



## **FEDERAL RESERVE SYSTEM**

### **Agency Information Collection Activities: Announcement of Board Approval under Delegated Authority and Submission to OMB**

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

**ACTION:** Approval of information collection.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board) has adopted 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). The revisions are applicable with as of dates ranging from September 30, 2020, to June 30, 2021.

**FOR FURTHER INFORMATION CONTACT:** 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.

Office of Management and Budget (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.

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. These documents also are available on the Federal Reserve 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 above.

**SUPPLEMENTARY INFORMATION:** On June 15, 1984, OMB delegated to the Board authority under the PRA to approve and assign OMB control numbers to collections of

information 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 instrument(s) are placed into OMB's public docket files.

**Final Approval under OMB Delegated Authority of the Extension for Three Years, With Revision, of 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, quarterly, and monthly.

*Respondents:* These collections of information are applicable to bank holding companies (BHCs), U.S. intermediate holding companies (IHCs), and savings and loan holding companies (SLHCs)<sup>1</sup> with \$100 billion or more in total consolidated assets, as based on: (i) the average of the firm's total consolidated assets in the four most recent quarters as reported quarterly on the firm's Consolidated Financial Statements for Holding Companies (FR Y-9C); or (ii) if the firm has not filed an FR Y-9C for each of the most recent four quarters, then the average of the firm's total consolidated assets in the most recent consecutive quarters as reported quarterly on the firm's FR Y-9Cs. Reporting is required as of the first day of the quarter immediately following the quarter in which the respondent meets this asset threshold, unless otherwise directed by the Board.

*Estimated number of respondents:* FR Y-14A/Q: 36; FR Y-14M: 34.<sup>2</sup>

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<sup>1</sup> SLHCs with \$100 billion or more in total consolidated assets become members of the FR Y-14Q and FR Y-14M panels effective June 30, 2020, and the FR Y-14A panel effective December 31, 2020. [See](#) 84 FR 59032 (November 1, 2019).

<sup>2</sup> The estimated number of respondents for the FR Y-14M is lower than for the FR Y-14Q and FR Y-14A because, in

*Estimated average hours per response:* FR Y-14A: 926 hours; FR Y-14Q: 2,201 hours; FR Y-14M: 1,072 hours; FR Y-14 On-going Automation Revisions: 480 hours; FR Y-14 Attestation On-going Attestation: 2,560 hours.

*Estimated annual burden hours:* FR Y-14A: 33,336 hours; FR Y-14Q: 316,944 hours; FR Y-14M: 437,376 hours; FR Y-14 On-going Automation Revisions: 17,280 hours; FR Y-14 Attestation On-going Attestation: 33,280 hours.

*General description of report:* This family of information collections is composed of the following three reports:

- The 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.<sup>3</sup>
- The quarterly FR Y-14Q collects granular data on various asset classes, including loans, 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 (FR Y-14 reports) provide the Board with the information needed to help ensure that large firms have strong, firm-wide risk

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recent years, certain respondents to the FR Y-14A and FR Y-14Q have not met the materiality thresholds to report the FR Y-14M due to their lack of mortgage and credit activities. The Board expects this situation to continue for the foreseeable future.

<sup>3</sup> On October 10, 2019, the Board issued a final rule that eliminated the requirement for firms subject to Category IV standards to conduct and publicly disclose the results of a company-run stress test. See 84 FR 59032 (Nov. 1, 2019). That final rule maintained the existing FR Y-14 substantive reporting requirements for these firms in order to provide the Board with the data it needs to conduct supervisory stress testing and inform the Board's ongoing monitoring and supervision of its supervised firms. However, as noted in the final rule, the Board intends to provide greater flexibility to banking organizations subject to Category IV standards in developing their annual capital plans and consider further change to the FR Y-14 forms as part of a separate proposal. See 84 FR 59032, 59063.

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) and Dodd-Frank Act Stress Test (DFAST) exercises, which complement other Board supervisory efforts aimed at enhancing the continued viability of large firms, including continuous monitoring of firms' planning and management of liquidity and funding resources, as well as regular assessments of credit, market and operational risks, and associated risk management practices. 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 17 filings each year: one annual FR Y-14A filing, four quarterly FR Y-14Q filings, and 12 monthly FR Y-14M filings. Compliance with the information collection is mandatory.

*Current actions:* On March 19, 2020, the Board published a notice in the Federal Register (85 FR 15776) requesting public comment for 60 days on the extension, with revision, of the FR Y-14 reports. The proposed revisions consisted of changes necessary to better identify risk as part of the stress tests, such as revisions related to wholesale, trading, and counterparty exposures, as well as capital revisions related to capital simplification, total loss-absorbing capacity (TLAC), and the standardized approach for counterparty credit risk (SA-CCR). The Board also proposed to make several clarifications to the instructions that were, in part, prompted by questions the Board had received from reporting institutions. The comment period for this notice expired on May 18, 2020. The Board received two comment letters from banking organizations and one comment letter from a banking industry group. The Board has adopted the proposed revisions, except as discussed below. In addition, although the Board did not receive any comment letters

regarding the proposed revisions related to a proposed rule that would modify the Board's TLAC requirements,<sup>4</sup> the Board has not adopted these revisions as proposed. Instead, the Board would address these revisions at such point as the Board adopts a final rule.

## **Detailed Discussion of Public Comments**

### *Capital Simplifications*

The Board proposed to revise the FR Y-14 reports to incorporate the changes finalized by the agencies that amended their regulatory capital rules (simplifications rule).<sup>5,6</sup> The Board proposed these revisions to be effective for the September 30, 2020, FR Y-14Q submission and for the December 31, 2020, FR Y-14A submission. In the simplifications rule, the agencies adopted a simpler methodology for non-advanced approaches banking organizations<sup>7</sup> to calculate minority interest limitations and simplified the regulatory capital treatment of mortgage service assets (MSAs), temporary difference deferred tax assets (DTAs), and investments in the capital of unconsolidated financial institutions for non-advanced approaches banking organizations. The simplifications rule became effective April 1, 2020.<sup>8</sup>

The Board received two comments on the proposed changes to the FR Y-14 reports related to the simplifications rule. First, a banking organization asked why the timing of the capital simplifications-related proposed revisions to the FR Y-14Q report did not align with the timing of similar revisions made to the FR Y-9C, which were effective for the March 31, 2020,

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<sup>4</sup> See 84 FR 13814 (April 8, 2019).

<sup>5</sup> See 12 CFR part 3 (OCC); 12 CFR part 217 (Board); 12 CFR part 324 (FDIC). While the agencies have codified the capital rule in different parts of title 12 of the Code of Federal Regulations, the internal structure of the sections within each agency's rule is substantially similar. All references to sections in the capital rule or the proposal are intended to refer to the corresponding sections in the capital rule of each agency.

<sup>6</sup> See 84 FR 35234 (July 22, 2019).

<sup>7</sup> Non-advanced approaches banking organizations are institutions that do not meet the criteria in 12 CFR 3.100(b) (OCC); 12 CFR 217.100(b) (Board); or 12 CFR 324.100(b) (FDIC).

<sup>8</sup> Eligible firms could have chosen to adopt the simplifications rule effective January 1, 2020.

as of date.<sup>9</sup> The same banking organization also asked whether firms could early adopt the capital simplifications revisions for FR Y-14Q reporting before the proposed effective dates.

In order to allow firms to incorporate the effects of the capital simplifications rule into the FR Y-14Q report, the Board would have needed to add items to Schedule D (Regulatory Capital), which it proposed to do. It was not possible to allow eligible firms to incorporate the effects of the capital simplifications rule before the proposed effective date of September 30, 2020, without temporarily revising the FR Y-14Q. Firms will have to wait until the September 30, 2020, FR Y-14Q submission, to be able to incorporate these effects, and firms do not have the option to early adopt for FR Y-14Q reporting purposes. It is important to note that this does not inhibit eligible firms from taking advantage of the capital simplifications rule for purposes of capital adequacy compliance through other reports, such as the FR Y-9C.

#### Counterparty

##### *Client-cleared Derivatives*

The Board proposed to require all client-cleared derivatives exposures to be reported on the large counterparty default (LCPD) section of FR Y-14Q, Schedule L (Counterparty), effective beginning September 30, 2020. One commenter was not supportive of this revision, as it commented that firms do not have this information readily available. Per the commenter, it would be operationally burdensome for firms to gather information related to client-cleared derivatives, especially given the volume of reported data that this revision would add to Schedule L. The commenter suggested that if the Board were to adopt this revision as proposed, then the Board should delay the effective until June 30, 2021.

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<sup>9</sup> See 85 FR 18230 (April 1, 2020).

The Board acknowledges the operational concerns raised by the industry, especially given the timing of the coronavirus disease 2019 (COVID-19) pandemic. The Board has adopted this revision as proposed, except that it has delayed the effective date until June 30, 2021. In fact, due to the operational concerns raised by the industry and the timing of the COVID-19 pandemic, the Board has delayed the effective date for all FR Y-14Q, Schedule L revisions until June 30, 2021.

The same commenter further stated that this revision would require firms to report exposures of their clients, and not exposures of the banks themselves. Per the comment, this goes against the spirit of the data collection, which is to capture reporting firm exposures.

The Board notes that, per the draft instructions, the requirement for a firm to report its exposures to clients (i.e., member to client leg) applies only when the firm has credit exposures to a client, either directly (i.e., the case in which the firm is acting as a financial intermediary on behalf of the client and enters into an offsetting transaction with a central counterparty (CCP) or an exchange (referred to as a back-to-back derivative)), or indirectly (i.e., the case in which the firm guarantees the client's performance to a CCP or an exchange (referred to as a guaranteed derivative)). Further, a firm's reporting requirement associated with its client-cleared exposures to CCPs (i.e., member to CCP leg) applies only when the firm has a credit exposure to a CCP, that is, either directly (i.e., the case of a back-to-back derivative) or indirectly (i.e., the case in which the firm guarantees the performance of the CCP or exchange to the client). Therefore, firms are only required to report client-clearing derivative exposures in instances where firms are directly or indirectly exposed. For these reasons, the Board has adopted this revision as proposed, except that has delayed the effective date until June 30, 2021.

The commenter also expressed concern that it is not clear on which portions of Schedule L client-cleared derivatives exposures information should be reported. Per the comment, the initial notice used the phrase “large counterparty default” section and the draft instructions provided with the initial notice did not specify where these exposures should be reported.

Per the proposal, client-cleared derivatives exposures information would be reported in Schedule L.5 (Derivatives and Securities Financing Transactions (SFT) Profile). The Board has adopted this revision as proposed, except that has delayed the effective date until June 30, 2021.

The Board specified in the initial notice that it was only going to collect information on client-cleared derivative exposures for monitoring purposes, and not for use in the stress test at this time. Per the commenter, the draft instructions provided with the initial notice did not make it clear how client-cleared derivative exposures would be delineated from other exposures to ensure they would not be included in the stress test at this time.

The Board will be able to delineate client-cleared derivative exposures from other exposures using the "Agreement Role" item of Schedule L.5.1 (Derivative and SFT information by counterparty legal entity and netting set/agreement). The “Agreement Role” item provides the firm with a means to report its cleared derivative exposures to a client in a manner that may be distinguished from the firm's other bilateral derivative exposures to the client. The Board has adopted this revision as proposed, except that has delayed the effective date until June 30, 2021.

#### *Netting Agreement Reporting*

The Board proposed to revise the FR Y-14Q, Schedule L instructions to provide illustrative examples that clarify netting agreement reporting requirements, including describing when firms should report mark-to-market (MtM) amounts with a counterparty on a gross or net basis. One commenter indicated that under U.S. Generally Accepted Accounting Principles

(GAAP), firms are not permitted to offset negative and positive MtM with the same counterparty in the absence of a legally enforceable netting agreement. Per the commenter, the proposed reporting of netting requirements would go against U.S. GAAP. The commenter recommended that the Board permit firms to report positive and negative MtM amounts with a counterparty on a gross basis without offsetting in the absence of a legally enforceable netting agreement between the firm and the counterparty.

While the proposed change to the netting agreement reporting section in Schedule L.5 reiterated the existing language in other parts of the instructions pertaining to Net Current Exposure (CE) and Mark-to-Market (MtM) items, the Board acknowledges the point raised by the commenter concerning the importance of consistency between FR Y-14 reporting and U.S. GAAP, where possible. To that end, the Board has modified the instructions so that firms are required to report MtM amounts with a counterparty on a gross basis without offsetting positive and negative MtM amounts in cases where there is no legally enforceable netting agreement. In essence, the netting rule should apply consistently between MtM and Net CE even when there is no netting agreement in place, or when a netting agreement exists but that is not legally enforceable, so that both data fields are computed after aggregating across positions that have positive MtM amounts, without allowing any offset against negative MtM amounts.

The same commenter also asked the Board to provide additional examples regarding netting agreement reporting provided in the draft instructions to better illustrate how firms should report when both positive and non-positive legal opinions exist for a given netting agreement. Specifically, the commenter recommended that the Board clarify how values should be reported if there are both positive and negative legal opinions on collateral enforceability for a netting agreement.

The Board strives to clarify the instructions to ensure accurate reporting where possible, and has revised the instructions to state that in cases where mixed legal opinions exist for either a netting agreement or a collateral enforceability, firms should apply the methodologies that are consistent with the treatment for the regulatory capital rules, and report applicable data fields accordingly.

A commenter recommended that the Board include instructions on what agreement type value should be reported in cases where there is both SFT and derivatives exposure but not cross product netting. Additionally, the commenter recommended that the Board clarify what value of agreement type should be included if there is no netting agreement for SFT and derivatives between CCP and non-CCP.

In order to remove ambiguity, the Board has revised the instructions so that firms may report "Other" under "Agreement Type" in cases where the allowable entries currently listed in the instructions do not represent the characteristics of the exposure being reported.

A commenter asked the Board to clarify how to aggregate contractual terms from credit support annexes (CSAs). Per the commenter, firms currently report at the margin level, while the proposed instructions would require firms to report at netting agreement level.

For clarity, the Board has revised the instructions so that firms may report certain margin agreement details (such as agreement type, CSA contractual features, non-cash collateral type, threshold, minimum transfer amount CP, margin frequency, etc.) at a margin agreement level in cases where multiple CSAs with different contractual features per netting agreement exist. When doing so, firms are required to use the "Netting Set ID" naming convention in a manner that is a concatenation of a unique identifier assigned to a netting agreement and that to a margin agreement.

A commenter further requested that the Board provide clarification regarding reporting granularity of counterparty and netting, as these concepts differ between Schedules L.1 and L.5.

The Board notes that the level of granularity of counterparty and netting intentionally differs between Schedules L.1 and L.5. Consistent with the proposed instructions, firms should report Schedules L.1-L.3 at the counterparty legal entity level and Schedule L.5 at the netting set level. The Board has adopted the revision as proposed, except that has delayed the effective date until June 30, 2021.

#### *CDS Hedge Notional*

The Board proposed several revisions to the instructions surrounding the “CDS Hedge Notional” item on FR Y-14Q, Schedule L.5.1, such as clarifying that when firms are calculating the net notional amount, purchased CDS hedge notional amounts must be reflected as negative amounts and sold amounts must be reflected as positive amounts. A commenter stated that the concept of CDS hedges appears also appears on Schedule L.1, and the definitions are not consistent between Schedule L.1 and Schedule L.5.1.

The Board notes that the scope of CDS hedge positions in Schedule L.1 intentionally differs from that of Schedule L.5.1. Consistent with the instructions, the “Single Name Credit Hedges” item in Schedule L.1 is limited to single name CDS only, whereas the “CDS Hedge Notional” item in Schedule L.5.1 covers a range of positions that are eligible credit derivatives as defined in 12 CFR 252.71. The Board has adopted the revisions as proposed, except that has delayed the effective date until June 30, 2021.

#### *Variation margins*

The Board proposed to align the FR Y-14Q, Schedule L instructions regarding how variation margins can be treated with the guidance provided in SR Letter 17-7 (Regulatory

Capital Treatment of Certain Centrally-cleared Derivative Contracts under the Board's Capital Rule).<sup>10</sup> The commenter asked to confirm whether this guidance could be interpreted as requiring firms to report zero in the variation margin column for exposures to CCPs, whose rulebook considers variation margin as a settlement payment. In addition, the commenter asked the Board to confirm whether variation margin should be included in the Gross CE column of Schedule L and whether firms should continue to report all exposures to the CCP, such as default fund contributions and initial margin and any other collateral provided to the CCP that exceeds contract MtM amounts in their specific columns.

The Board confirms that the commenter's interpretation of SR 17-7 is appropriate for the Schedule L reporting purposes, and has adopted the revision as proposed, except that has delayed the effective date until June 30, 2021.

### Trading

#### *Formalizing supplemental collections*

The Board proposed to formalize two supplemental collections by incorporating them into FR Y-14Q, Schedule F (Trading). One of these supplemental collections would require firms to report corporate single name exposures at the obligor level in Schedule F.22 ([Incremental Default Risk] IDR – Corporate Credit) along with corporate index exposures at the series level.

A commenter stated that requiring firms to report corporate single name exposures at the obligor level, as well as corporate index exposures at the series level, would result in significant operational challenges, as this level of data is not readily available in firms' internal systems. Per the commenter, the supplemental collection on which this proposal was based was only collected

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<sup>10</sup> <https://www.federalreserve.gov/supervisionreg/srletters/sr1707a1.pdf>.

annually, and so the data was aggregated manually by firms. Since the proposal would have required that this information be provided on a quarterly basis, firms would have needed to develop a systemic solution, which would take time to implement. Therefore, the commenter recommended that this revision be delayed until June 30, 2021. The commenter also recommended that the Board clarify the definition of “average credit spread” in the instructions for Schedule F.22.

The Board acknowledges the operational concerns raised by the industry, especially given the timing of the COVID-19 pandemic. In light of these concerns, the Board has adopted the requirements to report corporate single name exposures at the obligor level and to report corporate index exposures at the series level as proposed, except that the Board has delayed the effective date of this revision until June 30, 2021. In addition, Board has revised the instructions for Schedule F.22 to specify that the "average credit spread" should be calculated using a standardized 5-year tenor.

#### *Hedge reporting*

The Board proposed to require firms to report a version of FR Y-14Q, Schedule F that captures the impact of accrual loan hedges. A commenter indicated that it would be operationally burdensome to submit data on accrual loan hedges on a quarterly basis, as controls and verification for this data need to be set up. The commenter further stated that for some firms, hedges are generally utilized to cover credit risk without regard for how the underlying loan is accounted. Therefore, in order to comply with the proposed revisions related to accrual loan hedges, such firms would need to isolate hedges based on accounting treatment of their underlying loan risk. Per the commenter, separating this data would pose a significant burden for

such firms, and would require them to invest additional time and resources in FR Y-14 reporting. Given this, the commenter recommended that this revision be postponed until June 30, 2021.

The Board acknowledges the operational concerns raised by the industry, especially given the timing of the COVID-19 pandemic. In light of these concerns, the Board has adopted the requirement to separately report accrual loan hedges as proposed, except that the Board has delayed the effective date of this revision until June 30, 2021.

The Board proposed to add the following language to the Schedule F instructions: “Positions that are held outside of the trading book that are hedges of accrual loans or hedges of loans held under fair value accounting (FVO hedges) should not be included in this schedule. Instead, they should each be reported separately in their own FR Y-14Q Trading schedules.” A commenter asked the Board to specify to which “positions” these instructions refer, and to clarify the reporting requirements for such positions.

To minimize ambiguity, the Board has clarified that the phrase “outside the trading book” refers to positions reported outside of FR Y-9C, Schedule HC-D (Trading Assets and Liabilities). Reporting locations for such positions include, for example, FR Y-9C, Schedules HC-F (Other Assets) and HC-G (Other Liabilities).

Further, the Board has revised the instructions to make it clear that positions hedging FVO loans should be reported with submission type "FVO Hedges" and positions hedging accrual loans should be reported with submission type "Accrual Loan Hedges."

The Board proposed revisions related to hedge reporting on FR Y-14Q, Schedule F in order to isolate the impact of specific hedges (e.g., X-valuation adjustment or XVA hedges). Specifically, the Board proposed to revise the instructions to clarify that XVA hedges should not be reported on Schedule F. A commenter stated that not requiring XVA hedges to be reported on

Schedule F would be challenging for firms, as these hedges are built into pricing models when re-valuing positions under the global market shock. Further, per the commenter, these hedges are critical for reporting the impact for private equity exposures. The commenter stated that adopting these revisions as proposed would require significant modeling changes, which would create operational burden in terms of testing and validating results. Therefore, the commenter recommended that this revision be delayed until June 30, 2021.

The Board acknowledges the changes required for firms to comply with this proposed revision. Given these challenges and the timing of the COVID-19 pandemic, the Board has adopted the revision as proposed, except that it has delayed the effective date until June 30, 2021.

#### Wholesale

##### *Undrawn Commitments*

The Board proposed to revise the FR Y-14Q, Schedule H (Wholesale) to require firms to report interest rate data for undrawn commitments as if they were fully drawn on the reporting date. A commenter stated that the Board should not adopt this revision, as most firms do not have systems in place to capture interest rate information on undrawn commitments. Per the commenter, gathering and vetting this information would require significant manual review of physical documents.

The Board needs interest rate information for undrawn exposures to more accurately estimate wholesale risk and potential credit availability in a stressed environment, as interest rate information provides a measure of risk that is quantitative and uniformly defined across reporting entities. However, due to the challenges associated with adopting this revision, as well

as the timing of the COVID-19 pandemic, the Board has delayed the effective date for this revision until December 31, 2020.

Two commenters stated that in many cases, there are multiple interest rate options available for an undrawn commitment and the borrower is not required to choose an interest rate until a draw has been made. The commenters also requested that the Board clarify how the interest rate should be reported for variable rate loans, credit facilities with loans with varying interest rates, loans with multiple rate reset scenarios, and interest rates based on performance metrics. The Board proposed instructions that would have required firms to report the most conservative interest rate allowed per the terms of the credit agreement if a credit facility allows for multiple interest rates. Per one of the commenters, requiring the most conservative rate would need to be recalculated for each report date, which would require significant resources.

To reduce the unintended burden of recalculating the most conservative interest rate each quarter, the Board has revised the language regarding which interest rate to report for facilities with multiple interest rate options to specify that firms should report the most conservative (highest) rate as of the most recent of origination or renewal date. The Board has revised the instructions to further clarify that in cases when the facility is an acquired facility and acquired more recently than origination or renewal, the reported rate should be the most conservative at time of acquisition. This revised language allows for consistent reporting over time of the combination of options that comprise an interest rate for an undrawn facility. For example, assuming at origination, a London Inter-Bank Offered Rate (LIBOR) index plus spread amounts to a 4.25% interest rate, and a Base index plus spread amounts to a 4.50% interest rate, the interest rate reported would be the Base index plus spread for each subsequent reporting period

that the origination or renewal date does not change and the facility remains fully undrawn. The same logic should be applied to other scenarios that allow for multiple interest rates.

A commenter stated that there was the need for further clarification in order to properly calculate interest rates for undrawn commitments, such as in situations where the date used to calculate the interest rate is a different date than the draw date.

To remove ambiguity, the Board has clarified the instructions to state that the funding date should be considered the reporting date.

#### *Legal Entity Identifiers*

The Board proposed to require firms to report Legal Entity Identifiers (LEIs) assigned to obligors and if applicable, entities that are identified as the primary source or repayment when the primary source of repayment differs from the reported obligor, for credit facilities reported on Schedule H. A commenter indicated that many firms do not collect LEI information from their clients and there is no automated way to gather or validate LEI data. Per the commenter, firms do not currently have systems in place to maintain LEI information and small naming differences or misspellings can lead to LEI mismatches. Therefore, requiring LEIs would require costly system updates and significant resources to accurately report.

The commenter further added that requiring LEIs at any time would be challenging, but given the outbreak of the COVID-19 pandemic, firms do not have ample resources to dedicate to system changes associated with LEIs. The commenter recommended that if the Board adopts this proposal, then it should delay this requirement until after the COVID-19 pandemic has subsided.

The Board believes there is a significant benefit to using LEI data to identify obligors, as it is globally available and contains information about entity structure. This makes it a beneficial addition to the other identifiers collected in the Schedule H, and the trend is toward using LEI

data. However, the Board acknowledges that firms will need time to capture the LEI data for their obligors, especially given the timing of the COVID-19 pandemic. Accordingly, the Board has adopted this revision as proposed, except that it has delayed the effective date of this revision until June 30, 2021.

### *Property Size*

The Board proposed to revise FR Y-14Q, Schedule H.2 (Commercial Real Estate), item 39 (“Property Size”) to clarify that predominance can be used to determine the units even if the loan consists of mixed property types. A commenter stated that this revision inadvertently creates ambiguity as it would no longer be clear when the “Other” option for item 39 would be used. The commenter further stated that the proposed revision would not clearly address the reporting of mixed property types, as it would still be unclear if firms are to only report the size of the single predominate property type and exclude the size of the other property types that secure the facility. For these reasons, the commenter suggested not adopting the proposed revisions.

The Board believes the proposed clarifications remain necessary as they address an ambiguity in the instructions concerning how to report property size when there is a single property with multiple property types where one property type predominates. To provide greater clarity, the Board has revised the instructions for item 39 to indicate the reporting of property size when the option reported in Schedule H.2, item 9 (“Property Type”) is “Other”. The Board has also revised the instructions to state that the reported property size should be based on the size of the entire property.

### *Capital Call Subscriptions*

The Board proposed to add options of “Revolving Credit (of any type) – Capital Call Subscription” and “Term loan (of any type) – Capital Call Subscription” to FR Y-14Q, Schedule

H.1, item 20 (“Credit Facility Type”). The Board also proposed to add the option of “Capital Call Subscription” to item 22 (“Credit Facility Purpose”). A commenter indicated that the Board should not adopt the revisions to item 20, as the Board could combine the values reported in items 20 and 22 to identify revolving credit and term loans that are capital call subscriptions.

The Board agrees with the commenter that the revisions as proposed are duplicative. As a result, the Board has not adopted the proposed revisions to the instructions for Schedule H.1, item 20 (“Credit Facility Type”). However, the Board has adopted the revisions as proposed to Schedule H.1 (Corporate Loan), item 22 (“Credit Facility Purpose”), so that the Board can still identify capital call subscriptions.

### Retail

#### *Credit Cards*

The Board proposed to revise items 11 (“Projected Managed Losses”) and 12 (“Projected Booked Losses”) of FR Y-14M, Schedule D.2 (Portfolio Level Credit Card Information) to require firms to project lifetime losses under current expected credit losses (CECL) projections on a rolling basis each month, as opposed to only losses over the next twelve months on a rolling basis each month. A commenter stated that these proposed revisions do not allow firms to report losses quarterly, which would align with current CECL practices of calculating losses at most firms. A commenter suggested that the Board revise the instructions to provide firms more flexibility for reporting items 11 and 12.

The Board notes that firms should use an appropriate model for calculating projected managed and booked losses that is consistent with current accounting guidelines and firms’ own modeling frameworks. Therefore, to allow flexibility in reporting, the Board has removed the language “rolling basis each reporting month” from items 11 and 12. Additionally, the Board has

not adopted the proposed revisions to the instructions to project through the expected lifetime of the loans for line items 11 and 12. Rather, the Board will continue to require firms to report projected managed and booked losses over the next twelve months for each respective portfolio.

A commenter indicated that the proposed revisions to items 11 and 12 would require firms that have adopted CECL to report duplicative data in these items as they are required to report in Schedule D.2, items 9 (“ALL Managed Balance”) and 10 (“ALL Booked Balance”), respectively. Additionally, the commenter asked the Board to clarify whether the values reported in items 11 and 12 should include projected interest and fees.

Given that the Board has not adopted the revision as proposed to items 11 and 12, the instructions for items 11 and 12 will continue to differ from those of items 9 and 10. The instructions for items 9 and 10 reflect the lifetime expected credit losses for firms that have adopted CECL, whereas the instructions for items 11 and 12 require institutions that have adopted CECL to report the allowance for credit losses managed or booked balance over the next 12 months, respectively. Also, given the intention to capture total projected losses within items 11 and 12, the Board has clarified the instructions for these items to require firms to include projected losses recognized to on-balance sheet interest and fees.

*Legal authorization and confidentiality:* The Board has the authority to require BHCs to file the FR Y-14 reports pursuant to section 5(c) of the Bank Holding Company Act (“BHC Act”), 12 U.S.C. 1844(c), and pursuant to section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), 12 U.S.C. 5365(i), as amended by section 401(a) and (e) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).<sup>11</sup> The Board has authority to require SLHCs to file the FR Y-14 reports pursuant to

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<sup>11</sup> Pub. L. No. 115-174, Title IV § 401(a) and (e), 132 Stat. 1296, 1356-59 (2018).

section 10(b) of the Home Owners' Loan Act (12 U.S.C. 1467a(b)), as amended by section 369(8) and 604(h)(2) of the Dodd-Frank Act. Lastly, the Board has authority to require U.S. IHCs of FBOs to file the FR Y-14 reports pursuant to section 5 of the BHC Act, as well as pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Act, 12 U.S.C. 5311(a)(1) and 5365.<sup>12</sup> In addition, section 401(g) of EGRRCPA, 12 U.S.C. 5365 note, provides that the Board has the authority to establish enhanced prudential standards for foreign banking organizations with total consolidated assets of \$100 billion or more, and clarifies that nothing in section 401 "shall be construed to affect the legal effect of the final rule of the Board... entitled 'Enhanced Prudential Standard for [BHCs] and Foreign Banking Organizations' (79 Fed. Reg. 17240 (March 27, 2014)), as applied to foreign banking organizations with total consolidated assets equal to or greater than \$100 million."<sup>13</sup> The FR Y-14 reports are mandatory. The information collected in the FR Y-14 reports is collected as part of the Board's supervisory process, and therefore, such information is afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act (FOIA), 5 U.S.C. 552(b)(8). In addition, confidential commercial or financial information, which a submitter actually and customarily treats as private, and which has been

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<sup>12</sup> Section 165(b)(2) of the Dodd-Frank Act, 12 U.S.C. § 5365(b)(2), refers to "foreign-based bank holding company." Section 102(a)(1) of the Dodd-Frank Act, 12 U.S.C. § 5311(a)(1), defines "bank holding company" for purposes of Title I of the Dodd-Frank Act to include foreign banking organizations that are treated as bank holding companies under section 8(a) of the International Banking Act of 1978, 12 U.S.C. § 3106(a). The Board has required, pursuant to section 165(b)(1)(B)(iv) of the Dodd-Frank Act, 12 U.S.C. § 5365(b)(1)(B)(iv), certain foreign banking organizations subject to section 165 of the Dodd-Frank Act to form U.S. intermediate holding companies. Accordingly, the parent foreign-based organization of a U.S. IHC is treated as a BHC for purposes of the BHC Act and section 165 of the Dodd-Frank Act. Because Section 5(c) of the BHC Act authorizes the Board to require reports from subsidiaries of BHCs, section 5(c) provides additional authority to require U.S. IHCs to report the information contained in the FR Y-14 reports.

<sup>13</sup> The Board's Final Rule referenced in section 401(g) of EGRRCPA specifically stated that the Board would require IHCs to file the FR Y-14 reports. See 79 Fed. Reg. 17240, 17304 (March 27, 2014).

provided pursuant to an express assurance of confidentiality by the Board, is considered exempt from disclosure under exemption 4 of the FOIA, 5 U.S.C. 552(b)(4).<sup>14</sup>

Board of Governors of the Federal Reserve System, September 9, 2020.

**Michele Taylor Fennell,**

*Assistant Secretary of the Board.*

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<sup>14</sup> Please note that the Board publishes a summary of the results of the Board's CCAR testing pursuant to 12 CFR 225.8(f)(2)(v), and publishes a summary of the results of the Board's DFAST stress testing pursuant to 12 CFR 252.46(b) and 12 CFR 238.134, which includes aggregate data. In addition, under the Board's regulations, covered companies must also publicly disclose a summary of the results of the Board's DFAST stress testing. See 12 CFR 252.58; 12 CFR 238.146. The public disclosure requirement contained in 12 CFR 252.58 for covered BHCs and covered IHCs is separately accounted for by the Board in the Paperwork Reduction Act clearance for FR YY (OMB No. 7100-0350) and the public disclosure requirement for covered SLHCs is separately accounted for in by the Board in the Paperwork Reduction Act clearance for FR LL (OMB No. 7100-0380).