



## **FEDERAL RESERVE SYSTEM**

### **Proposed Agency Information Collection Activities; Comment Request**

**AGENCY:** Board of Governors of the Federal Reserve System

**SUMMARY:** On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board of Governors of the Federal Reserve System (Board) its approval authority under the Paperwork Reduction Act (PRA), to approve of and assign OMB numbers to collection of information requests and requirements conducted or sponsored by the Board. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the PRA Submission, supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB number.

**DATES:** Comments must be submitted on or before [insert date 60 days after publication in the Federal Register].

**ADDRESSES:** You may submit comments, identified by *FR Y-14A/Q/M*, by any of the following methods:

- Agency Website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for

submitting comments.

- E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20<sup>th</sup> Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at

<http://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street (between 18<sup>th</sup> and 19<sup>th</sup> Streets NW) Washington, DC 20006 between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer, Shagufta Ahmed, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235 725 17<sup>th</sup> Street, NW., Washington, DC 20503 or by fax to (202) 395-6974.

**FOR FURTHER INFORMATION CONTACT:** A copy of the PRA OMB submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB's public docket files, once approved. These documents will also be made available on the Federal Reserve Board's public website at: <http://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer, Nuha Elmaghrabi, Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3884. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

**SUPPLEMENTARY INFORMATION:**

**Request for comment on information collection proposal**

The following information collection, which is being handled under this delegated authority, has received initial Board approval and is hereby published for comment. At the end of the comment period, the proposed information collection, along with an analysis of comments and recommendations received, will be submitted to the Board for final approval under OMB delegated authority. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including 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.

**Proposal to approve under OMB delegated authority the extension for three years, with revision, of the following report:**

*1. Report title:* Capital Assessments and Stress Testing information collection.

*Agency form number:* FR Y-14A/Q/M.

*OMB control number:* 7100-0341.

*Effective Dates:* December 31, 2015, March 31, 2016, and June 30, 2016.

*Frequency:* Annually, semi-annually, quarterly, and monthly.

*Reporters:* Any top-tier bank holding company (BHC) (other than a foreign banking organization), that has \$50 billion or more in total consolidated assets, as determined based on: (i) the average of the BHC's total consolidated assets in the four most recent quarters as reported quarterly on the BHC's Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) (OMB No. 7100-0128); or (ii) the average of the BHC's total consolidated assets in the most recent consecutive quarters as reported quarterly on the BHC's FR Y-9Cs, if the BHC 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 it meets this asset threshold, unless otherwise directed by the Federal Reserve.

*Estimated annual reporting hours:* FR Y-14A: Summary, 65,142 hours; Macro scenario, 2,046 hours; Operational Risk, 396 hours; Regulatory capital transitions, 759 hours; Regulatory capital instruments, 660 hours; Retail repurchase, 1,320 hours; and Business plan changes, 330 hours. FR Y-14Q: Securities, 1,716 hours; Retail, 2,112 hours; Pre-provision net revenue (PPNR), 93,852 hours; Wholesale, 20,064 hours; Trading, 69,336 hours; Regulatory capital transitions, 3,036 hours; Regulatory capital instruments, 6,864 hours; Operational risk, 6,600 hours; Mortgage Servicing Rights (MSR) Valuation, 1,152 hours; Supplemental, 528 hours; and Retail Fair Value Option/Held for Sale (Retail FVO/HFS), 1,408 hours; Counterparty, 18,288 hours; and Balances, 2,112 hours; FR Y-14M: 1st lien mortgage, 173,040 hours; Home equity, 166,860 hours; and Credit

card, 110,160 hours. FR Y-14 On-going automation revisions, 15,840 hours. FR Y-14 Attestation implementation, 43,200 hours; and On-going audit and review, 23,040 hours.

*Estimated average hours per response:* FR Y-14A: Summary, 987 hours; Macro scenario, 31 hours; Operational Risk, 12 hours; Regulatory capital transitions, 23 hours; Regulatory capital instruments, 20 hours; Retail Repurchase, 20 hours; and Business Plan Changes, 10 hours. FR Y-14Q: Securities, 13 hours; Retail, 16 hours; PPNR, 711 hours; Wholesale, 152 hours; Trading, 1,926 hours; Regulatory capital transitions, 23 hours; Regulatory capital instruments, 52 hours; Operational risk, 50 hours; MSR Valuation, 24 hours; Supplemental, 4 hours; and Retail FVO/HFS, 16 hours; Counterparty, 508 hours; and Balances, 16 hours; FR Y-14M: 1st lien mortgage, 515 hours; Home equity, 515 hours; and Credit card, 510 hours. FR Y-14 On-Going automation revisions, 480 hours. FR Y-14 Attestation Implementation, 4,800 hours; and On-going audit and review, 2,560 hours.

*Number of respondents:* 33.

*General description of report:* The FR Y-14 series of reports are authorized by section 165 of the Dodd-Frank Act, which requires the Federal Reserve to ensure that certain BHCs and nonbank financial companies supervised by the Federal Reserve are subject to enhanced risk-based and leverage standards in order to mitigate risks to the financial stability of the United States (12 U.S.C. § 5365). Additionally, section 5 of the Bank Holding Company

Act authorizes the Federal Reserve to issue regulations and conduct information collections with regard to the supervision of BHCs (12 U.S.C. § 1844).

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

Though the Federal Reserve intends to share the information collected under the FR Y-14 with the Department of Treasury's Office of Financial Research, such sharing shall not be deemed a waiver of any privilege applicable to such information, including but not limited to any confidential status (12 U.S.C. § 1821(t); 12 U.S.C. § 1828(x)).

*Abstract:* The data collected through the FR Y-14A/Q/M schedules provide the Federal Reserve with the additional information and perspective needed to help ensure that large BHCs have strong, firm-wide risk measurement and management processes supporting their internal assessments of capital adequacy and that their capital resources are sufficient given their business focus, activities, and resulting risk exposures. The annual Comprehensive Capital Analysis and Review (CCAR) exercise is also complemented by

other Federal Reserve supervisory efforts aimed at enhancing the continued viability of large BHCs, including continuous monitoring of BHCs' planning and management of liquidity and funding resources and regular assessments of credit, market and operational risks, and associated risk management practices. Information gathered in this data collection is also used in the supervision and regulation of these financial institutions. In order to fully evaluate the data submissions, the Federal Reserve may conduct follow up discussions with or request responses to follow up questions from respondents, as needed.

The Capital Assessments and Stress Testing information collection consists of the FR Y-14A, Q, and M reports. The semi-annual FR Y-14A collects information on the stress tests conducted by BHCs, including 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.<sup>1</sup> The quarterly FR Y-14Q and the monthly FR Y-14M are used to support supervisory stress test models and for continuous monitoring efforts. The quarterly FR Y-14Q collects granular data on BHCs' various asset classes, including loans, securities and trading assets, and PPNR for the reporting period. The monthly FR Y-14M comprises three retail loan- and portfolio-level collections, and one detailed address matching collection to supplement two of the portfolio and loan-level collections.

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<sup>1</sup> BHCs that must re-submit their capital plan generally also must provide a revised FR Y-14A in connection with their resubmission.

*Current Actions:* The Federal Reserve proposes revising several schedules of the FR Y-14A/Q/M effective December 31, 2015, March 31, 2016, and June 31, 2016, as noted.

The proposal would add an attestation requirement for Large Institution Supervision Coordinating Committee (LISCC) respondents, revise the reports to reflect recent changes to the regulatory capital rules and to the capital plan rule, and modify other elements of the FR Y-14A/Q/M reports to improve consistency of reported data across firms, address industry concerns, and improve supervisory modeling.

The proposal also provides notice to the public that the Office of Financial Research (OFR) of the Department of Treasury has requested access to the FR Y-14A/Q/M reports for use in connection with its statutory mandate “to evaluate and report on stress tests,” and that the Board plans to share the FR Y-14A/Q/M reports with the OFR in light of the assurances of confidentiality from the OFR.

### **Proposed Revision to the FR Y-14A/Q/M**

The Federal Reserve proposes to add an attestation requirement for the FR Y-14A/Q/M reports for all LISCC respondents. As proposed, the attestation would be effective beginning June 30, 2016.

The Federal Reserve relies on BHCs to report accurate data on the FR Y-14A/Q/M reports. The FR Y-14A/Q/M reports are integral to the Federal Reserve’s

supervisory stress tests, as the Federal Reserve uses financial data reported by a BHC to assess whether the BHC has the capital necessary to absorb losses under stress. In previous CCAR and DFAST (Dodd-Frank Act Stress Test) cycles, the Federal Reserve has found that, while respondents generally report in accordance with the instructions, material inaccuracies have been identified in reported information.

Material inaccuracies in reported information indicate deficiencies in a BHC's internal control environment. Deficiencies in a BHC's internal control environment affect not only the accuracy of a BHC's reported data, but also the strength and credibility of the BHC's capital planning process. Under the Federal Reserve's capital plan and stress test rules, a BHC is required to estimate projected revenues, losses, reserves, and pro forma capital levels under expected and stressed conditions. An effective internal control environment enables a BHC to measure, monitor, and aggregate its risks, and appropriately estimate losses under a stressful environment. All respondents to the FR Y-14A/Q/M reports should meet the Federal Reserve's expectations for internal controls.

The Federal Reserve proposes to require the chief financial officer (CFO) or an equivalent senior officer<sup>2</sup> of a LISCC respondent to make an attestation regarding the collection. The CFO or equivalent senior officer is proposed as the signatory because the CFO (or equivalent senior officer) is a senior officer with primary business line responsibility for internal controls. This requirement is proposed in order to encourage

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<sup>2</sup> "An equivalent senior officer" refers to a senior officer who functions as the CFO but carries a different title.

large firms to improve their systems for developing data necessary for the stress tests and CCAR. The requirement is similar to the attestation requirement for internal controls over financial reporting required under the Sarbanes–Oxley Act of 2002.<sup>3</sup>

The Federal Reserve has described its supervisory expectations for internal controls in several publications. For instance, as described in the August 2013 paper *Capital Planning at Large Bank Holding Companies: Supervisory Expectations and Range of Current Practice*,<sup>4</sup> a BHC’s internal control framework should address its entire capital planning process, including the risk measurement and management systems used to produce input data, the models and other techniques used to generate loss and revenue estimates; the aggregation and reporting framework used to produce reports to management and boards; and the process for making capital adequacy decisions. The paper also highlighted the key role of internal audit in evaluating the capital planning process and all its components. Additionally, it outlines several components to ensure the integrity of reported information, including robust information systems.

The attestation would include two parts. First, for projected data reported on the FR Y-14A/Q and for actual data reported on the FR Y-14A/Q/M reports, the CFO (or equivalent senior officer) of a LISCC respondent would be required to attest that the reports have been prepared in conformance with the instructions issued by the Federal

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<sup>3</sup> Pub. L. 107-204, 116 Stat. 745 (July 30, 2002).

<sup>4</sup> See Board of Governors of the Federal Reserve System (2013), *Capital Planning at Large Bank Holding Companies: Supervisory Expectations and Range of Current Practice* (Washington: Board of Governors, August), [www.federalreserve.gov/bankinfo/bcreg20130819a1.pdf](http://www.federalreserve.gov/bankinfo/bcreg20130819a1.pdf).

Reserve System.<sup>5</sup> The instructions define the scope and content of items that must be reported, and specify that the reports must be filed in accordance with U.S. generally accepted accounting principles (GAAP). The instructions further state that respondents should maintain financial records in such a manner and scope to ensure the FR Y-14A/Q/M reports reflect a fair presentation of the BHCs' financial condition and assessment of performance under stressed scenarios.

Second, for actual data, the CFO (or equivalent senior officer) of a LISCC respondent would be required to attest that he or she is responsible for the internal controls over the reporting of these data, and that the data reported are materially correct to the best of his or her knowledge. The CFO would also be required to attest that the controls are effective and include those practices necessary to provide reasonable assurance as to the accuracy of these data. The CFO would be required to attest that the controls are audited annually by internal audit or compliance staff, and are assessed regularly by management of the named institution. Last, the CFO would be required to agree to report material weaknesses in these internal controls and any material errors or omissions in the data submitted to the Federal Reserve promptly as they are identified.

The proposed attestation requires the CFO (or equivalent senior officer) to attest that the controls are effective. The Committee of Sponsoring Organizations (COSO) of the Treadway Commission, a joint initiative of five private sector organizations

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<sup>5</sup> Instructions for actual and projected information are the FR Y-14A/Q/M report from instructions. Instructions outlining Federal Reserve expectations related to the methodology for projected information can be found in CCAR Summary Instructions and Guidance. Those instructions are not included in the proposed attestation.

representing executives within accounting, internal audit and finance,<sup>6</sup> has developed a framework for establishing and assessing internal controls. This framework is outlined in the publication titled *Internal Control—Integrated Framework*.<sup>7</sup> Known as the COSO report, this publication provides a suitable and available framework for purposes of establishing and assessing internal controls. This publication defines effective controls as those practices necessary to provide reasonable assurance as to the accuracy of financial information. Thus, a CFO (or equivalent senior officer) that attests to the existence of effective controls is attesting that the controls include practices necessary to provide reasonable assurance as to the accuracy of the data.

The proposed attestation also would require the CFO (or equivalent officer) of a LISCC respondent to attest that internal controls are audited annually by internal audit or compliance staff and are assessed regularly by management. The proposed requirement for an annual internal audit aligns with the annual nature of the CCAR cycle and the expectations for an annual audit of internal controls over financial reporting in the context of annual financial statements. Through an audit of internal controls over the Y-14 series, internal audit or compliance function would provide reliable assurance regarding the effectiveness of internal controls. The proposed requirement for regular assessments by management is consistent with the Federal Reserve's expectations for all firms.

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<sup>6</sup> The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of five private sector organizations including the American Accounting Association, the American Institute of Certified Public Accountants, The Association of Accountants and Finance Professionals in Business, and the Institute of Internal Auditors.

<sup>7</sup> The Committee of Sponsoring Organizations (COSO) of the Treadway Commission has published *Internal Control--Integrated Framework*. Known as the COSO report, this publication provides a suitable and available framework for purposes of establishing and assessing internal controls.  
<http://www.coso.org/ic.htm>

Last, the proposed attestation would require the CFO (or equivalent officer) of a LISCC respondent to attest that, to the best of his or her knowledge the data reported are materially accurate, and to promptly report any material weaknesses in internal controls and any material errors or omissions in the submitted data. Material weaknesses are those weaknesses which would result in a material misstatement of the FR Y-14A/Q/M data.

BHCs should have a policy in place for determining materiality in the context of management's attestation that data is materially accurate and management's attestation that internal controls over the FR Y-14A/Q/M reports are effective. This policy should include a robust analysis of all relevant quantitative and qualitative considerations, including, but not limited to, the size and effect of the omission or misstatement on firms' projected regulatory capital ratios in stressed scenarios. Qualitative factors may result in a conclusion that a small change in regulatory capital ratios is considered material. Those circumstances might include the repeat occurrence of errors and omissions, the proximity of a firm's regulatory capital ratios to minimum capital requirements, and whether errors and omissions could change a knowledgeable person's view of the adequacy of internal controls over the capital adequacy process.

The LISCC respondents may be required to enhance certain systems and processes in order to meet the attestation requirement, such as enhancing information technology infrastructure and adding or modifying internal control frameworks and data governance committees to include accountability and escalation processes, as well as to

increase the frequency of audits of internal controls over the FR Y-14A/Q/M reports. The Federal Reserve believes such enhancements are essential for a BHC's own risk aggregation and risk management. In order to allow sufficient time for such modifications, the attestation would be effective June 30, 2016. This effective date is consistent with the six month period previously requested by industry participants to implement changes to information infrastructure processes.

An estimate of the associated increase in burden is reflected in the updated burden estimates. This estimate accounts for the burden associated with the initial implementation of modifications to existing systems and processes prior to the effective date as well as burden associated with ongoing requirements, particularly the annual audit, and is an average across applicable respondents. However, the Federal Reserve requests feedback from the industry regarding the specific burden increases necessary to meet the attestation requirement.

The Federal Reserve invited comment on a proposal to add an attestation to the FR Y-14 submission in July 2012, but did not finalize an attestation requirement in light of concerns expressed by commenters.<sup>8</sup> Specifically, commenters expressed concerns regarding the maturity of the data collection, given the recent implementation of the reports, the scale and pace of revisions to the reports, and the fact that firms were not receiving timely answers to questions posed through the Frequently Asked Questions (FAQ) process. Regarding the substance of the attestation, commenters questioned whether the attestation would be appropriate for projected information, and whether the

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<sup>8</sup> See 77 FR 40051.

chief risk officer (CRO) would be the appropriate person to provide the attestation. Last, commenters argued that the proposed effective date would not provide sufficient time to implement the necessary controls.<sup>9</sup> In the final notice adopting other proposed changes to the FR Y-14A/Q/M, the Federal Reserve acknowledged commenters' concerns regarding attestation, and noted that the attestation requirement may be revisited in a future proposal.<sup>10</sup>

The Federal Reserve has considered these comments in developing the attestation included in this proposal. First, the FR Y-14 reports are sufficiently mature to support the attestation. Since the initial proposal of attestation to the FR Y-14 in July 2012, BHCs have completed the FR Y-14A/Q/M reports for over two years, and have generally been able to report the requested information in accordance with the instructions. Further, the scale and pace of the revisions to the reports have slowed, and more time is provided between finalization of proposed changes to the FR Y-14 and the effective date of those changes.<sup>11</sup> The Federal Reserve continues to improve the FAQ process in order to provide responses to commenters' questions in a timely manner. For instance, the Federal Reserve has been incorporating the most material FAQ responses into the instructions on a quarterly basis. Further, the Federal Reserve is conducting a large-scale review of its instructions and incorporating numerous relevant historical FAQs into the instructions.<sup>12</sup> This review is expected to be completed by the finalization of this proposal. Regarding unanswered FAQs, the Federal Reserve intends to approach unanswered FAQs related to

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<sup>9</sup> See 77 FR 60695.

<sup>10</sup> See 77 FR 60695.

<sup>11</sup> See 79 FR 59264 and the effective dates within this notice.

<sup>12</sup> This approach is consistent with the approach undertaken in 2013. See 78 FR 38033 and 78 FR 59934.

the Y-14A/Q/M reports in the same manner as unanswered questions related to the Y-9C report. As long as a firm has a reasonable and timely process for identifying questions and submitting FAQs, the firm makes a good faith effort to reasonably interpret the instructions while awaiting a response, and the firm, in fact, follows that process, the Federal Reserve would not expect to penalize a firm for incorrect reporting on the 14A/Q/M reports.

The Federal Reserve considered comments regarding the appropriateness of an attestation regarding projected data, and whether the CRO should be the correct person to attest. Given that the projected data are estimates of future values under different stressed scenarios, the proposed attestation would not require a BHC to attest to the accuracy of projected data. Instead, it would require the BHC to attest that it has prepared the FR Y-14A/Q/M in conformance with the instructions. In addition, the Federal Reserve considered whether to permit the CRO to provide the proposed attestation, instead of the CFO or equivalent officer, but determined that the CRO would not be the appropriate signatory. Under industry standards, the CRO does not have primary business line responsibility for internal controls and is therefore not an appropriate individual to be a signatory of the attestation.<sup>13</sup>

### **Proposed Revisions to the FR Y-14A**

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<sup>13</sup> See Institute of Internal Auditors position paper *The Three Lines of Defense in Effective Risk Management and Controls* (January 2013); and COSO publication, *Leveraging COSO Across the Three Lines of Defense*, (July 2015)

The proposed revisions to the FR Y-14A consist of clarifying instructions, adding and removing schedules, adding, deleting, and modifying existing data items, and altering the as-of dates. These proposed changes would (1) increase consistency between the FR Y-14A and FR Y-9C, FFIEC 101, and FFIEC 102; (2) adjust the collection in accordance with revisions to the capital plan and stress test rules recently proposed by the Federal Reserve, which among other modifications would remove the requirement to calculate tier 1 common capital and the tier 1 common ratio; (3) shift the as-of dates by one quarter in accordance with the modifications to the capital plan and stress test rules that were finalized October 27, 2014 (79 FR 64026); and (4) modify and expand the supporting documentation requirements.

#### **Schedule A (Summary)**

***Revisions to Schedule A.1.c.1 (General RWA)*** This schedule would be removed in accordance with the proposed revisions to the capital plan and stress test rules to eliminate use of the tier 1 common ratio (to the extent finalized)<sup>14</sup>, effective December 31, 2015. However, in order to mitigate operational issues and allow for appropriate time to adjust internal system to accommodate changes this schedule would remain part of the technical instructions for the CCAR 2016 submission.

***Revisions to Schedule A.1.c.2 (Standardized RWA)*** This schedule would be modified to increase consistency with the FR Y-9C and the FFIEC 102. Specifically, the items of the existing market risk-weighted asset portion would be replaced with the appropriate items

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<sup>14</sup> 80 FR 43637 (July 23, 2015).

from the FFIEC 102 and the remaining items would be made to align with FR Y-9C Schedule HC-R Part II. These changes would be effective June 30, 2016.

***Revisions to Schedule A.1.d (Capital)*** The Federal Reserve proposes removing certain items related to tier 1 common capital in accordance with the proposed revisions to the capital plan and stress test rules (to the extent finalized)<sup>15</sup>, effective December 31, 2015. However, in order to mitigate operational issues, these items would remain part of the technical instructions for the CCAR 2016 submission. Additionally, the Federal Reserve proposes adding one item that captures the aggregate non-significant investments in the capital of unconsolidated financial institutions in the form of common stock and breaking out two items related to deferred tax assets into the amount before valuation allowances and the associated valuation allowance. The additional information from these changes would result in two existing items converting to derived items based on the additional information.

***Revisions to Schedule A.2.b (Retail Repurchase)*** Because this information is utilized in the supervisory models, the schedule would be separated from FR Y-14A Schedule A to be its own semi-annual schedule of the FR Y-14A. For the two reported as-of dates, this schedule would be due seven calendar days after the FR Y-9C, similar to the FR Y-14Q. This change would be effective June 30, 2016.

***Deletion of Schedule A.2.c (ASC 310-30)*** This schedule would be removed to reduce reporting burden, effective June 30, 2016.

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<sup>15</sup> 80 FR 43637 (July 23, 2015).

**Revisions to Schedule A.7.c (PPNR Metrics)** In order to fully align the schedule with the stress scenarios, the beta information would be collected according to the scenario instead of the current “normal environment” requirement, effective December 31, 2015.

#### **Schedule D.4 (Regulatory Capital Transitions – Standardized RWA)**

As with the changes to Schedule A.1.c.2, the Federal Reserve proposes modifying this schedule in accordance with FFIEC 102 and FR Y-9C Schedule HC-R. These changes would be effective December 31, 2015. Additionally, the Federal Reserve proposes removing projected year six from the projection period in accordance with the shift in the CCAR as-of date.

#### **Proposed Schedule F (Business Plan Changes)**

The Federal Reserve proposes adding a schedule that collects the effects of an intended business plan change on a respondent’s asset, liability, and capital projections. This information has been collected in previous CCAR cycles on an ad-hoc basis, and this proposal is intended to formalize the collection. This schedule would be effective December 31, 2015.

#### **Appendix A (Supporting Documentation)**

The Federal Reserve proposes modifying the supporting documentation requirements to align with the documentation expectations outlined in the CCAR 2015 Summary Instructions and Guidance. Specifically, the appendix would be revised to require BHCs to provide the following supporting documentation: policies and

procedures (including a model risk management policy), mapping of estimation methodologies to FR Y-14A line items, model inventory, and methodology documentation. Required methodology documentation will include: methodology and process overview; model technical documents; model validation documents; audit reports; documentation describing the review, challenge, aggregation, and finalization of results; and documentation describing the methodology for developing the consolidated pro forma financials. The Federal Reserve proposes to maintain the more specific documentation requirements on categories of exposures and risk areas in other sections of the appendix without change. The appendix would also note that the Federal Reserve expects to provide additional detail relating to these requirements, and as well as suggested organization and metadata tags, through the CCAR instructions.

### ***Proposed Revisions to the FR Y-14Q***

The proposed revisions to the FR Y-14Q consist of clarifying instructions, adding a schedule, and adding, deleting and redefining existing data items. These proposed changes would provide additional information to enhance supervisory models, be responsive to industry comments, and shift the special as-of dates for Schedules F and L by one quarter in accordance with the modifications to the capital plan and stress test rules that were finalized October 27, 2014 (79 FR 64026). The Federal Reserve has conducted a thorough review of proposed changes and believes that because the proposed item additions and modifications to the FR Y-14Q request information are currently collected by respondents in their regular course of business reporting burden will be minimized. A summary of the proposed changes by schedule is provided below.

#### **Schedules A.1-A.10 (Retail)**

The Federal Reserve proposes restricting the loan population of this schedule to accrual loans, which would accurately reflect the intention of the schedule and be responsive to industry comments. These changes would be effective December 31, 2015.

#### **Schedules A.8 and A.9 (Retail – International Small Business and U.S. Small Business)**

The Federal Reserve proposes excluding non-purpose loans and loans for purchasing and carrying securities from this schedule. This change, along with accompanying changes to FR Y-14Q Schedules H.1 and M, would ensure that

non-purpose commercial loans and loans for purchasing or carrying securities are treated consistently across institutions. These changes would be effective December 31, 2015.

### **Schedule B (Securities)**

For schedule B.1 (Securities 1) the Federal Reserve proposes (1) requiring information to be reported in the Security Description 2 or Security Description 3 items in cases where an internal identifier is reported for a security or where the security type Other is assigned in order to increase consistency across institutions; (2) add “Appropriation-Backed” to the list of options for the Municipal Bond security type in order to capture the unique characteristics of this bond type; and (3) remove debt issued by the Student Loan Marketing Association as a U.S. Government or Agency debt organization in accordance with recent developments in the student loan financing market. Additionally, the Federal Reserve proposes removing schedule B.2 in order to reduce reporting burden. These changes would be effective December 31, 2015.

### **Schedule C.3 (Regulatory Capital Instruments – Issuances During Quarter)**

All of the proposed changes to this schedule are only applicable to subordinated debt instruments.

The Federal Reserve proposes (1) adding an item that collects the currency in which the instrument is denominated to be able to account for changes in exchange rates; (2) adding options to the Index item for Canadian Dealer’s Offer Rate, Australian Bill Bank Swap, and UK Libor as well as 1M, 3M, and 6M maturities for all reference rates

as well as require respondents to specify the index used when Other is reported in order to accurately calculate contractual expenses; (3) restrict the reporting of BHC-provided identifiers to only cases in which a CUSIP or ISIN identifier is unavailable; and (4) adding options to identify coupons that “step up” or transition from fixed to floating as well as items to identify the date on which the contractual terms change, the reset coupon, and the spread over index, also to more accurately calculate contractual expenses. These changes would be effective December 31, 2015, and would require a separate one-time submission of all subordinated debt instruments for the effective date in order to ensure the proposed information is accurately captured for the associated subordinated debt instrument.

Additionally, the Federal Reserve proposes adding items to collect details on swaps that are matched to subordinated debt instruments in order to capture the effect of these swaps on subordinated debt interest expenses. Specifically, the Federal Reserve proposes (1) adding items to capture the details of interest rate swaps matched to subordinated debt – issue date, maturity date, notional amount, fixed payment rate, payment index, and payment spread over index; (2) adding items to capture the details of foreign exchange swaps matched to subordinated debt – currency denomination of the instrument, currency of the payment, notional amount, and exchange rate; and (3) adding items that collect the unamortized discounts, premiums and fees, the fair value of the swap, and the carrying value of the swap as well as an item that reconciles the carrying value to the FR Y-9C. These changes would be effective June 30, 2016, and would require a separate one-time submission of all subordinated debt instruments for the

effective date in order to ensure the proposed information is accurately captured for the associated subordinated debt instrument.

#### **Schedule D.4 (Regulatory Capital Transitions – Standardized RWA)**

As with the changes to FR Y-14A Schedule A.1.c.2, the Federal Reserve proposes modifying this schedule in accordance with FFIEC 102 and FR Y-9C Schedule HC-R. These changes would be effective December 31, 2015.

#### **Schedule G (PPNR)**

The Federal Reserve proposes eliminating the deposit funding threshold and requiring submissions from all respondents. Currently nearly all respondents are required to submit this schedule, and this modification would create consistency in analysis and supervisory modeling across respondents.

#### **Schedules H.1 and H.2 (Corporate Loan and Commercial Real Estate)**

The Federal Reserve proposes (1) expanding the loan population to include loans that were disposed during the reporting period as well as adding the item Disposition Flag that collects the disposition method in order to capture the difference in loan characteristics; (2) expanding the options of the Participation Flag item for agent, participant, and inclusion in the Shared National Credit report in order to effectively identify syndicated loans; (3) adding the item Leveraged Loan Flag that identifies leveraged loans across all wholesale loans, not only loans reported through the Shared National Credit Program report, for a more accurate reflection of the associated risk

characteristics of such loans; and (4) adding the item Participation Interest that captures the percent of the commitment held by the respondent for participated or syndicated loans to help match loans across institutions. The latter three items along with clarifications to the SNC Internal Credit ID would allow the Federal Reserve to better match loans between FR Y-14Q Schedule H and the Shared National Credit report and to explore methods to utilize both reports. These changes would be effective March 31, 2016.

### **Schedule H.1 (Corporate Loan)**

The Federal Reserve proposes (1) eliminating the restriction to the loan population of legally binding commitments, which would align the schedule with the FR Y-9C definition of corporate loans; (2) adding five categories to the Credit Facility Purpose item to capture non-purpose margin loans, non-purpose loans collateralized by securities for other purposes, dealer floorplan, equipment leasing, and bridge financing in order to more accurately require such loans to be reported as wholesale loans; (3) adding two categories to the Credit Facility Type item to identify fronting exposures and swinglines to appropriately capture their unique characteristics in supervisory modeling; and (4) adding two items – Syndicated Loan Flag and Target Hold – that capture the status of the credit and the share of the credit that the respondent intends to retain upon clearing of the deal in order to assign credit risk throughout the syndication process. These changes would be effective March 31, 2016. Additionally, effective December 31, 2015, the Federal Reserve proposes (5) expanding the loan population to include non-purpose loans that are not graded to accurately reflect the intention of the schedule and be

responsive to industry comments, which is in conjunction with proposed changes to FR Y-14Q Schedules A.8, A.9, and M.

### **Schedule L (Counterparty)**

The Federal Reserve proposes (1) adding the item Stressed Discount Factor to Schedule L.2 in order to consistently capture this information as incorporated into respondents expected exposure profiles; (2) changing the counterparties that are reported on Schedule L.4 from the top 10 by credit valuation adjustment (CVA) to the top 10 by sensitivity to the risk factor in each section of the schedule as well as add several risk factors to this schedule, which would provide more material information for the same estimated ongoing burden; (3) modifying the reporting requirements for Schedules L.5 and L.6 so that the top 25 counterparties are reported by exposure amount for the CCAR as of quarter, which would create consistency in the reporting of counterparties across quarters, and replacing L.5.1.a, L.5.2.a, L.6.1.a, and L.6.2.a with a requirement for separate submissions and an item identifying the submission; (4) on Schedule L.4 combining the counterparty and reference spread portions as well as the CCC and below rating categories of the Credit Spreads section in an effort to reduce reporting burden; (5) adding an item to Schedules L.1 through L.4 that requires the reporting of a Legal Entity Identifier for each counterparty, as available, in order to more accurately identify and match counterparties throughout Schedule L; and (6) changing or adding the Industry item on Schedules L.1 through L.6 to require respondents to report a North American Industry Classification System code to more accurately identify the industry of the counterparty. These changes would be effective December 31, 2015.

### **Schedule M (Balances)**

Along with proposed changes to FR Y-14Q Schedules A.8, A.9, and H.1, the Federal Reserve proposes modifying items such that non-purpose commercial loans and loans for purchasing or carrying securities are reported in the commercial loan line items, regardless of whether they are graded or scored. This change would be effective December 31, 2015.

### ***Proposed Revisions to the FR Y-14M***

#### **Schedule A (First Lien)**

The Federal Reserve proposes (1) adding two items – Serviced by Others Flag and Reporting As of Month – in an effort to be responsive to industry comments regarding the delayed reporting of loans that are serviced-by-others; and (2) adding two options to the Mortgage Insurance Company item to more consistently identify companies within and across respondents. These changes would be effective December 31, 2015.

#### **Schedule B (Home Equity)**

The Federal Reserve proposes (1) adding two items – Serviced by Others Flag and Reporting As of Month – in an effort to be responsive to industry comments regarding the delayed reporting of loans that are serviced-by-others; and (2) adding the item Payment Type at the End of Draw Period and an option to the Modification Type

item to capture the differing risk characteristics based on payment type set on the loan after the draw period has ended. These changes would be effective December 31, 2015.

### **Notice of Intent to Share Information**

The Office of Financial Research (OFR) of the Department of Treasury has requested access to the FR Y-14A/Q/M reports for use in connection with its statutory mandate “to evaluate and report on stress tests.” The current FR Y-14 collections indicate that the collected data will be kept confidential. Through this proposal, the Board is providing notice that OFR will have access to the FR Y-14A/Q/M reports. The OFR has provided assurances that it will maintain the confidentiality of this information, including that it would limit access to the data to authorized staff and that any publication by the OFR using the reports would not contain confidential information.

### **Request for Additional Feedback**

Respondents have previously expressed concern, either through industry groups or the Federal Reserve’s Frequently Asked Questions process, regarding the cost and burden of collecting the information related to the Performance of First Lien item of FR Y-14M Schedule B. As such, respondents either have been unable to report this information or have been doing so inconsistently. During the 60 day public comment period, the Federal Reserve is requesting industry feedback on the item below. If respondents are concerned about providing this information in a public comment letter, the Federal Reserve recommends that responses be submitted anonymously.

*FR Y-14M Schedule B (Home Equity Loan and Home Equity Line)*

What is the most efficient and cost-effective manner to collect the information related to the performance of a first lien that is related to a junior lien reported on FR Y-14M Schedule B? What standards could be established that would make this item easier to report (e.g. use of credit bureau scores as proxy, use of external vendors to procure data, establish threshold limits if the junior lien portfolio is below a certain limit)?

Board of Governors of the Federal Reserve System, September 11, 2015.

Michael Lewandowski,

Associate Secretary of the Board.

Billing Code 6210-01-P

[FR Doc. 2015-23267 Filed: 9/15/2015 08:45 am; Publication Date: 9/16/2015]