American Bankers Association
Building Success. Together.

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*By Email: comments@fdic.gov; regs.comments@federalreserve.gov; regs.comments@occ.treas.gov*

May 14, 2013

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2–3
Washington, DC 20219

**Re: Proposed Reporting Templates for Midsize Banks**

Dear Sir or Madam:

The American Bankers Association[1] appreciates the opportunity to comment on the reporting templates for midsize banks and bank holding companies proposed by the OCC, FDIC, and Federal Reserve Board (the Agencies).

Section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act) requires certain financial companies to conduct annual stress tests and requires the primary financial regulatory agency of those financial companies to issue regulations implementing the stress test requirements. State nonmember banks, state member banks, state chartered savings associations, national banks, national savings associations, bank holding companies, and savings and loan holding companies are subject to the stress test requirements if their total consolidated assets exceed $10 billion. For the purposes of this letter, entities between $10 billion and $50 billion in assets are referred to as midsize banks.

Under section 165(i)(2), a midsize bank is required to submit to its primary federal regulator a report at such time, in such form, and containing such information as prescribed by the Agencies.

[1] The American Bankers Association represents banks of all sizes and charters and is the voice for the nation's $14 trillion banking industry and its 2 million employees. Learn more at www.aba.com.

In October 2012, the Agencies issued final rules implementing the section 165(i)(2) annual stress test requirement. The Agencies have issued the proposed reporting templates to meet the reporting requirements under section 165(i)(2) for midsize banks.

ABA greatly appreciates the high degree of consistency among reporting templates from the different regulatory agencies and hope that this consistency remains in the final versions. However, we do have several concerns, including:

- The level of detail in the proposed reporting templates;
- The absence of an immaterial portfolio exception; and,
- The restrictions on ZIP file submissions.

**The Agencies should require banks to submit only aggregate data.**

The Agencies' rules detail the elements of the stress testing results required to be reported. With regard to the quantitative data required, the regulations specifically request aggregate losses, pre-provision net revenue, provisions for loan and lease losses, net income, and pro-forma capital ratios. The summary schedule provides for the reporting of this information. However, the industry was not expecting two additional schedules (the Balance Sheet Statement and the Income Statement) that require additional information that is segregated in a format similar to the Call Report.

Many institutions have not developed their systems for stress testing using Call Report segmentation and formatting. These institutions will effectively be required to go through the costly and burdensome process of retooling their systems in a short amount of time in order to comply. There is no "standard" stress testing framework for midsize banks. Each institution is developing its stress testing framework based on that institution's needs, risks, and resources, as conceived of in the statute. As a result, compliance with any detailed segmentation in the proposed reporting templates will be difficult for some institutions. Therefore, we request that the banking agencies only require the aggregate data in the summary schedule.

Additionally, many midsize banks do not have large enough loan populations to create meaningful and effective loss models at the detailed level that the template requires. While we recognize some portfolios have significantly different characteristics, combining some of the similar categories into aggregate reported lines will allow for more meaningful risk pools to develop econometric loss models. As a result, developed models will more closely resemble the potential impacts in different economic scenarios than would be possible with limited populations.

Moreover, we note that the timeframe for the banks to retool their systems in relation to the proposed Balance Sheet Statement and the Income Statement schedules is inadequate. It would take banks at a minimum a year to meet such a requirement, meaning it is not realistic to expect banks to meet a deadline for the first filing of the statements before 2015.

**The reporting templates for banks below $50 billion should not require data beyond that required for larger banks.**

We appreciate the Agencies' work in differentiating the large bank stress tests from the midsize stress tests. However, we note that the proposed reporting templates require more detailed information in some areas than is currently required of large banks in the Federal Reserve's Y-14A templates. These areas include:

- 1-4 family construction loans
- Net gains (losses) on sales of other real estate owned
- Wholesale troubled debt restructurings
- Loans secured by 1-4 family in foreclosure
- U.S. Government Obligation and Obligations of Government Sponsored Entities

We believe the segmentation for midsize bank reports should never be more detailed than the Y-14A segmentation.

**The proposed reporting templates should allow for generalized, bank-developed loss assumptions to be applied to immaterial portfolios.**

Large bank holding companies subject to the capital plan rule (banks above $50 billion) have the option either to submit or not submit the relevant data for a given portfolio if that portfolio does not meet a materiality threshold. For these larger institutions, an immaterial portfolio is defined as one that represents less than five percent of Tier 1 capital and constitutes less than $5 billion in balances on average for the preceding four quarters. Banks with immaterial portfolios that elect not to submit the relevant data (schedule submission is optional in these cases) receive a loss rate that is at or near the 75$^{th}$ percentile of projected loss rates for the institutions reporting material portfolios.

We urge the Agencies to develop a similar immaterial portfolio exception for midsize banks. Doing so would reduce the burden related to the proposed reporting templates without undermining the purpose. Specifically, we recommend an immaterial portfolio for a midsize bank to be five percent of tier 1 capital. Unlike larger banks, a midsize bank's immaterial portfolio will likely be unique to that bank or that bank's geographic footprint. As a result, a loss assumption on an industry average would not necessarily be relevant to a midsize bank. Therefore, we urge the Agencies to allow banks with immaterial portfolios to assign a loss rate of their choosing, in consultation with their supervisors, to the portfolio and include the chosen loss rate as part of their disclosures.

**ZIP file submissions should be permitted at all banking agencies.**

Many midsize banks are subsidiaries of larger bank holding companies that have been submitting data to the agencies as part of the Dodd-Frank large bank stress tests (DFAST). Many large banks and bank holding companies have been submitting zip files for their supporting and model documentation during the large bank stress tests. The proposed reporting templates encourage banks to submit documentation in a non zipped file. Submitting zipped files is easier logistically for many banks, and we encourage the Agencies to permit use of zipped files for midsize banks.

Thank you for considering the concerns raised in this letter. We appreciate the opportunity to share our views and would be happy to discuss them further at your convenience. Given the rapidly approaching proposed submission dates and the significant effort involved in gathering the required data and populating the templates, we would appreciate receiving the final reporting requirements at the banking agencies earliest convenience.

If you have any questions, please contact Hugh C. Carney, Senior Counsel, of the ABA at (202) 663-5324 (e-mail: hcarney@aba.com).

Sincerely,

Hugh C Carney

Hugh C. Carney
Senior Counsel II

**Appendix A: General requests for clarification.**

Summary Schedule' Tab, Item 9: On the "Results Template" file under the 'Summary Schedule' tab, item 9, cell H17 (for 9/30 Tier 1 Common equity ratio) has an odd reference which makes the data undefined. The referenced calculation reads (=H30='Adverse – Bal Sheet and Cap'!H88). We believe it should read (='Base – Bal Sheet and Cap'!H88), as indeed future projections of this line item seem to follow this reference logic. Oddly the Fed template has this reference blank.

Scenario Tabs: On the "Results Template" file under all the scenario tabs (Base, Adverse & Severe) item number 68 'Total risk-based capital ratio' for all quarters seems to divide item 63 by 62 (Total capital/ Risk-weighted assets), while the language included in the Call Report items (columns C, F, G) seems to suggest it should be item 63 by 61 (Total risk-based capital/ Risk-weighted assets). The latter would be a more commonly understood ratio as well.

Allowance for Unfunded Credit Commitments: It is unclear if this item is not being required (it is required in the Y-14A template) or if this input is embedded somewhere in the template.

Income Statement Tab. It appears the income statement tabs are not including taxes in the net income formula. We would appreciate clarification on the treatment of taxes.

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May 9, 2013

**Via E-Mail:** regs.comments@occ.treas.gov
Office of the Comptroller of the Currency
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Washington, DC 20219

**Via E-Mail:** regs.comments@federalreserve.gov
Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

**Via E-Mail:** comments@FDIC.gov
Robert E. Feldman, Executive Secretary
Attention: Comments
FDIC
550 17th Street NW
Washington, DC 20429

RE:

OCC:
*Reporting Form:* OCC DFAST 10-50
*Title:* Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of $10 Billion to $50 Billion under the Dodd- Frank Wall Street Reform and Consumer Protection Act.
*OMB Control No.:* 1557–0311

FRB:
*Report title:* Annual Company-Run Stress Test Projections.
*Agency form number*: FR Y–16.
*OMB control number*: 7100-to be assigned

FDIC:
*Reporting Form:* FDIC DFAST 10-50
*Title:* Annual Stress Test Reporting Template and Documentation for Covered Banks With Total Consolidated Assets of $10 Billion to $50 Billion Under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

To Whom It May Concern:

Trepp welcomes the opportunity to comment on the proposed information collection. Trepp is a data and analytics provider, serving the banking, CMBS and commercial real estate markets. Our Trepp Capital Adequacy Stress Test (T-CAST) module enables banks to forecast earnings and capital under multiple scenarios, including the Severely Adverse, Adverse and Baseline scenarios, as well as custom-defined scenarios.

We believe that stress testing is a valuable tool for modeling capital adequacy and ensuring the health of both individual institutions and the banking system overall. We are pleased to see that the data collection templates are generally oriented along the lines of Call Reports and FR Y-9C Reports, which is very compatible with our own approach to modeling and reporting bank results.

We respectfully submit the following comments:

1) Results Template: Income Statement tab: Caption for items 39-44 "Itemize and describe amounts greater than 15% of all other gains (losses) (item 23)" (Trepp underlining)

   The reference to item 23 should be to item 22, as item 23 is "Taxes" and item 22 is "All other gains (losses)."

2) Results Template: Income Statement tab: Caption for items 27-32, 33-38 and 39-44 contains "… greater than 15% of …."

   What quarter should be tested for the 15%: Q3 2013? Or, is it a test performed for each of the projected nine quarters?

3) Results Template: Bal Sheet and Cap tab: Securities section: Item 17 "U.S. Government Obligation and Obligations of GSE"

   This balance sheet item (and the corresponding AFS item line 22) INCLUDE Residential Pass Thrus and Other Residential MBS of GNMA, FNMA, FHLMC. However, on the FFIEC 031/041 and FR Y-9C Income Statements, the interest on those securities is included in the Mortgage-backed securities line item (MDRM B489), not the U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities (MDRM B488). The GSE MBS assets are included in a different category in the Balance Sheet template than the GSE MBS income is on the Call Report/FRY-9C Income Statements. It would seem to be more logical to make the balance sheet categories in the template more compatible with the Call Report/FR Y-9C reporting.

4) Results Template: Bal Sheet and Capital tab: Items 35 & 36.

   The MDRM RCONK223 "Estimated amount of deposits obtained through the use of deposit listing services that are not brokered deposits" appears to be double counted, as it is INCLUDED in item 36 "Wholesale funding," but it is not EXCLUDED from item 35 "Retail funding (core deposits)."

5) Instructions B: Technical Details: last bullet point: "All dollar amounts must be reported in thousands, with the figures rounded to the nearest thousand. Rounding could result in details not adding to their stated totals. However, to ensure consistent reporting, the rounded detail items should be adjusted so that the totals and the sums of their components are identical."

   Adjusting individual line items so the line items sum to the total (to compensate for rounding) is a manual process that is also error prone. We suggest a certain level of tolerance for rounding in the totaling of sums be allowed. Many of the items in our forecasts are calculated to a greater level of precision than thousands of dollars, so there could be slight differences between the component sums and the sum of rounded components.

6) Instructions F: Data items not defined by MDRM numbers in the Balance Sheet Section: Item 30. All other assets. (Applicable to FRB instructions only)

   FR Y-9C MDRM numbers include BHCKB529. BHCKB529 is "LOANS AND LEASES, NET OF UNEARNED INCOME AND ALLOWANCE" as per the Federal Reserve MDRM Data Dictionary. However, item 15 on the Results Template: Bal Sheet and Cap tab, "Total Loans and Leases", already includes this amount; so including it in item 30 "All other assets" would appear to be double counting. Note that for Call Report filers, the comparable MDRM (RCONB529) is NOT included in item 30 "All other assets", which seems to be correct.

7) Instructions G: Balance Sheet and Capital Worksheet: Capital Section: "Also, projections of risk-weighted assets (line item 63) must be based on the….capital rules in effect in a given quarter" AND Instructions H: Data items not defined by MDRM numbers in the Capital Section "Item 55. Tier 1 common capital: ..... This definition is subject to change pending final U.S. rulemaking on implementing Basel III regulatory capital."

   These two items seem to imply that capital items (such as Tier 1 Capital) might be defined differently in different periods of the forecast. For example, perhaps the Tier 1 Capital definition is slated to change in Q1 2015. So, do these items mean that the forecast for Tier 1 Capital would use one definition for the forecasts through Q4 2014, then a different definition for Q1 2015 and beyond? Or do they mean that the capital and risk-weighted asset definitions could change in the future, so the nine quarters of stress test results reported in one year might differ from the results reported in another year, because the capital and risk-weighted asset definitions have changed?

   If they mean the former (i.e., that different capital definitions could apply in different periods of the nine-quarter forecast), then it will be difficult to forecast without having relevant data at the outset. For example, Basel III definitions could have a significant impact on risk-weighted assets, but current Call Report and FR Y-9C forms lack the additional information that would be needed to compute these accurately.

8) Instructions H: Data items not defined by MDRM numbers in the Capital Section: Item 56. Tier 1 non-common capital elements.

   Includes "…other additions to (deductions from) Tier 1 capital (Call Report Schedule RC-5, line item 10 or FR Y-9C Schedule HC-R line item 10 – BHCKB592)". This appears to be in conflict with the Federal Reserve's Supervisory Stress Testing for Q3 2012. Tier 1 Common Capital ratios were computed with adjustments for Other Additions as Tier 1 Non-Common only if they were positive. Note that if negative Other Additions are included in Tier 1 non-common capital elements, Tier 1 common capital would be higher than Tier 1 equity capital in the case when there are no other Tier 1 non-common capital elements.

Thank you for the opportunity to comment on the Stress Test Reporting Template. Should there be any questions concerning the comments above, please contact Matthew Anderson, Managing Director at +1 212 329 6188 or via email at matthew_anderson@trepp.com .

Trepp, LLC
May 9, 2013

BOK FINANCIAL

Bank of Oklahoma Tower
P. O. Box 2300
Tulsa, Oklahoma 74192

May 7, 2013

Office of the Comptroller of the Currency
250 E Street, S.W., Mail Stop 2-3
Washington, DC 20219

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551
Attention: Robert deV. Frierson, Secretary

Re: Comments on proposed DFAST reporting templates for $10-$50 billion banks

Ladies and Gentlemen:

BOK Financial is a $27 billion full-service commercial banking organization with branches serving Oklahoma, Texas, New Mexico, Arizona, Colorado, Kansas, and Arkansas. We appreciate the opportunity to provide comments on the proposed reporting templates for Dodd-Frank act stress testing requirements for $10-$50 billion financial institutions. We have a few comments that we hope will support an effective stress testing process.

**Timing**

We appreciate the regulatory agencies publishing the NPR for the templates on an accelerated timeline and we hope the regulatory agencies can provide their final templates fairly quickly. We are concerned about the turnaround time of building new functionality into our models to supply the particular details required by the templates.

**Consistency**

We greatly appreciate the high degree of consistency between reporting templates from the different regulatory agencies and hope this consistency remains in the final versions.

**Level of detail required and the tradeoff between detail and functionality**

We believe the role of stress testing to be an important one in risk management. Our experience has been that constructing models to be as simple as possible while still appropriately capturing the relevant risk dynamics makes for the best outcomes. Unnecessary complexity makes models more error-prone, slower to run and more difficult to keep tabs on all the moving parts. These models are complex enough as it is without adding unnecessary components. Since models often are run with many permutations, adding variables or components make the volume of information processed increase rapidly. Excessive detail and complexity can actually detract from the value of a risk modeling process and we hope our comments will be taken within the context of maximizing the effectiveness of the DFAST.

The level of detail requested in the templates in certain categories requires more detail than we were expecting and a level which in some cases will require mid-sized banks to forecast several relatively low-value components.

We are sympathetic to the needs of regulatory agencies to have sufficient information to evaluate stress testing results, and we are capable of building whatever is ultimately required, but would like to express where we see the trade-offs favoring less information in the templates.

**Loan categories:** We understand the supervisory value of the loan categories as defined, however $10-$50 billion banks will not universally have data history which will accommodate the construction of loss models for each of the categories as defined and will not universally have significant volumes of loans in each of the categories as defined. Please allow mid-sized banks to have the flexibility to bridge the gap in the best way possible given the unique circumstances we each face, so that we can deliver high quality results and fulfill the regulatory template categories at the same time.

The proposed templates have separated 1-4 family construction loans from all other construction loans. We would prefer these categories to be combined into a single construction loan category, and observe that this is a level of detail which is greater than that asked of the CCAR banks. Mid Sized banks do not generally have data granularity greater than that of the CCAR banks. It will take years to accumulate the necessary experiential data to adequately specify economic-scenario-sensitive loss models for new categories.

**Retail and Wholesale funding:** We strongly prefer that these two items be collapsed into a single funding line item, or at least change the two categories to be a) total deposits and b) all other funding. Separating out the projected balances and rates paid in the manner defined in the NPR would involve a disproportionate amount of work and affect other models thereby adding unnecessary complexity to those models as well. We rely on existing established models to forecast the balance sheet component of the stress test, and changing those models would introduce unnecessary complexity into other modeling processes.

**Memoranda relating to Average Rates for Retail and Wholesale Funding:** Providing average rates on funding items would be considerably easier if the retail funding and wholesale funding categories were combined into one funding category, or at least re-defined as simply a) deposits and b) other funding.

**Troubled Debt Restructuring:** We would prefer that this be eliminated from the data template as it is not a necessary step in forecasting losses.

**Loans secured by 1-4 family in foreclosure**: We would prefer that this be eliminated from the data template as it is also not a universally necessary step in forecasting losses. Depending on business model and footprint this could be an important element in loss forecasting, and for those banks that need it I expect they will incorporate it or be encouraged to do so. This does not seem to be a high value item to mandate.

**Gains and Losses on OREO**: We would prefer this to be eliminated from the template as we believe this is reasonable for banks to forecast this element combined with other OREO expenses.

**Common Stock, Retained Earnings, Surplus, and Other Equity Capital Components**: We strongly prefer that these items (41 through 44 of the OCC template) be collapsed together into a single item. The first three are all elements of Tier 1 Common and have no value in being tracked separately for purposes of understanding regulatory capital or tangible common equity. The last item is not homogenous in its incorporation into Tier 1 Capital. The reporting requirements for regulatory capital (items 53 through 71) will provide a solid understanding of capital adequacy without items 41-44 adding unnecessary complication.

Lastly, it might be worth evaluating if RCONK223 needs to be subtracted from row 35 of the OCC template since it is added to row 36, and may already be included in the line item RCON2200.

We believe the goal is to have a strong stress testing process which is insightful and adds to the strength of the financial system, and we hope that our comments will be useful in achieving that goal. Please let us know if we can clarify any of the above views.

Sincerely,

Martin Grunst, CFA
EVP and Treasurer

FirstBank Holding Company

12345 West Colfax Avenue Lakewood, CO 80"15 303.232.3000

April 23, 2013

Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Dear Mr. Frierson:

This letter is written in response to the request for comment on the proposed agency information collection activities and the proposed form FR Y-16 (FR Doc. 2013-06012 Filed 3-14-13), titled "Annual Company-Run Stress Test Projections".

Regulation YY (12 CFR Part 252) details the elements required in the report to the Board of stress test results. With regard to the quantitative data required, the regulation specifically states that "for each quarter of the planning horizon, aggregate losses, pre-provision net revenue, provision for loan and lease losses, net income, and pro forma capital ratios" must be included. In reviewing the Draft Reporting Forms, however, it appears that while the Summary Schedule provides for reporting this information, there are two additional schedules, the Balance Sheet Statement and the Income Statement, that require additional information that is segregated in a format similar to the Call report.

When we met with our primary regulator earlier this year, we specifically inquired whether our Dodd Frank Act stress test (DFAST) results would need to be provided in a Call report-type format. This is of particular concern to us, because the software that we use for our budgeting, interest-rate risk modeling and capital plan stress testing is the same tool that we plan to use to generate our DFAST results. We have not loaded our data into this software program in a Call report-type format, because that does not best meet our needs for budgeting, modeling and stress testing purposes. At the time we met with our regulator, we were assured that the reporting forms that smaller banking organizations would use in reporting the results of our stress tests were expected to be significantly more limited than the reporting forms applicable to large banking organizations (this is also stated in the regulation), and therefore, as long as we could provide totals in larger categories (such as total securities, total loans, etc.), we would not need to worry about re-loading data in a different format in order to meet the reporting requirements of Regulation YY. Given the format that has been proposed, we have significant concern that there is no way to reconfigure our system in time to comply with the requirements.

We are a $13 billion organization, one of the smallest to which this regulation applies. We do not have unlimited resources available to begin to build our system from scratch, so that it produces results in a Call report-type format within the timeframe required. Therefore, we now feel the need to seriously consider outsourcing the stress testing required by this regulation, just so we can get it in the proper reporting format. This will require bringing on a new vendor and conducting model risk management procedures on their product solely to report in a different format for DFA stress testing.

In several conversations with regulatory agencies, we have been told that we are responsible for owning our DFAST results and understanding the inputs and assumptions used in performing the exercise. We have also been told that the effort expended in this process should be commensurate with the size and complexity of our organization. We also believe that we will benefit most from the endeavor if we use the approach and information that provides the most relevance to our organization, which would mean using the approach that we have implemented for our own internal stress testing and capital planning. The proposed format for reporting balance sheet and income statement results, however, will require us to expend a great deal of time and cost for a product that we feel will be of less benefit for our organization. We don't believe that this outcome was the intent of the Dodd Frank Act, or Regulation YY.

Since the purpose of DFAST is to assess the potential impact of the scenarios provided by the Board on consolidated earnings, losses, and capital of the company over the planning horizon, we would propose that the quantitative reporting required be at this same level of detail. Of course, we expect that we would need to summarize and support our methodologies to get these results, but this information would be part of the qualitative analysis.

Thank you for taking our comments into consideration. If you have any questions, or would like to discuss any of this information further, please contact me at 303-235-1460.

Sincerely,

Tammy Kelfeler

Tamara S. Kelfeler
Senior Vice President

/tsk