

**Supporting Statement for the  
Capital Assessments and Stress Testing Reports  
(FR Y-14A/Q/M; OMB No. 7100-0341)**

*Capital Planning and Stress Testing Requirements for Large Bank Holding Companies,  
Intermediate Holding Companies and Savings and Loan Holding Companies  
(Docket No. R-1724) (RIN 7100-AF95)*

## **Summary**

The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), has extended for three years, with revision, the Capital Assessments and Stress Testing Reports (FR Y-14A/Q/M; OMB No. 7100-0341). These collections of information are currently applicable to top-tier U.S. bank holding companies (BHCs) and U.S. intermediate holding companies of foreign banking organizations (IHCs) with \$100 billion or more in total consolidated assets. Covered savings and loan holding companies (SLHCs)<sup>1</sup> (collectively with BHCs, IHCs, and SLHCs, holding companies) with \$100 billion or more in total consolidated assets became respondents to the FR Y-14Q and FR Y-14M effective June 30, 2020, and will become respondents to the FR Y-14A effective December 31, 2021.<sup>2</sup> The FR Y-14A, FR Y-14Q, and FR Y-14M reports (FR Y-14 reports) are used to support the Board's Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Test (DFAST) exercises and supervisory stress test models, and also are used in connection with the supervision and regulation of these financial institutions.

On February 3, 2021,<sup>3</sup> the Board adopted a final rule to tailor the requirements in the Board's capital plan rule (capital plan rule) based on risk. As part of the final rule the Board adopted several revisions to the FR Y-14 reports. Certain revisions are only applicable to firms subject to Category IV or Category I-III standards, while other revisions are applicable to all BHCs, IHCs, and SLHCs. Some revisions are effective for the December 31, 2020, as of date, and some are effective for the December 31, 2021, as of date.

The current estimated total annual burden for the FR Y-14 reports is 847,864 hours, and would increase to 853,948 hours. The revisions would result in an increase of 6,084 hours. The draft reporting forms and instructions are available on the Board's public website at <https://www.federalreserve.gov/apps/reportforms/review.aspx>.

## **Background and Justification**

Section 165(i)(1) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act)<sup>4</sup> requires the Board to conduct an annual stress test of certain companies to evaluate whether the company has sufficient capital, on a total consolidated basis, to absorb

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<sup>1</sup> Covered SLHCs are those that are not substantially engaged in insurance or commercial activities. See 12 CFR 217.2.

<sup>2</sup> See 84 FR 59032 (November 1, 2019).

<sup>3</sup> See 86 FR 7927 (February 3, 2021).

<sup>4</sup> Pub. L. No. 111-203, 124 Stat. 1376 (2010).

losses as a result of adverse economic conditions (supervisory stress test).<sup>5</sup> Further, section 165(i)(2) of the Dodd-Frank Act requires the Board to issue regulations requiring such companies to conduct company-run stress tests.<sup>6</sup> On May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) amended sections 165(i)(1) and (2) of the Dodd-Frank Act, among other changes.<sup>7</sup> The Board's rules implementing sections 165(i)(1) and (i)(2) of the Dodd-Frank Act, and section 401 of EGRRCPA, establish stress testing requirements for certain BHCs, state member banks, savings and loan holding companies, foreign banking organizations, and nonbank financial companies supervised by the Board.<sup>8</sup>

Additionally, the Board's capital plan rule requires certain firms to submit capital plans to the Board annually and requires such firms to request prior approval from the Board under certain circumstances before making a capital distribution.<sup>9</sup> In connection with submissions of capital plans to the Board, firms are required, pursuant to 12 CFR 225.8(e)(3), to provide information including, but not limited to, the firm's financial condition, structure, assets, risk exposure, policies and procedures, liquidity, and risk management.

The FR Y-14 reports 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.

The FR Y-14 reports collects stress test and capital plan data from the largest holding companies, which are those with \$100 billion or more in total consolidated assets. The data collected through the FR Y-14 reports provide the Board with the information needed to help ensure that large holding companies 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. Information gathered in this data collection is also used in the supervision and regulation of these financial institutions.

## **Description of Information Collection**

These collections of information are applicable to top-tier holding companies with total consolidated assets of \$100 billion or more. This family of information collections is composed of the following three mandatory reports:

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<sup>5</sup> See 12 U.S.C. § 5365(i)(1).

<sup>6</sup> See 12 U.S.C. § 5365(i)(2).

<sup>7</sup> EGRRCPA requires "periodic" supervisory stress tests for bank holding companies with \$100 billion or more, but less than \$250 billion, in total consolidated assets and amended section 165(i)(1) to require annual supervisory stress tests for bank holding companies with \$250 billion or more in total consolidated assets. EGRRCPA amended section 165(i)(2) to require bank holding companies with \$250 billion or more in total consolidated assets, and financial companies with more than \$250 billion in total consolidated assets, to conduct "periodic" stress tests. Finally, EGRRCPA amended both sections 165(i)(1) and (2) to no longer require the Board to include an "adverse" scenario in company-run or supervisory stress tests, reducing the number of required stress test scenarios from three to two.

<sup>8</sup> See 12 CFR 252, subparts B, E, F, and O.

<sup>9</sup> See 12 CFR 225.8.

- The annual FR Y-14A, which 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>10</sup>
- The quarterly FR Y-14Q, which collects granular data on various asset classes, including loans, securities, trading assets, and pre-provision net revenue (PPNR) for the reporting period.
- The monthly FR Y-14M, which 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.

#### **FR Y-14A (annual collection)**

The annual collection of quantitative projected regulatory capital ratios across various macroeconomic scenarios is comprised of five primary schedules (Summary, Scenario, Regulatory Capital Instruments, Operational Risk, and Business Plan Changes), each with multiple supporting tables. The FR Y-14A schedules collect current financial information and projections under the Board's supervisory scenarios. The information includes balances for balance sheet and off-balance-sheet positions, income statement and PPNR, and estimates of losses across various portfolios. Firms are also required to submit qualitative information supporting their projections, including descriptions of the methodologies used to develop the internal projections of capital across scenarios and other analyses that support their comprehensive capital plans.

#### **FR Y-14Q (quarterly collection)**

The FR Y-14Q schedules (Retail, Securities, Regulatory Capital Instruments, Regulatory Capital, Operational Risk, Trading, PPNR, Wholesale Risk, Fair Value Option/Held for Sale, Supplemental, Counterparty, and Balances) collect firm-specific data on positions and exposures that are used as inputs to supervisory stress test models to monitor actual versus forecast information on a quarterly basis and to conduct ongoing supervision.

#### **FR Y-14M (monthly collection)**

The FR Y-14M report includes two portfolio- and loan-level schedules for First Lien data and Home Equity data, and an account- and portfolio-level schedule for Domestic Credit Card data. To match senior and junior lien residential mortgages on the same collateral, the Address Matching schedule gathers additional information on the residential mortgage loans reported in the First Lien and Home Equity schedules.

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<sup>10</sup> In certain circumstances, a BHC or IHC may be required to re-submit its capital plan. See 12 CFR 225.8(e)(4). Firms that must re-submit their capital plan generally also must provide a revised FR Y-14A in connection with their resubmission.

## **Respondent Panel**

The respondent panel consists of the holding companies with \$100 billion or more in total consolidated assets,<sup>11</sup> as based on (1) 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; OMB No. 7100-0128) or (2) 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, if the firm has not filed an FR Y-9C for each of the most recent four quarters. Reporting is required as of the first day of the quarter immediately following the quarter in which the respondent meets this asset threshold, unless otherwise directed by the Board.

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

### *Changes to Reporting Requirements Related to Capital Planning Requirements*

The proposal included several modifications to the FR Y-14 reporting requirements for firms subject to Category IV standards to align with the proposed changes to company-run stress testing requirements. The Board proposed that firms subject to Category IV standards would no longer be required to report FR Y-14A Schedule A - Summary, Schedule B - Scenario, Schedule F - Business Plan Changes, and Appendix A - Supporting Documentation, which are used to report a firm's company-run stress test results. Firms subject to Category IV standards would be required to complete all other FR Y-14A schedules, as they are either necessary for the Board to run its supervisory stress test or a required element of the firm's capital plan.<sup>12</sup> In order to be able to assess whether a firm's planned capital distributions included in its capital plan would be consistent with any effective capital distribution limitations that would apply under the firm's BHC baseline projections, as required by the capital plan rule, the proposal would add four line items to the FR Y-14A Schedule C - Regulatory Capital Instruments, as this schedule is filed by all firms subject to the capital plan rule. The line items would be the projections of Common Equity Tier 1 capital ratio, Tier 1 capital ratio, Total capital ratio and net income under the BHC baseline scenario. These line items would allow the Federal Reserve to confirm compliance with the capital plan rule for firms subject to Category IV standards.

The detailed balance sheet information that would continue to be collected on a monthly and quarterly basis from firms subject to Category IV standards on the FR Y-14Q and FR Y-14M is necessary to maintain the integrity of the stress tests, monitor financial stability, and effectively supervise those firms.

### *Changes to Reporting Requirements Related to Stress Test Rule Changes*

The proposal would update the FR Y-14 reporting requirements for firms subject to

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<sup>11</sup> Covered SLHCs with \$100 billion or more in consolidated assets were not required to file the FR Y-14Q and FR Y-14M until the reports with the June 30, 2020, as of date, and are not required to file the FR Y-14A until the report with the December 31, 2021, as of date.

<sup>12</sup> In particular, firms subject to Category IV standards would be required to complete the FR Y-14A, Schedule C - Regulatory Capital Instruments, Schedule E - Operational Risk, and the Collection of Supplemental CECL Information.

Category I-IV standards to conform with changes made to the stress test rules. In order to reflect the exclusion of material business plan changes in company-run stress test projections, the proposal would create two sub-schedules for all items on the FR Y-14A, Schedule A - Summary: (1) DFAST, where a firm would not incorporate the effects of business plan changes and (2) CCAR, where a firm would incorporate the effects of business plan changes. Firms would report projections on the DFAST sub-schedule under the scenarios provided by the Federal Reserve, and firms would report projections on the CCAR sub-schedule under expected conditions and under a range of scenarios, including the supervisory severely adverse scenario provided by the Federal Reserve and at least one BHC baseline and one BHC stress scenario. To more accurately reflect the types of firms subject to the stress test reporting requirements, the proposal would also rename the BHC baseline scenario and BHC stress scenario to Firm baseline scenario and Firm stress scenario, respectively.

Firms subject to Category I-III standards would be required to report a version of FR Y-14A, Schedule A.1.a - Income Statement, Schedule A.1.b - Balance Sheet, Schedule A.1.c.1 - Standardized RWA, Schedule A.1.d - Capital, Schedule A.2.a - Retail Balance and Loss Projections, Schedule A.3 - AFS/HTM Securities, Schedule A.4 - Trading, Schedule A.5 - Counterparty Credit Risk, Schedule A.6 - Operational Risk, and Schedule A.7 - Pre-Provision Net Revenue, that incorporates the effects of business plan changes, as well as a version of these schedules and items that does not incorporate these effects. For Schedule A.1.d, firms subject to Category I-III standards would no longer report the supervisory baseline scenario on the Capital - CCAR sub-schedule. Firms subject to Category I-IV standards would be required to report a version of FR Y-14A Schedule C that incorporates the effects of material business plan changes and a version that does not incorporate these effects. As described above, firms subject to Category IV standards would not be required to submit the FR Y-14A, Schedule A - Summary. Given the changes made to the FR Y-14A, Schedule A - Summary, firms would no longer be required to submit the supervisory baseline scenario for FR Y-14A, Schedule F - Business Plan Changes.

### **Time Schedule for Information Collection**

The following tables outline, by schedule and reporting frequency (annually, quarterly, or monthly), the as of dates for the data and their associated due date for the current submissions to the Board.

Schedules and Sub-schedules	Data as of date	Submission Date to Board
<b>FR Y-14A (Annual Filings)</b>		
<b>Summary, Macro Scenario, Operational Risk, and Business Plan Changes</b>	December 31 <sup>st</sup> .	April 5 <sup>th</sup> of the following year.
<b><u>CCAR Market Shock exercise</u></b> <b>Summary schedule</b> <ul style="list-style-type: none"> <li>• Trading Risk</li> <li>• Counterparty</li> </ul>	A specified date in the first quarter that would be communicated by the Board. <sup>13</sup>	April 5 <sup>th</sup> .
<b>Regulatory Capital Instruments</b>	December 31 <sup>st</sup> .	<ul style="list-style-type: none"> <li>• Original submission: Data are due April 5<sup>th</sup> of the following year.</li> <li>• Adjusted submission: The Board will notify companies at least 14 calendar days in advance of the date on which it expects companies to submit any adjusted capital actions.</li> <li>• Incremental submission: Within 15 days after making any capital distribution in excess of those included in a firm’s capital plan (see 12 CFR 225.8(k)).</li> </ul>

<sup>13</sup> See 12 CFR 252.14(b)(2). In February 2017, the Board finalized modifications to the capital plan rule extending the range of dates from which the Board may select the as of date for the global market shock to October 1 of the calendar year preceding the year of the stress test cycle to March 1 of the calendar year of the stress test cycle. 82 FR 9308 (February 3, 2017).

Schedules	Firm Category	Frequency	Data as of date	Submission Date to Board
<b>FR Y-14Q Filings</b>				
<b>Wholesale Risk</b>	Category I-III	Monthly	Last day of each calendar month.	<p>For non-quarter end month-ends (e.g., July): By the 30<sup>th</sup> calendar day after the last day of the preceding calendar month.</p> <p>For quarter-end month-ends (e.g., September): Seven days after the FR Y-9C reporting schedule: Reported data (47 days after the calendar quarter-end for March, June, and September and 52 days after the calendar quarter-end for December).</p>
	Category IV	Quarterly	Quarter-end	Seven days after the FR Y-9C reporting schedule: Reported data (47 calendar days after the calendar quarter-end for March, June, and September and 52 calendar days after the calendar quarter-end for December)

<b>Retail, Securities, Regulatory Capital Instruments, Regulatory Capital, Operational Risk, PPNR, FVO/HFS, Supplemental, and Balances</b>	All firms	Quarterly	Quarter-end	Data are due seven calendar days after the FR Y-9C reporting schedule (52 calendar days after the calendar quarter-end for December and 47 calendar days after the calendar quarter-end for March, June, and September).
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<p><b>Trading Counterparty</b></p>	<p>All firms</p>	<p>Quarterly</p>	<p>Fourth Quarter: GMS as of date for all exposures except Trading FVO Loan Hedges, which should be reported as of calendar quarter-end.</p> <p>All Other: Quarter-end.</p>	<p>Fourth Quarter – Trading and Counterparty regular/unstressed submission: 52 calendar days after the notification date (notifying respondents of the as of date) or March 15, whichever comes earlier. <b><u>Unless the Board requires the data to be provided over a different weekly period</u></b>, BHCs, SLHCs, and IHCs may provide these data as of the most recent date that corresponds to their weekly internal risk reporting cycle as long as it falls before the as of date.</p> <p>Fourth quarter – Counterparty stressed GMS submission: April 5<sup>th</sup>.</p> <p>All other: 47 calendar days after the calendar quarter-end (Seven days after the FR Y-9C reporting schedule).</p>
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Schedules	Data as of date	Submission Date to Board
<b>FR Y-14M (Monthly Filings)</b>		
<p><b>All schedules</b></p>	<p>The last business day of each calendar month.</p>	<p>By the 30<sup>th</sup> calendar day of the following month.</p>

## Public Availability of Data

No data received through this information collection is made available to the public.

## Legal Status

The Board has the authority to require BHCs file the FR Y-14 reports pursuant to section 5(c) of the Bank Holding Company Act of 1956 (BHC Act) (12 U.S.C. § 1844(c)), and pursuant to section 165(i) of the Dodd-Frank Act (12 U.S.C. § 5365(i)), as amended by section 401(a) and (e) of the EGRRCPA.<sup>14</sup> The Board has authority to require SLHCs 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 IHCs file the FR Y-14 reports pursuant to section 5 of the BHC Act (12 U.S.C. § 1844), 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>15</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 FR 17240 (March 27, 2014)), as applied to foreign banking organizations with total consolidated assets equal to or greater than \$100 million.”<sup>16</sup> The obligation to file the FR Y-14 reports is mandatory.

The information reported 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>17</sup>

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<sup>14</sup> Pub. L. No. 115-174, Title IV § 401(a) and (e), 132 Stat. 1296, 1356-59 (2018).

<sup>15</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>16</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 FR 17240, 17304 (March 27, 2014).

<sup>17</sup> 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

## Consultation Outside the Agency

There has been no consultation outside the Federal Reserve System with regard to the proposed FR Y-14A/Q/M revisions.

## Public Comments and Adopted Revisions

On October 7, 2020, the Board published a notice of proposed rulemaking in the *Federal Register* (85 FR 63222) for public comment on the extension, with revision, of the FR Y-14 reports. The comment period for this notice expired on November 20, 2020. The Board received several comments regarding the proposed revisions under the Paperwork Reduction Act and adopted the revisions as proposed, except that some revisions are effective for the December 31, 2020, as of date, and some are effective for the December 31, 2021, as of date. On February 3, 2021, the Board published a final rule in the *Federal Register* (86 FR 7927). The final rule is effective on April 5, 2021.

### Detailed Discussion of Public Comments

#### *Changes to Reporting Requirements Related to Capital Planning Requirements*

The proposal would have updated regulatory reporting requirements to reflect the tailoring rule's elimination of the company-run stress test requirement for a firm subject to Category IV standards. Specifically, under the proposal such firms would no longer have been required to submit to the Federal Reserve forward-looking projections in the granular form prescribed by the FR Y-14A, Schedule A - Summary, Schedule B - Scenario, Schedule F - Business Plan Changes, and Appendix A - Supporting Documentation.

A commenter on the proposal noted that the Federal Reserve did not articulate the public benefits of removing the reporting requirements for firms subject to Category IV standards. Removing these reporting requirements is necessary to effectuate the elimination of the company-run stress test requirement for these firms adopted in the tailoring rule. As discussed in the tailoring rule, eliminating the company-run stress test requirement for firms subject to Category IV standards is consistent with the statutory provisions and appropriate for these firms' risk profile. These reporting schedules are not publicly available, so the adjustments to the reporting requirements do not affect the information in the public domain. This revision comes into effect beginning with the 2021 capital planning cycle.<sup>18</sup>

The proposal would have added four line items to FR Y-14A, Schedule C - Regulatory Capital Instruments, to provide the information needed to determine whether planned capital distributions included in a firm's capital plan are consistent with any effective capital distribution

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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 by the Board in the Paperwork Reduction Act clearance for FR LL (OMB No. 7100-0380).

<sup>18</sup> Firms subject to Category IV standards will continue to be required to complete the FR Y-14A, Schedule C - Regulatory Capital Instruments, Schedule E - Operational Risk, and the Collection of Supplemental CECL Information.

limitations that would apply under the firm’s projections in the Internal baseline scenario, as required by the capital plan rule.<sup>19</sup> No comments were received on this aspect of the proposal. To support compliance with the capital plan rule, these line items have been added to FR Y-14A, Schedule C, and are effective for the April 5, 2021, submission with a December 31, 2020, as of date.<sup>20</sup> This will ensure that the Board can confirm compliance with the capital plan rule during the 2021 capital planning cycle. Under the final rule, firms subject to Category IV standards will continue to be required to provide a forward-looking analysis of income and capital levels under expected and stressful conditions in their annual capital plans. These projections are required to be tailored to, and sufficiently capture, the firm’s exposures, activities, and idiosyncratic risks in their capital plans.<sup>21</sup> This includes projections under a scenario designed by the firm that stresses the specific vulnerabilities of the firm’s risk profile and operations. This scenario should incorporate stressful conditions and events that could adversely affect the firm’s capital adequacy.

While the final rule does not require firms subject to Category IV standards to include certain elements in their capital plans, all banking organizations, regardless of size and complexity, are expected to have the capacity to analyze the potential impact of adverse outcomes on their financial condition, including on capital.<sup>22</sup> Therefore, risk-management practices should be tailored to the risk and complexity of the individual firm and should include practices to identify and assess its sensitivity to unexpected adverse outcomes before they occur. The Federal Reserve will continue to conduct an annual assessment of the capital plan of a firm subject to Category IV standards as part of its ongoing supervisory process, and the results of this assessment will continue to be an input into the firm’s capital planning and positions component of the Large Financial Institution Rating System.

### *Changes to Reporting Requirements Related to Stress Test Rule Changes*

The proposal would have updated the FR Y-14 reporting requirements for firms with total consolidated assets of at least \$100 billion to conform with changes made to the stress test

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<sup>19</sup> The line items would be the projections of Common Equity Tier 1 capital ratio, Tier 1 capital ratio, Total capital ratio, and net income under the Internal baseline scenario.

<sup>20</sup> FR Y-14A, Schedule C, is required for all firms subject to the capital plan rule on an annual basis.

<sup>21</sup> The analysis should cover an appropriate period (usually a period of at least two years) to capture the relevant risks to a firm. A firm should estimate losses, revenues, expenses, and capital using sound methods that relate macroeconomic and other risk drivers to its estimates.

<sup>22</sup> For example, bank holding companies with less than \$50 billion in total consolidated assets are subject to guidance that clarifies such firms are expected to hold capital commensurate with their overall risk profile. See SR Letter 09-4, Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies (February 24, 2009, revised July 24, 2020). Holding companies with less than \$100 billion in total consolidated assets are subject to an overall evaluation and rating of managerial and financial condition and an assessment of future potential risk to subsidiary depository institution(s) as part of the RFI or Modified RFI rating. See SR Letter 19-4/CA Letter 19-3, Supervisory Rating System for Holding Companies with Total Consolidated Assets Less Than \$100 billion (February 26, 2019) and SR Letter 13-21, Inspection Frequency and Scope Requirements for Bank Holding Companies and Savings and Loan Holding Companies with Total Consolidated Assets of \$10 Billion or Less (December 17, 2019, revised March 6, 2019). Bank holding companies with total consolidated assets of \$100 billion or greater and certain savings and loan holding companies are subject to a supervisory evaluation of whether a covered firm possesses sufficient financial and operational strength and resilience to maintain safe-and-sound operations through a range of conditions, including stressful ones. See SR Letter 19-3, Large Financial Institution (LFI) Rating System (February 26, 2019).

rules.

Consistent with the proposal and as described above, the final rule no longer requires firms subject to Category IV standards to submit FR Y-14A schedules associated with company-run stress test results. These schedules include FR Y-14A, Schedule A, Schedule B, Schedule F, and Appendix A.

In order to reflect the exclusion of material business plan changes in company-run stress test projections while also ensuring firms incorporate impacts of material business plan changes in projections of income and capital levels required for purposes of capital planning, the proposal would create two sub-schedules for all items on FR Y-14A, Schedule A and Schedule C: One where a firm would not incorporate the effects of material business plan changes and one where a firm would incorporate the effects of business plan changes, consistent with prior FR Y-14A reporting requirements.<sup>23,24</sup> Firms subject to Category I, II, or III standards would be required to submit the two sub-schedules for both FR Y-14A, Schedule A and Schedule C, and firms subject to Category IV standards would be required to submit the two sub-schedules for only FR Y-14A, Schedule C.

Firms would report projections on the “DFAST” sub-schedule under the scenarios provided by the Federal Reserve, and firms would report projections on the “CCAR” sub-schedule under expected conditions and under a range of scenarios, including the supervisory severely adverse scenario provided by the Federal Reserve and at least one baseline scenario and one stress scenario generated by the firms. Given the changes made to FR Y-14A, Schedule A, firms subject to Category I, II, or III standards would no longer be required to submit the supervisory baseline scenario for FR Y-14A, Schedule F - Business Plan Changes. As noted in sections of the proposal and this final rule on the Paperwork Reduction Act, firms are required to report FR Y-14A, Schedule F, under the Internal baseline and supervisory severely adverse scenarios.

A commenter opposed the proposed reporting changes as they would increase the reporting burden for firms subject to Category I, II, or III standards, and instead suggested that the Board add scenarios to the FR Y-14A, Schedule F - Business Plan Changes. Although the changes in the proposal would modestly increase reporting requirements for firms subject to Category I, II, or III standards that include material business plan changes in their capital plan submission, projections both inclusive and exclusive of material business plan changes are necessary for the Federal Reserve to monitor that a firm appropriately plans for changes to its business for purposes of capital planning. In addition, the proposed reporting changes ensure reporting of company-run stress results that are comparable to the supervisory stress test results. These projections are also necessary for the Federal Reserve to be able to project stress losses

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<sup>23</sup> These sub-schedules include FR Y-14A, Schedule A.1.a - Income Statement, Schedule A.1.b - Balance Sheet, Schedule A.1.c.1 - Standardized RWA, Schedule A.1.d - Capital, Schedule A.2.a - Retail Balance and Loss Projections, Schedule A.3 - AFS/HTM Securities, Schedule A.4 - Trading, Schedule A.5 - Counterparty Credit Risk, Schedule A.6 - Operational Risk, and Schedule A.7 - Pre-Provision Net Revenue.

<sup>24</sup> On FR Y-14A, Schedule A, the “DFAST” sub-schedule would not include the effects of material business plan changes and the “CCAR” sub-schedule would include these effects. On FR Y-14A, Schedule C, the “SCB” sub-schedule would not include the effects of material business plan changes and the “CCAR” sub-schedule would include these effects.

and calculate the dividend add-on for the stress capital buffer requirement using the assumptions in the stress test rules. In response to the commenter’s suggestion, subtracting the values reported on FR Y-14A, Schedule F, from those reported on FR Y-14A, Schedule A, would not provide the impact of the business plan change on projections, as Schedule F only captures the “day one” impact of the business plan change. Therefore, the final rule adopts these reporting requirements as proposed.

In addition, several commenters requested clarification about whether the proposed FR Y-14A reporting requirements include all or only material business plan changes. Under the final rule, firms should exclude the effects of material business plan changes from the “DFAST” sub-schedule of FR Y-14A, Schedule A - Summary, and the “SCB” sub-schedule of Schedule C - Regulatory Capital Instruments. Firms should include only material business plan changes in FR Y-14A, Schedule F - Business Plan Changes.

These revisions to the FR Y-14A will be effective as of the FR Y-14A submission due on April 5, 2021.

### Estimate of Respondent Burden

As shown in the table below, the estimated total annual burden for the FR Y-14 reports is 847,864 hours, and would increase to 853,948 hours as a result of the revisions. The Board estimates that the average hours per response for the FR Y-14A would increase from 1,186 hours to 1,355 hours. These reporting requirements represent approximately 11.2 percent of the Board’s total paperwork burden.

<b>FR Y-14</b>	<i>Estimated number of respondents<sup>25</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
FR Y-14A	36	1	1,186	42,696
FR Y-14Q <sup>26</sup>	36	4	2,203	317,232
FR Y-14M	34	12	1,072	437,376
Implementation	0	1	7,200	0
Ongoing automation revisions	36	1	480	17,280
Attestation implementation	0	1	4,800	0
Attestation ongoing	13	1	2,560	<u>33,280</u>
<i>Current Total</i>				847,864

<sup>25</sup> Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$600 million in total assets), <https://www.sba.gov/document/support-table-size-standards>. 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.

<sup>26</sup> Note that for firms subject to Category I-III standards, FR Y-14Q, Schedule H (Wholesale), is submitted 12 times a year and the stressed counterparty data on FR Y-14Q, Schedule L (Counterparty) is submitted twice a year. However, the rest of the FR Y-14Q schedules are only submitted 4 times a year.

<b>Proposed</b>				
FR Y-14A	36	1	1,355	48,780
FR Y-14Q <sup>26</sup>	36	4	2,203	317,232
FR Y-14M	34	12	1,072	437,376
Implementation	0	1	7,200	0
Ongoing automation revisions	36	1	480	17,280
Attestation implementation	0	1	4,800	0
Attestation ongoing	13	1	2,560	<u>33,280</u>
<i>Proposed Total</i>				853,948
			<i>Change</i>	6,084

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The estimated total annual cost to the public for the FR Y-14 reports is \$50,151,156, and would increase to \$50,511,024 with the revisions.<sup>27</sup>

### Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

### Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing the FR Y-14 reports is \$2,677,200.

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<sup>27</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$20, 45% Financial Managers at \$73, 15% Lawyers at \$72, and 10% Chief Executives at \$95). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2020*, published March 31, 2021, <https://www.bls.gov/news.release/ocwage.t01.htm>. Occupations are defined using the BLS Standard Occupational Classification System, <https://www.bls.gov/soc/>.