



## **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 two proposals 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 effective for the December 31, 2020, as of date.

**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 17th Street, NW, Washington, DC 20503, or by fax to (202) 395-6974.

**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.

The OMB inventory, as well as copies of the PRA Submission, supporting statements, and approved collection of information instrument(s) are available at

<https://www.reginfo.gov/public/do/PRAMain>. These documents are also 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.

**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>

*Estimated average hours per response:* FR Y-14A: 1,186 hours; FR Y-14Q: 2,203 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: 42,696 hours; FR Y-14Q: 317,232 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.

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<sup>1</sup> SLHCs with \$100 billion or more in total consolidated assets became members of the FR Y-14Q and FR Y-14M panels effective June 30, 2020, and become members of 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 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.

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

- The 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.<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 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

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<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 reports. See 84 FR 59032, 59063. In October 2020, the Board invited comment on a proposal that would relieve firms subject to Category IV standards of the requirement to report their company-run stress test results on the FR Y-14A and would make certain other revisions to the FR Y-14 reports. 85 FR 63222 (Oct. 7, 2020).

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 July 8, 2020, the Board published a notice in the Federal Register,<sup>4</sup> which temporarily revised and requested public comment for 60 days on the extension, with revision, of the FR Y-14 reports. The temporary revisions captured data pertaining to certain aspects of the Coronavirus Aid, Relief, and Economic Security Act, information on firm activity associated with various Federal Reserve lending facilities, and information regarding emerging risks arising from the coronavirus disease 2019 (COVID) event. In addition to a proposal to extend these temporary revisions, the notice proposed revisions to the FR Y-14 reports intended to address questions related to the reporting of certain current expected credit losses (CECL) and capital data. The comment period for this notice expired on September 8, 2020. The Board received two comment letters from banking industry groups and one comment letter from a banking organization.

On September 17, 2020, the Board published another notice in the Federal Register,<sup>5</sup> which temporarily revised and requested public comment for 60 days on the extension, with revision, of the FR Y-14 reports. The temporary revisions implemented changes necessary to collect information used to conduct additional analysis in connection with the resubmission of firms' capital plans, including consideration of the global market shock (GMS) component, using data as of June 30, 2020. In addition to these temporary revisions, the notice proposed revisions to the FR Y-14 reports that would have allowed the Board to require the submission of additional FR Y-14A and FR Y-14Q data in connection with a firm's resubmission of its capital plan. The

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<sup>4</sup> See 85 FR 41040 (July 8, 2020).

<sup>5</sup> See 85 FR 58048 (September 17, 2020).

comment period for this notice expired on November 16, 2020. The Board did not receive any comments on this notice.

The Board has approved the extension of the FR Y-14 reports for three years, with revision. These revisions include adopting most of the temporary revisions announced in the July 8, 2020, with minor changes in response to public comments, for three additional months. The temporary revisions will automatically expire following the March 31, 2021, as of date. In addition, the Board has adopted the revisions related to CECL and capital data that were proposed in the July 8, 2020, notice, as well as the revisions related to FR Y-14 submission requirements in connection with a firm's resubmission of its capital plan that were proposed in the September 17, 2020, notice. All revisions are effective beginning with the December 31, 2020, as of date.

## **Detailed Discussion of Public Comments**

### General

#### *Adoption of Temporary Revisions*

The Board solicited comment on a proposal to extend the temporary revisions included in the July 8, 2020, notice for three years, while noting that the temporary revisions would automatically expire following the December 31, 2020, as of date, unless explicitly reauthorized by the Board. Two commenters recommended that the Board only reauthorize specific temporary revisions to the extent those revisions are critical, and to keep in mind firm resource constraints during the COVID event when deciding whether to reauthorize any temporary revisions. Additionally, two commenters recommended the Board provide reporting firms and the public as much notice as possible, preferably at least three months, before requiring firms to continue to report any reauthorized revisions, in order to ease the reporting burden.

Given ongoing economic uncertainty surrounding the COVID event, the Board has adopted the proposal to extend the FR Y-14 reports with most of these revisions with certain changes that are effective for the December 31, 2020, as of date. However, in order to reduce

reporting burden, temporary revisions associated with Federal Reserve lending facilities that are set to expire at the end of December 2020, including the Main Street Lending Program (MSLP), will only remain in place through the December 31, 2020, as of date. All other temporary revisions will remain in place through the reports as of March 31, 2021.

#### *Submission Frequency*

The Board temporarily revised the FR Y-14Q instructions to indicate that in times of crisis, the Board may temporarily request submissions of schedules more frequently than firms are generally required to submit the schedules. One commenter stated that requiring FR Y-14Q schedules more frequently would cause reporting burden on firms, and requested that any more frequent submission of schedules be required only if firms are given at least 60 days' notice and if possible, an opportunity to provide comments.

The Board notes that requiring any FR Y-14Q schedules more frequently than firms generally are required to submit them would only be done in times of crisis, and the Board would provide firms with as much notice as possible given the circumstances.

#### *FR Y-14 Reporting Questions*

The Board did not temporarily revise or propose to revise its current process for responding to FR Y-14 reporting questions. One commenter requested that the Board expedite its responses to reporting questions associated the FR Y-14 temporary revisions given that the temporary revisions were implemented prior to the public comment period.

The Board strives to respond to all FR Y-14 reporting questions it receives from firms as soon as possible. Some questions require significant time to research. The Board notes that it has responded promptly to many questions regarding the temporary revisions to the FR Y-14.

#### *Supplemental Collections*

At times, the Board has requested that certain firms submit supplemental collections that provide alternative breakouts of FR Y-14 data that are not available from other sources in conjunction with the FR Y-14 data submitted for use in the DFAST and CCAR exercises. One

commenter requested that the Board incorporate all supplemental collections into the FR Y-14 report so firms can adequately plan for the data requirements surrounding a given FR Y-14 submission.

The Board has incorporated several supplemental collections into the FR Y-14 report. For example, as finalized on September 14, 2020,<sup>6</sup> the Board incorporated three supplemental collections into the FR Y-14Q report (two were incorporated into Schedule F (Trading) and one was incorporated into Schedule M (Balances)). Where appropriate, the Board will continue to incorporate supplemental collections into the FR Y-14 report.

### Wholesale

#### *Submission Frequency*

The Board temporarily revised FR Y-14Q, Schedule H (Wholesale) to be reported monthly instead of quarterly for firms subject to Category I-III standards. Two commenters stated that certain items on Schedule H are not available or are not collected by firms from third parties on a monthly basis, and that firm resources are already constrained as a result of the COVID event. Per the commenter, firms have not been able to make permanent technological changes and have not been able to put adequate resources towards a more streamlined solution to obtain and verify data on a monthly basis due to the fact that this reporting frequency change went into effect prior to the public comment period, as well as the fact that this revision could have expired following the December 31, 2020, as of date (i.e., Schedule H would revert to being reported quarterly for all firms).

As indicated in the Schedule H instructions, the Board has identified certain items that are not required for the monthly Schedule H submissions that do not coincide with quarter ends (e.g., as of July 31). The remaining items are needed on a monthly basis in order to assess the current economic status and to better understand potential shifts in the risk profiles of firms. The Board acknowledges that some items are not collected by third parties or are not available on a

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<sup>6</sup> See 85 FR 56607 (September 14, 2020).

monthly basis. In those cases, firms should report the information available to the firm on a given as of date. In addition, the instructions for several items allow firms to report the most recently updated data or “NA” if updated information is not available.

#### *Data Quality Checks*

The Board performs quality checks on data submitted through regulatory reports, such as the FR Y-14 reports. Two commenters suggested that the Board should exclude certain quality checks for FR Y-14Q, Schedule H (Wholesale) data submitted on a monthly basis, as certain quality checks are tied to other regulatory reports that are submitted quarterly (e.g., FR Y-9C). The commenters went on to say that responding to these quality checks on a monthly basis is particularly challenging as firm resources are constrained by the COVID event. One commenter stated that in some cases, values reported in certain “Obligor Financial Data” items (items 52 through 82) of Schedule H.1 (Corporate) do not factor into the credit decision for a given exposure, such as in cases of startup companies with limited or no available financial data. In these cases, the commenter recommends that in order to reduce burden, firms should be allowed to report “NA” for certain “Obligor Financial Data” items and not be required to address any associated data quality checks.

In order to facilitate the monthly Schedule H submission process, the Board has reduced the number of edit responses required for non-quarter end submissions. For example, the Board has not been running data quality checks for non-quarter end monthly Schedule H submissions that compare values to the FR Y-9C.

#### *Main Street Lending Program*

The Board temporarily revised FR Y-14Q, Schedule H (Wholesale) to require firms to report only their exposures to loans associated with the MSLP (i.e., not include the amount participated to third parties or the unused portion of loan commitments). For other exposures reported on Schedule H, firms are required to include the amount participated to third parties, as well as the unused portion of loan commitments, as part of the reporting firm’s total lending

commitment. One commenter expressed concern that this divergence would cause an issue when comparing commitments on Schedule H to those reported on the FR Y-9C, which is referenced in the instructions for several Schedule H items. The commenter stated that this different treatment for commitment reporting is causing operational burden for firms, and recommends that loans associated with the MSLP be reported consistently with other loans reported on Schedule H.

The Board did not intend to require different treatment for loans associated with the MSLP compared to other commitments reported on Schedule H. In light of the concerns raised by the commenter, the Board has revised the Schedule H instructions to align the reporting of commitments to loans associated with the MSLP with other commitments reported on the schedule, effective for the December 31, 2020, as of date.

#### *Internal Risk Rating Schedule*

The Board did not temporarily revise or propose to revise FR Y-14Q, Schedule H.4 (Internal Risk Rating). One commenter suggested that the Board expand Schedule H.4 to require additional items, such as probability of default information, which would provide the Board with better context for understanding firms' internal risk ratings. The commenter also suggested that the Board revise Schedule H.4 to correspond with FR Y-14Q, Schedule L (Counterparty), as both schedules require an internal and external rating equivalent factor.

The Board notes that firms are currently allowed to provide as much detail as possible in the free text description of Schedule H.4, item 1 ("Internal Risk Rating"). For example, firms can provide information that would provide a better understanding their internal ratings, such as external rating equivalent data points. The Board intends to consider adding items to Schedule H.4 that would provide more context to the data submitted as part of a future notice. However, the Board has not expanded Schedule H.4 to correspond with Schedule L, as the data between the two schedules does not readily align.

#### *Collateral Market Value*

The current FR Y-14Q, Schedule H.1 (Corporate), item 93, “Collateral Market Value,” instructions require firms to report the market value of collateral as of the reporting date, and to report “NA” if the value of the collateral has not been updated since reported on the previous Schedule H.1 submission. The Board did not temporarily revise or propose to revise Schedule H.1, item 93. One commenter pointed out that the instructions for Schedule H.1, item 93 do not specify how to report the value of collateral that is typically recorded at book value, such as receivables and inventory comprising a borrowing base for asset-based lending. To ensure consistent reporting across firms, the commenter recommended that the Board clarify how item 93 should be reported for types of collateral that not typically recorded at market value.

For consistency across exposures, firms should continue to report in line with the current instructions. The Board has not revised the Schedule H.1, item 93 instructions to allow for reporting at book value.

#### *Past Due Reporting*

The Board did not temporarily revise or propose to revise the reporting of past due exposures in the “# Days Principal or Interest Past Due” items (Schedule H.1, item 32; Schedule H.2, item 37). One commenter noted that while Schedule H is reported at the facility level, there could be cases where only some of the multiple loans under a given facility are past due. Per the commenter, this creates ambiguity for reporting the number of days past due for an entire facility. The commenter recommended that the Board revise Schedule H to add more granular delinquency buckets or an item to capture the total balance past due within a given facility.

Per the instructions for the “# Days Principal or Interest Past Due” items, firms are required to report the longest number of days principal or interest are past due for any loan within the facility. Given the different uses of the collected data on the FR Y-14 and FR Y-9C, the Board has not revised the FR Y-14 to have similar delinquency buckets as the FR Y-9C. In addition, the Board does not currently need to capture the total balance of loans past due within a facility to conduct its analysis, and so has not added an item to collect this information.

### *Capital Call Subscriptions*

The Board did not temporarily revise or propose to revise the reporting of capital call subscriptions on FR Y-14Q, Schedule H (Wholesale). One commenter noted that the Board previously revised Schedule H.1 (Corporate), items 20 (“Credit Facility”) and 22 (“Credit Facility Purpose”) to require firms to indicate which facilities are capital call subscriptions, effective for the September 30, 2020, as of date.<sup>7</sup> Per the commenter, the Board should also revise Schedule H.1 item 36 (“Security Type”) to allow firms to identify the collateral associated with capital call subscriptions. The commenter noted that this additional collateral information would enable the Board to better capture information regarding a firm's ability to require a fund manager to inject capital into a fund that is declining in value, which would more accurately reflect the true risk of these exposures. Relatedly, one commenter requested that the Board provide definitions for the allowable values to be reported in Schedule H.1, items 20 and 22, as there could be a divergence in practice across firms.

As indicated in the instructions, the values for the descriptions and codes used in Schedule H.1, items 20 and 22 relate to the requirements referenced in the reporting for Shared National Credit data.<sup>8</sup> Please note that while the listing referenced in the reporting for Shared National Credit data is not the entirety of the types and purposes possible for Schedule H reporting, it does cover a majority of them. The Board intends to consider adding definitions to the FR Y-14Q, Schedule H instructions as part of a future notice.

### *Disposed Loans*

The Board did not temporarily revise or propose to revise the reporting of disposed loans on FR Y-14Q, Schedule H (Wholesale). However, one commenter suggested that the Board revise the Schedule H instructions to allow disposed facilities to be reported with data as of the prior reporting cycle rather than as of the day of disposition.

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<sup>7</sup> See 85 FR 56607 (September 14, 2020).

<sup>8</sup> See <https://www.kansascityfed.org/banking/bankerresources/complete-and-file-reports/shared-national-credit>.

The Board believes collecting loan disposition information as it existed at the point of disposition is critical, and accordingly has not revised the current requirements for disposed loans on Schedule H.

*Par and Fair Value Items*

The Board did not temporarily revise or propose to revise the reporting of par value and fair value exposure items on FR Y-14Q, Schedule H (Wholesale). However, one commenter noted that previous FR Y-14 questions and answers (Q&As) have clarified that firms should report certain fair value exposure items based on the predominate share of the committed balance. Per the commenter, the reporting based on these Q&As would enable the Board to derive the value for two par/fair value exposure items (“Lower of Cost or Market (LOCOM) Flag,” Schedule H.1, item 86 and Schedule H.2, item 56 and “Target Hold” Schedule H.1, item 101) from the four par/fair value exposure items (“Committed Exposure Global Par Value”, Schedule H.1, item 105”, Schedule H.2, item 66; “Utilized Exposure Global Par Value”, Schedule H.1, item 106; “Committed Exposure Global Fair Value”, Schedule H.1, item 107, Schedule H.2, item 68; “Utilized Exposure Global Fair Value”, Schedule H.1, item 108; “Outstanding Balance Par Value”, Schedule H.2, item 67; and “Outstanding Balance Fair Value”, Schedule H.2, item 69) that were added for the March 31, 2020, as of date.<sup>9</sup> Therefore, the commenter recommends that the “LOCOM Flag” and “Target Hold” items be removed from Schedule H. The commenter further stated that if the “LOCOM Flag” item is retained, then it is unclear how exposures should be reported in the par/fair value exposure items.

The Board notes that each par/fair value exposure item on Schedule H provides a different perspective on the exposures and gives a more holistic view of the valuation of exposures. The “LOCOM Flag” and “Target Hold” items allow for validation and categorization of loan data. Per the instructions, firms should report appropriate values of the entire credit facility for held for sale loans and loans accounted for under a fair value option for the par/fair

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<sup>9</sup> See 84 FR 70529 (December 23, 2019).

value items. The Board further notes that reporting guidance based on FR Y-14 Q&As issued prior to the addition of the par/fair value exposure items (i.e., prior to March 31, 2020) should not be applied to the par/fair value exposure items that were added for the March 31, 2020, as of date. Firms should report these items based on the Schedule H instructions.

#### *Obligor and Guarantor Reporting*

The Board did not temporarily revise or propose to revise the reporting of the legal entity that provides the primary source of repayment for a credit facility on FR Y-14Q, Schedule H (Wholesale). The current FR Y-14Q, Schedule H.1 (Corporate) instructions require firms to report the obligor in the “Obligor Financial Data” items (items 52 through 82) as the legal entity that provides the primary source of repayment for a credit facility identified in item 15 (“Internal Credit Facility ID”). The instructions further state that the legal entity that provides the primary source of repayment will generally be different than the guarantor, which provides secondary support for repayment. Per one commenter, the instructions regarding the obligor and guarantor create ambiguity as it is not clear whether the guarantor could ever be viewed as the primary source of repayment, which the commenter states could happen in cases where the guarantor is used in underwriting as a primary source of repayment.

Per the instructions, Schedule H.1, item 15 should reflect the legal entity providing the primary source of repayment or, if different, the legal entity used by underwriting as the primary source of repayment identified. Information surrounding the guarantor, or secondary source of repayment, is outlined and differentiated in Schedule H.1, items 44 through 48 (“Guarantor Flag”, “Guarantor Internal ID”, “Guarantor Name”, “Guarantor TIN”, and “Guarantor Internal Risk Rating”, respectively).

#### Loss Mitigation

##### *Loss Mitigation Item Reporting*

The Board temporarily added items and options to existing items to capture loans in forbearance or other loss mitigation programs on several FR Y-14 schedules, such as FR Y-14Q,

Schedule H (Wholesale) and FR Y-14M, Schedule B (Home Equity). One commenter recommended that these items and options to existing items only be reported quarterly so that the firms would not be required to recode systems for potentially temporary changes to the FR Y-14 report. Per the commenter, quarterly reporting of these items would reduce reporting burden.

Given that these loans in forbearance or other loss mitigation programs have different risk characteristics than loans not in these programs, receiving this information on a monthly basis is critical to enable the Board to more accurately assess current banking conditions.

The Board temporarily added items to FR Y-14Q, Schedule A (Retail) and Schedule J (Retail FVO/HFS) to require firms to report loans that have completed loss mitigation or for which mitigation has expired during the reporting period. One commenter stated that it is burdensome for firms and may not provide valuable insight to commingle loans no longer in loss mitigation programs with loans currently in loss mitigation programs. The commenter recommends that the requirement to include loans no longer in loss mitigation be removed.

Given the reporting burden and commingling effect of reporting loans no longer in loss mitigation programs with loans currently in loss mitigation programs, the Board has revised the Schedule A and Schedule J instructions to require firms to exclude the balances of loans that completed their loss mitigation programs in the current month from these added items. In addition, due to questions from reporting firms, the Board has revised the loss mitigation item on Schedule J to capture the carrying value of loans in loss mitigation, as opposed to the unpaid principal balance. Both of these revisions are effective for the December 31, 2020, as of date.

The Board temporarily added items to FR Y-14Q, Schedule H (Wholesale) to capture loans currently in loss mitigation programs or forbearance as a result of the COVID event. One commenter pointed out that the instructions for these new items does not capture loans that were classified as troubled debt restructurings (TDRs) prior to the onset of the COVID event that have been subsequently modified as a result of the COVID event. The commenter requested that the Board clarify how these modified loans should be reported on Schedule H.

To remove ambiguity, the Board has revised the instructions to the “Modifications Flag” items (Schedule H.1, item 109; Schedule H.2, item 70) to clarify that loans that were classified as TDRs prior to the onset of the COVID event and have been subsequently modified should be reported under Option 3 (“Other”), effective for the December 31, 2020, as of date.

#### *Risk Mitigation Activities*

The Board did not temporarily revise or propose to revise the reporting of risk mitigation activities (e.g., subordinated credit protection from third parties referencing an on-balance sheet portfolio of loans) on the FR Y-14 report. However, one commenter noted that the existing FR Y-14 report does not capture the data necessary to allow risk mitigation activities to be taken into consideration by supervisory models. Per the commenter, the inclusion of risk mitigation activity data on the FR Y-14 report would allow the Board to more accurately reflect the exposure risks to firms as part of the stress test.

The Board intends to consider revising the FR Y-14 reports to capture risk mitigation activities as part of a future notice.

#### Retail

##### *Paycheck Protection Program Loans*

The Board temporarily added an item to FR Y-14Q, Schedule A.9 (US Small Business) to capture loans fully guaranteed by the United States government, which would include Paycheck Protection Program (PPP) loans. One commenter stated that per the Schedule A.9 instructions, only “scored” or “delinquency managed” loans should be reported, and neither of those criteria apply to PPP loans. Schedule A.9 requires certain variables (e.g., product type, available credit bureau score, etc.) to be reported for loans reported on the schedule. According to two commenters, many of these variables do not apply to PPP loans because they are originated outside of the typical process for firms given that they are fully guaranteed by the Small Business Association (SBA). Additionally, one commenter raised that Schedule A.9 is only supposed to capture retail exposures, but the current instructions for the new item require

reporting of both retail and wholesale exposures. Given these concerns, two commenters recommend that the Board exclude PPP loans from Schedule A.9 and instead have them reported on FR Y-14Q, Schedule K (Supplemental), similar to how loans associated with the MSLP are reported.

In response, the Board notes that it is important to capture PPP loans in a consistent manner across FR Y-14 submissions for purposes of data comparability. If certain variables required for Schedule A are not available for PPP loans, then firms should only report the variables for PPP loans that they have available. The Board has not revised the reporting of PPP loans.

#### *Historical Data Requirement*

One commenter noted that the inclusion of PPP loans in Schedule A.9 has caused some firms to exceed the quantitative threshold for reporting this schedule.<sup>10</sup> With the initial submission of this schedule, firms are required to report historical data going back to January of 2007. One commenter stated that PPP loans are only expected to be on a firm's books for a short period of time (i.e., less than one year), and that once the PPP loans are no longer reported on Schedule A.9, some firms will drop back below the reporting threshold. The commenter further stated that firms face operational challenges with gathering and validating 13 years of historical data. The commenter recommended that if the Board continues to require PPP loans to be reported on Schedule A.9, then firms should not be required to submit historical data for Schedule A.9 if they exceed the reporting threshold as a result of including PPP loans in this schedule.

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<sup>10</sup> Large and complex firms, Large Institution Supervision Coordinating Committee (LISCC) firms, and SLHCs subject to Category II-III standards with a portfolio of US small business (retail) loans with an asset balance greater than \$5 billion or greater than ten percent of Tier 1 capital on average for four quarters preceding the reporting quarter are required to file FR Y-14Q, Schedule A.9. Large and noncomplex firms and SLHCs subject to Category IV standards with a portfolio of US small business (retail) loans with an asset balance greater than \$5 billion or greater than ten percent of Tier 1 capital on average for four quarters preceding the reporting quarter are required to file FR Y-14Q, Schedule A.9.

The Board believes that the required historical data on Schedule A.9 are critical to adequately monitor ongoing risks, and accordingly has not revised this requirement.

## Trading

### *Private Equity Investments*

The Board did not temporarily revise or propose to revise the reporting of non-fair value private equity investments on FR Y-14Q, Schedule F (Trading). However, on December 23, 2019,<sup>11</sup> the Board indicated that it would assess whether the macro scenario is more appropriate than the global market shock for evaluating losses associated with non-fair value private equity investment exposures. One commenter inquired about the status of this assessment.

At this time, the Board believes the macro scenario is more appropriate than the global market shock for evaluating losses associated with non-fair value private equity investment exposures, but will continue to analyze the issue.

Separately, in an FR Y-14 question and answer (Q&A) published in March of 2020,<sup>12</sup> the Board clarified that firms could exclude tax oriented investments held under the equity method of accounting from the “Other Fair Value Assets” portion of FR Y-1Q, Schedule F (Trading). The Board further clarified that tax oriented investments held under the equity method of accounting should only be reported on Schedule F if they are included in the included in other portions of Schedule F (i.e., not the “Other Fair Value Assets” portion). One commenter suggested that this same treatment should be applied to non-fair value private equity investments, as non-fair value private equity investments share many characteristics with fair value private equity investments, such as an illiquid nature, expected multi-year holding period, as well as the timing and amount of associated losses.

The exclusion of non-fair value tax oriented investments from Schedule F was not based on an assessment of their risk characteristics, but rather on the fact that they are neither trading

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<sup>11</sup> See 84 FR 70529 (December 23, 2019).

<sup>12</sup> See <https://www.federalreserve.gov/publications/y-14-qas.htm>.

positions, private equity positions, nor fair value assets, and so do not fall under the scope of Schedule F. The same rationale does not apply to non-fair value private equity positions, which do fall under the scope of Schedule F, as they are private equity positions. Given this, the Board has not revised the reporting for non-fair value private equity positions.

*Seed Capital Invested in Mutual Funds*

The Board did not temporarily revise or propose to revise the reporting of seed capital invested in mutual funds. The current FR Y-14Q, Schedule F (Trading) instructions require firms to report seed capital invested in mutual funds as private equity exposures. One commenter noted that this treatment may subject firms to unfavorable stressed losses, as the underlying investments of seed capital invested in mutual funds are in liquid, marketable securities across multiple asset classes, including fixed income and equity. Given the liquid, marketable nature of these underlying investments, the commenter recommended that these exposures should not be reported as private equity exposures, but rather reported within the respective sub-schedules of Schedule F, according to the underlying exposure.

The Board intends to consider revising the reporting of seed capital invested in mutual funds as part of a future notice.

*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>13</sup> The Board has authority to require SLHCs to file the FR Y-14 reports pursuant to 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

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<sup>13</sup> Pub. L. No. 115-174, Title IV 401(a) and (e), 132 Stat. 1296, 1356-59 (2018).

pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Act, 12 U.S.C. 5311(a)(1) and 5365.<sup>14</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>15</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 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>16</sup>

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<sup>14</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>15</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).

<sup>16</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).

Board of Governors of the Federal Reserve System, December 22, 2020.

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**Margaret Shanks,**

*Deputy Secretary of the Board.*

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