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FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice; request for comment.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) invites comment on a proposal to extend for three years, with revision, the Capital Assessments and Stress Testing Reports (FR Y-14A/Q/M; OMB No. 7100-0341). Please note that the Board is publishing a separate notice for comment focusing on incorporating non-Current Expected Credit Loss (CECL) methodology revisions into the FR Y-14A/Q/M reports.

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, FR Y-14Q, or FR Y-14M, 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.
- E-mail: regs.comments@federalreserve.gov. Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th 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, N.W., 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 17th Street, N.W., Washington, DC 20503 or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT: A copy of the Paperwork Reduction Act (PRA) OMB submission, including the reporting form and instructions, supporting statement, and other documentation will be placed into OMB's public docket files, if approved. These documents will also be made available on the Board's public website at https://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) 452-3829.

SUPPLEMENTARY INFORMATION: On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board authority under the Paperwork Reduction Act (PRA) to approve and assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board. In exercising this delegated authority, the Board is directed to take every reasonable step to solicit comment. In determining whether to approve a collection of information, the Board will consider all comments received from the public and other agencies.

<u>Request for Comment on Information Collection Proposal</u>

The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. 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 startup costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Federal Reserve should modify the proposal.

Proposal under OMB Delegated Authority to Extend for Three Years, With Revision, the Following Information Collection:

Report title: Capital Assessments and Stress Testing Reports.

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

OMB control number: 7100-0341.

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

Estimated number of respondents: 36.

Estimated average hours per response:[1] FR Y-14A: 1,027 hours; FR Y-14Q: 1,923 hours; FR Y-14M: 1,086 hours; FR Y-14 On-going Automation Revisions: 480 hours. One-time Current Expected Credit Loss (CECL) Implementation: 60 hours; FR Y-14 Attestation On-going Audit and Review: 2,560 hours.

Estimated annual burden hours: FR Y-14A: 73,944 hours; FR Y-14Q: 276,912 hours; FR Y-14M: 443,088 hours; FR Y-14 On-going Automation Revisions, 17,280 hours. One-time CECL Implementation, 2,160 hours; FR Y-14 Attestation On-going Audit and Review, 33,280 hours.

General description of report: These collections of information are applicable to top-tier bank holding companies with total consolidated assets of $100 billion[2] or more and U.S. intermediate holding companies with $50 billion or more in assets that are subsidiaries of foreign banking organizations.[3] This family of information collections is composed of the following three reports:

- The semi-annual FR Y-14A 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.
- The quarterly FR Y-14Q collects granular data on various asset classes, including loans,

[1] The burden hours presented in this notice include the changes proposed in a notice for comment regarding the FR Y-14 reports concurrently published with this notice.

[2] On July 6, 2018, the Board issued a public statement regarding the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act. See https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20180706b1.pdf. The Board announced that it will not take action to require bank holding companies (BHCs) with greater than or equal to $50 billion but less than $100 billion in total consolidated assets to file the FR Y-14 reports.

[3] The Board has separately proposed to revise the respondent panel for the FR Y-14 reports in connection with the Board's proposed rule regarding Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies (the "Tailoring Proposal"). See 83 FR 61408 (November 29, 2018). Under the Tailoring Proposal, the respondent panel for the FR Y-14 reports would be BHCs with total consolidated assets of $100 billion or more, U.S. intermediate holding companies of foreign banking organizations (IHCs) with total consolidated assets of $50 billion or more that are subsidiaries of an FBO, and covered savings and loan holding companies (SLHCs) with $100 billion or more in total consolidated assets. See 12 CFR sections 217.2 (defining "covered savings and loan holding company"). If the Tailoring Proposal is finalized before this proposal, the respondent panel for the FR Y-14 reports would be updated to reflect the respondent panel adopted in the Tailoring Proposal.

securities, trading assets, and PPNR for the reporting period.

- The monthly FR Y-14M 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.

The data collected through the FR Y-14A/Q/M reports provide the Board with the information needed to help ensure that large firms 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 reports are used to support the Board's annual Comprehensive Capital Analysis and Review (CCAR) exercise, which complements 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. Information gathered in this data collection is also used in the supervision and regulation of respondent financial institutions. Respondent firms are currently required to complete and submit up to 18 filings each year: two semi-annual FR Y-14A filings, four quarterly FR Y-14Q filings, and 12 monthly FR Y-14M filings. Compliance with the information collection is mandatory.

Proposed revisions: The Board is proposing to address the revised accounting for credit losses under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13) and implement the current expected credit loss (CECL) accounting methodology across all of the FR Y-14 reports. The proposed changes to the FR Y-14 reports mirror the related changes to the Consolidated Financial Statements for Holding

Companies (FR Y-9C) for CECL, as appropriate.[4] The proposed reporting changes related to CECL also are consistent with the revisions indicated in the final CECL rule.[5]

In June 2016, the FASB issued ASU 2016-13, which introduced the CECL methodology for estimating allowances for credit losses and added Topic 326, Credit Losses, to the Accounting Standards Codification (ASC). The new credit losses standard changed several aspects of existing U.S. generally accepted accounting principles (U.S. GAAP), such as by introducing a new credit loss methodology, reducing the number of credit impairment models, replacing the concept of purchased credit-impaired (PCI) assets with that of purchased credit-deteriorated (PCD) financial assets, and changing the period over which firms should estimate expected credit losses on off-balance sheet exposures. CECL will be applicable to all financial instruments carried at amortized cost (including loans held for investment (HFI) and held-to-maturity (HTM) debt securities, as well as trade and reinsurance receivables and receivables that relate to repurchase agreements and securities lending agreements), net investments in leases, and off-balance sheet credit exposures not accounted for as insurance, including loan commitments, standby letters of credit, and financial guarantees.

Under ASU 2016-13, institutions will record credit losses through an allowance for credit losses for available-for-sale (AFS) debt securities rather than as a write-down through earnings for other-than-temporary impairment (OTTI). The broader scope of financial assets for which allowances must be estimated under ASU 2016-13 results in the proposed reporting of additional allowances, related charge-off and recovery data, and proposed changes to the terminology used to describe allowances for credit losses. To address the broader scope of assets that will have

[4] See 84 FR 11783 (March 28, 2019).

[5] See 84 FR 4222 (February 14, 2019).

allowances under ASU 2016-13, the Board proposes to change the allowance nomenclature to consistently use "allowance for credit losses" followed by the relevant specific asset type, e.g., "allowance for credit losses on loans and leases" and "allowance for credit losses on HTM debt securities."

By broadening the scope of financial assets for which the need for allowances for credit losses must be assessed to include HTM and AFS debt securities, the new standard eliminates the existing OTTI model for such securities. Subsequent to a firm's adoption of ASU 2016-13, the concept of OTTI will not be relevant and information on OTTI would no longer be captured.

The new accounting standard also eliminates the separate impairment model for PCI loans and debt securities. Under CECL, credit losses on PCD financial assets are subject to the same credit loss measurement standard as all other financial assets carried at amortized cost. Subsequent to an institution's adoption of ASU 2016-13, information on PCI loans would no longer be captured.

While the standard generally does not change the scope of off-balance sheet credit exposures subject to an allowance for credit loss assessment, the standard does change the period over which the firm should estimate expected credit losses. For off-balance sheet credit exposures, a firm will estimate expected credit losses over the contractual period in which they are exposed to credit risk. For the period of exposure, the estimate of expected credit losses should consider both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance sheet exposure. In contrast to the existing practices, the FASB decided that no credit losses should be recognized for off-balance sheet credit exposures that are unconditionally cancellable by the issuer. The exclusion of unconditionally cancellable commitments from the allowance for credit losses assessment on off-balance sheet credit exposures requires clarification to applicable reporting instructions.

In December 2018, the Federal Reserve amended its stress testing rules to require a banking organization that has adopted CECL to incorporate CECL in its stress testing methodologies, data, and disclosure beginning in the cycle coinciding with its first full year of CECL adoption. For example, as stated in the final CECL rule, firms that have adopted CECL in or before 2020, are required to reflect their CECL provision for credit losses beginning in the 2020 stress test cycle. The effective date for adopting CECL varies depending on whether a firm is a public business entity (PBE), a Securities and Exchange Commission (SEC) report filer, or an early adopter.[6] Due to the different effective dates for ASU 2016-13, the period over which institutions may be implementing this ASU ranges from 2019 through 2022.[7]

The Board is proposing revisions to the FR Y-14 reports in response to ASU 2016-13 to align the information reported with the new standard as it relates to the credit losses for loans and leases, including off-balance sheet credit exposures. These revisions would address the broadening of the scope of financial assets for which an allowance for credit losses assessment must be established and maintained, along with the elimination of the existing model for PCI assets.

Generally, institutions subject to filing the FR Y-14 reports would reflect the standard in data reported on the FR Y-14A, FR Y-14Q, and FR Y-14M, with as-of dates following the start of the firm's fiscal year and the adoption of the standard, beginning with the FR Y-14 reports as-

[6] For institutions that are PBEs and also are SEC filers, as both terms are defined in U.S. GAAP, the new credit losses standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For a PBE that is not an SEC filer, the credit losses standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. For an institution that is not a PBE, the credit losses standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.

[7] It is expected that the majority of FR Y-14 filing institutions will implement the standard by the first or fourth quarter of 2021.

of December 31, 2019. Certain items, as described in the Collection of Supplemental CECL Information section, may require balances to be reported as of December 31 prior to CECL adoption. Firms should refer to the final CECL rule for specifics surrounding inclusion of credit losses in a given stress test cycle.

The proposed changes to the FR Y-14 are designed to accommodate differences in implementation dates for different firms. Specifically, although new items would be added to the report form and instructions, the proposed revisions to schedule titles or specific data item captions resulting from the change in nomenclature upon the adoption of CECL would not be reflected in the FR Y-14 report forms until full adoption by all FR Y-14 filers, or March 31, 2022, at the latest. With the reports as-of March 31, 2022, the FR Y-14 reporting forms and instructions for each impacted schedule title or data item would be updated to fully incorporate CECL nomenclature and reporting. This would include, unless otherwise indicated, revising the schedule titles or specific data item captions referencing the "provision for loan and lease losses" and the "allowance for loan and lease losses" to be changed to the "provision for credit losses" and the "allowance for credit losses," respectively. For these items, to address the period from December 31, 2019, to March 31, 2022, the reporting form and instructions for each schedule title or data item impacted by the change in nomenclature would include guidance stating how institutions that have adopted the standard would report the data items related to the "provision for credit losses" and "allowance for credit losses," as applicable.

Items where the FR Y-14 instructions state, "to report as defined in the FR Y-9C" (i.e., there is no deviation from the FR Y-9C item definition), should always conform with the reporting as defined on the FR Y-9C unless otherwise noted. This includes as it pertains to reporting under ASU 2016-13 on the FR Y-14 after the proposed implementation date in December 31, 2019.

The revisions for the FR Y-14 reports are described below in detail, mostly on a schedule-by-schedule basis.

FR Y-14A, Schedule A (Summary)

Schedule A.1.a (Income Statement)

To address the broader scope of financial assets for which a provision will be calculated under ASU 2016-13, the Board proposes to revise Schedule A.1.a (Income Statement) to capture changes in allowances for credit losses on loans and leases (ALLL), HTM, and AFS debt securities. This change would be comparable to the breakout on the FR Y-9C, Schedule HI-B, Part II (Charge-Offs and Recoveries on Loans and Leases and Changes in Allowance).

Specifically, to accommodate the collection of the additional financial assets, item 68, "ALLL, prior quarter"; item 91, "Provisions for loan and lease losses during the quarter"; item 114, "Net Charge-offs during the quarter"; item 115, "Other ALLL Changes"; and item 116, "ALLL, current quarter," would be updated. First, as-of December 31, 2019, the existing items, would be re-numbered to items 68a, 91a, 114a, 115a, and 116a, and would continue to capture allowances, provisions, or charge-offs for loan and lease losses for institutions that have not yet adopted ASU 2016-13. Guidance would be added to the FR Y-14A, Schedule A.1.a (Income Statement) forms and instructions indicating that institutions that have adopted ASU 2016-13 should report allowances for credit losses on loans and leases, provisions for loans and leases, or net charge-offs on loans and leases in items 68a, 91a, 114a, 115a, and 116a. In addition, the title of item 114a would be revised to "Net charge-offs during the quarter on loans and leases." Second, as-of December 31, 2019, two additional items (noted as b. and c.) would be added to items 68, 91, 114, 115, and 116 to capture amounts associated with HTM and AFS debt securities. A footnote would indicate that these items are only to be reported by institutions that have adopted ASU 2016-13. Third, a total item would be added to derive the sum of the components of item 68, "Total ALLL prior quarter"; item 91, "Total provisions for loan and lease losses during the quarter"; item 114, "Total Net Charge-offs during the quarter"; item 115, " Other ALLL Changes"; and item 116, "Total Allowances, current quarter." For institutions that have not adopted ASU 2016-13, this total line item would represent the allowance for loan and lease losses.

As previously noted, as-of December 31, 2019, the Board would add guidance to all other references in the FR Y-14A, Schedule A.1.a (Income Statement) to "provision for loan and lease losses" and the "allowance for loan and lease losses" to indicate that institutions that have adopted ASU 2016-13 should report the "provision for credit losses" and the "allowance for credit losses." Upon full adoption, all applicable captions and descriptions would be updated to reflect adoption of the new credit loss terminology and footnoted guidance would be eliminated.

To address the elimination of the concept of OTTI by ASU 2016-13, upon full adoption or as-of March 31, 2022, at the latest, the Board proposes eliminating references to OTTI from item 126, "Realized Gains (Losses) on available-for-sale securities, including OTTI," and item 127, "Realized Gains (Losses) on held to maturity securities, including OTTI." From December 31, 2019, through March 31, 2022, a footnote would indicate that the inclusion of OTTI in these items does not apply to institutions that have adopted ASU 2016-13.

Schedule A.1.b (Balance Sheet)

To address the broader scope of financial assets for which allowances will be estimated under ASU 2016-13, the Board proposes revisions to the FR Y-14A report form and instructions to specify which assets should be reported net of an allowance for credit losses. As-of December 31, 2019, the Board proposes adding a footnote to item 1, "Held to Maturity"; item 120, "Securities Purchased Under Agreements to Resell"; and item 129, "Other Assets", on Schedule A.1.b. (Balance Sheet) to note that, in line with reporting on Schedule HC (Balance Sheet) of the FR Y-9C, institutions that have adopted ASU 2016-13 would report these amounts net of any applicable allowance for credit losses.

The Board proposes to keep the derivation of allowances on the FR Y-14A, Schedule A.1.b (Balance Sheet) specific to loans and leases. Therefore, as-of December 31, 2019, footnotes would be added to item 110, "Allowance for Loan and Lease Losses", and item 111, "Net of Unearned Income and Allowance for Loan and Leases Losses", indicating that for institutions that have adopted ASU 2016-13, the value would reflect allowance for credit losses on loans and leases in these items, and the item references would be updated. Upon full adoption, with the reports as-of March 31, 2022, at the latest, the caption would be updated to reflect the new credit loss terminology.

Schedule A.1.d (Capital)

The proposed reporting changes to Schedule A.1.d (Capital) align with the revisions described in the final CECL rule and the FR Y-9C.

Specifically, the Board is proposing to revise the instructions for Schedule A.1.d to indicate that institutions that have adopted CECL should use the adjusted allowances for credit losses instead of allowance for loan and lease losses in calculating regulatory capital. Language would be added as-of December 31, 2019, indicating this guidance on Schedule A.1.d., item 54, "Allowance for loan and lease losses includable in tier 2 capital." Upon full adoption, with the reports as-of March 31, 2022, at the latest, the caption would be updated to reflect the new credit loss terminology.

To address the potential election of the CECL transition provision as described in the final CECL rule, the Board also proposes to add guidance to the FR Y-14A, Schedule A.1.d, item 20, "Retained earnings," item 39, "DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold," item 54, "Allowance for loan and lease losses includable in tier 2 capital," item 77, "DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs," and item 85, "Average total consolidated assets," indicating that institutions that have adopted ASU 2016-13 and have elected to apply the transition provision should include or exclude, as outlined in the FR Y-9C, the applicable portion of the CECL transitional amount.

Schedule A.2.a (Retail Balance and Loss Projections)

To address the elimination of PCI assets under ASU 2016-13, the Board proposes to revise the instructions to indicate that institutions that have adopted ASU 2016-13 would not need to file item 7, "Cumulative Interim Loan Losses – Non-PCI," or item 8, "Cumulative Interim Loan Losses, PCI." Upon full adoption of ASU 2016-13, or as of March 31, 2022, at the latest, the Board proposes to eliminate items 7 and 8. Finally, since the projected fields are not currently reported for items 7 and 8, the Board proposes to move these fields to FR Y-14Q, Schedule M (Balances), effective December 31, 2019. These items would continue to be reported for each applicable mortgage type.

Schedule A.3 (AFS/HTM Securities)

Currently, three sub-schedules on the FR Y-14A, Schedule A.3 (AFS/HTM Securities) collect detailed information on projected OTTI by individual security (A.3.a), high level OTTI methodology and assumptions by portfolio (A.3.b), and projected OTTI by portfolio (A.3.c). By broadening the scope of financial assets for which the need for allowances for credit losses must be assessed to include HTM and AFS debt securities, the new credit loss standard eliminates the existing OTTI model for such securities. Subsequent to an institution's adoption of ASU 2016-13, the concept of OTTI will no longer be relevant and information on OTTI would no longer be captured. Therefore as-of December 31, 2019, the Board proposes that institutions that have adopted ASU 2016-13 would not report sub-schedules A.3.a, A.3.b, and A.3.c. Furthermore, sub-schedule A.3.a would also be eliminated as-of December 31, 2019, as this information is of limited value and use. A footnote and instructions would indicate that institutions that have adopted ASU 2016-13 do not need to file sub-schedules A.3.b and A.3.c starting as-of December 31, 2019, and the sub-schedules would be eliminated upon full adoption, as-of March 31, 2022, at the latest.

With the proposed removal of FR Y-14A, Schedule A.3 sub-schedules related to OTTI, the Board proposes replacing the three sub-schedules with two new sub-schedules, A.3.f (Expected Credit Loss and Provision for Credit Loss – HTM securities) and A.3.g (Expected Credit Loss and Provision for Credit Loss – AFS securities) to be filed by all institutions that have adopted ASU 2016-13 beginning as December 31, 2019. These sub-schedules would provide another source of information regarding impairment of securities. The new sub-schedules, A.3.f and A.3.g, would aim to collect basic credit loss and reserve information on HTM, and AFS securities, respectively, that is crucial to assess whether institutions properly estimate credit risk exposures and set aside adequate reserves to cover expected losses from their securities portfolios under CECL. The collected information would include the security asset class, accounting intent, amortized cost, total allowance for credit losses, and cumulative expected lifetime loss and provision for credit loss across the projection horizon.

In line with the above changes, the Board also proposes modifying the supporting documentation associated with AFS/HTM securities outlined in Appendix A.5 of the FR Y-14A as-of December 31, 2019. A statement would be added to the instructions indicating that institutions that have adopted ASU 2016-13 should submit supporting documentation on their other comprehensive income, expected credit loss, and provision projections as outlined in the instructions. Upon full adoption of CECL by all FR Y-14 filers, references to OTTI in the instructions for Appendix A would be eliminated.

Finally, given the changes in methodology for HTM securities under ASU 2016-13, the Board also proposes changing the scope of the FR Y-14A, sub-schedules A.3.d and A.3.e to include data related to only AFS and Equity securities. Institutions reporting under CECL methodology would no longer report impaired HTM securities in these sub-schedules beginning with the reports as-of December 31, 2019. Guidance would be added to the instructions indicating this. Upon full adoption of ASU 2016-13, the title and description of the sub-schedules would be updated.

Schedule A.7 (Pre-Provision Net Revenue (PPNR))

Currently, the instructions for the FR Y-14A, Schedule A.7 (PPNR), specify that gains and losses on AFS and HTM securities, including OTTI estimates, should not be reported as a component of PPNR. To reflect the elimination of the existing OTTI model under CECL, the Board proposes that the instructions for the FR Y-14A, sub-schedules A.7.a, A.7.b, and A.7.c be updated to indicate that institutions that have adopted ASU 2016-13 should not report gains and losses on AFS and HTM securities, including changes in credit loss provisioning, as a component of PPNR. A footnote would be added throughout the FR Y-14A, Schedule A.7 (PPNR) sub-schedules (including, but not limited to, items 11 and 24) as-of December 31, 2019, and would be incorporated in line with the instructions upon full adoption of CECL by all institutions.

In addition, references to PCI in the FR Y-14A, Schedule A.7.c, would not be applicable for institutions that have adopted ASU 2016-13 and would be eliminated upon full adoption of ASU 2016-13 by all institutions, or as-of March 31, 2022, at the latest. Specifically, as-of December 31, 2019, the Board proposes to add a footnote to item 50, "Carrying Value of Purchased Credit Impaired Loans," to indicate that institutions that have adopted ASU 2016-13 should report the carrying value of PCD loans in this item. Upon full adoption, the item caption and instructions would be updated. Because the net accretion of discount on loans is still necessary for modeling purposes, the Board proposes to add a footnote to item 51 indicating that institutions that have adopted ASU 2016-13 should report the net accretion of discount on loans included in interest revenues on item 51. The caption would be updated and the footnote removed upon full adoption of CECL by all institutions.

FR Y-14A, Schedule F (Business Plan Changes)

The FR Y-14A, Schedule F (Business Plan Changes) mirrors the structure of the FR Y-14A, Schedule A (Summary) schedule. Therefore, reporting guidance related to the adoption of ASU 2016-13 provided for the FR Y-14A, Schedule A, applies to comparable items reported on the FR Y-14A, Schedule F. Certain items that are derived on the FR Y-14A, Schedule A may need to be reported on the FR Y-14A, Schedule F and would be listed in the instructions and technical documentation, as necessary.

Collection of Supplemental CECL Information

As indicated in the final CECL rule and as outlined in the effective date description above, institutions would first reflect proposed amendments related to the adoption of ASU 2016-13 in the 2020 stress test cycle. For institutions that adopt ASU 2016-13, the CECL methodology may be reflected in the projection horizon of the FR Y-14A reports as-of December 31. However, actual data reported as-of December 31 may not reflect the adoption of CECL. Reporting in this manner would not allow for comparability of data across the actual and projected data for the annual cycle used in producing Dodd-Frank Act Stress Tests (DFAST) results and for the CCAR qualitative review. Furthermore, the Board needs to be able to identify the effect and timing of the adoption of CECL and the associated transition provision. Therefore, the Board proposes to add items to be reported by institutions that adopt ASU 2016-13 to capture the timing and impact of CECL adoption as of December 31. Upon full CECL adoption, or with the reports as-of March 31, 2022, at the latest, these items would be deleted from the report. This would include items related to:

- The first quarter in which a firm expects to incorporate CECL;
- The impact of the CECL transition provision on certain regulatory capital components;
- The cumulative-effect adjustment for changes in the allowance for credit losses;
- Allowances for credit losses recognized upon the acquisition of PCD assets;
- Initial effect of CECL methodology on loans and leases and HTM debt securities;
- Total allowance for credit losses;
- Allowance for credit losses on loans and leases held for investment; and
- Allowance for credit losses on debt securities.

The reporting form and instructions would note that, unless otherwise specified, these items are to be completed only by holding companies that have adopted ASU 2016-13 in the stress test cycle year of adoption.

<u>FR Y-14Q, Schedule B (Securities)</u>

Under CECL, certain concepts will no longer apply, including but not limited to PCI, OTTI, ASC 310-10, and ASC 310-30. The Board proposes eliminating or replacing references to these concepts throughout the FR Y-14Q, Schedule B.1 (Securities – Main Schedule). As-of December 31, 2019, a footnote would be added to the general instructions for this schedule indicating that these concepts do not apply to institutions that have adopted ASU 2016-13. Upon full adoption of CECL by all institutions, the references would be eliminated or updated with CECL terminology.

Similarly, the instructions for book yield and purchase date on the FR Y-14Q, Schedule B.1, include references to OTTI and ASC Topics that do not apply to institutions that have adopted ASU 2016-13. As-of December 31, 2019, a footnote would be added to those two items indicating that institutions that have adopted ASU 2016-13 should report based on the new credit loss methodology and in accordance with ASC Topic 326. Upon full adoption of CECL by all institutions, the item definitions would be updated in accordance with the footnote and the footnotes would be eliminated.

To further address the elimination of the concept of OTTI by ASU 2016-13, the Board proposes to remove the "OTTI Taken" item from the FR Y-14Q, Schedule B upon full adoption of CECL by all institutions. As-of December 31, 2019, the report form and instructions for this field would include guidance stating that it is to be completed only by institutions that have not adopted ASU 2016-13.

Due to the expanded scope of credit losses under CECL, the Board proposes collecting additional information on the FR Y-14Q, Schedule B.1 from institutions that have adopted ASU 2016-13, to properly assess the allowance established and maintained on applicable securities. To facilitate the collection of these data, as-of December 31, 2019, the Board proposes adding two items to the FR Y-14Q, Schedule B.1 that would be filed by institutions that have adopted ASU 2016-13: 1) "Amount of Allowance for Credit Losses" and 2) "Writeoffs." A footnote would be added indicating that only institutions that have adopted ASU 2016-13 would report these items. The footnote would be removed upon full adoption of CECL by all institutions.

FR Y-14Q, Schedule D (Regulatory Capital Transitions)[8]

The FR Y-14Q, Schedule D (Regulatory Capital Transitions) reflects the revised regulatory capital and supplementary leverage ratio rules on a fully phased-in basis for the reporting quarter. In consideration of the final CECL rule, the Board proposes adding guidance to the General Instructions of the FR Y-14Q, Schedule D, to indicate that this schedule should not reflect any election of the CECL transition provision. Where applicable, institutions would continue to reference the methodology descriptions outlined within the FR Y-9C, Schedule HC-R (Regulatory Capital). However, the numbers would not necessarily tie to the FR Y-9C reports, given that the FR Y-14Q, Schedule D requires calculations on a fully phased-in basis.

Consistent with the final CECL rule, institutions that have adopted ASU 2016-13 would report adjusted allowances for credit losses instead of allowance for loan and lease losses in calculating regulatory capital. Therefore, as-of December 31, 2019, the Board proposes to add guidance in FR Y-14Q, Schedule D.4, indicating the reporting of adjusted allowances for credit losses by institutions that have adopted ASU 2016-13 in item 23, "RWA for purposes of

[8] Additional revisions to Schedule D are being proposed in a separate notice.

calculating the allowance for loan and lease losses (ALLL) 1.25 percent threshold," and item 38, "Excess allowance for loan and lease losses." Upon full adoption of CECL by all institutions, the data item captions for both items would be updated to reflect adjusted allowance for credit loss methodology.

<u>FR Y-14Q, Schedule G (PPNR)</u>

The Board proposes changes to the FR Y-14Q, Schedule G (PPNR) that would mirror those outlined for the FR Y-14A, Schedule A.7 (Summary – PPNR), as applicable.

<u>FR Y-14Q, Schedule H (Wholesale)</u>

Since ASU 2016-13 supersedes ASC 310-30 and ASC 310-10, the Board proposes to revise Schedules H.1 and H.2 (Wholesale) to indicate that references and items related to ASC 310-30 and ASC 310-30 do not apply to institutions that have adopted ASU 2016-13, and to add items to accommodate reporting under ASU 2016-13. The changes are detailed below. The Board is proposing the changes to the FR Y-14Q, Schedules H.1 and H.2, with the intent that FR Y-9C and FR Y-14 reporting of the affected items by CECL and non-CECL filers align across the reports. The proposed revisions also aim to simplify the instructions for line items affected or eliminated by the change in credit loss methodology and to reduce necessary changes to the schedule over the CECL adoption period.

First, as-of December 31, 2019, the Board proposes updating the instructions for Committed Exposure Global (H.1, item 24, and H.2, item 5), Utilized Exposure Global (H.1, item 25), and Outstanding Balance (H.2, item 3) by eliminating references in the instructions to ASC 310-30 and ASC 310-10, and clarifying that all institutions should report these items consistent with the guidance in the FR Y-9C instructions, whether or not they have adopted ASU 2016-13.

Second, the existing items on Schedule H (Wholesale) that collect information on the reserve or adjustment applied to the credit facility according to ASC 310-10 (H.1, item 30 and H.2, item 46) or ASC 310-30 (H.1, item 31, and H.2, item 47) would no longer be filed by institutions that have adopted ASU 2016-13 given those impairment models are replaced by CECL. To accommodate reporting under ASU 2016-13, as-of December 31, 2019, the Board proposes adding two items to each of Schedule H.1 and H.2 for the reporting of applicable allowances for credit losses under ASC 326-20 (H.1, item 102, and H.2, item 63) and applicable purchased credit deteriorated noncredit discount (or premium) (H.1, item 103 and H.2, item 64). As-of December 31, 2019, guidance would also be added to the instructions for existing items 30 and 31 on Schedule H.1 and items 46 and 47 on Schedule H.2, indicating that these items would be reported as "0" by institutions that have adopted ASU 2016-13. The guidance would direct firms to report under the proposed new items (H.1, items 102 and 103, and H.2, items 63 and 64). Upon full adoption of ASU 2016-13 by all institutions, the Board proposes to eliminate all four items related to ASC 310-10 (H.1, item 30 and H.2, item 46) and ASU 310-30 (H.1, item 31 and H.2, item 47).

Third, to calculate the expected life of a loan, a field for current maturity date would be added to both the FR Y-14Q, Schedules H.1 and H.2 (items 104 and 65, respectively) as-of December 31, 2019. Under ASU 2016-13, the maturity date used in calculating lifetime losses does not allow for the inclusion of extension options (extension options are currently included in the existing maturity date field). A footnote would indicate that only institutions that have adopted ASU 2016-13 would report this field.

Finally, consistent with the above changes, as-of December 31, 2019, the Board is proposing to simplify the instructions in the "Reporting Specifications" section of both

Schedules H.1 and H.2 to indicate that institutions should report all loan and lease financing receivables consistent with the FR Y-9C instructions and to remove certain references to ASC 310-10 and ASC 310-30. For the remaining references to ASC 310-10 and ASC 310-30, a footnote would be added as-of December 31, 2019, indicating that institutions that have adopted ASU 2016-13 should report charge-offs, fair value adjustments, ASC 326-20 allowance for credit losses, and PCD noncredit discount (or premium) separately in the designated fields. Upon full adoption of CECL by all institutions, the remaining references to ASC 310-10, ASC 310-30, and Statement of Position (SOP) 03-3 would be eliminated or replaced with footnoted language and updated ASC references applicable under CECL.

FR Y-14Q, Schedule K (Supplemental)

Due to the elimination of PCI assets under ASU 2016-13, as-of December 31, 2019, the Board proposes adding a footnote to the FR Y-14Q, Schedule K (Supplemental) instructions and report form, indicating that institutions that have adopted ASU 2016-13 do not need to report information for Column C, "Cumulative Lifetime Purchase Impairments and Fair Value Adjustments." The Board determined this information would no longer be needed following the implementation of CECL, and Column C would be eliminated upon full adoption by all institutions.

FR Y-14Q, Schedule M (Balances)

Currently, Schedule M.3, Unpaid Principal Balance of Retail Loans in Domestic Offices Held for Investment at Amortized Cost by Purchased Credit Impairment, collects the book value and unpaid principal balance (UPB) of all retail loans and leases held for investment at amortized cost (HFI at AC) in domestic offices by purchased credit impairment status. To capture comparable information under ASU 2016-13 and retain the ability to determine the book value and UPB of loans by impairment status for modeling purposes, the Board proposes to modify Schedule M.3 to collect the book value and UPB of loans by purchased credit deterioration from institutions that have adopted ASU 2016-13.

As-of December 31, 2019, the Board proposes adding guidance to the instructions for Schedule M.3 indicating that institutions that have adopted ASU 2016-13 should report the book value of non-PCD loans in column A, the UPB of non-PCD loans in column B, the book value of PCD loans in column C and the UPB of PCD loans in column D. A similar footnote would be added to the report form.

In addition, to allow for reporting of cumulative interim loan losses (previously captured in items 7 and 8 of FR Y-14A, Schedule A.2.a) by institutions that have adopted ASU 2016-13, the Board proposes, as-of December 31, 2019, to require institutions that have adopted ASU 2016-13 to report the cumulative interim loan losses in a new item, "Cumulative Interim Loan Losses" in Schedule M.3, reported for each applicable mortgage type. This new item would be included in a new section of Schedule M.3 that would also include the Cumulative Interim Loan Losses – Non-PCI," and "Cumulative Interim Loan Losses, PCI," items that the Board is proposing to move from FR Y-14A, Schedule A.2.a.

Upon full adoption of CECL by all institutions, the existing guidance, schedule title, and column titles, would be updated to reflect PCD and non-PCD terminology and references to PCI would be eliminated.

FR Y-14M, Schedule A (First Lien), Schedule B (Home Equity), Schedule D (Credit Card)

Effective as-of December 31, 2019, unless otherwise indicated in the draft forms and instructions, the Board proposes adding guidance to the FR Y-14M data item captions and instructions for Schedules A (First Lien), B (Home Equity), and D (Credit Card) that reference the "provision for loan and lease losses" or the "allowance for loan and lease losses" to indicate that institutions that have adopted ASU 2016-13 should report the "provision for credit losses" and the "allowance for credit losses," respectively. Upon full adoption of CECL by all institutions, the data item captions and instructions would be updated to reflect the CECL terminology. This update would result in modifications to the following items:

- Schedule A.1, item 96, "Troubled Debt Restructure Flag," and Schedule A.1, item 119 "Loss/Write-down Amount," and Schedule A.2, item 3 "Loss/Write-down Amount"
- Schedule B.1, item 93 "Loss/Write-down Amount," and Schedule B.2, item 3 "Loss/Write-down Amount"
- Schedule D.1, item 107 "Principal Charge-off Amount – Current Month," Schedule D.2, item 9, "ALLL Managed Balance," item 10 "ALLL Booked Balance," item 18 "Booked Recoveries," item 23 "Interest and Fees Charge-off/Reversal Amount," item 26 "Loan Loss Provision Build," item 35 "Interest Income," and item 36 "Fee Income"

In addition, CECL introduces the concept of PCD financial assets, which replaces PCI assets under existing U.S. GAAP. To continue to differentiate PCD from non-PCD loans, references and items in the FR Y-14M to PCI or non-PCI would be modified to refer to PCD or non-PCD for institutions that have adopted ASU 2016-13.

Specifically, as-of December 31, 2019, the Board proposes adding guidance to the SOP 03-3 Status/Flag field (Schedule A.1, item 92; Schedule B.1, item 60; and Schedule D.1, item 14) indicating that institutions that have adopted ASU 2016-13 would report in this field whether loans are accounted for as purchased credit deteriorated. Upon full adoption, the existing PCI and

SOP 03-3 terminology would be eliminated and the item captions would change to "Purchased Credit Deteriorated (PCD) Status".

Currently, institutions segment portfolio level data in Schedules A (First Lien) and B (Home Equity) based on certain characteristics, including a segment for portfolio loans that are held for investment and purchased impaired. Consistent with other changes to the FR Y-14M report, as-of December 31, 2019, the Board proposes indicating in the FR Y-14M instructions that institutions that have adopted ASU 2016-13 should report PCD Loans in the existing "HFI Purchased Credit Impaired" segment. Upon full adoption, the name of the segment would be updated to "HFI Purchased Credit Deteriorated." The allowable values for the corresponding Portfolio Segment ID field (Schedule A.2, item 1 and Schedule B.2, item 1) would contain the same guidance and, upon full adoption of ASU 2016-13, would be updated accordingly.

Finally, the Board proposes updating the instructions for Unpaid Principal Balance (Net) (item 95) on Schedule B.1, to indicate that references to PCI in the definition for this item do not apply to institutions that have adopted ASU 2016-13. The Board would remove these references in the definition upon full adoption.

Legal authorization and confidentiality: The Board has the authority to require BHCs to file the FR Y-14 reports pursuant to section 5 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. 1844), and to require the U.S. intermediate holding companies of foreign banking organizations to file the FR Y-14 reports pursuant to section 5 of the BHC Act, in conjunction with section 8 of the International Banking Act (12 U.S.C. 3106). The Board also has the authority to require BHCs and the U.S. IHCs of FBOs to file the FR Y-14 reports pursuant to section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5365(i)). The FR Y-14 reports are mandatory.

The information collected in these reports is collected as part of the Board's supervisory process, and therefore is afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act ("FOIA") (5 U.S.C. 552(b)(8)). In addition, individual respondents may request that certain data be afforded confidential treatment pursuant to exemption 4 of FOIA if the data has not previously been publically disclosed and the release of the data would likely cause substantial harm to the competitive position of the respondent (5 U.S.C. 552(b)(4)). Determinations of confidentiality based on exemption 4 of FOIA would be made on a case-by-case basis.

Consultation outside the agency: There has been no consultation outside the agency.

Board of Governors of the Federal Reserve System, July 26, 2019.

Michele Taylor Fennell,

Assistant Secretary of the Board.

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