



This document is scheduled to be published in the Federal Register on 08/16/2012 and available online at <http://federalregister.gov/a/2012-20083>, and on [FDsys.gov](http://FDsys.gov)

**[BILLING CODE: 4810-033-P]**

**DEPARTMENT OF THE TREASURY**

**Office of the Comptroller of the Currency**

**Agency Information Collection Activities:**

**Proposed Information Collection; Comment Request**

**AGENCY:** Office of the Comptroller of the Currency, Treasury (OCC).

**ACTION:** Notice and request for comment.

**SUMMARY:** The OCC, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to comment on this continuing information collection, as required by the Paperwork Reduction Act of 1995. An agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. Currently, the OCC is soliciting comment concerning a proposed new regulatory reporting requirement for national banks and Federal savings associations titled, “Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act.” The proposal describes the scope of reporting and the proposed reporting requirements.

**DATES:** Comments must be received by [Insert 60 days from date of publication in FEDERAL REGISTER.]

**ADDRESSES:** Communications Division, Office of the Comptroller of the Currency, Mailstop 2-3, Attention: 1557-NEW, 250 E Street, SW, Washington, DC 20219. In addition, comments may be sent by fax to (202) 874-5274 or by electronic mail to [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov). You may personally inspect and photocopy comments at the OCC, 250 E Street, SW, Washington, DC 20219. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 874-4700. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

Additionally, please send a copy of your comments by mail to: OCC Desk Officer, 1557-NEW, U.S. Office of Management and Budget, 725 17th Street, NW, #10235, Washington, DC 20503, or by fax to (202) 395-6974.

**FOR FURTHER INFORMATION CONTACT:** You can request additional information or a copy of the collection from Mary H. Gottlieb, (202) 874-5090, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, SW, Washington, DC 20219. In addition, copies of the templates referenced in this notice can be found on the OCC's Web site under News and Issuances (<http://occ.gov/news-issuances/index-news-issuances.html>).

**SUPPLEMENTARY INFORMATION:**

The OCC is requesting comment on the following new proposed information collection:

Title: Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

OMB Control No.: 1557-NEW.

Description: Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>1</sup> (Dodd-Frank Act) requires certain financial companies, including national banks and Federal savings associations, to conduct annual stress tests<sup>2</sup> and requires the primary financial regulatory agency<sup>3</sup> of those financial companies to issue regulations implementing the stress test requirements.<sup>4</sup> A national bank or Federal savings association is a “covered institution” and therefore subject to the stress test requirements if its total consolidated assets are more than \$10 billion. Under section 165(i)(2), a covered institution is required to submit to the Board of Governors of the Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing such information as the primary financial regulatory agency may require.<sup>5</sup> On January 24, 2012, the OCC published in the *Federal Register* a notice of proposed rulemaking (NPR) implementing the section 165(i)(2) annual stress test requirement.<sup>6</sup> This notice describes the reports and information required to meet the reporting requirements under section 165(i)(2). These information collections will be given confidential treatment (5 U.S.C. 552(b)(4)).

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<sup>1</sup> Pub. L. 111-203, 124 Stat. 1376, July 2010.

<sup>2</sup> 12 U.S.C. 5365(i)(2)(A).

<sup>3</sup> 12 U.S.C. 5301(12).

<sup>4</sup> 12 U.S.C. 5365(i)(2)(C).

<sup>5</sup> 12 U.S.C. 5365(i)(2)(B).

<sup>6</sup> 77 FR 3408, Jan. 24, 2012.

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

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

specified by the OCC. The reporting templates for institutions with assets of \$50 billion or more are described below.

The OCC has worked closely with the Board and the Federal Deposit Insurance Corporation (FDIC) to make the agencies' respective rules implementing annual stress testing under the Dodd-Frank Act consistent and comparable by requiring similar standards for scope of application, scenarios, data collection and reporting forms. The OCC has worked to minimize any potential duplication of effort related to the annual stress test requirements. The OCC also recognizes that many covered institutions with total consolidated assets of \$50 billion or more are required to submit reports using CCAR reporting form FR Y-14A.<sup>7</sup> Therefore, the OCC is proposing to base reporting requirements closely on the Board's form FR Y-14A for covered institutions with total consolidated assets of \$50 billion or more. The OCC recognizes the Board has a proposal to modify the FR Y-14A out for comment and, to the extent practical, the OCC will keep its reporting requirements consistent with the Board's FR Y-14A in order to minimize burden on covered institutions.<sup>8</sup>

### **Description of Reporting Templates for Institutions with \$50 Billion or More in Assets**

The OCC DFAST-14A Summary Schedule includes data collection worksheets necessary for the OCC to assess the company-run stress test results for baseline, adverse and severely adverse scenarios as well as any other scenario specified in accordance with

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<sup>7</sup> <http://www.federalreserve.gov/reportforms>.

<sup>8</sup> 77 FR 40051, July 6, 2012.

regulations specified by the OCC. The DFAST-14A Summary Schedule includes worksheets that collect information on the following areas:

1. Income Statement;
2. Balance Sheet;
3. Capital Statement;
4. Retail Risk;
5. Securities: Available-for-Sale/Held to Maturity (AFS/HTM);
6. Trading;
7. Counterparty Credit Risk;
8. Operational Risk; and
9. Pre-Provision Net Revenue (PPNR).

Each covered institution reporting to the OCC using this form will be required to submit to the OCC a separate DFAST-14A Summary Schedule for each scenario provided to covered institutions in accordance with regulations implementing Section 165(i)(2) as specified by the OCC.

### **Worksheets: Income Statement**

This income statement worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected losses and revenues in the following categories.

1. Loan losses;
2. Losses due to contingent commitments and liabilities;

3. Other Than Temporary Impairments (OTTI) on assets held to maturity and available for sale;
4. Trading account losses;
5. Allowance for loan and lease losses;
6. Pre-provision net revenue; and
7. Repurchase reserve/liability for reps and warranties.

This schedule provides information used to assess losses that covered institutions can sustain in adverse and severely adverse stress scenarios.

#### **Worksheets: Balance Sheet**

The balance sheet worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected equity capital, as well as on assets and liabilities in the following categories.

1. HTM Securities;
2. AFS Securities;
3. Loans;
4. Trading Assets;
5. Intangibles;
6. Deposits; and
7. Trading Liabilities.

The OCC intends to use this worksheet to assess the projected changes in assets and liabilities that a covered institution can sustain in an adverse and severely adverse stress

scenario. This worksheet will also be used to assess the revenue and loss projections identified in the income statement worksheet.

### **Worksheets: Capital**

The capital worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on the following areas.

1. Changes to Equity Capital;
2. Changes to Regulatory Capital; and
3. Capital Actions.

The OCC intends to use this worksheet to assess the impact on capital of the projected losses and projected changes in assets that the covered institution can sustain in a stressed scenario. In addition to reviewing the worksheet in the context of the balance sheet and income statement projections, the OCC also intends to use this worksheet to assess the adequacy of the capital plans and capital planning processes for each covered institution.

### **Worksheets: Retail Projections**

The retail projections worksheets collect data for each quarter of the planning horizon for the stress test on projected balances and losses for major retail portfolios: residential real estate, credit card, automobile, student loans, small business loans, and other consumer. For residential real estate, the worksheets collect data for first lien mortgages, home equity lines of credit, and home equity loans. For all major retail portfolios, the worksheets contain separate segments for domestic and international loans

for various product types. Within each broad product-type segment, the reporting for the portfolio is divided into a number of sub-segments that embody unique risk characteristics. This modular product-type design of the retail worksheet allows for a targeted data collection that encompasses only the material portfolios in a given product area for a particular covered institution. A covered institution would be required to complete only the segments and sub-segments material for that institution. This design is intended to limit burden while maximizing the supervisory information produced from the collection.

#### **Worksheets: Securities**

Several securities worksheets collect data related to Available-for-Sale (AFS) and Held-to-Maturity (HTM) securities. The worksheets collect data and information such as: projected other-than-temporary impairment (OTTI) by asset class for each quarter of the forecast time horizon; methodologies and assumptions used to generate the OTTI projections for each asset class; projected stressed fair market value (FMV) for each asset class as well as qualitative information on the methodologies and assumptions used to generate the stressed market value; and actual FMV including the source (vendor or proprietary) and key assumptions used in determining market values (if using a proprietary model).

#### **Worksheets: Trading and Counterparty Risk**

The trading and counterparty risk worksheets collect projected losses associated with a specified global market risk shock from covered institutions with large trading

operations. The OCC provides a set of hypothetical shocks to the risk factors most relevant to the trading and counterparty positions of respondent covered institutions.

### **Worksheets: Operational Risk**

The operational risk worksheets collect data on covered institutions' projections of operational losses for each quarter of planning horizon for the stress test. Operational losses are defined as losses arising from inadequate or failed internal processes, people, and systems or from external events including legal losses. Some examples of operational loss events are losses related to improper business practices (including class action lawsuits), execution errors, and fraud. Additional detail may be requested in order for the OCC to evaluate the transformation of the covered institutions' historical loss experience into operational loss projections. Additional detail also may be requested on any budgeting processes used to project operational losses.

Completion of the operational risk worksheets would be required only for those institutions subject to advanced approaches risk-based capital rules.

### **Worksheets: PPNR**

For the PPNR worksheets, covered institutions must provide projections for the three major components of PPNR (net interest income, non-interest income, and non-interest expense) for each quarter of the planning horizon. Collection of these data in this format is based on the assumption that the revenues generated by different business lines are affected differently by different stress scenarios, and such a view facilitates a more robust analysis of the resulting projections.

### **Description of OCC DFAST-14A Counterparty Credit Risk Template**

The counterparty credit risk (CCR) template collects, on various worksheets, data to identify credit valuation adjustment (CVA), exposures, and CVA sensitivities for the covered institution's top counterparties along a number of dimensions, including current CVA, stressed CVA, net current exposure, and gross current exposure. Covered institutions also must submit aggregate CVA, exposures, and CVA sensitivities by ratings categories. The *Notes to the CCR Schedule* worksheet allows covered institutions to voluntarily submit additional information to provide clarity to the portfolio. Covered institutions are required to report results under two scenarios (adverse, severely adverse) and two specifications (Covered Institution, OCC) to capture Expected Exposure profiles.

Completion of the Counterparty Credit Risk template would be required only for those institutions subject to the market shock provided by the OCC.

### **Description of OCC DFAST-14A Basel III Capital Template**

The Basel III capital template collects projections of Tier 1 Common Equity, Tier 1 Capital, Risk-Weighted Assets (RWA), and Leverage Exposures (along with granular components of those elements) for each quarter of the planning horizon for the stress test under baseline, adverse and severely adverse scenarios, based on the Basel III framework promulgated by the Basel Committee on Bank Supervision. Covered institutions also are required to include data on the projected impact of any significant actions planned in response to Basel III and the Dodd-Frank Act (for example, asset sales, asset wind-downs, and data collection and modeling enhancements).

## **Description of OCC DFAST-14A Company Variables Template**

To conduct the stress test required under this rule, a covered institution may need to project additional economic and financial variables to estimate losses or revenues for some or all of its portfolios. In such a case, the covered institution is required to complete the DFAST-14A Company Variables worksheet for each scenario where such additional variables are used to conduct the stress test. Each scenario worksheet collects the variable name (matching that reported on the Scenario Variable Definitions worksheet), the actual value of the variable during the third quarter of the reporting year, and the projected value of the variable for nine future quarters.

## **Description of Supporting Documentation**

Covered institutions must submit clear documentation in support of the projections included in the worksheets to support efficient and timely review of annual stress test results by the OCC. The supporting documentation should be submitted electronically and is not expected to be reported in the workbooks used for required data reporting. This supporting documentation must clearly describe the methodology used to produce the stress test projections, and must include how the macroeconomic factors were translated into a covered institution's projections, as well as technical details of any underlying statistical methods used. Where company-specific assumptions are made that differ from the broad macro-economic assumptions incorporated in stress scenarios provided by the OCC, the documentation must also describe such assumptions and how those assumptions relate to reported projections. Where historical relationships are relied

upon, the covered institutions must describe the historical data and provide the basis for the expectation that these relationships would be maintained in each scenario, particularly under adverse and severely adverse conditions.

Type of Review: New collection.

Affected Public: Businesses or other for-profit.

Estimated Number of Respondents: 20.

Estimated Total Annual Burden: 9,600 hours.

The OCC recognizes the Board has estimated 79,200 hours for bank holding companies to prepare their systems for submitting data for the FR Y-14.<sup>9</sup> The OCC believes that these systems will also be used to submit data for the reporting templates described in this notice.

Comments submitted in response to this notice will be summarized and included in the request for OMB approval. All comments will become a matter of public record.

Comments are invited on:

(a) Whether the collection of information is necessary for the proper performance of the functions of the OCC, including whether the information has practical utility;

(b) The accuracy of the OCC's estimate of the burden of the collection of information;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the collection on respondents, including

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<sup>9</sup> Board of Governors of the Federal Reserve System, *OMB Supporting Statement for the Capital Assessments and Stress Testing information collection* (FR Y-14A/Q/M; OMB No. 7100-0341), p. 22.

through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: August 10, 2012

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Michele Meyer,  
Assistant Director, Legislative and Regulatory Activities Division

[FR Doc. 2012-20083 Filed 08/15/2012 at 8:45 am; Publication Date: 08/16/2012]