



## **DEPARTMENT OF THE TREASURY**

### **Office of the Comptroller of the Currency**

#### **Agency Information Collection Activities: Revision of an Approved Information Collection; Submission for OMB Review; Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act**

**AGENCY:** Office of the Comptroller of the Currency, Treasury (OCC).

**ACTION:** Notice and request for comment.

**SUMMARY:** The OCC, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to comment on a revision to this information collection, as required by the Paperwork Reduction Act of 1995 (PRA). An agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. Currently, the OCC is finalizing a revision to a regulatory reporting requirement for national banks and federal savings associations titled, “Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act.” The OCC also is giving notice that it has sent the collection to OMB for review.

**DATES:** Comments must be received by [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN FEDERAL REGISTER].

**ADDRESSES:**

Because paper mail in the Washington, DC area and at the OCC is subject to delay, commenters are encouraged to submit comments by e-mail, if possible. Comments may be sent to: Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, Attention: 1557-0319, 400 7<sup>th</sup> Street, SW., suite 3E-218, mail stop 9W-11, Washington, DC 20219. In addition, comments may be sent by fax to (571) 465-4326 or by electronic mail to *prainfo@occ.treas.gov*. You may personally inspect and photocopy comments at the OCC, 400 7<sup>th</sup> Street, SW., Washington, DC 20219. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 649-6700 or, for persons who are deaf or hard of hearing, TTY, (202) 649-5597. Upon arrival, visitors will be required to present valid government-issued photo identification and submit to security screening in order to inspect and photocopy comments.

All comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not include any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

Additionally, please send a copy of your comments by mail to: OCC Desk Officer, 1557-0319, U.S. Office of Management and Budget, 725 17<sup>th</sup> Street, NW., #10235, Washington, DC 20503, or by email to: *oira\_submission@omb.eop.gov*.

**FOR FURTHER INFORMATION CONTACT:** Shaquita Merritt, OCC Clearance Officer, (202) 649-5490 or, for persons who are deaf or hard of hearing, TTY, (202) 649-5597, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 400 7<sup>th</sup> St., SW., Washington, DC 20219. In addition, copies of the templates referenced in this notice can be found on the OCC’s website under News and Issuances (<http://www.occ.treas.gov/tools-forms/forms/bank-operations/stress-test-reporting.html>).

**SUPPLEMENTARY INFORMATION:**

The OCC is requesting comment on the following revision to an approved information collection:

Title: Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

OMB Control No.: 1557-0319.

Description: Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>1</sup> (Dodd-Frank Act) requires certain financial companies, including national banks and federal savings associations, to conduct annual stress tests<sup>2</sup> and requires the primary financial regulatory agency<sup>3</sup> of those financial companies to issue regulations implementing the stress test requirements.<sup>4</sup> A national bank or federal savings association is a “covered institution” and therefore subject to the stress test requirements if its total consolidated assets are more than \$10 billion. Under section 165(i)(2), a covered institution is required to submit to the Board of Governors of the

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<sup>1</sup> Pub. L. 111-203, 124 Stat. 1376, July 2010.

<sup>2</sup> 12 U.S.C. 5365(i)(2)(A).

<sup>3</sup> 12 U.S.C. 5301(12).

<sup>4</sup> 12 U.S.C. 5365(i)(2)(C).

Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing such information as the primary financial regulatory agency may require.<sup>5</sup> On October 9, 2012, the OCC published in the *Federal Register* a final rule implementing the section 165(i)(2) annual stress test requirement.<sup>6</sup> This rule describes the reports and information collections required to meet the reporting requirements under section 165(i)(2). These information collections will be given confidential treatment to the extent permitted by law (5 U.S.C. 552(b)(4)).

In 2012, the OCC first implemented the reporting templates referenced in the final rule. *See* 77 FR 49485 (August 16, 2012) and 77 FR 66663 (November 6, 2012). The OCC proposed revisions to these reporting templates on November 16, 2016.<sup>7</sup> The OCC is now finalizing these revisions as described below.

The OCC intends to use the data collected to assess the reasonableness of the stress test results of covered institutions and to provide forward-looking information to the OCC regarding a covered institution's capital adequacy. The OCC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered institution. The stress test results are expected to support ongoing improvement in a covered institution's stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

The OCC recognizes that many covered institutions with total consolidated assets of \$50 billion or more are required to submit similar reports to the Board using reporting

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<sup>5</sup> 12 U.S.C. 5365(i)(2)(B).

<sup>6</sup> 77 FR 61238 (October 9, 2012) (codified at 12 CFR 46).

<sup>7</sup> 81 FR 70717.

form FR Y-14A.<sup>8</sup> The OCC also recognizes the Board has modified the FR Y-14A and, to the extent practical, the OCC has kept its reporting requirements consistent with the Board's FR Y-14A in order to minimize burden on covered institutions.<sup>9</sup>

The OCC also recognizes that the Board has proposed an amendment to its Capital Plan and Stress Testing rule and that the Board's proposed amendment includes modified reporting requirements for bank holding companies (BHCs) categorized by the Board as large and noncomplex firms.<sup>10</sup> One commenter urged the OCC to adopt similar modified reporting requirements for covered institutions, as well as additional reporting relief for covered institutions. In order to minimize regulatory burden, the OCC is applying similar changes for a subset of covered institutions. In particular, the OCC is not requiring covered institutions that are subsidiaries of large, non-complex firms, as defined by the Board, to complete the sub-schedules identified in the Board's revisions.

In addition to the changes that parallel the Board's changes to the FR Y-14A, the OCC is also implementing a new supplemental schedule to collect certain items not included in the Board's FR Y-14A. It is anticipated that this data will help the OCC better understand and monitor salient risks at covered institutions.

### **Revisions to Reporting Templates for Institutions with \$50 Billion or More in Assets**

The revisions to the DFAST-14A reporting templates consist of the following:

- Adding line items to the Regulatory Capital Instruments Schedule.

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<sup>8</sup> <http://www.federalreserve.gov/reportforms>.

<sup>9</sup> 81 FR 93917 (December 22, 2016).

<sup>10</sup> 81 FR 67239 (September 30, 2016) ("Under the proposal, large and noncomplex firms would no longer be required to complete several elements of the FR Y-14A Schedule A (Summary), including the Securities OTTI methodology sub-schedule, Securities Market Value source sub-schedule, Securities OTTI by security sub-schedule, the Retail repurchase sub-schedule, the Trading sub-schedule, Counterparty sub-schedule, and Advanced RWA sub-schedule.").

- Updating the Summary Schedule to collect items related to the supplementary leverage ratio.
- Removing sub-schedules of the Operational Risk Schedule for all covered institutions and adding sub-schedules to the Operational Risk Schedule for a subset of covered institutions.
- Creating a new supplemental schedule to collect certain items not included in the Board's FR Y-14A.
- Requiring a bank-specific scenario. Covered institutions would be required to submit bank-specific baseline and stress scenarios.
- Requiring the assumption of largest counterparty default. The largest trading covered institutions that also submit the Global Market Shock scenario would be required to assume the default of their largest counterparty in the supervisory severely adverse and adverse scenarios.

### **Bank-Specific Scenarios**

Covered institutions will be required to submit bank-specific baseline and bank-specific stress scenarios and associated projections for the 2017 annual stress testing submission. While supervisory scenarios provide a homogeneous scenario and a consistent market-wide view of the condition of the banking sector, these prescribed scenarios may not fully capture all of the risks that may be associated with a particular institution. The revisions require covered institutions to provide bank-specific baseline and bank-specific stress scenarios.

The OCC recognizes that the Board requires BHCs to submit BHC-specific baseline and stress scenarios and projections. Where OCC covered institutions also submit BHC-specific scenarios, bank-specific scenarios must be consistent with the BHC-specific scenarios.

One commenter objected to the submission of bank-specific scenarios. The commenter argued that the submission of a bank-specific scenario would be duplicative with the submission of a BHC-specific scenario if a covered institution subsidiary constitutes nearly all of the BHC's assets. The commenter also argued that, if a covered institution represents a smaller fraction of a BHC's assets, then it is inappropriate for the bank-specific scenario to be consistent with the BHC-specific scenario. The commenter further asked whether the OCC and the Board would draw the same conclusions on the adequacy of the BHC-specific versus bank-specific scenarios.

While the bank-specific scenario results may be broadly similar to the BHC-specific scenario results, especially for holding companies where the covered institution includes an overwhelming majority of the holding company's total assets and exposures, the holding company's nonbank assets may contain risks that are materially different from the rest of the holding company's exposures. Applying the bank-specific scenario against the covered institution's exposures ensures that supervisory analysis is conducted on the covered institution's reported numbers, rather than OCC estimates interpolated from results at the holding-company level. Furthermore, the holding company and the subsidiary national bank or federal savings association may implement different capital actions which may result in different capital outcomes between the BHC and bank-

specific scenarios. Therefore, the bank-specific scenario may potentially result in a different assessment from the BHC-specific scenario.

### **Largest Counterparty Default**

Covered institutions that complete the Global Market Shock are also required to complete the Largest Counterparty Default component. The completion of the Largest Counterparty Default component is currently required by the Board, and the OCC is adopting a similar requirement to enhance consistency and comparability of BHC and bank results.

### **OCC Supplemental Schedule**

The revisions include a new supplemental schedule that collects additional information not included in the FR Y-14A. This schedule collects additional data on auto lending, commercial exposures, and non-U.S. exposures. The schedule also collects information relevant to the calculation of the Supplementary Leverage Ratio.<sup>11</sup>

One commenter indicated that covered institutions may have the data required for the Supplemental Schedule but that this data may not be segmented in the manner used by the Supplemental Schedule. Another commenter noted that covered institutions do

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<sup>11</sup> For the OCC Supplemental Schedule, the OCC anticipates that covered institutions will use existing models and methodologies to furnish the requested information, which provides a more granular view on information provided elsewhere in the DFAST-14A. Covered institutions should not develop new models or methodologies just to provide the loss, balance, provision, and allowance numbers requested in the OCC Supplemental Schedule. If existing models and methodologies do not generate data at the requested level of granularity, covered institutions may use allocations, expert judgment, or other methods for projections of balances, losses, and allowances. Covered institutions should supply appropriate documentation explaining their approach. Institutions should not supply “N/A” for any fields in the supplemental schedule. If the covered institution does not meet the materiality threshold for a given item, the institution should leave this item blank.



not have systems in place to report the level of granularity required in the schedule, as much of the additional information would require substantial systems revisions and information technology changes. The OCC understands that existing data systems and processes may not be currently designed to align with the specific loan types, product types, and other classifications delineated on the OCC Supplemental Schedule. As indicated in the OCC's proposal, covered institutions should not develop new models or methodologies to provide the loss, balance, provision, and allowance numbers requested in the OCC Supplemental Schedule. Instead, institutions should use existing models and methodologies to furnish the requested information. The OCC expects covered institutions to use reasonable efforts to supply the data requested by the Supplemental Schedule. Also, most items in the OCC Supplemental Schedule include materiality thresholds to ensure that only sizeable portfolios and exposures, as measured in terms of total assets and as a percentage of tier 1 capital, are reported.

One commenter noted that the additional information to be collected in the OCC Supplemental Schedule is already received by the OCC from other sources. Certain line items requested in the OCC Supplemental Schedule are contained in the Call Report; however, the Call Report collects historical information, whereas the OCC Supplemental Schedule collects forward-looking projections. Existing sources of information do not contain the forward-looking projections which are essential to evaluating impact on capital adequacy in adverse and severely adverse macroeconomic conditions.

One commenter suggested that covered institutions will need clear instructions about what each line in the Supplemental Schedule requires. Another commenter requested that the Supplemental Schedule be dropped in its entirety from the final

template. Another commenter provided detailed feedback on the proposed line items. This commenter recommended that (a) owner-occupied commercial real estate (CRE) loans be reclassified as commercial and industrial (C&I) loans, especially since the Board classifies these loans as C&I in the FR Y-14Q Schedule; (b) line items relating to portfolio vacancy rates and weighted-average loan to value (LTV) be removed from the schedule; (c) more guidance be provided on calculating counterparty funding value adjustment (FVA) losses; (d) institutions not be required to submit historical data for line items relating to C&I exposures; (e) the OCC provide analysis of the purported benefits of the additional information to be provided in the Supplemental Schedule; and (f) institutions whose internal modeling practices do not align to the regulatory definition with respect to the additional granularity in the OCC Supplemental Schedule be permitted to use a pro-rata allocation approach or to note “N/A” as applicable.

For certain line items, the OCC has provided North American Industry Classification System (NAICS) code industry mappings to indicate which obligor-types must be included. Additionally, in the final instructions, the OCC has provided additional clarity on which obligors must be included for non-U.S. exposures. Line items pertaining to leverage exposure for the Supplementary Leverage Ratio are defined in the same way as analogous line items contained in the DFAST-14A Regulatory Capital Transitions Schedule. In regards to (a), we have re-categorized these line items as C&I loans rather than CRE loans. For (b), we have removed line items for portfolio vacancy rates and weighted-average committed LTV throughout the schedule. For (c), only those institutions that fill out the trading worksheet are responsible for completing this line item. Institutions that do not consider counterparty FVA losses within their counterparty

credit modeling should not complete this item. Institutions that are currently calculating counterparty FVA losses should use existing calculations to fill out this item and provide information on how this item was calculated in the bank's supporting documentation. For (d), as the Supplemental Schedule only collects information on the current quarter and projected quarters, historical balances and/or losses need not be submitted. For (e) and (f), the OCC considers those items included in the OCC Supplemental Schedule as material risks which are necessary for monitoring and assessing a covered institution's capital adequacy and capital planning process. Covered institutions that cannot use existing models and methodologies to furnish requested information on the OCC Supplemental Schedule may use allocations, expert judgment, or other methods for projections of balances, losses, and allowances if data is not available at the requested level of granularity. Covered institutions should supply appropriate documentation explaining their approach. Institutions should not supply "N/A" for any fields in the Supplemental Schedule. If the covered institution does not meet the materiality threshold for a given item, the institution should leave this item blank.

One commenter requested a delay of at least one year before requiring submission of the Supplemental Schedule. According to the commenter, submissions of this data would require changes in internal processes. Another commenter requested a delay of unspecified length for the same reasons. As mentioned, covered institutions are expected to use existing models and methodologies and to undertake reasonable effort to furnish requested information. It is not the OCC's intent to cause institutions to redesign existing processes to complete the Supplemental Schedule. The OCC considers those items included in the OCC Supplemental Schedule as material risks which are necessary for

monitoring and assessing a covered institution's capital adequacy and capital planning process.

### **Summary Schedule – Applicability**

Effective for DFAST 2017, covered institutions that are subsidiaries of large, non-complex firms, as defined by the Board, are not required to report the following sub-schedules of the Summary Schedule: Securities OTTI methodology sub-schedule, Securities Market Value source sub-schedule, Securities OTTI by security sub-schedule, Retail repurchase sub-schedule, Trading sub-schedule, Counterparty sub-schedule, and Advanced RWA sub-schedule.<sup>12</sup> This change increases consistency between the DFAST-14A and the FR Y-14A.

### **Other Reporting Template and Instruction Changes**

The other revisions to the DFAST-14A consist of clarifying instructions, adding and removing schedules, adding, deleting, and modifying existing data items, and altering the as-of dates. These changes increase consistency between the DFAST-14A and the FR Y-14A and the Call Report.

#### *Summary Schedule, Standardized RWA Worksheet*

The revision includes multiple line item changes intended to promote consistency with the FR Y-14A and ensure the collection of accurate information.

#### *Summary Schedule, Capital Worksheet*

Covered institutions are required to estimate their Supplementary Leverage Ratio for the planning horizon beginning on January 1, 2018. The OCC is adding two items to

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<sup>12</sup> All firms will be required to report line item 138 of the income statement, as that line item is currently derived from the Retail repurchase sub-schedule.

the Summary Schedule: Supplementary Leverage Ratio Exposure (SLR Exposure) and Supplementary Leverage Ratio (the SLR). The SLR is a derived field.

In addition, to collect more precise information regarding deferred tax assets (DTAs), the OCC is modifying one existing item on the Capital – DFAST worksheet of the Summary Schedule. The OCC is changing existing item 112 on the Capital – DFAST worksheet of the Summary Schedule, “Deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks, net of deferred tax liabilities (DTLs), but before related valuation allowances,” to “Deferred tax assets arising from temporary differences, net of DTLs.” A covered institution in a net DTL position must report this item as a negative number. This modification provides more specific information about the components of the “DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs” subject to the common equity tier 1 capital deduction threshold.

The revisions also remove certain items that pertained to the capital regulations in place before the adoption of the Basel III final rule.

#### *Summary Schedule, Counterparty Worksheet*

The OCC is adding the item “Other counterparty losses” to the counterparty worksheet of the Summary Schedule.

#### *Summary Schedule, Retail ASC 310-30*

One commenter noted that the ASC 310-30 Schedule had been omitted from the templates but had not been discussed in the PRA notice. This sub-schedule has been

removed, effective for the DFAST 2017 submission. This change had already been finalized in the OCC's 2016 Final PRA notice.

### *Operational Risk Schedule*

The revisions remove and add sub-schedules to the Operational Risk Schedule to ensure the collection of accurate information. The OCC is adding two sub-schedules and modifying the supporting documentation requirements for this schedule. First, the new Material Risk Identification sub-schedule collects information on a covered institution's material operational risks included in loss projections based on their risk management framework. Second, the new Operational Risk Scenarios sub-schedule collects a covered institution's operational risk scenarios included in the BHC Baseline and BHC Stress projections, a fundamental element of the framework.

One commenter argued that the OCC should remove the operational risk component from the stress testing reporting forms. However, operational risk is a key element of the stress testing framework. Operational risk losses can significantly influence a covered institution's capital and earnings projections and thus comprises an integral part of stress testing.

The adverse and severely adverse scenarios do not prescribe specific operational risk events that covered institutions must consider. Rather, institutions are instructed to identify their own idiosyncratic operational risk exposures as part of the material risk identification and scenario design process.

The OCC proposed to eliminate the Operational Risk Historical Capital subsection and is adopting this proposal as final. In addition, in order to align with the Board's Y-14A reporting requirements, the OCC will only require the Material Risk

Identification and Operational Risk Scenarios worksheets for a subset of covered institutions.

One commenter recommended that the OCC revise its instructions to exclude operational losses from idiosyncratic or low-probability events. However, each covered institution is responsible for assessing the reasonableness of its operational risk loss projections. The decision of which operational risk events to include or omit is a key part of each covered institution's risk identification and scenario design process, and institutions use a combination of quantitative and qualitative approaches, as appropriate, to determine an estimate of operational risk losses. Prohibiting covered institutions from overlaying certain operational risk losses would represent a constraint to the covered institution's risk identification and would prevent the institution from considering its full range of potential operational risk outcomes.

One commenter recommended that the OCC remove the Material Risk Identification worksheet and the Operational Risk Scenarios worksheet from the Operational Risk Schedule. In response to this comment and in order to align with the Board's Y-14A reporting requirements, the OCC will only require the Material Risk Identification and Operational Risk Scenarios worksheet for a subset of covered institutions. Specifically, institutions that are subsidiaries of large, non-complex firms, as defined by the Board, are not required to provide the Material Risk Identification and Operational Risk Scenarios sub-schedules.

Although operational risk is evaluated as part of the OCC ongoing supervision, forecasted operational risk losses can significantly influence a covered institution's capital and earnings projections. Operational risk event types and loss projections may

vary considerably from firm to firm, but results will provide significant insights on a covered institution's operational risk exposures and potential effect on capital and earnings estimates. Moreover, within each institution, year-over-year comparisons of operational risk estimates may indicate changes in a covered institution's operational risk exposures due to factors such as changes in relationships with third-party vendors, overhaul of compliance management system, or potential new litigation exposures.

### **Response to comments on timing of schedule changes**

One commenter requested (a) a minimum of six months between the publication of final changes to the reporting templates and the effective date of the changes; (b) the effective date for changes be aligned with the release of the technical instructions related to the changes; (c) clarifying questions be addressed before the effective date of a change; and (d) the technical instructions accompanying any proposed changes in the reporting templates be subject to public notice and comment. The OCC recognizes the challenges with implementing changes in a timely and controlled manner, especially when the changes are finalized close to the effective date. The OCC continues to balance the need to collect additional information with the objective of providing as much time as is feasible in advance of implementation.

In regards to the proposed changes contained in this notice, the OCC notes that the changes related to collecting components of the Supplementary Leverage Ratio on the Capital worksheet of the Summary Schedule allow for the incorporation of key measures of regulatory capital adequacy into the stress test. In the Operational Risk Schedule, the Material Risk Identification and Operational Risk Scenarios sub-schedules, which are not required for firms deemed "Large and Non-Complex," are often provided as part of the



DFAST review in response to follow-up supervisory requests, so filling out these worksheets would simply formalize an existing process. Other changes are clarifying in nature: streamlining the instructions, removing information, or aligning with the Board's FR Y-14A data collection. The OCC will continue to publish technical instructions as early as feasible.

Type of Review: Revision.

Affected Public: Businesses or other for-profit.

Estimated Number of Respondents: 25.

Estimated Total Annual Burden: 13,412.5.

The OCC believes that the systems covered institutions use to prepare the FR Y-14 reporting templates to submit to the Board will also be used to prepare the reporting templates described in this notice. Comments continue to be invited on:

(a) Whether the collection of information is necessary for the proper performance of the functions of the OCC, including whether the information has practical utility;

(b) The accuracy of the OCC's estimate of the burden of the collection of information;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the collection on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: January 30, 2017.

**Stuart Feldstein,**

*Director, Legislative and Regulatory Activities Division,*

*Office of the Comptroller of the Currency.*

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