and capital action assumptions of the Summary CCAR submission under the SSA scenario to match those of the Internal stress scenario.

Firms are required to incorporate the effects of planned, material BPCs in their CCAR submissions of the Summary schedule. The instructions did not specify whether firms must also include the effects of planned, immaterial BPCs that firms anticipate occurring over the projection horizon under baseline or stressed conditions. For clarity, the Board proposed to revise the instructions to give firms the option to include the effects of planned, immaterial BPCs in their CCAR Summary submissions. Inclusion of the effects of planned, material BPCs in CCAR Summary submissions was still required.

*Other proposed changes*

The Board often provides firms the option to phase in the effects of new accounting standards or other changes that affect the calculation of regulatory capital through the use of transition provisions (e.g., transitioning the impact of current expected credit loss methodology (CECL) adoption on regulatory capital). Firms must report regulatory capital items on FR Y-14Q, Schedule D (Regulatory Capital) exclusive of the effects of transition provisions,

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[13] For an example of these instructions, see Board of Governors of the Federal Reserve System, *Comprehensive Capital Analysis and Review 2020 Summary Instructions* (Washington: Board of Governors, March 2020), https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200304a3.pdf.
[14] 12 CFR Part 217.

whereas regulatory capital items on FR Y-9C, Schedule HC-R (Regulatory Capital) may be reported inclusive of transition provisions if firms elect to apply the transition provisions. As described in the *Dodd-Frank Act Stress Test 2021: Supervisory Stress Test Methodology* document,[15] the Board adjusts the numerator and denominator of the supervisory stress test capital calculations to align with the capital rule, which includes the effects of transition provisions. To ensure consistency with regulatory capital balances that are used in the capital calculations of the supervisory stress test and to improve comparability across the capital schedules of the FR Y-14Q and FR Y-9C, the Board proposed to revise Schedule D to remove the requirement that firms exclude the effects of transition provisions.

Firms currently report the carrying value of capital instruments at quarter-end in Column I (Carrying value, as of quarter-end) of FR Y-14Q, Schedule C.1 (Regulatory capital instruments as of quarter end). On this schedule, firms also report some components that affect the carrying value, such as the fair value of swaps associated with the capital instrument (Column K). Not all categories of components that affect the carrying value had their own item, and some components may only be applicable to certain capital instruments. The Board proposed to add an item to capture all other changes that affect the carrying value of an instrument that were not currently captured by the existing component items. This item would have enhanced data reconciliation efforts for Schedule C.1.

Firms report repurchases and redemptions on both FR Y-14A, Schedule C (Regulatory capital instruments) and FR Y-14Q, Schedule C (Regulatory capital instruments). The FR Y-14A, Schedule C instructions require firms to report repurchases and redemptions as negative values. The FR Y-14Q, Schedule C instructions do not specify how to report repurchases and redemptions, and so, there is diversity in practice across firms. For consistency between the reports, the Board proposed to require repurchases and redemptions to be reported as negative values on FR Y-14Q, Schedule C.

Firms report dividends on FR Y-14A, Schedule A.1.d (Capital) and Schedule C. The instructions for dividend items on Schedules A.1.d and C reference definitions on FR Y-9C, Schedule HI-A (Changes in holding company equity capital). On Schedule HI-A, firms report values on a year-to-date basis, while most items on Schedules A.1.d and C are reported on a quarter-to-date basis. As a result, some firms reported dividend items on a year-to-date basis, while others reported values on a quarter-to-date basis. To remove ambiguity, the Board proposed to revise the instructions for the following items to specify that these items must be reported on a quarter-to-date basis:

- "Cash dividends declared on preferred stock" (Schedule A.1.d, item 12; Schedule C item 116) and
- "Cash dividends declared on common stock" (Schedule A.1.d, items 13 and 117; Schedule C, item 117).

Firms are required to report issuances of capital and subordinated debt instruments on FR Y-14Q, Schedule C.3 (Regulatory capital and subordinated debt instruments issuances during

[15] See Board of Governors of the Federal Reserve System, *Dodd-Frank Act Stress Test 2021: Supervisory Stress Test Methodology* (Washington: Board of Governors, April 2021), https://www.federalreserve.gov/publications/files/2021-april-supervisory-stress-test-methodology.pdf.

quarter). The instructions do not specify whether subordinated debt instruments that were acquired must be reported on Schedule C.3. Such instruments were not issued by a firm but are new to a firm's balance sheet. Given that these instruments are new to a firm's balance sheet, the Board proposed to revise the instructions to state that subordinated debt instruments acquired via a merger or acquisition must be reported on Schedule C.3. The Board proposed to further clarify that firms must also report on Schedule C.3 situations in which a Committee on Uniform Securities Identification Procedures (CUSIP) number for a subordinated debt instrument changes, even if the terms of the instrument did not change. This revision would have ensured that CUSIP number changes are properly captured.

Firms are required to report the unamortized discounts/premiums, fees, and foreign exchange translation impacts as of quarter-end in Column J of FR Y-14Q, Schedule C.1. However, there is inconsistency across firms in terms of whether discounts and premiums must be reported as positive or negative values. To remove ambiguity, the Board proposed to clarify that unamortized amounts of discounts must be reported as positive values and unamortized amounts of premiums must be reported as negative values. These revisions would have standardized the reporting of this item.

To further enhance data reconciliation efforts, the Board proposed to add four items to FR Y-14Q, Schedule C.1. The specific items the Board proposed to add were:

- "Interest expense for the quarter (net of swaps),"
- "Interest expense for the quarter (with swaps, excluding any gains or losses due to the fair value adjustment of ASC 185/FAS 133 hedges),"
- "Interest expense for the quarter (with swaps, this number should reconcile to the quarterly number reported in FR Y-9C BHCK4397 for all subordinated debt instruments)," and
- "Fair value adjustment at the quarter end for subordinated debt securities that are carried at fair value."

The addition of these items would have ensured that balances on Schedule C.1 are properly reconciled for use in supervisory models. With the addition of these items, the Board also proposed to remove the following four items from Schedules C.1 and C.3, as they would have no longer been needed:

- "Y-9C BHCK4602 reconciliation" (Column N of Schedule C.1),
- "Currency of foreign exchange swap payment" (Column LL of Schedule C.3),
- "Notional amount of foreign exchange swap ($ Million)" (Column MM of Schedule C.3), and
- "Exchange rate implied by foreign exchange swap" (Column NN of Schedule C.3).

**Securities**

Firms are required to report the amount of allowance for credit losses in FR Y-14Q, Schedule B.1 (Securities 1 - main schedule). However, the instructions for this item do not specify whether amounts must be reported as positive or negative values. To improve the consistency of reporting across firms, the Board proposed to revise the instructions to indicate that the allowance for credit losses on Schedule B.1 must be reported as a positive number. This

revision would have better enabled the Board to compare reported values, as all values would have been reported in the same manner.

**Trading**

As mentioned in the *Dodd-Frank Act Stress Test 2021: Supervisory Stress Test Methodology* document,[16] the Board adjusts a firm's trading profit and loss to estimate losses on private equity investments in affordable housing that qualify as public welfare investments under Regulation Y. The data used to make this adjustment is currently collected through a supplemental collection, and the Board proposed to formalize this supplemental collection by incorporating its key elements into FR Y-14Q, Schedule F.24 (Private equity). The proposal would have required firms to isolate and report private equity exposures that qualify as public welfare investments in new line items. The instructions would have specified that a public welfare investment is defined as an equity investment in corporations or projects designed primarily to promote community welfare, such as the economic rehabilitation and development of low-income areas.[17] Incorporating this supplemental collection into FR Y-14Q, Schedule F (Trading) would have allowed for more standardized reporting, which is crucial to ensure private equity investments in affordable housing that qualify as public welfare investments are treated the same across firms.

The Board also proposed to make clarifications to the Schedule F instructions regarding the reporting of accrual loan and fair value option (FVO) loan hedges across Schedule F, the reporting of interest rate basis risk on Schedule F.6 (Rates DV01), and limiting the allowable units used to report interest rate sensitivities on Schedule F.7 (Rates Vega). These clarifications would have removed ambiguity around the reporting of hedges on Schedule F and would have standardized reporting of interest rate information, which would have improved data comparability across firms.

**Counterparty**

*Client-cleared derivative exposures*

Beginning with the June 30, 2021, as of date, firms were required to include client-cleared derivative exposures in FR Y-14Q, Schedule L (Counterparty).[18] Exposures to client-cleared derivatives are excluded from the calculation of stressed losses. As part of Schedule L.5 (Derivatives and securities financing transaction profile), firms are required to rank their top 25 exposures by certain counterparty methodologies. Client-cleared derivative exposures are currently excluded from these rankings. The Board proposed to require firms to rank their top 25

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[16] See Board of Governors of the Federal Reserve System, *Dodd-Frank Act Stress Test 2021: Supervisory Stress Test Methodology* (Washington: Board of Governors, April 2021), https://www.federalreserve.gov/publications/files/2021-april-supervisory-stress-test-methodology.pdf.

[17] For reporting public welfare investments made at the bank holding company level, an affordable housing private equity investment would be recognized by the Federal Reserve if it also qualifies under 12 CFR 225.28(b)(12) and 12 CFR 225.127. For reporting public welfare investments made at the bank level, an affordable housing private equity investment would be recognized by the Federal Reserve if it also qualifies under the applicable public welfare investment criteria of the bank's primary Federal regulator.

[18] 85 FR 56607 (September 14, 2020).

exposures for client-cleared derivatives on Schedule L.5. This new ranking would have enabled the Board to continue to exclude exposures to client-cleared derivatives from the calculation for stressed losses and would have provided more insight into the size and diversity of these exposures. As part of this revision, the Board would have also modified the instructions to reinforce that exposures to client-cleared derivatives must be excluded from other top 25 rankings.

*Counterparty identification*

Firms are required to report counterparty attribute information (e.g., legal entity identifier (LEI), industry code, etc.) at the counterparty legal entity level on FR Y-14Q, Schedule L. The Board proposed to require firms to report counterparty attribute information at the consolidated/parent level in addition to the counterparty legal entity level. Collecting this information at the consolidated/parent level would have enabled the Board to better identify exposures to parent and subsidiary entities within the same organizational structure, which would have allowed for a more robust analysis of counterparty exposure. This more robust analysis would have improved the Board's ability to evaluate the counterparty risk faced by firms.

*Additional/offline credit valuation adjustment (CVA) reserves*

Firms are currently required to report "trades not captured" in the "Additional/offline CVA Reserves" item of FR Y-14Q, Schedule L.1.e (Aggregate CVA data by ratings and collateralization). "Trades not captured" refers to trades or counterparties for which CVA is computed outside of a firm's regular CVA system, which could occur due to the complexity or novelty of a particular trade. Such trades would not be captured in Schedules L.2 (EE [Expected exposure] profile by counterparty) or L.3 (Credit quality by counterparty) due to the custom CVA approximation methodology of these trades. The instructions for the "Additional/offline CVA Reserves" item require firms to report exposures to counterparties only at the aggregate level. Several firms report significant portions of their counterparty exposures as additional/offline CVA reserves. The Board proposed to require firms to report these exposures by rating, which is more granular than the current requirements, to better understand, identify, and monitor risks associated with exposures reported in this item. Such data would have provided a more complete picture of counterparty exposures at firms with significant amounts reported as additional/offline CVA reserves.

*Unstressed vs. stressed counterparty submissions*

Firms are required to report unstressed data on Schedule L quarterly and are required to report stressed data on this schedule annually. The Schedule L instructions note that for unstressed submissions, firms must only include exposures in certain sub-schedules for which the firm computes CVA for its public financial statement reported under U.S. generally accepted accounting principles (U.S. GAAP) or applicable standard. However, for stressed submissions, firms must also include transactions that would not typically require CVA for public financial statement reporting under U.S. GAAP or applicable standard (e.g., fully- or over- collateralized derivatives). Therefore, the scope of reported exposures is larger for stressed submissions.

The scope of reported exposures on FR Y-14Q, Schedule L expanded for data as of June 30, 2020, to include securities financing transactions (SFTs).[19] This additional scope of transactions increases the divide between the transactions reported on unstressed submissions compared to those reported on stressed submissions. As a result of this greater divide and to better compare the impact of stressed conditions on a firm's counterparty exposures, the Board proposed to require aggregate unstressed CVA related exposures to be reported together with stressed exposures in Schedule L.1.e. This data would have given the Board a more complete understanding of firms' counterparty credit risk, as it would have enabled the Board to directly compare the same exposures under unstressed and stressed conditions.

*Wrong-way and right-way risk*

Across Schedule L, firms are required to report wrong-way risk and right-way risk exposures. Wrong-way risk arises when the exposure to a counterparty is adversely correlated with the credit quality of that counterparty. Right-way risk occurs when this situation is reversed. When wrong-way risk is directly connected to a particular counterparty (e.g., the counterparty's rating was downgraded), it is referred to as specific wrong-way risk. Due to questions received from reporting firms, the Board proposed to clarify how to report occurrences of specific wrong-way risk. The Board proposed to require firms to assume zero for the value of the received collateral during the calculation of both stressed and unstressed net current exposure when specific wrong-way risk is present in the collateral. This revision would have aligned with the principle of conservatism in the Board's Stress Testing Policy Statement.[20]

The Board also proposed to incorporate the response to FR Y-14 Q&A Y140001374 to remove ambiguity regarding the reporting of right-way risk on Schedule L. Specifically, the Board would have revised the instructions to require firms to exclude stressed exposures on trades where the exposure is eliminated upon default of the counterparty. This revision would have ensured that only true exposures are captured on Schedule L.

*Discount factor*

Firms are required to report the discount factor used to calculate stressed and unstressed CVA on Schedule L.2. The instructions for this item mention the London Interbank Offered Rate (LIBOR), which was discontinued at the end of 2021. Given this, the Board proposed to generalize the language to instead mention the reference or benchmark rate used to discount the expected exposure in a firm's CVA model. This revision would have allowed for more flexibility since LIBOR was discontinued.

*Unique identifiers*

The general instructions of Schedule L state that unique identifiers (e.g., Counterparty ID) and names must be consistent across all sub-schedules. However, the Board had identified several cases in which this requirement has not been met. To reinforce this requirement, the Board proposed to add language to the instructions for Schedules L.2 and L.3 to remove any

[19] 84 FR 70529 (December 23, 2019).
[20] Appendix B of 12 CFR 252.

potential uncertainty in reporting unique identifiers. This revision would have resulted in more consistent reporting across Schedule L.

*Collateral*

Firms are required to report the total unstressed mark-to-market value of collateral of derivatives on Schedule L.5.1 (Derivative and SFT information by counterparty legal entity and netting set/agreement). The instructions note that all collateral reported must be eligible financial collateral. The response to FR Y-14 Q&A Y140001155 clarified that eligible financial collateral refers to the definition of "financial collateral" in the Board's capital rule.[21] To mitigate confusion, the Board proposed to incorporate the response to Q&A Y140001155 into the Schedule L.5.1 instructions.

Firms are also required to report the type of non-cash collateral or initial margin (e.g., corporate debt) allowed under a given agreement in the "Non-Cash Collateral Type" item of Schedule L.5.1. The instructions for this item only mention posted collateral in terms of what must be reported. In response to questions from reporting firms, the Board proposed to require firms to include all non-cash collateral or initial margin that was posted or received in actuality as opposed to only those allowed under a given agreement. This revision would have reduced ambiguity surrounding what to report and would also have provided the Board with a more encompassing view of the non-cash collateral involved in applicable transactions. This more encompassing view would have resulted in more accurate loss calculations and would have enhanced risk monitoring.

*Credit Support Annexes (CSAs)*

On Schedule L.5.1, firms are required to indicate in the "CSA contractual features (non-vanilla)" item whether any transactions conducted under a given CSA agreement have any non-vanilla contractual features (e.g., downgrade triggers). However, the instructions for this item do not specify how firms should report transactions that have vanilla contractual features. The Board proposed to clarify that for such transactions, firms must report "NA" in this item.

Due to questions from reporting firms, the Board also proposed to clarify that the "CSA contractual features (non-vanilla)" item applies to any non-standard market terms inclusive of features such as minimum threshold amounts (MTAs), changes to MTAs, additional termination events, and ratings-based thresholds. This revision would have removed uncertainty regarding what features are considered non-vanilla for purposes of this item.

*Reporting scope*

On Schedules L.1-L.3, top counterparties are identified based on the exposure amount at a consolidated counterparty level for ranking purposes in determining top 95% stressed or unstressed CVA. The Board had received several questions regarding the scope of this reporting, including consistency across schedules. To remove ambiguity, the Board proposed to clarify that if a consolidated or parent counterparty is selected as top 95% of CVA, then a firm's exposures

[21] 12 CFR 217.2.

to all the counterparties and legal entities associated with the consolidated or parent counterparty must be included and reported in L.1 (Derivatives profile by counterparty and aggregate across all counterparties), rather than including only counterparties and legal entities with which the firm has a CVA. In comparison, the firm can report in Schedules L.2 and L.3 the exposure information limited to the legal entities and/or netting sets with which the firm has a CVA. These revisions would have provided a more complete view of counterparty exposures faced by firms and would have incorporated responses to FR Y-14 Q&As Y140001180 and Y140001190 into the Schedule L instructions.

Per FR Y-14 Q&A Y140001181, Schedules L.1.a and L.1.b (Top consolidated/parent counterparties comprising 95% of firm unstressed CVA, ranked by unstressed and stressed CVA, respectively) must be reported at the legal entity level, at a minimum. This is also true for Schedules L.2 and L.3. The Board had received several questions from reporting firms regarding providing data at the netting set or sub-netting level. In light of these questions, the Board proposed to clarify that firms may choose to report these schedules at the netting set or sub-netting set level. Note that the Schedule L instructions specify that if a firm chooses to report one of these schedules at the netting set or sub-netting set level, then it must report all of them at that level.

*Gross current exposure*

In several places on Schedule L.1, firms are required to report the gross current exposure of given transactions. Gross current exposure is defined as pre-collateral exposure after bilateral counterparty netting. The Board had received questions from reporting firms on whether fair-valued SFTs should be in scope for reporting in the gross current exposure items. The questioners noted that the definition provided applies to derivatives but does not apply to SFTs. The response to FR Y-14 Q&A Y140001279 clarified that gross current exposure items only apply to derivatives and must be left blank for SFTs. The Board proposed to incorporate this response into the Schedule L.1 instructions.

*Minimum transfer amounts*

Firms are required to report the minimum amounts that must be transferred to the counterparty and to the reporting firm in the event of a margin call in Schedule L.5.1. Due to observed diversity in reporting, the Board proposed to specify that firms must report the U.S. dollar equivalent of values reported in these items, as opposed to the non-U.S. dollar local currency associated with a particular CSA. This revision would have standardized the units reported in this item and improved comparability across exposures.

*Other revisions*

The instructions for Schedule L.5 state that for positions with no legal netting set agreement, mark-to-market amounts can be aggregated and reported as a single record. The instructions further state that firms must report "N" in the "Legal Enforceability" item and "None" in the "Netting Set ID" item for such aggregated records. In the case of the "Legal Enforceability" item, these instructions are redundant and in the case of the "Netting Set ID"

item, they conflict with language provided later in the Schedule L.5 instructions. The Board proposed to remove the redundant and conflicting language from Schedule L.5, which would have clarified that firms must only report "NA" in the "Netting Set ID" item for positions with no legal agreement. This revision would have incorporated the response from FR Y-14 Q&A Y140001383 into the Schedule L instructions.

Firms are required to report mark-to-market amounts that reflect the positive or negative contribution to an exposure upon counterparty default and close-out netting in Schedule L.5. The Board had received questions from reporting firms about whether this language applies to both derivatives and SFTs. Reporting firms had also asked the Board how to report in line with the instructions in cases where close-out netting for SFTs is not enforceable (i.e., the SFT mark-to-market received cannot be netted against the amount posted when calculating current exposure). The response to FR Y-14 Q&A Y140001386 clarified that the language regarding reporting mark-to-market amounts that reflect the positive or negative contribution to an exposure upon counterparty default and close-out netting only applies to derivatives and not to SFTs. This FR Y-14 Q&A also clarified that firms must report zero in cases where the SFT close-out netting is not enforceable. The Board proposed to incorporate the response in FR Y-14 Q&A Y140001386 into the instructions by (1) revising the Schedule L.5 general instructions to specify that the language reflecting the positive or negative contribution to exposure upon counterparty default only applies to derivatives, and (2) revising the "Unstressed Mark-to-Market Received (SFTs)" and "Stressed Mark-to-Market Received (SFTs)" items of Schedule L.5.1 to specify that in cases where the close-out netting is not enforceable, firms must report zero. Relatedly, since the Board proposed to revise the Schedule L.5 general instructions to specify reporting for derivatives, the Board also proposed to revise the instructions for the stressed and unstressed mark-to-market received and posted SFT items on Schedule L.5.1 to clarify that these items must be reported as positive values.

Firms became required to include exposures to client-cleared derivatives in Schedule L.5 for the June 30, 2021, as of date. As part of this requirement, firms must report SFT exposures when a firm acts as an agent on behalf of a client for which lender indemnification has been provided against the borrower's default. Due to observed diversity in reporting practices, the Board proposed to revise the Schedule L.5 instructions to clarify that firms must also include SFT exposures when the firm acts as an agent on behalf of a client for which a credit guarantee has been provided against the borrower's default. This revision would have reinforced the original intent of adding the reporting of exposures to client-cleared derivatives to Schedule L.5, in that it would have required firms to report their indirect exposures to clients when credit risk is present, regardless of whether that exposure arises from a lender indemnification or a credit guarantee.

Firms are required to report stressed CVA values on Schedules L.1 and L.5.1. On Schedule L.1, the instructions state that firms must report the full revaluation of asset-side CVA under stressed conditions. On Schedule L.5.1, the instructions state that firms must only include stressed CVA as it relates to derivatives. For consistency across Schedule L, the Board proposed to revise the "Stressed CVA" item of Schedule L.5.1 to require firms to include stressed CVA as it relates to SFTs, as well as continue to include stressed CVA as it relates to derivatives. This revision would have allowed the Board to get a more complete and consistent picture of CVA

exposure across reporting firms.

**Wholesale**

*Internal risk rating*

Firms began reporting FR Y-14Q, Schedule H.4 (Internal risk rating) as of March 31, 2020.[22] On this schedule, firms are required to report the ratings used in their internal risk rating system, as well as a description of each rating. There has been a wide variety of internal ratings and descriptions provided, which has made evaluations across firms difficult. To improve comparability of internal ratings reported in this schedule, the Board proposed to add three items: minimum probability of default, maximum probability of default, and the calculation method of the probability of default (i.e., calculated through the cycle or as a point-in-time value). The minimum and maximum probability of default items would have allowed the Board to assess credit risk more easily across firms by providing benchmark values for internal ratings. The type of probability of default item would have provided critical information for how the minimum and maximum values are calculated (e.g., point in time calculation). The addition of these items would have enhanced wholesale risk monitoring.

*Undrawn commitments*

Firms are required to report the interest rate charged on the credit facility for corporate and commercial real estate (CRE) loans on FR Y-14Q, Schedule H.1 and H.2, items 38 and 27, respectively. The instructions require the reporting of the most conservative interest rate for fully undrawn facilities, which was intended to accommodate a scenario in which there are multiple interest rate options, and the actual interest rate would not be known until the loan was drawn. However, reporting firms asked how to report a second scenario where a facility is comprised of multiple lines of credit, each with a separate interest rate. The Board proposed to clarify the reporting requirements for these two scenarios in the instructions to improve consistency and mitigate confusion. For the first scenario, the Board proposed to clarify that the instruction to report the most conservative interest rate only applies to situations where the obligor has a choice of interest rates and one is chosen when the line is drawn. For the second scenario, the instructions would have required firms to report the dollar-weighted average interest rate that approximates the overall rate as if the credit facility were funded and fully drawn on the reporting date.

*Update property type options*

Firms currently report the property type of their CRE loans on FR Y-14Q, Schedule H.2, in item 9 (Property Type). While this item contains multiple property type options, the structure of the CRE market has changed since these initial property type options were implemented for this item. More specifically, over the past decade, there has been rapid growth in the healthcare and assisted living industry, resulting in demographic changes, as well as in e-commerce platforms, which rely on warehouses for storage. The existing property type options do not separately break out these industries, and these CRE loans are commingled with other property

[22] 84 FR 70529 (December 23, 2019).

types in other options. The Board proposed to update the property type options to include "Healthcare/Assisted Living" and "Warehouse/Distribution." This revision would have improved risk identification within the CRE portfolio.

*Clarify informal "Advised Lines" exclusion*

On FR Y-14Q, Schedule H.1, the instructions for corporate loan population state to exclude informal "advised lines," but the current definition of this term is ambiguous, potentially resulting in the exclusion of more commitments than there should be. The Board proposed to modify the language to clarify that only lines of credit that are unknown to the customer must be excluded from Schedule H.1. This modification would have ensured that all applicable commitments are reported, other than the clearly defined exclusions.

**Retail**

*Credit score reporting requirements*

Firms are required to report the origination credit bureau score for the primary account holder and the refreshed credit bureau score for domestic credit card account holders on FR Y-14M, Schedule D (Domestic credit card) in items 38 and 40, respectively. For both items, the instructions allow firms to map an internal credit score used to determine the primary account holder's creditworthiness to a commercial credit score for cases in which a commercial credit score was not obtained or was not being used to evaluate the creditworthiness of the primary account holder. The ability to map an internal credit score to a commercial credit score has resulted in reporting inconsistencies, due to the subjectivity of the mapping. To standardize the reporting of credit scores, the Board proposed to revise the language in the instructions for both items to require firms to report a commercial credit score if one was available at origination or refresh for the primary account holder. The Board proposed to further revise the instructions to state that if a commercial credit score was not available at the time of origination or refresh and if the underwriting decision was based on an internal score, then firms would have been required to map their internal credit scores to commercial credit scores.

Firms are also required to report the FICO score range of the credit score of the borrower at origination in the "Original commercially available credit bureau score or equivalent" segment variable on all sub-schedules of FR Y-14Q, Schedule A (Retail). The instructions for this segment variable allow the reporting of an internal credit score mapped to a commercial credit score if an internal score was used in the original underwriting decision. To also standardize credit score reporting on Schedule A, the Board proposed to require firms to report a commercial credit score if one was available at origination. Firms would have been required to map their internal credit scores or non-FICO commercial credit scores to FICO credit scores if a FICO credit score was not available at origination. Additionally, the instructions for this segment variable require firms to report in FICO credit score ranges and state that upon request, the Federal Reserve will provide ranges for other commercial credit scores. However, to further standardize the reporting of credit scores, the Board proposed to remove this sentence from the instructions. Removing this sentence would have required firms to create their own mappings from their internal credit scores or from non-FICO commercial credit scores to FICO credit

scores.

*Loans in forbearance or other loss mitigation situations*

The coronavirus pandemic (COVID event) caused an increase in loans in forbearance or other loss mitigation situations (collectively, loss mitigation). These loans have different risk characteristics than other loans reported on the FR Y-14M. While there are some loss mitigation items on the FR Y-14M, the Board observed during the COVID event that there were still data gaps, and several loss mitigation items did not have the flexibility to capture loss mitigation in the face of occurrences such as the COVID event. To fill observed data gaps, the Board proposed to add a "Workout Type Started" item to Schedule A (Domestic first lien) and Schedule B (Domestic home equity), as well as an "Actual Payment Amount" item to Schedule A. The "Workout Type Started" item would have been used in conjunction with the "Workout Type Completed" item (Schedule A, item 77; Schedule B, item 61) and would have allowed the Board to track any changes to the loss mitigation plans of the loan once a loan had undergone loss mitigation. The "Actual Payment Amount" item would have allowed the Board to track actual payments made on loans, which would have enabled the Board to better monitor activity on loans in loss mitigation. Note that this item was only proposed to be added to Schedule A because an equivalent item already existed on Schedule B (item 68).

Firms are required to report the principal deferred amount and the principal write-down amount in items 87 and 89, respectively, of Schedule A. Per the instructions, these items are only reported if the loan has been modified. During the COVID event, certain loans were not modified but did experience principal deferrals and write-downs. However, these amounts were not reported on Schedule A due to the requirement that the loans be modified. To expand the circumstances under which firms would report these items, the Board proposed to remove the requirement that these items only be reported if loans are modified. Relatedly, the Board proposed to rename item 87 to "Deferred Amount" to capture all deferred amounts, not just those related to the loan principal.

Finally, the Board proposed to revise the reporting options to the "Modification Type" and "Workout Type Completed" items (Schedule A, items 74 and 77, respectively; Schedule B, items 77 and 61, respectively) to add flexibility to enable these items to apply to a broader set of occurrences, such as the COVID event. These revisions would have enabled the Board to better monitor loss mitigation loans.

*Other revisions*

Firms currently flag whether portfolio loans are held-for-investment (HFI) and measured at fair value under the FVO or are held-for-sale (HFS) in item 130 (HFI FVO/HFS Flag) of Schedule A. However, the actual fair-value amount is not reported on Schedule A. Firms are required to report the aggregate fair-value amounts of HFS loans and HFI loans measured under the FVO on FR Y-14Q, Schedule J (Retail FVO/HFS). For data reconciliation across the FR Y-14M and FR Y-14Q, as well as for monitoring purposes, the Board proposed to add a new field to Schedule A to capture the fair-value amount of HFS loans and HFI loans measured under the FVO.

Additionally, on both Schedule A and Schedule B, there is an item that captures the adjustable-rate mortgage (ARM) index (Schedule A, item 32; Schedule B, item 29). This item did not include options for the Bloomberg Short-Term Bank Yield (BSBY) rate. The Board proposed to revise this item to include several "BSBY" options, to allow firms to identify loans using this index rate.

The Board also proposed to remove several items from Schedule A, as they were no longer needed, assuming that the aforementioned revisions to Schedule A were implemented (items proposed for removal would have been redundant). Specifically, the Board proposed to remove the following items:

- "Capitalization" (item 81),
- "Duration of Modification" (item 83),
- "Interest Rate Reduced" (item 98),
- "Term Extended" (item 100),
- "P&I Amount Before Modification" (item 101),
- "P&I Amount After Modification" (item 102),
- "Remaining Term Before Modification" (item 105), and
- "Remaining Term After Modification" (item 106).

Firms are required to report the cohort default rate (CDR) of student loans on FR Y-14Q, Schedule A.10 (Student Loan). There are several CDR buckets, one of which requires reporting in cases in which the CDR is greater than 10 percent (item 16). However, the instructions did not specify how to report cases when the CDR is equal to 10 percent. For completeness, the Board proposed to rename and revise item 16 to clarify that firms must also include in this item balances for which the CDR equals 10 percent.

**Balances**

Firms are required to report quarter-end balances of bank cards and charge cards on FR Y-14Q, Schedule M.1 (Quarter-end balances) in items 3.a and 3.b, respectively. The instructions did not define bank or charge cards, but in general, bank cards and charge cards differ in two key ways. First, bank cards allow holders to spend up to their credit limits during each billing cycle, while charge cards typically have no preset spending limits. Second, bank cards allow holders to pay outstanding balances over time, while charge cards must be fully paid off each billing cycle. There are some products that have features of both bank and charge cards, in that only a portion of the outstanding balance can be rolled over to the next billing cycle. Products with features of both bank and charge cards have caused inconsistent reporting across firms. To remove ambiguity, the Board proposed to better clarify which products must be reported as charge cards in the instructions.

Firms are required to report quarter-end balances of small/medium enterprise (SME) cards in item 2.c (SME cards and corporate cards) on Schedule M.1. The instructions define SME cards as "credit card accounts where the loan is underwritten with the sole proprietor or primary business as an applicant." The instructions also refer to several FR Y-9C items where SME cards and corporate cards are reported. Firms are required to report the applicable balances of SME cards and corporate cards in item 2.c that are reported in the referenced FR Y-9C items.

The item 2.c instructions do not reference FR Y-9C, Schedule HC-C, item 9.a (Loans to nondepository financial institutions). Upon review, the Board determined that certain card balances reported in Schedule HC-C, item 9.a could be included in Schedule M.1, item 2.c. Therefore, the Board proposed to revise the instructions for Schedule M.1, item 2.c to reference Schedule HC-C, item 9.a.

**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 Federal Reserve |
|---|---|---|
| | **FR Y-14A Filings** | |
| **Summary, Macro Scenario** | • Data as of December 31st. | • Data are due April 5th of the following year.<br>• Adjusted summary schedule submission: The Federal Reserve will notify companies at least 14 calendar days in advance of the date on which it expects companies to submit any adjusted capital actions.<br><br>Upon resubmission of a firm's capital plan:<br>• As required. |
| **Operational Risk, Business Plan Changes, and Collection of Supplemental CECL Information schedules** | • Data as of December 31st. | • Data are due April 5th of the following year.<br><br>Upon resubmission of a firm's capital plan:<br>• As required. |
| **<u>CCAR Market Shock exercise</u>**<br>**Summary schedule**<br>• **Trading Risk**<br>• **Counterparty** | Data as of a specified date in the first quarter. As of date would be communicated by Federal Reserve.[23] | • Data are due April 5th.<br><br>Upon resubmission of a firm's capital plan:<br>• As required. |

[23] As outlined in section 252.144 (Annual Stress Tests) of Regulation YY (12 CFR 252) and section 238.143 of Regulation LL (12 CFR 238), the as of date will be 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 and will be communicated to the BHCs and SLHCs by March 1st of the calendar year. BHCs and SLHCs are permitted to submit the CCR schedule and the Trading and CCR sub-schedules of the Summary schedule as-of another recent reporting date prior to the supplied as-of date as appropriate.

| **Regulatory Capital Instruments** | • Data as of December 31st. | • Original submission: Data are due April 5th of the following year.<br>• Adjusted submission: The Federal Reserve will notify companies at least 14 calendar days in advance of the date on which it expects companies to submit any adjusted capital actions.<br>• Incremental submission: At the time the firm seeks approval for additional capital distributions pursuant to 12 CFR 225.8(j) or within 15 days after making any capital distribution approved pursuant to that section or a capital distribution in excess of the firm's final planned capital distributions.<br>Upon resubmission of a firm's capital plan:<br>• As required |
|---|---|---|

| Schedules | Firm Category | Frequency | Data as of date | Submission Date to Board |
|---|---|---|---|---|
| **FR Y-14Q Filings** | | | | |
| **Retail, Securities, Regulatory Capital Instruments, Regulatory Capital, Operational Risk, PPNR, FVO/HFS, Supplemental, Wholesale Risk, 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 must be reported as of calendar quarter-end.<br><br>All Other: 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. **Unless the Board requires the data to be provided over a different weekly period**, 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 within the same week as the as of date.<br><br>Fourth quarter – Counterparty stressed GMS submission: April 5th.<br><br>All other: 47 calendar days after the calendar quarter-end (Seven days after the FR Y-9C reporting schedule).<br><br>Upon resubmission of a firm's capital plan – Counterparty stressed GMS submission: as required |

| 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**

No data received through this information collection is made available to the public.

**Legal Status**

The Board has the authority to require BHCs to file the FR Y-14 reports pursuant to sections 5(b) and 5(c) of the Bank Holding Company Act of 1956 (BHC Act) (12 U.S.C. §§ 1844(b) and 1844(c)) and section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (12 U.S.C. § 5365(i)) as amended by sections 401(a) and (e) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Section 5(b) of the BHC Act authorizes the Board to issue regulations and orders relating to capital requirements for bank holding companies. Section 5(c) of the BHC Act authorizes the Board to require a BHC and any subsidiary of such company to submit reports to keep the Board informed of its financial condition, systems for controlling financial and operating risks, transactions with depository institution subsidiaries of the BHC, and compliance with law. Section 165(i)(1) of the Dodd-Frank Act, as amended by the EGRRCPA, requires the Board to conduct supervisory stress tests of certain companies.[24] Further, section 165(i)(2) of the Dodd-Frank Act, as amended by the EGRRCPA, requires the Board to issue regulations requiring certain companies to conduct company-run stress tests.[25]

The Board has authority to require SLHCs file the FR Y-14 reports pursuant to section 10(b) of the Home Owners' Loan Act (HOLA) (12 U.S.C. § 1467a(b)) as amended by section 369(8) and 604(h)(2) of the Dodd-Frank Act. Section 10(b) of HOLA, as amended, authorizes the Board to require savings and loan holding companies to file "such reports as may be required by the Board" containing "such information concerning the operations of such savings and loan holding company … as the Board may require."

[24] See 12 U.S.C. § 5365(i)(1). Annual supervisory stress tests are required for bank holding companies with $250 billion or more in total consolidated assets. "Periodic" supervisory stress tests are required for bank holding companies with $100 billion or more, but less than $250 billion, in total consolidated assets. 12 U.S.C. § 5365 note.
[25] See 12 U.S.C. § 5365(i)(2). Bank holding companies with $250 billion or more in total consolidated assets and financial companies with more than $250 billion in total consolidated assets must conduct "periodic" stress tests.

The Board has authority to require IHCs file the FR Y-14 reports pursuant to section 5(c) of the BHC Act (12 U.S.C § 1844(c)) and sections 102(a)(1) and 165 of the Dodd-Frank Act (12 U.S.C. §§ 5311(a)(1) and 5365).[26] 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."[27] The FR Y-14 reports are 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) which protects information contained in "examination, operating, or condition reports" obtained in the bank supervisory process (5 U.S.C. § 552(b)(8)). In addition, confidential commercial or financial information, which a submitter both customarily and actually treats as private, may be exempt from disclosure under exemption 4 of the FOIA (5 U.S.C. § 552(b)(4)).[28]

**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 1, 2022, the Board published an initial notice in the *Federal Register* (87 FR 11432) requesting public comment for 60 days on the extension, with revision, of the FR Y-14 reports. The proposed revisions would have enabled the Board to better identify risks not currently captured in the stress test, facilitate data reconciliation, and mitigate ambiguity within

[26] 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 authority to require U.S. IHCs to report the information contained in the FR Y-14 reports.

[27] 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).

[28] Note that the Board may disclose a summary of the results of supervisory stress testing pursuant to 12 CFR 225.8(h)(5)(iii) and publishes a summary of the results of 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 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 by the Board in the Paperwork Reduction Act clearance for FR LL (OMB No. 7100-0380).

the instructions. The comment period for this notice expired on May 2, 2022. The Board received three comment letters from banking organizations and one comment letter from a banking industry group. The Board has adopted the proposed revisions, except as discussed below. On August 26, 2022, the Board published a final notice in the *Federal Register* (87 FR 52560).

**General**

The Board proposed to implement revisions to the FR Y-14Q and FR Y-14M effective for the September 30, 2022, as of date, and revisions to the FR Y-14A effective for the December 31, 2022, as of date. To allow firms time to adequately implement, test, and confirm that they comply with the new reporting requirements, one commenter asked that all FR Y-14Q and FR Y-14M revisions be delayed from the proposed implementation date of September 30, 2022, until June 30, 2023 (or later), and another commenter requested implementation of these revisions be postponed until the September 30, 2023, as of date.

The Board is cognizant of firm burden as it relates to regulatory reporting. Some of the proposed changes are critical for the supervisory stress test and so need to be implemented in time for use in the 2023 supervisory stress test. Unless otherwise specified, the Board has adopted revisions as proposed, effective for the September 30, 2022, as of date for the FR Y-14Q and FR Y-14M and effective for the December 31, 2022, as of date for the FR Y-14A. However, to reduce firm burden, the Board has delayed some of the revisions to FR Y-14Q, Schedule H (Wholesale) and all the revisions to FR Y-14Q, Schedule L (Counterparty) until the June 30, 2023, as of date.

**Counterparty**

*Client-cleared derivatives*

On FR Y-14Q, Schedule L.5 (Derivatives and Securities Financing Transactions (SFT) Profile), firms are required to rank their top 25 counterparties by certain counterparty methodologies (methodology #1). The Board proposed to also require firms to rank their top 25 counterparties based purely on exposures to client-cleared derivatives (methodology #2), and to exclude such exposures from methodology #1. Additionally, the Board proposed adding language to the Schedule L.5 instructions requiring firms to incorporate all relevant client-cleared derivative exposures for all items in Schedule L.5, once the top 25 counterparties from methodology #1 have been identified.

One commenter did not support these proposed revisions for two reasons. First, the commenter noted that the Board already receives granular information on client-cleared derivatives throughout Schedule L.5 and stated that it would be burdensome for firms to provide the granular data on client-cleared derivatives necessary to rank them.

Second, the commenter asserted that exposures to client-cleared derivatives are currently excluded from FR Y-14A, Schedule A.5 (Counterparty Credit Risk), item 3 (Counterparty Default Losses) and 3.a (Impact of Counterparty Default Hedges). Therefore, as proposed, firms would be required to maintain dual processes for providing counterparty exposures on the

FR Y-14A and FR Y-14Q reports. The commenter asserted that these dual processes, combined with the difficulties in maintaining two ranking methodologies described above, would be burdensome to firms, and that, since client-cleared derivatives are not included in the calculation of stressed losses, it is unclear what benefit this information would provide to justify the additional firm burden.

In response, the Board notes that, while granular information on client-cleared derivatives are reportable in Schedule L.5, the top-25 ranking produces valuable insights that allow the Board to more effectively monitor exposures to client-cleared derivatives and provides better information regarding the materiality of these exposures.

Further, while it is true that the exposure to client cleared derivatives is excluded from the FR Y-14A, firms are already required to report in FR Y-14Q, Schedule L.5, a wide range of information (both qualitative and quantitative) that goes beyond direct inputs used for estimating the largest counterparty default losses that are reported in FR Y-14A, Schedule A.5, items 3 and 3.a.

Additionally, the commenter recommended that, if the Board did adopt these proposed changes, the Board should provide information as to (1) if a counterparty is of sufficient size to be captured in both rankings (methodologies #1 and #2), are firms required to report this counterparty twice or only once under methodology #1, and (2) under methodology #2, whether aggregate columns, such as "Total Net Current Exposure (CE)," should only include client-cleared derivative exposure to the parent entity under the ranking methodology or should instead be inclusive of both client-clearing and non-client-clearing exposure to a firm.

The Board has adopted the revision as proposed with two exceptions. First, the Board has clarified in the instructions the reporting between methodology #1 and methodology #2. Notably, the Board clarified that firms are not required to report the same counterparty in both methodologies (i.e., the same counterparty should not appear in the top-25 rankings for methodology #1 and methodology #2). Second, in light of the burden of providing granular data noted by the commenter, the Board has delayed adoption of this revision until the FR Y-14Q reported as of June 30, 2023.

*Securities Financing Transactions (SFTs)*

The Board proposed to revise the definitions of "Unstressed Mark-to-Market Received SFTs" and "Stressed Mark-to-Market Received SFTs" on FR Y-14Q, Schedule L (Counterparty) to specify that in cases where close-out netting is not enforceable, firms must report zero. Three commenters pointed out that this guidance conflicts with two existing FR Y-14 Q&As (Y140001386 and Y140001492). Per one commenter, the guidance in Q&A Y140001386 appears to require firms to remove any consideration of the "received" leg of the transaction, whereas the guidance in Q&A Y140001492 would allow for consideration of the net exposure of an individual SFT but restrict netting across multiple transactions where no master netting agreement is in place. The commenter notes that their understanding of the reporting on Schedule L should align with the guidance provided in Q&A Y140001492, as that interpretation better captures the economics of a transaction, and would prefer the instructions be revised to

agree with that interpretation. In addition, per the commenter, these proposed revisions may be interpreted to further restrict the offsetting of the posted and received legs in determining net current exposure of an individual transaction.

The Board agrees that the guidance provided in Q&A Y140001492 better captures the economics of a transaction, and so has modified the instructions so that firms are required to report "Unstressed Mark-to-Market Received SFTs" and "Stressed Mark-to-Market Received SFTs" in a manner that aggregates the received amount across an unenforceable agreement for each transaction that has a net positive mark-to-market value, effective for the June 30, 2023, as of date.

The general instructions for Schedule L state that "for regular/unstressed submissions, counterparty exposures on sub-schedules L.1-L.4 should be limited to transactions for which the firm computes credit valuation adjustment (CVA) for its public financial statement reporting under generally accepted accounting principles (GAAP) or applicable standard." In the "Net Current Exposure (Net CE)" item of Schedule L.1, the Board proposed to add language clarifying that this item should be reported for both derivatives and fair-value SFTs. One commenter noted that firms do not compute CVA for SFTs in public financial statement reporting, and so asked that the Board specify whether SFTs should be included in the "Net Current Exposure (Net CE)" item of Schedule L.1.

In response, the Board has clarified in the instructions that in the unstressed submission, firms are required to include fair-valued SFTs in Net CE reporting, to the extent that the firm computes CVA for them for the public financial statement reporting under U.S. GAAP or applicable standard. In contrast, fair-valued SFTs are expected to be included in Stressed Net CE reporting regardless of whether the firm computes CVA, given the general instructions of Schedule L that states that "the scope of counterparty exposures on sub-schedules L.1-L.4 in CCAR/stressed submission is expected to be larger and incorporates transactions that would not typically require CVA for public financial statement reporting under GAAP or applicable standard but which may pose a gap risk to the firm, requiring CVA, should the post-stress value of collateral be insufficient to cover post-stress derivatives exposure." The Board has adopted this revision effective for the June 30, 2023, as of date.

The Board proposed to clarify that firms must include SFT exposures when they act as agents on behalf of clients for which a credit guarantee has been provided against the borrowers' defaults in Schedule L.5. One commenter noted that the proposal did not address how to report guarantees provided in sponsored repurchase programs in which a firm, as a sponsoring member, guarantees the performance of the clients to a central counterparty clearing house (CCP). The commenter recommended the Board clarify how these guarantees should be reported.

The Board confirms that the guarantees associated with sponsored repurchase programs in which the firm, as a sponsoring member, guarantees the client's performance to CCPs should be reported in Schedule L.5. However, the Board has not revised the instructions, as the instructions already state that the firm should report its exposure arising from the credit guarantee it provides against the borrower's default. The Board has adopted this revision as proposed, except that it has delayed implementation until the June 30, 2023, as of date.

*Other Revisions*

The Board proposed to clarify that if a consolidated or parent counterparty is selected as a counterparty comprising 95% of a firm's CVA, then a firm's exposures to all the counterparties and legal entities associated with the consolidated or parent counterparty must be included and reported in Schedule L.1 (Derivatives profile by counterparty and aggregate across all counterparties), rather than including only counterparties and legal entities with which the firm has a CVA. One commenter pointed out that this proposed revision would contradict the response to FR Y-14 Q&A Y140001356, which states that firms are not required to include the active agreements that do not have actual trades on the reporting as of date. The commenter recommended that the Board instead clarify the instructions to be consistent with the interpretation in Q&A Y140001356.

The Board notes that the proposed revision is consistent with the response to Q&A Y140001356. Q&A Y140001356 covers a related case in which a firm has active agreements that do not have actual trades on the reporting date. The proposed revision related to a different case in which a firm has actual trades on the reporting date but does not compute CVA on them. In this case, while CVA is zero, not all counterparty data is expected to be zero or null (such as notional, gross CE, etc.). Under the proposed revisions, a firm would have been required to report these exposures to all the counterparties/legal entities associated with the consolidated/parent counterparty reportable in Schedule L.1, regardless of their CVA values. The Board has adopted this revision as proposed, but has delayed implementation until the June 30, 2023, as of date.

The Board proposed to clarify that in the "Non-Cash Collateral Type" item of Schedule L.5.1 (Derivative and SFT information by counterparty legal entity and netting set/agreement), firms must include all non-cash collateral or initial margin that was posted or received in actuality, as opposed to only non-cash collateral allowed under a given agreement. One commenter recommended the Board specify that firms should not report this item for legally unenforceable agreements and in cases where no agreement is in place.

Given the structure of applicable transactions, the Board agrees with the commenter and has clarified the instructions so that firms should not report the "Non-Cash Collateral Type" field in Schedule L.5.1 in cases where there is no legal agreement in place, or the agreement is not legally enforceable. The Board has adopted this revision effective for the June 30, 2023, as of date.

The Board proposed to require firms to report counterparty attribute information (e.g., industry code) at the consolidated parent level (firms were already required to report this information at the counterparty legal entity level). One commenter sought several clarifications about this proposed change. First, firms are currently required to report the internal rating of consolidated/parent counterparties in the "Consolidated/Parent Counterparty Internal Rating" item. Per the commenter, firms generally assign ratings and grades at the counterparty legal entity level, and a parent counterparty would only receive a grade or rating if the firm had transactions with that entity directly. The commenter suggested that the Board revise the instructions to cover situations where a parent counterparty is not rated or graded by the firm and

recommended two approaches. Under the first approach, firms would report default grades (e.g., the firm would report BB- for all such counterparties). Under the second approach, firms would report the mean or median rating across counterparty legal entities to form a composite rating. The commenter noted that the information provided under the second approach would have limited value to the Board as it is already reported in a separate item.

Second, in the "Consolidated/Parent Counterparty Industry Code" item, firms are required to report a North American Industry Classification System (NAICS) code if one is available. The commenter requested clarification on whether the primary business activity of the parent should be determined by looking at the contributions of revenue across subsidiaries or whether parent entities should be aligned to holding company NAICS codes.

The Board proposed to capture attribute information at the consolidated parent level, as it would have enabled the Board to better identify exposures to the same organizational structure (e.g., parent and subsidiary). However, the Board acknowledges the concerns and data limitations raised by the commenter. Upon further review of the proposed changes considering the concerns raised in the comment, the Board has not adopted the proposed changes to require firms to report counterparty attribute information at the consolidated parent level.

The Board did not propose any revisions to the "Agreement Role" item on Schedule L.5.1. In this item, firms are required to report "NA" when the transactions do not relate to centrally cleared or exchange traded derivatives, when the reported counterparty is a CCP, or when the firm is a clearing member of a CCP or an exchange and the exchange does not guarantee the client's performance to the CCP or exchange. One commenter suggested that for back-to-back derivatives (i.e., when a firm is acting as a financial intermediary on behalf of the client and enters into an offsetting transaction with a CCP or an exchange), firms should be required to report "Principal" instead of "NA". According to the commenter, this approach would enable the Board to differentiate these exposures from the firms' exposures to the CCP arising from transactions, which firms enter into as a principal in house derivatives, as well as to potentially remove these exposures as inputs to the calculation of stressed losses. The Board will consider this revision for a future proposal.

**Trading**

*Public Welfare Investments*

The Board proposed to require firms to isolate certain private equity exposures that qualify as public welfare investments in FR Y-14Q, Schedule F.24 (Private Equity). One commenter asked the Board to clarify whether the new items added for public welfare investments are intended to capture affordable housing investments not eligible for tax credits. The commenter also asked the Board to confirm that such tax oriented public welfare investments should instead be reported in Schedule F.25 (Other Fair Value Assets) if fair-value option (FVO) has been elected for the investment.

The Board confirms that the new items added to Schedule F.24 for public welfare investments were not intended to capture public welfare investments eligible for tax credits, and

that such tax oriented public welfare investments should instead be reported in Schedule F.25 if held at fair value, including if FVO has been elected for the investment. The Board has adjusted the proposed revisions to the Schedule F.24 instructions to clarify both of these matters and has otherwise adopted the revisions as proposed, effective for the September 30, 2022, as of date.

*Other Revisions*

The Board proposed to better delineate the exposures that should be included in the "FVO Hedges" and "[Accrual Loan] AL Hedges" versions of Schedule F (Trading). One commenter was supportive of these changes, though questioned whether firms needed to provide all of the sub-schedules of Schedule F for these versions. Specifically, the commenter suggested that Schedule F.22 (IDR-Corporate Credit) and F.23 (IDR-Jump to Default) be left blank for the "FVO Hedges" and "AL Hedges" versions. The commenter's rationale is twofold. First, the data submitted on these schedules either does not affect the macro scenario projections or are not used by firms to determine macroeconomic scenario projections, and so the data are only informational or are only used in the calculation of trading incremental default losses (i.e., not relevant for the macro scenario projections). Second, these schedules are operationally burdensome for firms to provide as they require firmwide aggregation and netting.

The Board agrees with the commenter's rationales and has revised the instructions to indicate that Schedules F.22 and F.23 are not required for the FVO Hedges and AL Hedges submissions, effective for the September 30, 2022, as of date.

The Board did not propose any changes to the treatment of non-fair value private equity investment exposures for determining stressed losses. However, one commenter recommended that the Board subject these exposures to the macro scenario, and not to the global market shock scenario. The Board indicated in a final FR Y-14 notice from 2020[29] that it believes the macro scenario is more appropriate than the global market shock for evaluating losses associated with non-fair value private equity exposures but would continue to analyze the issue.

The Board is still reviewing the scenario treatment of non-fair value private equity exposures and will consider revising this treatment in a future *Federal Register* notice.

**Wholesale**

*Informal Advised or Guidance Lines*

The Board proposed to revise the definition of informal advised or guidance lines on FR Y-14Q, Schedule H.1 (Corporate) to be an authorization for a line of credit that is unknown to the customer. These lines are excluded from reporting on Schedule H.1. The Schedule H.1 instructions also require firms to include "...any unused commitments that are reported on FR Y-9C, Schedule L [Derivatives and Off-Balance Sheet Items] that would be reported in the relevant FR Y-9C category if such loans were drawn." One commenter said that this proposed revision would require firms to report certain credit facilities as commitments in Schedule H.1, even though such facilities are intentionally structured and documented such that the lender is

[29] See 85 FR 86560 (December 30, 2020).

not under any legal obligation to extend credit or purchase assets (defined facilities). Two commenters further noted that there are several definitions of commitments across various Board rules and reporting forms. The commenters requested the Board align the definition of commitment on Schedule H.1 with that of FR Y-9C, Schedule L, or with the definition from the capital rule. Per the commenters, this would reduce operational burden on reporting firms and would lead to more consistent practices across firms. If the definition of commitment is not made the same across Schedule H.1, Schedule L, and the capital rule, then the commenters asked the Board to clearly delineate how these definitions differ. The commenters added that if the Board does not align the definitions as recommended, then it should clarify what lines of credit "unknown to the customer" means.

The clarification of the definition of informal advised or guidance lines was intended to bring Schedule H.1 more clearly into alignment with the FR Y-9C. However, the Board acknowledges the concerns raised by the commenter. To avoid confusion and clarify the relationship to the FR Y-9C, the Board has not adopted the proposed revisions to the definition of informal advised or guidance lines. Further, to ensure alignment with the FR Y-9C, the Board has removed the language surrounding the exclusions of informal advised or guidance lines. The aforementioned reference to FR Y-9C, Schedule L will remain in the instructions without any exclusions, which should mitigate ambiguity. Given the comments surrounding firm burden, the Board has delayed implementation of this revision until the June 30, 2023, as of date.

*Internal Ratings Mapping*

The Board proposed to add "Minimum Probability of Default," "Maximum Probability of Default," and "[Probability of Default] PD Calculation Method" items to FR Y-14Q, Schedule H.4 (Internal Risk Rating). Per the proposal, these items would enable the Board to better assess credit risk across firms by providing benchmark values for internal ratings. Two commenters raised several issues with this proposal. First, firms may segment their portfolios and assign certain PDs to internal ratings within each segment. This could lead to a wide range of PDs for firms' internal risk ratings and possibly overlapping minimum and maximum PDs across different ratings. Such overlap would not allow the Board to easily compare credit risk across firms, and so may not be appropriate for use in supervisory models. In addition, some firms may assign a single PD to a given internal rating, and so the data provided may not be very useful to accomplish the intended goal of the proposed changes. Given the diversity in practice across firms, one commenter requested that the Board acknowledge that these items would not be used by supervisory models to determine stressed losses, and another commenter recommended that the Board not adopt these proposed changes.

Second, firms are already required to report PD information at the facility level in FR Y-14Q, Schedules H.1 and H.2 (Commercial Real Estate). The commenters noted that this facility-level data provides more insight than minimum and maximum PD. The commenter added that while firms could provide the minimum and maximum PD for their internal ratings, the firm may not hold any exposures that have PDs equivalent to the minimum or maximum PD for a given internal rating. By contrast, PD data already required on Schedules H.1 and H.2 allow the Board to see the exact PDs of reported exposures. Per the commenters, the fact that firms may not have any exposures at the minimum and maximum PD for a given internal rating and

the fact that firms already reported facility-level PD information mean that the additional burden of reporting the minimum and maximum PD for a given internal rating is not justified.

Third, one commenter asserted that there may be a future proposal to the capital rule to eliminate the existing internal ratings-based approach. If this occurs, it would no longer be appropriate to require the reporting of these items, per the commenter. Given the possibility of this occurring, the commenter suggests firms should not be required to provide these items due to the burden of creating a process that may be obviated in the near future.

Commenters also requested information regarding how this data will be used, how firms should report if certain ratings do not have associated PD ranges, and how firms should report situations where a PD is assigned to an internal rating but there are no exposures with that PD reportable in Schedules H.1 or H.2 (i.e., whether a firm would still be required to include such a portfolio segment in establishing the range of PDs for a given rating). One commenter also suggested that these items should be changed to alpha-numeric characters to allow firms to report "NA" and "Null" values, as well as be expanded from the proposed four-decimal places to seven decimal places, as some firms have PD ranges that extend beyond four decimal places. Finally, one commenter recommended that the "PD Calculation Method" item instructions specify how firms should report hybrid calculation methods that consider through the cycle and point in time aspects (as proposed, firms can only select one of those two options as their PD calculation method).

The Board notes that the "Minimum PD" and "Maximum PD" items are intended to give additional context with regard to understanding a firms' internal ratings. Current reporting on Schedule H (Wholesale) without these items has resulted in inconsistent ratings detail across firms, and the addition of these items will produce useful data points for interpreting the ratings. The reporting of these items creates an opportunity for firms to provide a more robust view of their internal ratings to help the Board better assess credit risk. Additionally, the free text field will remain available for firms to provide further explanation if necessary.

In addition, reporting the calculation method at the level of the internal rating will provide the Board with additional detail in assessing the PDs reported, with a lower burden than requiring this data at a facility level. It may be the case that a firm does not hold any exposures at the minimum and maximum PDs reported for each internal rating; however, the PD information is still crucial in allowing the Board to better interpret internal ratings. Further, the Board has not issued a notice of proposed rulemaking or final rule to revise the capital rule to eliminate the existing internal ratings-based approach.

Lastly, to reduce burden and to be responsive to commenters, the Board has revised the instructions to allow for the reporting of "NA" for internal ratings that do not have exposures in a reporting quarter, to expand the character limit for these items to allow firms to report up to seven decimal places, and to add a hybrid calculation option to the "Calculation Method" item. The Board has adopted this revision effective for the September 30, 2022, as of date.

**Capital**

*Capital Action Assumptions*

Planned capital actions are the capital actions firms would expect to take under baseline conditions, and alternative capital actions are the capital actions firms would expect to take under stressed conditions. The Board proposed to change the capital action assumptions of the FR Y-14A, Schedule A (Summary) CCAR submission under the supervisory severely adverse scenario from planned capital actions to alternative capital actions. In addition, the Board proposed to add the definitions and assumptions of capital actions required per the capital plan rule, as set forth in CCAR Q&A GEN0500, to the instructions for FR Y-14A, Schedule A. One commenter was supportive of the change in the capital action assumptions for the CCAR submission under the supervisory severely adverse scenario. However, the commenter pointed out that the proposal seemed to apply two of the assumptions to alternative capital actions that were intended only to apply to planned capital actions in the severely adverse scenario. These assumptions were: (1) that the dollar value of dividends, repurchases, and redemptions of capital instructions do not vary from the amount in the Internal baseline scenario, and (2) that the dollar value of the issuance of capital instruments does not vary by scenario from the amount in the Internal baseline scenario unless the scenario directly impacts shareholder's equity or consideration paid in connection with a planned merger or acquisition.

The Board confirms that these two assumptions would not apply to alternative capital actions and are no longer necessary to include in the instructions because planned capital actions will only be used in the baseline scenario. The Board has removed these two assumptions from the instructions and has adopted this revision effective for the December 31, 2022, as of date. In addition, the Board has rescinded CCAR Q&A GEN0500 because it refers to the prior instructions, which required firms to use planned capital actions in the supervisory severely adverse scenario, and would therefore cause confusion.

*Interest Expense*

The Board proposed to add an "Interest expense for the quarter (net of swaps)" item to FR Y-14Q, Schedule C (Regulatory Capital Instruments). One commenter asked for clarification for whether firms should report quarter-to-date profit and loss (P&L) movement of the interest expense on the subordinated debt instrument only, as opposed to total interest expense.

The Board confirms that the commenter's interpretation is correct in that firms should report quarterly P&L for the specific subordinated debt instrument net of P&L attributable to swaps. The Board has revised the instructions to clarify this reporting and has adopted this revision effective for the September 30, 2022, as of date.

The Board proposed to add an "Interest expense for the quarter (with swaps, excluding any gains or losses due to the fair value adjustment of ASC 815/FAS 133 hedges)" item to Schedule C. One commenter asked the Board to confirm that firms would need to report quarter-to-date interest profit and loss movement on debt plus swap interest (i.e., debt couponing and amortization of original issuance discount/premium) and underwriting fee plus swap interest

accrued and realized cashflow in this item.

The Board confirms that the commenter's interpretation is correct in that firms should report the quarterly P&L for the specific subordinated debt instrument including any underwriting fees and income/expense due to swaps but excluding the gains/losses due to any fair value adjustments over the quarter. With respect to realized cash flow, firms should only report cash flow from swaps to the extent that they are included in interest expense on subordinated debt. The Board has revised the instructions to clarify this reporting and has adopted this revision effective for the September 30, 2022, as of date.

The Board proposed to add an "Interest expense for the quarter (with swaps, this number should reconcile to the quarterly number reported in FR Y-9C BHCK4397 for all subordinated debt instruments)" item to Schedule C. One commenter asked for clarification for whether firms should report quarter-to-date movement on interest plus the Financial Accounting Standards (FAS) 133 fair value adjustment for both debt and swaps in this item.

The "Interest expense for the quarter (with swaps, this number should reconcile to the quarterly number reported in FR Y-9C BHCK4397 for all subordinated debt instruments)" item is meant to capture the entirety of interest expense on the subordinated debt instrument, inclusive of swaps and fair value adjustments. The sum of this item across all subordinated debt securities should reconcile to the interest expense on subordinated debt that is reported on the FR Y-9C. The Board has revised the instructions to clarify this reporting and has adopted this revision effective for the September 30, 2022, as of date.

*Other Revisions*

The Board proposed to add a "Fair value adjustment at the quarter end for subordinated debt securities that are carried at fair value" item to Schedule C. One commenter asked how this proposed item would interact with the existing "Fair value of associated swaps ($Millions)" item also on Schedule C. Specifically, the commenter wanted clarification on whether the proposed item is meant to capture all fair value adjustments on long term debt that have a fair value hedge relationship while the existing item is meant to capture only the fair value of outstanding swaps. Additionally, the commenter also sought clarification on whether the proposed item is asking for the FAS 133 basis adjustment (if not, then firms would report a zero value, as a subordinated debt portfolio is not reported at fair value), and whether the existing item should include accrued interest.

The proposed "Fair value adjustments at the quarter end for subordinated debt securities carried at fair value" item was meant to capture the quarterly fair value adjustment made to the security that flows through a firm's income statement as interest expense on subordinated debt. The existing item "Fair value of associated swaps ($ Millions)" captures the total fair value of outstanding swaps on this security, and not the quarterly movements (e.g., fair value adjustments). The Board has revised the instructions to clarify this reporting and has adopted this revision effective for the September 30, 2022, as of date.

### Retail

*Modified Loans*

The Board proposed to clarify that "Modification Type" (FR Y-14M, Schedule A (Domestic First Lien), item 74; Schedule B (Domestic Home Equity), item 77) should only be completed if firms report "1" in "Workout Type Completed" (Schedule A, item 77; Schedule B, item 61), indicating that a loan has been modified. The instructions for "Workout Type Completed" specify that firms must report "1' in the month that the modification is complete and the new loan terms are in effect. One commenter asked the Board to clarify whether "Modification Type" should only be completed in the month that modification is complete and the new loan terms are in effect.

The Board notes that "Workout Type Completed" should only be reported in the month the workout was completed. Per the instructions, "Modification Type" should be filled out for all months the loan is currently operating under modified terms (including the month that "Workout Type Completed" = 1). The Board has revised the instructions for "Modification Type" to clarify how to report this item and has adopted the revision, effective for the September 30, 2022, as of date.

One commenter pointed out that "Modification Type" requires firms to report "0" if a loan has not been modified, but this is inconsistent with the proposed changes requiring firms to only report this item if a loan has been modified, as indicated in "Workout Type Completed." The commenter asked for clarification for how to report this item for loans that have not been modified.

The Board notes that if a loan is not operating under modified terms, then "Modification Type" should be populated as "0 = Loan has not been modified." If "Workout Type Completed" = 1 (Modification), then "Modification Type" should be coded with an allowable value other than "0." The Board has updated the instructions to clarify this point and has adopted the revision, effective for the September 30, 2022, as of date.

The Board proposed several revisions to the "Modification Type" item to allow for multiple types of modifications to a loan, such as modifications caused by the COVID event. One commenter sought clarification from the Board on how COVID-related deferral or forbearance plans should be reported in "Modification Type." Per an April 2020, interagency statement,[30] COVID-related deferral or forbearance plans should not be treated as modifications, as they are temporary plans to reduce the hardships faced by the borrower. The commenter recommended that firms only report "Modification Type" in cases where the modification is due to loss or mitigation efforts, and not to capture COVID-related deferrals or forbearances.

In response, the Board notes that it proposed to add "Workout Type Started" to Schedule A (item 143) and Schedule B (item 120) of the FR Y-14M. All forbearances should be reported

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[30] "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus (Revised)" April 7, 2020. https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200407a1.pdf.

under “Workout Type Started” and “Workout Type Completed,” regardless of the cause of the forbearance. If any modification to the terms of the loan occurs as a result, then it should be reported in “Modification Type.” The Board has adopted the revision as proposed, effective for the September 30, 2022, as of date.

One commenter asked how non-loss mitigation-related modification plans (non-default) (e.g., plans under the Service Members Relief Act (SCRA)) should be treated in “Modification Type.” The commenter notes that in FR Y-14 Q&A Y140001307, the Board indicated that loans under SCRA plans should be considered as active loss mitigation.

The Board has clarified that if the loan is active under loss mitigation, then “Modification Type” should reflect the type of accommodation the loan is undergoing (per Q&A Y140001307, SCRA plans should be considered as active loss mitigation).

One commenter asked how firms should report “Modification Type” in cases where the type of modification is unknown. Per the commenter, a loan that was modified under a Home Affordable Modification Program (HAMP) may have offered the borrower a variety of types of modification, and this level of detail is not available in certain loan systems, particularly for loans that were modified prior to 2013.

The Board acknowledges that there may be cases where loan modification information is unknown. Firms must report the value that reflects the current modification arrangement using all information available. To address this comment, the Board has added option “99=Other” to “Modification Type.” Firms should report “99=Other” if no information regarding the modification is available. The Board has also updated “Modification Type” to remove reference to any specific program (such as HAMP). The Board has adopted this revision effective for the September 30, 2022, as of date.

The Board proposed to add an option to “Modification Type” for firms to report when the loan modification results in recapitalization. One commenter asked the Board to provide a definition for the “Recapitalization” option.

The Board has added a definition for “Recapitalization” to “Modification Type” to capture instances where accrued and/or deferred principal, interest, servicing advances, expenses, fees, etc. are capitalized into the unpaid principal balance of the modified loan. The Board has adopted this revision effective for the September 30, 2022, as of date.

The Board proposed to retire several options in the “Modification Type” and “Workout Type Completed” items, considering the proposed addition of other items. One commenter asked how historical reporting would be updated or aligned to the new values.

The Board notes that historical reporting will remain unchanged from the current practice, which requires firms to report items and values based on the forms and instructions for a given as of date. The Board has adopted these revisions as proposed, effective for the September 30, 2022, as of date.

The Board proposed to add several reportable values to "Modification Type" on Schedule B, one of which was "99 = Other". However, this item already had the "26 = Other" option. One commenter asked what the difference was between the options of "26 = Other" and "99 = Other" for "Modification Type" on Schedule B.

The Board did not intend to have two values indicating the same modification type, and so has removed "26=Other" from "Modification Type" on Schedule B, effective for the September 30, 2022, as of date.

The Board proposed to retire the "9 = Proprietary Other" option of "Modification Type" on Schedules A and B. FR Y-14 Q&A Y140000738 previously specified that firms should report home equity modifications that do not meet the definition of modification, as defined in the FR Y-14M instructions, as "9 = Proprietary Other" in "Modification Type." One commenter asked how firms should report such loans once the "9 = Proprietary Other" option has been retired.

Firms should report the code that reflects the current modification arrangement using all information available. If no information regarding the modification type is available, then firms should report as "99=Other." The Board has adopted this revision as proposed, effective for the September 30, 2022, as of date.

One commenter asked whether the Board proposed to retire the "13 = HELOC Line Renewal (Regular)" and "14 = HELOC Line Renewal (loss mitigation strategy)" options from "Modification Type" on Schedule B. The instructions for these values have been stricken out, but the options themselves were not.

The Board did not intend to strike out the instructions for these values and has updated the instructions accordingly. These values were not removed from "Modification Type" on Schedule B, and the Board did not propose any revisions to these values. The Board has adopted this revision effective for the September 30, 2022, as of date.

The Board proposed to add an option to "Workout Type Completed" for firms to report "17=Partial Claim/Junior Lien" on Schedules A and B. The proposed instructions for "Workout Type Completed" would have required firms to report "17=Partial Claim/Junior Lien" in the month that a loan partial claim or the origination of a junior lien resulting from loss mitigation was completed. One commenter noted that some modifications, such as Federal Housing Authority (FHA)-HAMP Combination Loan Modifications and Partial Claims, may result in a partial claim. These modifications establish an affordable monthly payment, resolve the outstanding mortgage payment arrearages, and permanently modify the first mortgage monthly payment. The commenter added that these modifications are zero-interest subordinate liens that will include a portion of the amount to be resolved and if borrowers meet the requirements, a principal deferment. The remainder is added to the principal loan balance of the first mortgage and extends the term for 30 years at a fixed interest rate. The commenter would like the Board to clarify how to report these types of modifications in the "Workout Type Completed" items.

If a workout program results in a partial claim or junior lien, then "Workout Type

Completed" should be coded as "17=Partial Claim/Junior Lien." If the workout program results in a change to terms of the loan, then "Workout Type Completed" should be reported as "1 – Modification" and "Modification Type" should be reported using the code that best reflects the modification. The Board has adopted this revision as proposed, effective for the September 30, 2022, as of date.

The Board proposed to add a "Workout Type Started" item to Schedule A. Firms would be required to report this item for any loan where a loss mitigation effort has started or is in progress for the current month. One commenter asked how firms should report situations where a modification plan that was reported in a prior period fails and in the current reporting period, a new plan starts.

In cases where loss mitigation efforts fail, firms should report "Workout Type Completed" as "0=No workout completed or unsuccessful resolution of loss mitigation effort." If in the current month a new effort begins, firms should report "Workout Type Started" with the relevant allowable value. The Board has revised the instructions to clarify this reporting, effective for the September 30, 2022, as of date.

One commenter asked how firms should report situations where they offer a borrower a trial period for a modified loan that could subsequently result in a loan modification. In these cases, the commenter sought clarification as to whether firms should report the date that the trial period began or when the modification program began.

Firms should report "Workout Type Started" with the appropriate value in the month(s) the trial started and throughout the trial period for loans that enter a trial period for a modification. The Board has adopted the revision as proposed, effective for the September 30, 2022, as of date.

The Board proposed to add new options for the "Workout Type Completed" item on Schedule B. However, the Board did not provide proposed definitions for these new options. One commenter asked the Board to provide these definitions.

The Board has updated the instructions to provide definitions for all new values in "Workout Type Completed" on Schedule B that align with the definitions for the "Workout Type Completed" item on Schedule A. The Board has adopted this revision effective for the September 30, 2022, as of date.

The Board proposed to revise the language in the instructions for FR Y-14M, Schedule A, items 87 (Principal Deferred Amount) and 89 (Principal Write-Down Amount) to expand the circumstances under which firms would report these items, as currently these items are only reported if a loan has been modified. One commenter pointed out that the Board did not propose to revise the equivalent items on Schedule B (items 59 and 73, respectively), even though these items are also only reported if a loan has been modified. The commenter suggested that the Board also make these revisions to the corresponding Schedule B items, for consistency.

The Board agrees that the corresponding items on Schedule B should have been updated

and has revised the instructions to align the applicable items on Schedule B with those on Schedule A. The Board has adopted these revisions effective for the September 30, 2022, as of date.

*Other Revisions*

The Board proposed to require firms to provide the loan-level fair value of loans reported on FR Y-14M, Schedule A, if those loans are measured under the FVO or are held-for-sale (HFS). Currently, firms are required to indicate whether a loan is measured at fair value under the FVO or is HFS but are not required to provide the fair value of a given loan. One commenter raised two objections to this proposal. First, many firms do not have the fair value of FVO or HFS loans readily available. Rather, per the commenter, fair value adjustments on FVO or HFS loans are recorded and accounted for as a block and are not individually broken out. The commenter added that requiring firms to provide loan-level fair values would be burdensome on firms and would require significant manual effort as the data is not readily available.

Second, firms are already required to report aggregated fair value FVO and HFS amounts for retail loans on FR Y-14Q, Schedule J (Retail FVO/HFS). In the commenter's view, since the Board currently collects similar information at the portfolio level, firms should not be required to report fair value amounts at the loan level.

Collecting loan-level fair value information for mortgages allows the Board to better monitor and assess risks surrounding FVO mortgages, which is limited when using the aggregated FR Y-14Q data. Receiving timely information regarding the fair value of mortgages is essential since these assets are highly sensitive to current market conditions, which can change rapidly. Therefore, mortgages held at fair value have different risk profile than those held at amortized cost. Given this, it is imperative that the Board receives loan-level fair value data for these exposures. The Board has adopted this revision as proposed, effective for the September 30, 2022, as of date.

The Board proposed to remove items 57 (Capitalization) and 98 (Interest Rate Reduced) from FR Y-14M, Schedule A, as they are no longer needed. One commenter suggested that, for consistency, the Board should also remove the equivalent items (items 57 and 71, respectively) from Schedule B.

The Board agrees that the equivalent items on Schedule B should also be removed, as they are no longer needed given other adopted revisions. The Board has updated the instructions to remove these items from Schedule B. The Board has adopted these revisions effective for the September 30, 2022, as of date.

The Board proposed to add "Actual Payment Amount" (item 142) to Schedule A. In this item, firms would have reported the actual dollar amount of the interest payment received in the reporting month, excluding fee payments. One commenter questioned how to report situations where there is an additional principal curtailment received with the payment, and how firms should report if multiple payments are received in a given reporting month.

To reduce ambiguity, the Board has modified the proposed instructions to indicate that firms should report the total payment received in a given month, including principal curtailment received with the payment.

One commenter asked whether principal and interest reversals should be factored into "Actual Payment Amount," or if it should only capture received amounts.

For clarity, the Board has modified the proposed instructions to indicate that firms should report the total payment received in a given month, net of any reversals. The Board has adopted the proposal to add the "Actual Payment Amount" item to Schedule A, with these modifications, effective for the September 30, 2022, as of date.

The Board proposed to add options for the Bloomberg Short-Term Bank Yield (BSBY) to the "[Adjustable Rate Mortgage] ARM Index" item on Schedules A (item 32) and B (item 29). There were no comments on the proposed changes; however, one commenter did have two questions about this item. First, the commenter noted that the Federal Home Loan Bank of San Francisco announced earlier this year that it will stop publishing all Cost of Fund Indices (COFI). The "ARM Index" item currently contains options for firms to report COFI. The commenter further noted that loans that reference COFI have been updated to reference other indices and sought clarification as to whether firms should continue to report COFI, which was the reference index at origination, or the updated indices. Second, the commenter also pointed out that the "ARM Index" item requires firms to report origination values. The commenter recommended that this be changed so that firms report the current index values, as it would provide more useful information to the Board and be less burdensome on firms, as the current index information is readily available.

The Board notes that COFI has not been retired and firms can continue to report COFI in "ARM Index." Firms should continue to report legacy loans that reference COFI using the COFI options in "ARM Index." In addition, origination values allow the Board to adequately assess underwriting decisions at the time of origination, which can inform changes in credit availability over time. The Board acknowledges that receiving current value information would also be beneficial and will consider this suggestion for a future proposal. The Board has adopted the revision as proposed, effective for the September 30, 2022, as of date.

**Balances**

In general, bank cards allow firms to pay outstanding balances over time, while charge cards must be fully paid off each billing cycle. Some products have features of both bank and charge cards, in that only a portion of the outstanding balance can be rolled over to the next billing cycle. The Board proposed to revise the definition of "Charge cards" (item 3.b) on FR Y-14Q, Schedule M.1 (Quarter-end balances) to specify that if a charge card loan has a pay-over-time feature, then the entire balance must be reported in this item. One commenter said that this revision would cause misalignment between Schedule M and item 6.a. (Credit cards) of FR Y-9C, Schedule C (Loans and Leases), and asked whether this misalignment was intentional.

The definition of item 3.b on FR Y-14Q, Schedule M requires firms to report the

applicable balance that is also reported in FR Y-9C, Schedule HC-C, items 6.a and 6.d (Other consumer loans). Therefore, the Schedule M.1 and FR Y-9C, Schedule HC-C instructions would align, and the Board has adopted the revision as proposed, effective for the September 30, 2022, as of date.

Several items on FR Y-14Q, Schedule M.1, reference various FR Y-9C items where applicable balances are reported. The Board proposed to add a reference to FR Y-9C, Schedule HC-C, item 9.a (Loans to nondepository financial institutions) to Schedule M.1, item 2.c (SME cards and corporate cards), as balances required in item 2.c could be reported in item 9.a. One commenter requested that the Board also add references to FR Y-9C, Schedule HC-C, items 2.a (Loans to U.S. banks and other U.S. depository institutions), 2.b (Loans to foreign banks), 3 (Loans to finance agricultural production and other loans to farmers), and 7 (Loans to foreign governments and official institutions) to Schedule M.1, item 2.c, as balances reported in those FR Y-9C items could also meet the definition listed for item 2.c. Relatedly, the commenter noted that for congruency, any FR Y-9C items added to be referenced to Schedule M.1, item 2.c, should also be added to Schedule M.2 (FR Y-9C Reconciliation), item 2 (SME cards and corporate cards).

The Board agrees with the commenter that there could be loans reported in other FR Y-9C items that meet the definition for reporting in Schedule M.1, item 2.c. Given this, the Board has revised the instructions for item 2.c to add references to FR Y-9C, Schedule HC-C, items 2.a, 2.b, 3, and 7. In response to the comment and for data reconciliation purposes, the Board has also added applicable items to Schedule M.2, item 2. The Board has adopted these revisions effective for the September 30, 2022, as of date.

**Estimate of Respondent Burden**

As shown in the table below, the estimated total annual burden for the FR Y-14 reports is 809,000 hours, and would increase to 810,464 hours as a result of the revisions, particularly those made to the trading and counterparty schedules of the FR Y-14Q. These reporting requirements represent approximately 11.6 percent of the Board's total paperwork burden.

| FR Y-14 | *Estimated number of respondents*[31] | *Annual frequency* | *Estimated average hours per response* | *Estimated annual burden hours* |
|---|---|---|---|---|
| **Current** | | | | |
| FR Y-14A | 36 | 1 | 1,330 | 47,880 |
| FR Y-14Q | 36 | 4 | 1,986 | 285,984 |
| 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 | 8 | 1 | 2,560 | 20,480 |
| *Current Total* | | | | 809,000 |
| | | | | |
| **Proposed** | | | | |
| FR Y-14A | 36 | 1 | 1,330 | 47,880 |
| FR Y-14Q | 36 | 4 | 1,999 | 287,856 |
| FR Y-14M | 34 | 12 | 1,071 | 436,968 |
| Implementation | 0 | 1 | 7,200 | 0 |
| Ongoing automation revisions | 36 | 1 | 480 | 17,280 |
| Attestation implementation | 0 | 1 | 4,800 | 0 |
| Attestation ongoing | 8 | 1 | 2,560 | 20,480 |
| *Proposed Total* | | | | 810,464 |
| | | | | |
| *Change* | | | | 1,464 |

The estimated total annual cost to the public for the FR Y-14 reports is $48,904,050, and would increase to $48,992,549 with the revisions.[32]

### Sensitive Questions

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

[31] Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than $750 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

[32] 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 $21, 45% Financial Managers at $74, 15% Lawyers at $71, and 10% Chief Executives at $102). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor Statistics (BLS), *Occupational Employment and Wages, May 2021*, published March 31, 2022, https://www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Standard Occupational Classification System, https://www.bls.gov/soc/.

**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 $3,309,364. The estimated one-time cost to implement the revisions is $87,500.