bpi

BANK POLICY INSTITUTE

September 23, 2019

Via Electronic Mail

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th and Constitution Avenue NW
Washington, D.C. 20551

Re: CCAR Reporting (Non-CECL) Proposal (OMB control number 7100-0341)

Ladies and Gentlemen:

The Bank Policy Institute[1] appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System's July 2019 proposed reporting changes to its Capital Assessments and Stress Testing Reports (CCAR) framework.[2] While we support the Federal Reserve's ongoing efforts to reduce reporting burden for firms and clarify reporting instructions and requirements due to "ambiguous, contradictory, or unclear instructions,"[3] we strongly believe that the end of the comment period coinciding with the effective date of the proposed changes affords banks insufficient time to make the necessary systems changes before they become effective and therefore should be extended as set forth herein. We also have included numerous other recommendations and requests for clarification on the proposed changes.

The proposal was published in the Federal Register on July 31, 2019 with a 60-day comment period ending on September 30, 2019. However, the reporting changes are proposed to be effective for reporting as of that same date (September 30, 2019). With more than 150 proposed changes noticed to become effective on the same date as the close of the comment period for comments from interested constituents (including those in the banking industry), the proposal provides no meaningful opportunity for comment and is thereby inconsistent with the spirit of the Paperwork Reduction Act (PRA). Indeed, when the Office of Management and Budget (OMB) delegated authority to the Federal Reserve to approve the collection of information requests, such as the proposed changes to the FR Y-14, the OMB noted that it "expects that the Board will provide every reasonable opportunity for the public to comment" before adopting or revising a collection of information.[4] Accordingly, the OMB's delegation of authority

---

1 The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

2 84 FR 37292 (July 31, 2019).

3 Id. at 37293.

4 OMB, *Controlling Paperwork Burdens on the Public, Delegation of Review and Approval Authority to the Board of Governors of the Federal Reserve System*, 49 FR 20792, 20792 (May 16, 1984).

requires the Federal Reserve to "[p]rovide the public, to the extent possible and appropriate, with reasonable opportunity to comment on collections of information under review prior to taking final action approving the collection,"[5] and the proposal itself states that in exercising its "delegated authority, the Board is directed to take every reasonable step to solicit comment."[6]

Assuming some reasonable period of analysis and review by the Federal Reserve and issuance of final technical instructions by the Federal Reserve shortly thereafter in October, reporting institutions will be left with mere days to implement the voluminous reporting changes. This is not a feasible implementation timeframe in view of the substantial required systems changes and quality assurance testing for all CCAR filers. Accordingly, and subject to the requested clarifications in the Appendix, we recommend:

- The reporting changes to the FR Y-14Q and FR Y-14A reports be effective as of December 31, 2019 with the exceptions of the counterparty schedule (FR Y-14Q, Schedule L), the weighted average life (WAL) variable (FR Y-14Q, Schedule A), the trading schedule (FR Y-14Q, Schedule F), deposit threshold reporting (FR Y-14A, Schedule A.7), and the cost allocation breakout for IHCs (FR Y-14A Appendix); if included in the final rule as proposed, the counterparty and trading schedules and WAL variable should be effective no earlier than June 30, 2020, and elimination of the deposit reporting threshold and the IHC cost allocation reporting should be effective December 31, 2020 in time for the CCAR 2021 reporting cycle; and
- The proposed changes for the FR Y-14M report should be made effective for reports with an as of date of March 31, 2020.

As a result of these recommendations, the initial FR Y-14A and 14Q reports incorporating the revisions adopted as final by the Federal Reserve (except the counterparty schedule and Net Interest Income (NII) worksheet) would be due April 5, 2020 and February 21, 2020, respectively, which would still be a very challenging implementation schedule and require the Federal Reserve to issue final technical instructions as early as possible before year-end 2019 to allow firms sufficient time to ensure compliance. The recommended effective date for changes to the FR Y-14M would also have the benefit of avoiding the creation of conflicts with 2019 year-end reporting (e.g., 10-K, Call Report, FR Y-9C) required of all institutions.

Implementation of the proposed changes will require coordination between internal stakeholders to change data collection systems and develop new data collection processes to implement the revised reporting requirements. In some cases, institutions may have to manually obtain the required data. In many cases, external vendors will need to be engaged and consulted to ensure compliance. These revised processes will then need to be tested in order to ensure that they are operational and fully compliant prior to the effective date. Each of these functions consumes substantial human capital and operational costs.

CCAR filers follow a structured development cycle for systems changes in which there are periodic, planned release dates for promoting changes into the live production environment. Additionally, precautionary "code-freezes" are instituted at month-ends and at year-end, which further limit systems changes during times of critical processing and peak customer activity. These IT policies serve to minimize the risks and consequences of implementing systems changes.

For example, if effective for September reporting, in a fact pattern common to many CCAR filers, the changes proposed for the FR Y-14M Schedules A and B, and similarly for the FR Y-14Q Retail and Wholesale schedules, would be due to an external vendor such as Black Knight on October 30 and to the

---

5 *See* 5 C.F.R. Part 1320, Appendix A, 1., The Board of Governors of the Federal Reserve System, Section (a)(3)(i).

6 84 FR 37292 (July 31, 2019).

Federal Reserve on November 18, respectively. The firm would typically create two cuts of September month-end and quarter-end submission data for validation and governance during October. The firm's IT policies would prescribe that system changes which are needed for the requisite reporting be effectuated in the mid-September release (since there are freezes at month-end). This timing is not possible under the proposal, as there can be no final rule in mid-September as the comment period does not end until September 30. In addition, final instructions for September month-end and September quarter-end reporting would not be known until *after* the September technical release date has passed, leaving firms unable to implement the final instructions.

Final reporting instructions are generally issued by the Federal Reserve well in advance of the reporting effective date to allow firms adequate time to develop new collection processes required by the new reporting requirements and coordinate with external vendors as well. Technical instructions (i.e., XML schema, data dictionary and edit checks) have typically lagged behind the reporting instructions and often aren't provided until *after* the reporting effective date. Firms usually do not receive the technical instructions until perhaps six weeks before the submission is due. Importantly, the banks cannot begin system development or accurately scope required systems changes prior to issuance of both the final reporting instructions *and* technical instructions, since the proposed changes "consist of deleting or adding items, adding or expanding schedules or sub-schedules, and modifying or clarifying the instructions for existing data items"[7] and it is unknown which draft changes will be incorporated by the Board into the final instructions.

There are also a number of proposed changes to the scope and granularity of reporting that entail a significant expansion of the FR Y-14 reporting requirements and provide limited benefits. We do not believe that such an enormous increase in reporting burden is the most effective way of achieving stated objectives. One example is the proposed expansion of the counterparty schedule (FR Y-14Q, Schedule L) from the top 95 percent to all counterparties at the legal entity level (on sub-schedules L.1-L.3) and to include secured funding transactions in the CVA template, which will exponentially increase the volume of data reported and XML file size by firms. Based on a survey conducted by BPI of eight firms submitting the FR Y-14Q Schedule L, the proposed 5% expansion in counterparty reporting will result in an increase in the rows of data from an average of approximately 700 currently to 14,000 for Schedule L.1.a (which represents an average increase of approximately 2,200%). Similarly, the proposal would also result in an average increase in rows of data for Schedule L.2 from approximately 180,000 currently to 1.6 million (an average increase of approximately 1,300%), and for Schedule L.3 an increase in the average rows of data from approximately 34,000 currently to 217,000 (an average increase of approximately 1,400%). The average estimated percentage increase in XML file size of the firms surveyed is approximately 1,600% (an average increase in XML file size from approximately 185 MB currently to 2,300 MB).[8] Given this significant potential expansion of reporting requirements and XML file sizes, it is also unclear whether the Federal Reserve's existing reporting system (Reporting Central) is capable of handling such larger XML submissions, which in turn would require a system solution by the Federal Reserve. We do not believe that such a significant increase in reporting burden is warranted here, since the Federal Reserve states only that "the top 95 percent of counterparties <u>could</u> miss material exposures from the remaining 5 percent."[9] In lieu of requesting that filers provide 100% of CVA on sub-schedule L.1, we recommend that the Federal Reserve consider more targeted changes to reporting instructions which would achieve "a more accurate assessment of stressed risks and determination of loss

---

7 Id. at 37293.

8 One of the eight surveyed banks responded that Schedules L.2 and L.3 are not applicable to its reporting requirements and therefore those numbers are based on the remaining 7 banks.

9 Id. at 37299 (emphasis added).

estimates"[10] without dramatically increasing the amount of data required by filing firms. We would welcome the opportunity to work with the Federal Reserve to develop an efficient, robust and informative approach for the Federal Reserve to gain further insight into this data. There are also a number of other interpretive issues with the new proposed Schedule L that require clarification; these are described in Appendix A. If the Federal Reserve proceeds with requiring this expanded universe and granularity of reporting of counterparties, we believe that the Federal Reserve should conduct a study of the costs of such a requirement as compared to the likely benefits before any such changes are implemented, and should consider not implementing such a requirement until June 30, 2020 at the earliest.

Similarly, the proposed elimination of the deposit funding threshold so that all respondents would be required to submit the NII worksheet would also impose significant reporting burdens on firms which are not currently reporting this worksheet without any corresponding benefit. NII data is less relevant for the Federal Reserve's review of trading book capital market-focused firms' FR Y-14 submissions, in which deposits are a modest portion of overall liabilities. In addition, because existing capital market regression-based modeling cannot be leveraged for this purpose, firms with large concentrations of such activity will need to devote significant resources to the development, implementation and testing of NII reporting systems. Accordingly, if the Federal Reserve includes this proposed change in the final rule, it should not be made effective for affected firms until the CCAR 2021 cycle, or December 31, 2020.

Our other recommendations and requests for clarification are contained in the attached Appendix A.

Compliance with reporting requirements is assessed primarily by bank examiners acting under their supervisory authority focused on safety and soundness and ensuring that there is rigorous adherence to all written policies and procedures and regulatory requirements. Unquestionably, compliance with any reporting requirement entails robust control, quality assurance and internal audit activities, which also consume substantial resources. Accordingly, the easiest way for a bank to receive supervisory criticism as part of the qualitative supervisory review is for the firm to fail to strictly adhere to its policies and procedures. The Federal Reserve must allow firms sufficient time to adjust their reporting systems to ensure compliance and meet the high supervisory expectations set by the Federal Reserve and management.

****

BPI appreciates the opportunity to comment on the proposal. If you have any questions, please contact the undersigned by phone at 646.736.3958 or by email at David.Wagner@bpi.com.

Respectfully submitted,

David Wagner

David Wagner
Deputy General Counsel, Senior Vice President
and Head of Finance, Risk and Audit Affairs
Bank Policy Institute

Cc: Michael Gibson
Mark Van Der Weide

[10] Id. at 37299.

Lisa Ryu
Board of Governors of the Federal Reserve System

Morris Morgan
Jonathan Gould
Office of the Comptroller of the Currency

Doreen Eberley
Nicholas Podsiadly
Federal Deposit Insurance Corporation

Appendix A

FR Y-14A

I. FR Y-14A, Appendix – Instructions

a. At present, there is insufficient time for IHCs to provide the proposed cost allocation breakout items for CCAR 2020, as firms are still in the early stages of "Services" shared cost structures. The Federal Reserve should provide additional clarification on the proposed change to the Appendix regarding the granularity required for the cost allocation and specifying if the Federal Reserve is requesting a simple pro-rata projection or something more complex. Additionally, we request that this analysis be prepared for the BHC Baseline only, as determining the cost allocation by business under both FRB and Internal stressed scenarios would require sophisticated models. If the Federal Reserve requires the cost allocation under stress scenarios, we request a CCAR 2021 implementation to provide time for model development.

II. FR Y-14A, Schedule A (Income Statement, Balance Sheet, and Capital)

a. PCD is a CECL-based implementation which is discussed in the Non-CECL NPR. There is a discrepancy between the treatment of PCD in the proposed instructions and the Non-CECL NPR and mocked-up redline schedule. While both provide that PCD applies to all mortgage loan categories in the A.2.a schedule, the instructions state that the PCD breakout is only applicable to home equity loan line items. We recommend that the Federal Reserve rectify the discrepancy so that PCD applies to all mortgage loan securities in the A.2 Schedule.

b. The NPR includes draft instructions for form FR Y-14A regarding the impact of the global market shock: "Firms must reflect the impact of the global market shock on items subject to adjustment or deduction in capital. If a firm adjusts its projection of an item to reflect the impact of the global market shock, it must also report an adjusted starting value that reflects the global market shock." (Instructions for Item A.1.d – Capital, page 48). However, the Federal Reserve's FAQs indicate that firms should not assume a related decline in portfolio positions as a result of these market shock losses (see, e.g., FAQ SHK0030, February 14, 2018, "The global market shock is a component of the stress test designed specially to assess potential losses stemming from trading books, private equity positions, and counterparty exposures. The firms subject to the global market shock must apply the shock as of a specified point in time, which will result in instantaneous losses and reduction in capital. Therefore, firms should not assume a related decline in portfolio positions or risk-weighted assets as a result of these market shock issues."). Are firms expected to adjust positions associated with threshold deductions as part of the capital planning process, i.e., are the proposed instructions meant to replace FAQs related to upfront market shocks and their impact to positions subject to capital deductions? Specifically, where firms currently do not assume a decline of portfolio positions or RWAs as a result of the market shock losses, is the expectation for such firms that they should adjust their projections and report pre- and post-adjusted starting values in the FR Y-14A forms?

c. In Sub-schedule A.1.d., Capital, the Federal Reserve proposes to rename Line item 109 "Potential net operating loss carrybacks" to "Taxes previously paid that the bank holding company could recover if the bank holding company's temporary differences (both deductible and taxable) fully reverse at the report date." The proposed instructions for the item state that firms should report the amount of taxes previously paid that the bank holding company could recover through loss carrybacks if the bank holding company's temporary differences (both deductible and taxable) fully reverse at the report date. However, they do not include taxes previously paid that the bank holding company could recover through carrybacks of projected negative taxable income (i.e., net operating loss and credits) over the planning horizon. Although the Tax Cuts and Jobs Act (TCJA) in December 2017 eliminated net operating loss (NOL) carrybacks in the U.S., certain carrybacks are still allowed (e.g., credits and capital losses in the U.S. as well as NOL carrybacks in various jurisdictions like the UK and certain states).

We suggest a revision to the instructions to clarify the proposed language as follows:

> Proposal: Taxes previously paid that the bank holding company could recover if the bank holding company's temporary differences (both deductible and taxable) fully reverse at the report date.
>
> Change Requested: Taxes previously paid that the bank holding company could recover <u>through carrybacks if the bank holding company's DTAs on net operating loss, tax credits and temporary differences (both deductible and taxable) fully reverse at the report date</u>.

III. FR Y-14A, Schedule E (Operational Risk)

a. Previously the "Risk Segment" column provided a clear linkage between the Risk Segment column reported on the FR Y-14A A.6 Sub-schedule and Operational Risk Scenario Name column reported on the FR Y-14A E.2 sub-schedule. Since the "Risk Segment" column is being renamed to "Business Line(s)/Firm-wide," the final rule should confirm that the Federal Reserve does not expect there to be a clear linkage between the categories reported on the different sub-schedules.

<u>FR Y-14Q</u>

I. FR Y-14Q, Schedule A (Retail)

a. The draft instructions contain changes that are related to CECL, which should be implemented when the firms fully implement CECL in 2020.

b. The Federal Reserve proposes to add a segment-level summary variable to Schedules A.1 – A.10 (Retail) to collect information on the weighted average life (WAL) of loans. We do not support adding this new reporting requirement. WAL is already reported at a product level as part of FR Y-14Q Schedule G.3 – PPNR metrics. Its inclusion in the Retail Schedules would result in significant burden to firms as it would require the calculation of WAL at an account level and subsequent aggregation at the schedule segment level. This also would necessitate development of additional models, including all of the administrative work and analysis, such as model validation, back testing, etc.

If the Federal Reserve were to require WAL to be reported at a segment level within the FR Y-14Q Retail Schedules, clarification is needed regarding the proposed instruction that "it should reflect the weighted average of time to principal actual repayment (as modeled) for all positions in the segment, rounded to the nearest monthly term," as it is not clear how to calculate a WAL at the segment level.

c. The proposed instructions require banks to start reporting loans, revenue etc. in U.S. territories or possessions as "international" to be consistent with the reporting on the FR Y-9C. However, the instructions for certain FR Y-9C schedules do not require exposures to U.S. territories to be reported as non-U.S. addresses or Foreign. This will require further clarification as this inconsistency appears contrary to the intention of the proposed change and may result in inconsistent instructions across reports. For example, the FR Y-9C Glossary, "Domestic Office" definition includes U.S. territories as a domestic location. We recommend that the reporting of "U.S territories or possession" be consistent across all schedules for the FR Y-14A/Q/M and FR Y-9C reports.

II. FR Y-14Q, Schedule D (Regulatory Capital)

a. We recommend that the Federal Reserve clarify whether the proposed changes to Schedule D are applicable to both advanced and non-advanced approaches banks, as the current language is unclear and only references non-advanced approaches banks.

b. The proposed non-CECL changes have an implementation date of September 30, 2019, but the CECL-related changes have an implementation date of December 31, 2019. The CECL-related changes reference the current set of instructions and are not integrated with the proposed non-CECL related changes, which basically eliminate the majority of the existing reporting requirements that can be sourced from other capital related schedules (e.g., HC-R on Y-9C etc.) This reiterates the concern over the proposed implementation dates given the overlapping impacts. We suggest that the Federal Reserve integrate and publish the two sets of changes together to avoid the potential confusion from publishing them separately.

c. The Federal Reserve should explain the reporting difference between line 15 (new item) versus line 18 (existing item) of Schedule D, as they both seem to point to Future Deductions.

d. Confirmation is needed from the Federal Reserve that the data required to be reported in line M1 of Schedule D can be appropriately sourced from FR Y-9C, Schedule HI. Line 9 "Applicable income taxes (foreign and domestic)" represents income tax provisions that are reported as P&L.

III. FR Y-14Q, Schedule F (Trading)

a. The Federal Reserve should clarify in the instructions that all Trading FR Y-14Q reporting for the "as of" date be the same as the Global Market Shock date, whereas the FVO Loan Hedges submission should only be as of quarter-end, which aligns with how non-trading exposures are measured as well as conforms with the Special Data Collection request.

b. The draft instructions indicate that the newly-required non-trading loan hedge template is only intended to capture hedges on loans which are accounted for under the fair value option (FVO). We believe the instructions should be updated to ensure that <u>all</u> non-trading loan hedges, regardless of the accounting treatment of the loans which they are hedging, are included in the submission. Firms which maintain hedge programs on non-trading lending risk must be able to submit the sensitivities that those hedges create, to ensure that the Federal Reserve has an accurate picture of risk and understands how PPNR will manifest itself in stress. Hedges not included on this template would otherwise be omitted completely, as these non-trading hedge instruments would not be included in the FR Y-14Q Schedule F on trading exposures. Finally, firms may struggle to isolate hedging activity which is directly correlated to specific loan account regimes more than including a complete picture of hedging activity.

c. We recommend that the Federal Reserve clarify the intended population to be included in the breakout of both FV and non-FV private equity investments. For example, can the Federal Reserve please confirm the treatment of solar related companies for which a tax credit is taken upfront accounted for under the equity method? We also recommend removing non-FV investments (e.g., Private Equity, Tax Equity) from FR Y-14Q Schedule F, as the macro scenario is more appropriate for capital planning purposes. If required, we recommend that non-FV equity should be excluded from a market shock as those instruments would not be subject to fair value shocks in business as usual.

d. The Federal Reserve should clarify what is meant by "mandated investments" in Schedule F. Though the examples provided are helpful, having a definition will allow BHCs to assess bespoke investments. For example, it is unclear whether "investments in exchanges" includes all exchanges or whether there are certain criteria that would apply in evaluating an exchange for inclusion.

e. We recommend that the Federal Reserve clarify if the examples provided at the end of Section A – Purpose of Schedule within the FR Y-14Q Schedule F instructions are specifically meant for Sub-Schedule F.25 – Other Fair Value Assets. It is not clear if "[e]xamples would include legacy assets, community development assets, and tax-oriented investments, e.g. wind farms" is only applicable to the Other Fair Value Assets Sub-Schedule.

IV. FR Y-14Q, Schedule G (PPNR)

a. The proposed instructions require reporting Puerto Rico as "international" on Schedules G.1-PPNR Submission Worksheet and G.3-PPNR Metrics. The proposed instructions require firms to start reporting loans, revenue, etc. in U.S. territories or possessions as "international" to be consistent with the reporting on the FR Y-9C. However, the instructions for certain FR Y-9C schedules do not require exposures to U.S. territories to be reported as non-U.S. addresses or Foreign. This inconsistency requires further clarification as it appears contrary to the intention of the proposed change and may result in inconsistent instructions across reports. For example, in the FR Y-9C Glossary, Domestic Office definition includes U.S. territories as a domestic location. We recommend that the reporting of U.S territories or possession be consistent across all reports and schedules.

b. We recommend that the Federal Reserve provide further clarification on the consistency between PPNR and other reports and sub-schedules.

i. The proposed change to the reporting of dividend income on equity products held for trading from the FR Y-14Q, Schedule G.1, Line 5B (Net interest income, Other) to Line 18C (Noninterest income, Other) provides explicit instructions on reporting this activity. For consistency, should this proposed change also be applicable to the FR Y-9C? Should dividend income on equity products held for trading be reported on FR Y-9C Line 5(c) (Trading Revenue) as non-interest income?

ii. The proposed change from interest income to noninterest income noted above would also impact the earned average rate of trading assets reported on the FR Y-14Q, Schedule G.2, Line 30 (Trading assets), Schedule G.2, Line 33 (Total interest income), and G.2 Line 49 (Total net interest income). The proposed change would also impact G.1 Line 13 (Total Net Interest Income). The proposed changes in the Federal Register Notice (dated Wednesday July 31, 2019) to Schedule G.1 and G.2 did not appear to address.

c. With respect to the proposal to report Equity securities with readily determinable fair values not held for trading in G.2 Line 15 (Other Interest/Dividend Bearing Assets), we offer the following suggestion which would result in increased transparency and allow for enhanced reconciliations between the FR Y-9C, Schedule HC-K, Quarterly Averages and the FR Y-14Q, Schedule G.2 for Equity securities with readily determinable fair values not held for trading:

i. The current FR Y-9C reporting requirements reflect ASU 2016-01, with the exception of Schedule HC-K, Quarterly Averages where 'Equity securities with readily determinable fair values not held for trading' are reported with all other debt securities (HC-K, Line 1.c). Additionally, 'Equity securities with readily determinable fair values not held for trading' are not reportable on the FR Y-9C, Schedule HC-B, Securities (which includes HTM and AFS securities); instead they are reported on Schedule HC, Consolidated Balance Sheet (Line 2.c).

ii. The Federal Reserve should consider revising the proposed change and report the average balance of "Equity securities with readily determinable fair values not held for trading" on the FR Y-14Q, Schedule G.2, Line 12 (Securities AFS and HTM– Other) to align G.2 Line 12 with the current FR Y-9C Schedule HC-K, Line 1.c.

V. FR Y-14Q, Schedule H (Wholesale Risk)

a. We propose that the Federal Reserve revise the instructions for Schedule H to allow disposed facilities to be reported with data as of the prior reporting cycle rather than the day of disposition.

b. We do not support the proposed changes to the instructions for Schedule H regarding field 25 (C&I) and field 3 (CRE) outstanding balance, which would require firms to report consistently with the FR Y-9C; specifically, the reporting of deferred fees in the reported balance whereas they have not been included previously. While we support the goal of aligning FR Y-14 reporting with the FR Y-9C report, the concept of netting the total amount of the commitment by deferred fees and costs is not a U.S. GAAP or FR Y-9C concept. We respectfully submit that this new requirement is a material change, and firms would need time to properly implement the new reporting process to accurately capture the net amount of deferred fees and costs on a facility level. Given these concerns, we request that the Federal Reserve withdraw or defer these proposed changes.

c. There are proposed new fields (Committed Exposure Global Fair Value (Field #65) and Outstanding Balance Fair Value (Field #66)), but existing fields are still required to be reported for HFS/FV loans (Committed Exposure Global (Field #5) and Outstanding Balance (Field #3)). The proposed new values will be duplicative as firms currently report the same value in the new and existing fields above. In addition, Accounting Type (LOCOM flag - Field #52) could be leveraged to identify HFS/FV loans as the reporting requirement mentions that if the loan is not held for sale or accounted for under a fair value option, 'NA' should be reported.

d. We recommend that the instructions for the Line of Business (LOB) field (Field No. 27 in Schedule H.1 and Field No. 22 in Schedule H.2) be updated from "Provide the name of the internal line of business" to "Provide the name of the internal line of business. If the internal line of business has changed since the previous quarter, report the current line of business."

e. The Federal Reserve has proposed to make the FR Y-14Q Schedule H consistent with the FR Y-9C instructions for reporting of Committed Exposure Global, Utilized Exposure Global and Outstanding Balance. Consistent with this approach, we recommend that the Federal Reserve consider aligning the definition of major modification between FR Y-14Q Schedule H and FR Y-9C. The deviation in the definition of major modification between FR Y-14Q and U.S GAAP and FR Y-9C will diverge further once CECL is adopted with regard to the determination of origination date. If the guidance for Schedule H is applied after the adoption of CECL, it could result in a disconnect between the loan population being reported and the related loan attributes being reported in the FR Y-14Q. The difference will also create operational challenges for firms to maintain two different processes in tracking origination date information.

f. We recommend that the instructions for an obligor's City (H.1, item 5) and Zip Code (H.1 item 7) be updated to reflect the changes made to reference a borrower's domicile in assigning the obligors' Country (H.1, item 6).

g. For Schedule H.1, proposed new fields 102 through 105 and for Schedule H.2, proposed new fields 63 through 66 (Committed Exposure Global/Utilized Exposure Global Par Value/Fair Value):

    i. Is the expectation that firms report their share of the Global Commitment or the total Global Commitment of the entire facility? If the new fields require reporting of the total Global Commitment of the entire facility, additional time and resources may be required to include these balances, as they may not be readily available. If the new field requires a firm's share of Original Commitment only, then it would be a duplication of the current reporting (Field 34 – Origination Amount in H2), or does the new field require banks to report the sum of 'Unpaid Principal Balance' and 'Unfunded Commitment'?

    ii. For new fields #102 and #103 Committed/Utilized Exposure Global Par Value, the proposal is to report the total commitment/outstanding amount for HFS loans and loans accounted for under FVO. We would like to clarify this requirement for facilities which include HFI and FVO/HFS loans.

1. For facilities which include both HFS/FVO and HFI loans, where HFI is the predominant value and the field #86 (LOCOM flag) is reported as 3, does the Federal Reserve expect firms to report fields 102 and 103 as "NA"? Further, if HFS/FVO is the predominant value and the field #86 (LOCOM flag) is reported as 1, does the Federal Reserve expect firms to report only the amount of the loans accounted for as HFS/FVO?

iii. For new fields 104 and 105 Committed/Utilized Exposure Global Fair Value, the proposal is to report the fair value of the entire credit facility for HFS loans and loans accounted for under FVO. We would like to clarify this requirement for facilities which include HFI and FVO/HFS loans.

1. For facilities which include both HFS/FVO and HFI loans, where HFI is the predominant value and the field #86 (LOCOM flag) is reported as 3, does the Federal Reserve expect firms to report fields 102 and 103 as "NA"? Further, if HFS/FVO is the predominant value and the field #86 (LOCOM flag) is reported as 2, does the Federal Reserve expect firms to report only the amount of the loans accounted for as HFS/FVO?

iv. Per current guidance from the Federal Reserve, reporting of commitment balances is on a "trade date" basis. Is there any change to reporting based on trade date basis?

h. The proposal states that "[t]he Board proposes modifying the maturity date field (Field No. 19 in Schedule H.1 and H.2) to eliminate the implied requirement to test compliance with the terms of the credit agreement each quarter. The current wholesale schedules (Schedules H.1 and H.2) permit the inclusion of extensions at the borrowers' discretion in calculating the maturity date only "when such conditions are in compliance with the credit agreement," which implies that firms must assess compliance quarterly. This is not consistent with business practice and would cause additional reporting burden that would be reduced with this modification." Does this mean that firms must now factor in the extension options that are solely at the discretion of the borrower from inception and report that date from then, or alternatively, is it that the extended date is only reported during the extension option window provided that the borrower has requested an extension and an assessment has been made that the conditions outlined in the agreement have been complied with?

VI. FR Y-14Q, Schedule L (Counterparty)

a. We recommend that the Federal Reserve clarify if the population scope is intended to be only counterparties with CVA or all counterparties. We believe that the schedule should capture counterparties with CVA only. Similarly, the Federal Reserve should clarify whether the population scope for CVA includes the expanded scope of counterparties (specific to the CCAR submission) or is restricted to the names which have accounting reserves (unstressed run), and whether a firm should calculate the stressed CVA for SFT exposures if the firm does not hold an accounting CVA reserve for the SFT.

b. We recommend that the Federal Reserve clarify if the "Netting Set ID" is optional but should be reported with the same granularity as L.2 and L.3 if elected by the reporting firm.

c. Clarification should be provided on interpreting "Trades Note Captured" on L.1.e.

d. We recommend that the current instructions for sovereign counterparties remain unchanged since the proposed instructions would require incremental data on whether sovereign counterparties are state-owned enterprises which are backed by the full faith and credit of a sovereign entity, and that data is not readily available. If this change is required, then the Federal Reserve should clarify the definition of "full faith of sovereign entity" and how to determine that using NAICs codes.

e. The draft instructions regarding aggregate CVA data by internal ratings do not clearly indicate if this should be based on parent or immediate counterparty, given the change in aggregation level on L.1.a. We recommend that the instructions be clarified.

f. Schedule L reports an internal and external rating equivalent factor. This should be aligned with Schedule H.

g. CVA Sensitivities continues to require reporting for 10 Counterparties. The Federal Reserve should clarify if this reporting should be aggregated at the parent counterparty level.

h. We recommend that the Federal Reserve include language in the instructions that specifies how the FR Y-14Q submission should relate to the reported FR Y-14A data. In addition, the Federal Reserve proposes consolidating certain counterparty identifier fields to make the collection of information surrounding these identifiers consistent across sub-schedules and to eliminate redundancy. The proposal would implement the clarifications as outlined in the draft instructions. There is concern and uncertainty surrounding how the FR Y-14Q should relate to the FR Y-14A, as this has never been done and would require an in-depth review of data sources.

i. We recommend that the Federal Reserve confirm that the determination of designated CCPs not located in the United States should be consistent with those CCPs identified as Qualifying Central Counterparty (QCCP) under 12 CFR 217. If this is not the intended population, we recommend that the Federal Reserve specify the supervisory provisions that would constitute an international CCP being regulated and supervised in a manner equivalent to the designated financial market utilities.

j. The proposal requires reporting of derivatives and fair valued SFTs in CVA items in sub-schedules L.1 through L.4. As a result of CECL, firms have a one-time option to elect FVO for certain financial assets including SFTs. This will significantly increase the population and firms are concerned about data sourcing. Therefore, the implementation of this change should be aligned with CECL implementation.

FR Y-14M

I. FR Y-14M, Schedule A (Domestic First Lien Closed-end 1-4 Family Residential Loan Data Dictionary) & Schedule B (Domestic Home Equity Loan and Home Equity Line Data Dictionary)

a. We do not support the proposal to carry involuntarily liquidated loans up to 24 months to fully populate the loss severity fields as it creates an additional operational burden and there is no apparent reason to require reporting of involuntary liquidations for this period of time. The additional operational burden results primarily from loans serviced by others. Loan servicers are responsible for tracking non-performing loans/lines, regardless of lien position, through the full loss mitigation process. When a loan/line is involuntarily liquidated, the servicer is responsible for recording all of the loss severity field information and passing that information onto the bank that owns the loan/line. Instances occur when there is a delay among the liquidation date, the date the servicer provides the loss severity field information to the owning bank, and the date the owning bank removes the liquidated loan/line from their loan system. Therefore, we recommend that this change not be required. If this change were to be required, the change should be prospective only, i.e., for accounts with involuntary terminations from the date of the revised instructions forward.

b. Alternatively, if the Federal Reserve requires this reporting, only involuntarily liquidated investments for up to a maximum of 12 months should be required and it should apply only to Portfolio Consumer Owned and Serviced by BHC accounts. This reporting should not apply to Commercial flagged loans, Service for Other portfolios, and Service By Other portfolios which are all identifiable within the schedules.
   - Do firms need to carry forward all other attributes over the recommended maximum 12-month time horizon or can firms report just 4 attributes:
     - Line item #93 (Total Debt at Time of any Involuntary Termination)
     - Line item #94 (Net Recovery Amount)
     - Line item # 95 (Credit Enhanced Amount)
     - Line item #121 (Sales Price of Property).

   If reporting of all attributes is required, should firms report values as of the period immediately before the involuntary liquidation for the following 12 months?

c. For retired fields, we recommend that they remain in the Schedules but reported with NULL values.

d. Per the proposed new instructions for Foreclosure Status (field # 65), in the month a loan liquidates, Foreclosure status needs to be reported as '2 = Post-sale Foreclosure'. However, FAQ # Y140000674 specifically provides that reporting Foreclosure status as '3 - REO' in the month of liquidation should be continued. Technically a loan could have moved from '2 = Post-sale Foreclosure' to '3-REO' in the month a loan liquidates. We suggest that the Federal Reserve enhances the instructions for both '2 = Post-sale Foreclosure' and '3-REO' to make clear that the Foreclosure Status should be "as of the month end in the month the loan liquidates."

e. The proposed change to the definition to Schedule A.1 field #59 and Schedule B.1 field #43 includes the sentence "This also applies to balloon loans that mature in the reporting month." The subsequent sentence, "[a] loan in the process of paying off in a reporting month can be reported with a value of 0 for P&I due in that month" seems to be contradictory. What is the Federal Reserve's expectation here, i.e., to report loans maturing in the current month, including balloon loans, as zero or not?

II. FR Y-14M, Schedule B (Domestic Home Equity Loan and Home Equity Line Data Dictionary)

a. The Federal Reserve proposes two new fields related to Charge-off (field #118 Charge-off Amount and field #119 Charge-off Date), replacing the fields Loss Write-down Amount and Loss Write-down date in the FR Y-14M Schedule B.1. However, the proposal for the FR Y-14M Schedule A.1 only includes the retirement loss write-down fields. We would like to obtain confirmation from the Federal Reserve if the new fields to report charge-off details will be included similar to Schedule B.1.

III. FR Y-14M, Schedule D (Domestic Credit Card Data Collection Data Dictionary)

a. The Federal Reserve proposes that recoveries must now be reported for up to 24 months after the account's closure with a balance or charge-off, rather than the current 12-month window. Our understanding is that the majority of credit card related recoveries generally occur in the first 12 months of charge-offs while the recovery in the following 12 months is modest. Given that, the level of effort associated with reporting charged-off accounts for an additional 12 months is greater than the benefit derived from it. However, if the Federal Reserve moves forward with the proposed requirement to report recoveries for 24 months, we recommend adopting the new population definition progressively; i.e., for accounts with involuntary termination from the effective date of the revised instructions going forward. The retroactive implementation would result in significant burden to firms since it would require the identification of closed and charged-off accounts between 12 to 24 months along with loan level details as required in the Schedule D1.

b. The Federal Reserve proposes to update the instructions to Schedule D.2 line 17 and line 18; however, the updated instructions include language about charge-offs, which may be an oversight. We urge the Federal Reserve to revise the instructions as necessary prior to implementation.

c. The Federal Reserve should confirm whether retired fields should be removed from Schedule D.1 or remain in the Schedule but be reported with NULL values.

d. There appears to be conflicting language on pages 34-35 of the NPR regarding - "discontinue reporting ... after accounts are closed" vs "eliminate the need to report ... after the month of closure." We have two questions that require clarification.

   i. For accounts that have a zero balance when closed, should they be excluded in the month they close or in the month after they close?

   ii. For closed accounts that have a balance upon closure, should they be excluded in the month they have a zero balance or the month after the balance is zero?

IV. We recommend that the current FR Y-14M retail reporting moves to quarterly reporting. We respectfully submit that monthly filings for retail templates are expensive and incrementally not informative. Bringing the processes and governance into a single cadence will drive efficiencies across the industry without removing transparency.

V. The proposed instructions require banks to report the account sold flag since the sale announcement date and not starting from the month of sale. How should this field be reported if the sale has been announced but the accounts in the portfolio to be sold have not been finalized? We recommend that the Federal Reserve provide firms with the flexibility of not reporting the field if the information needed to report is not available as of the sale announcement date.