FEDERAL RESERVE SYSTEM

Agency Information Collection Activities: Announcement of Board Approval under Delegated Authority and Submission to OMB

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Approval of Information Collection.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) is adopting two proposals to extend for three years, with revision, the Capital Assessments and Stress Testing Reports (FR Y-14A/Q/M; OMB No. 7100-0341). The revisions are applicable with as of dates ranging from December 31, 2019, to December 31, 2020. This final notice is adopting two proposals previously published separately: one proposing to incorporate current expected credit loss (CECL) methodology revisions into the FR Y-14A/Q/M reports (CECL proposal), and the other proposal to incorporate non-CECL methodology revisions into the FR Y-14A/Q/M reports (non-CECL proposal).

FOR FURTHER INFORMATION CONTACT:

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Office of Management and Budget (OMB) Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW, Washington, DC 20503, or by fax to (202) 395-6974.

A copy of the Paperwork Reduction Act (PRA) OMB submission, including the reporting form and instructions, supporting statement, and other documentation will be placed into OMB's public docket files. These documents also are available on the Federal Reserve Board's public

website at https://www.federalreserve.gov/apps/reportforms/review.aspx or may be requested from the agency clearance officer, whose name appears above.

SUPPLEMENTARY INFORMATION: On June 15, 1984, OMB delegated to the Board authority under the PRA to approve and assign OMB control numbers to collections of information conducted or sponsored by the Board. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the PRA Submission, supporting statements, and approved collection of information instrument(s) are placed into OMB's public docket files.

Final Approval under OMB Delegated Authority of the Extension for Three Years, With Revision, of the Following Information Collection:

Report title: Capital Assessments and Stress Testing Reports.

Agency form number: FR Y-14A/Q/M.

OMB control number: 7100-0341.

Effective Dates: Ranges from December 31, 2019, to December 31, 2020.

Frequency: Annually, semi-annually, quarterly, and monthly.

Respondents: The respondent panel consists of U.S. bank holding companies (BHCs), U.S. intermediate holding companies (IHCs) of foreign banking organizations (FBOs), and covered savings and loan holding companies (SLHCs)[1] with $100 billion or more in total consolidated assets, as based on: (i) the average of the firm's total consolidated assets in the four most recent quarters as reported quarterly on the firm's Consolidated Financial Statements for Holding Companies (FR Y-9C); or (ii) if the firm has not filed an FR Y-9C for each of the most recent four quarters, then the average of the firm's total consolidated assets in the most recent

[1] SLHCs with $100 billion or more in total consolidated assets become members of the FR Y-14A/Q/M panel effective June 30, 2020. See 84 FR 59032 (November 1, 2019).

consecutive quarters as reported quarterly on the firm's FR Y-9Cs.[2] Reporting is required as of the first day of the quarter immediately following the quarter in which the respondent meets this asset threshold, unless otherwise directed by the Board.

Estimated number of respondents: FR Y-14A: 35; FR Y-14Q: 35;[3]FR Y-14M: 33.

Estimated average hours per response: FR Y-14A: 1,030 hours; FR Y-14Q: 1,944 hours; FR Y-14M: 1,075 hours; FR Y-14 Implementation and On-going Automation Revisions, 540 hours; FR Y-14 Attestation On-going Audit and Review, 2,560 hours.

Estimated annual burden hours: FR Y-14A: 72,100 hours; FR Y-14Q: 272,160 hours; FR Y-14M: 425,700 hours; FR Y–14 On-going Automation Revisions, 18,900 hours; FR Y-14 Attestation On-going Audit and Review, 33,280 hours.

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

- The semi-annual FR Y-14A collects quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios.[4]
- The quarterly FR Y-14Q collects granular data on various asset classes, including loans, securities, trading assets, and pre-provision net revenue (PPNR) for the reporting period.

[2] The Board had separately revised the respondent panel for the FR Y-14 reports in connection with the Board's rule regarding Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies (the "Tailoring Rule"). See 84 FR 59230 (November 1, 2019) and 84 FR 50932 (November 1, 2019). Under the Tailoring Rule, the respondent panel for the FR Y-14 reports is BHCs with total consolidated assets of $100 billion or more, IHCs with total consolidated assets of $50 billion or more that are subsidiaries of an FBO, and covered SLHCs with $100 billion or more in total consolidated assets. See 12 CFR section 217.2 (defining "covered savings and loan holding company").

[3] The estimated number of respondents for the FR Y-14M is lower than for the FR Y-14A and FR Y-14Q because, in recent years, certain respondents to the FR Y-14A and FR Y-14Q have not met the materiality thresholds to report the FR Y-14M due to their lack of mortgage and credit activities. The Board expects this situation to continue for the foreseeable future.

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

- The monthly FR Y-14M is comprised of three retail portfolio- and loan-level schedules, and one detailed address-matching schedule to supplement two of the portfolio and loan-level schedules.

The data collected through the FR Y-14A/Q/M reports provide the Board with the information needed to help ensure that large firms have strong, firm-wide risk measurement and management processes supporting their internal assessments of capital adequacy and that their capital resources are sufficient given their business focus, activities, and resulting risk exposures. The reports are used to support the Board's annual Dodd-Frank Act Stress Test (DFAST) and Comprehensive Capital Analysis and Review (CCAR) exercises, which complement other Board supervisory efforts aimed at enhancing the continued viability of large firms, including continuous monitoring of firms' planning and management of liquidity and funding resources, as well as regular assessments of credit, market and operational risks, and associated risk management practices. Information gathered in this data collection is also used in the supervision and regulation of respondent financial institutions. Compliance with the information collection is mandatory.

Legal authorization and confidentiality: The Board has the authority to require BHCs to file the FR Y-14 reports pursuant to section 5 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. 1844), to require SLHCs to file the FR Y-14 reports pursuant to section 10 of the Home Owners' Loan Act (12 U.S.C.1467a(b)), and to require the U.S. IHCs of FBOs to file the FR Y-14 reports pursuant to section 5 of the BHC Act, in conjunction with section 8 of the International Banking Act (12 U.S.C. 3106). The FR Y-14 reports are mandatory.

The information collected in these reports is collected as part of the Board's supervisory process, and therefore is afforded confidential treatment pursuant to exemption 8 of the Freedom

of Information Act ("FOIA") (5 U.S.C. 552(b)(8)). In addition, individual respondents may request that certain data be afforded confidential treatment pursuant to exemption 4 of the FOIA, which exempts from disclosure "trade secrets and commercial or financial information obtained from a person [that is] privileged or confidential" (5 U.S.C. 552(b)(4)). Determinations of confidentiality based on FOIA exemption 4 would be made on a case-by-case basis.

Current actions: On July 31, 2019, the Board published two notices in the *Federal Register* (84 FR 37285 and 84 FR 37292) requesting public comment for 60 days on the extension, with revision, of the Capital Assessments and Stress Testing Reports. The Board proposed to implement a number of changes to schedules of the FR Y-14A, FR Y-14Q, and FR Y-14M reports. The proposed revisions consisted of deleting or adding items, adding or expanding schedules or sub-schedules, and modifying or clarifying the instructions for existing data items, primarily on the FR Y-14Q and FR Y-14M reports. The Board proposed most of these changes in an effort to reduce reporting burden for firms, clarify reporting instructions and requirements, address inconsistencies between the FR Y-14 reports and other regulatory reports, and to account for revised rules and accounting principles. A limited number of proposed revisions would have modified the reporting requirements and added or expanded sub-schedules to improve the availability and quality of data to enhance supervisory modeling and for use in DFAST.

The proposed revisions also were meant to address revised accounting for credit losses under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13) and implement the CECL accounting methodology across all of the FR Y-14 reports. The proposed changes to the FR Y-14 reports paralleled the related changes to the Consolidated Financial Statements for Holding Companies (FR Y-9C) for

CECL, as appropriate.[5] The proposed reporting changes related to CECL also were consistent with the revisions indicated in the interagency final rule that incorporated the CECL transition.[6]

The comment period for the two notices regarding the Capital Assessments and Stress Testing Reports expired on September 30, 2019. The Board received four comment letters from banking organizations and one comment letter from a banking industry group on its non-CECL proposal. The Board received one comment letter from a banking organization and one comment letter from a banking industry group on its CECL proposal. All comments and responses are delineated below based on whether the comment was related to the non-CECL or CECL proposal.

Detailed Discussion of Public Comments

Timing of Proposed Changes

The Board proposed that all revisions associated with these proposals to be effective for September 30, 2019. Four commenters stated that those revisions should be delayed so that there would be time for FR Y-14 filers to set up or update, as well as adequately test, their internal reporting systems to adopt the reporting changes. For the FR Y-14A, two commenters suggested adjusting the effective date for most of the revisions to December 31, 2019, with the exception of the proposals to eliminate the deposit funding threshold from the PPNR schedule and to require IHCs to provide a cost allocation as a supplement to their PPNR schedules, which two commenters proposed to become effective December 31, 2020. Another commenter suggested that all revisions associated with FR Y-14A become effective December 31, 2020. For the FR Y-14Q, two commenters suggested adjusting the effective date to delay most of the revisions to December 31, 2019, with the exception of certain proposed changes to the Counterparty

[5] See 84 FR 11783 (March 28, 2019).
[6] See 84 FR 4222 (February 14, 2019).

(Schedule L), Trading (Schedule F), and Retail (Schedule A) schedules, which the commenters suggested to delay until June 30, 2020. One commenter suggested delaying all proposed revisions associated with the FR Y-14Q to March 31, 2020. Finally, for the FR Y-14M, three commenters suggested delaying all proposed revisions to become effective March 31, 2020.

In light of the rationale for delaying implementation to allow firms adequate time to set up, update, and test their internal systems, as well as due to the fact that the proposed effective date has already passed, the Board has revised the effective date from September 30, 2019, to dates ranging from December 31, 2019, to December 31, 2020, for different aspects of the proposal. The December 31, 2019, date was chosen as some revisions are necessary for the DFAST 2020 stress test cycle, and so could not have been delayed to a later date. The effective dates for the other revisions were chosen as a balance between data needed by the Board and industry burden.

Timing of Non-CECL Revisions

For non-CECL revisions associated with the FR Y-14A, all revisions will be effective for December 31, 2020, except the revisions to schedule A.1.d (Capital), the revisions to schedule A.2.a (Retail Balance and Loss Projections), the revisions to schedule A.4 (Trading), and the revisions made to conform to changes previously made to the FR Y-9C. The revisions to schedule A.1.d, A.2.a, and A.4 will be effective for December 31, 2019, as they are critical for the DFAST 2020 stress test cycle.

For non-CECL revisions associated with the FR Y-14Q, all revisions will be effective for March 31, 2020, with the exception of the revisions to Schedule D (Regulatory Capital), the addition of the fair value option (FVO) hedges sub-schedule to Schedule F (Trading), certain revisions to Schedule H (Wholesale), the elimination of Schedule I ([Mortgage Servicing Rights]

MSR Valuation Schedule), and the revisions made to conform to changes previously made to the FR Y-9C, which will be effective for December 31, 2019, as well as the revisions to the Counterparty schedule, which will be effective for June 30, 2020. The non-CECL FR Y-14Q revisions that are effective for December 31, 2019, are needed then because they are critical for the DFAST 2020 stress test cycle. For the December 31, 2019, as of date, the Board will allow firms to submit the FVO hedges sub-schedule to Schedule F by March 6, 2020, as opposed to the February due date for the rest of the FR Y-14Q. The Board recognizes that one commenter requested delaying proposed revisions to the Trading schedule and the proposal to add a weighted-average life (WAL) segment variable to the Retail schedules to June 30, 2020. However, the Board feels that extending the effective date by six months will provide adequate time to set up or update, as well as adequately test, pertinent internal systems. In addition, firms already provide a WAL item on the FR Y-14A, PPNR schedule (schedule A.7) at the portfolio level. The instructions for the new WAL item at the loan segment level are similar to the existing WAL items on the PPNR schedule, and so the Board has added the item as proposed, except with a March 31, 2020, effective date.

For non-CECL revisions associated with the FR Y-14M, all revisions will be effective for March 31, 2020.

Timing of CECL Revisions

As indicated in the final CECL rule and as outlined in FR Y-14 CECL proposal, an institution may reflect the adoption of ASU 2016-13 on the FR Y-14 reports beginning with the 2020 stress test cycle. Therefore, all CECL-related items need to be incorporated into the FR Y-14 reports for December 31, 2019.

Consistency of numbering across the two proposals

The Board also received several comments about inconsistent numbering of items across the FR Y-14 reports between the non-CECL and CECL proposals. Since the Board is adopting both proposals at once, the numbering is consistent in the forms and instructions provided with this notice.

Non-CECL Proposal Comments

General

The Board issues technical instructions so firms know how to configure their systems and files to submit the FR Y-14A and FR Y-14Q. One commenter asked for the Board to provide these technical instructions before year-end 2019 so firms have sufficient time to make any necessary adjustments. The Board seeks to provide firms technical instructions in a timely manner, and seeks to do so with respect to the technical instructions for these reporting changes.

FR Y-14A

Schedule A.1.d (Capital)

The Board proposed to revise the instructions to the FR Y-14A to provide guidance on how firms should reflect the impact of the "global market shock"[7] on items subject to adjustment or deduction from capital. Specifically, if a firm were to adjust its projection of an item to reflect the impact of the global market shock, the instructions would indicate that the firm must also report an adjusted starting value that reflects the global market shock for applicable items. One commenter questioned whether this revision conflicts with guidance previously issued through a CCAR frequently asked question (FAQ SHK0030),[8] in which the Board stated that firms should

[7] The global market shock is a set of instantaneous, hypothetical shocks to a large set of risk factors. Generally, these shocks involve large and sudden changes in asset prices, interest rates, and spreads, reflecting general market dislocation and heightened uncertainty. The global market shock impacts the Trading and Counterparty schedules of the FR Y-14A and FR Y-14Q.

[8] https://www.federalreserve.gov/publications/comprehensive-capital-analysis-and-review-questions-and-anwers.htm.

not assume a related decline in portfolio positions or risk-weighted assets as a result of global market shock losses. Another commenter suggested that this treatment is a significant policy question that should be separately clarified by the Board. The Board notes that the proposed revisions reflect a departure from the guidance issued in FAQ SHK0030. In the past, the Board required firms to report capital using post-stress losses, but pre-stress values of certain capital deductions. The Board is now requiring firms to adjust their capital deductions to reflect the impact of the global market shock in order to make their capital calculation further reflect post-stress values.[9] The Board has adopted this revision as proposed. To mitigate confusion, the Board is rescinding FAQ SHK0030, as that historical guidance is inconsistent with the new instructions.

The Board proposed to rename 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 Board also proposed to revise the instructions for this item to state that firms should report the amount of taxes previously paid that the firm could recover through loss carrybacks if the firm's temporary differences (both deductible and taxable) fully reverse at the report date. The Board proposed these revisions to reflect provisions in the Tax Cuts and Jobs Act (TCJA) that changed the treatment of deferred tax assets (DTAs).[10] One commenter pointed out that the revisions to this item did not include taxes previously paid that the firm could recover through carrybacks of projected negative taxable income (i.e., net operating loss and credits) over the planning horizon. The commenter further noted that, although the TCJA eliminated net operating loss (NOL) carrybacks in the U.S., certain carrybacks are still allowed (e.g., credits and capital

[9] See 84 FR 6664 (April 1, 2019) for more information on disclosure methodology.
[10] Pub. L. No. 115-97, 131 Stat. 2054 (2017).

losses in U.S., as well as NOL carrybacks in various jurisdictions like the United Kingdom and certain U.S. states). The commenter requested the Board rename item 109 as a result. To better reflect the applicable provisions of the TCJA, the Board is renaming item 109 to "Taxes previously paid that the bank holding company could recover through allowed 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," and is revising the instructions accordingly.

Schedule A.2.a (Retail Balance and Loss Projections)

CECL replaced the concept of purchased credit-impaired (PCI) with that of purchased credit-deteriorated (PCD). As a result, the Board proposed to revise FR Y-14A, Schedule A.2.a, to include PCD breakouts for all mortgage categories. One commenter pointed out that the draft instructions provided with the proposal specify that these new PCD fields only apply to home equity items. Consistent with the language used in the description of the initial proposal, the intent of the proposal was to make these fields applicable to all mortgage line items. The Board is revising the instructions accordingly.

Schedule A.7 (Pre-Provision Net Revenue (PPNR))

The Board proposed eliminating the deposit funding threshold for the FR Y-14A, Schedule A.7.b (Net Interest Income), which is currently optional for firms with deposits comprising less than 25 percent of total liabilities for any period reported in any of the four most recent FR Y-14Q reports. For the reports as of June 30, 2016, the deposit-funding threshold was eliminated from the FR Y-14Q, Schedule G (PPNR). Two commenters said that removing this threshold would impose significant burden on the small subset of firms that are not currently required to report this schedule. The commenters recommended that the Board postpone this

revision until December 31, 2020, so that firms that are not currently required to file have ample time to set up and adequately test their reporting systems. Given the time necessary for these firms to set up and adequately test their reporting systems, the Board has adopted the revision and has postponed implementation until December 31, 2020.

The Board proposed adding further specification surrounding the requirements for supporting information provided by U.S. IHCs. Specifically, the proposal would add instructions to the supporting documentation requirements clarifying that IHCs with material transfer pricing or cost allocation items with related entities should report these revenues and expenses in the appropriate business-line category, rather than the "other" category. In addition, the proposal would have required U.S. IHCs to provide supporting documentation that disaggregates the impact of transfer pricing and cost allocations on revenue and expense projections to allow the Board to understand the revenue impact of these arrangements.

Two commenters said there would have been insufficient time for IHCs to provide the proposed cost allocation breakout items for September 30, 2019, as these firms are still in the early stages of shared cost structures. Both commenters proposed delaying implementation of these revisions until December 31, 2020. One commenter further requested that the Board provide additional clarification on the proposed change regarding the granularity required for the cost allocation, and that this information not be required for stressed scenarios as that would require substantial investment in IHCs' models. Given the concerns posed by the commenters, the Board has provided clarification regarding cost allocation in the FR Y-14A instructions, has added this clarifying language to the FR Y-14Q, Schedule G instructions, and has delayed implementation until December 31, 2020. The Board believes this new effective date provides sufficient time for IHCs to gather the necessary information.

The Board proposed to revise several items on the PPNR schedules of the FR Y-14A and FR Y-14Q (Schedule G) to indicate how dividend income on equity products should be reported. The proposed revisions were intended to align with reporting on the FR Y-9C. In doing this, the Board proposed that dividend income on equity products with readily determinable fair values not held for trading be reported as interest income and that dividend income on equity products held for trading be reported as noninterest income. One commenter pointed out that the FR Y-9C is not explicit as to how dividend income on equity products should be reported. The commenter also pointed out that items impacted by these revisions flow through to other PPNR items, specifically those that relate to the earned average rate of trading assets. The Board notes that, under the proposal, the reporting of dividend income on equity products may not be consistent between the FR Y-9C and the FR Y-14, as the FR Y-9C instructions are not explicit as to how this income should be reported. As a result, the Board has revised the language for item 5B ("Other [sales and trading interest income]") on the FR Y-14A, Schedule A.7.a and FR Y-14Q, Schedule G.1, to include equity trading activity not reported in item 5A (Prime Brokerage [sales and trading noninterest income]), instead of a direct reference to dividend income on equity products with readily determinable fair values not held for trading. The Board has also revised the language for item 18C ("Other [sales and trading noninterest income]") on Schedules A.7.a and G.1 to remove references to dividend income on equity securities held for trading.

The Board proposed to revise item 15 ("Other Interest/Dividend-Bearing Assets") on FR Y-14A, Schedule A.7.b and FR Y-14Q, Schedule G.2, to include balances from equity securities with readily determinable fair values not held for trading. One commenter pointed out that this is not consistent with the FR Y-9C, in which equity securities with readily determinable fair values are reported as "All other debt securities and equity securities with readily determinable fair

values not held for trading purposes" (item 1.c), and not as "Other earning assets" (item 4.b), on Schedule K (Quarterly Averages). Given this, the commenter recommended moving balances from equity securities with readily determinable fair values not held for trading from item 15 to item 12 ("Securities AFS and HTM – Other"). The Board notes that item 12 is a more appropriate location for equity securities with readily determinable fair values not held for trading, as they share more risk characteristics with non-equity securities than with other earning assets. As a result, the Board is updating the instructions accordingly.

The Board proposed to revise the PPNR schedules of the FR Y-14A and FR Y-14Q, as well as Schedule A (Retail) of the FR Y-14Q, so that loans (and associated income) in U.S. territories (including Puerto Rico) would be treated as international. The intent of this proposal was to align the reporting of loans in U.S. territories between the FR Y-14 and the FR Y-9C. However, one commenter pointed out that the reporting of these loans is more nuanced on the FR Y-9C, as the treatment can differ within and across schedules, and so the proposed FR Y-14 revisions would still result in inconsistencies between the items on the PPNR schedules and similar items on the FR Y-9C. In response, the Board is revising the proposed instructions to the PPNR schedules to require firms to refer to the FR Y-9C for the definition of domestic and international. This will result in the classification of loans as international or domestic on the FR Y-14 PPNR schedules truly aligning with those of the FR Y-9C.

For the FR Y-14Q, Schedule A (Retail), the Board proposed to remove an exception for loans in U.S. territories from the international loan-reporting requirement. However, in contrast to the PPNR schedules, the existing instructions for Schedule A already directed firms to refer to the FR Y-9C definitions for international and domestic for applicable loan categories. Therefore, the Board has adopted the revisions to the FR Y-14Q, Schedule A (Retail), as proposed, so that

the definitions of international and domestic align, without exception, with those on the FR Y-9C.

Schedule E (Operational Risk)

The Board proposed several revisions to Schedule E.2 (Material Risk Identification), one of which was to rename the "Risk segment" variable to "Business line(s)/firm-wide." One commenter pointed out that the name "Risk segment" provided a clear linkage to FR Y-14A, Schedule A.6 (BHC or IHC Operational Risk Scenario Inputs and Projections), as this schedule also had a variable named "Risk segment." The commenter asked whether the Board still expects this clear linkage despite the name change. The Board notes that the proposed revisions to Schedule E.2 allow for better linkage between the categories of the difference schedules, as firms will now have to identify and list the methodology used to estimate operational risk model. The Board has adopted the revisions as proposed.

FR Y-14Q

Schedule D (Regulatory Capital)

The Board proposed to eliminate most items on Schedule D, as they are duplicative of reporting elsewhere because the common equity tier 1 (CET1) capital deductions are now fully phased-in. One commenter asked for clarification as to whether the proposed changes to Schedule D apply to all firms, or only to non-advanced approaches firms. The Board notes that the changes apply to all firms that file the FR Y-14Q, as there are no exemptions listed in the proposed instructions.

While the Board proposed to eliminate most of the items on Schedule D, it did retain a limited number of items that are not reported elsewhere and proposed to add a handful of items relating to non-significant investments subject to a threshold deduction from CET1 capital. One

commenter asked how one of the new items (item 15 – "DTAs arising from temporary differences, net of DTLs") differs from a retained item (item 18 – "DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs"). The difference between these two items is that item 15 is reported before netting of carrybacks and valuation allowance, whereas item 18 is inclusive of valuation allowance and carryback netting. The Board believes this reporting is clear based on the instructions, and has adopted the revisions as proposed.

The Board proposed to add a new memoranda item to Schedule D (item M1 – "Taxes paid through the as-of date of the current fiscal year"). The instructions for this item require respondents to report the amount of taxes paid during the current fiscal year through the as-of date that are included in Schedule D, item 17, "Potential net operating loss carrybacks," assuming that fiscal years align with calendar years. One commenter asked whether the data from this item can be appropriately sourced from FR Y-9C, Schedule HI (Income Statement), item 9 (Applicable income taxes (foreign and domestic)). The Board notes that, based on the instructions for item M1, firms should only report income taxes paid that are included in item 17, which may not equal the income taxes reported in FR Y-9C, Schedule HI, item 9. The Board has adopted the revisions as proposed.

Schedule F (Trading)

The Board proposed to delineate reporting of private equity investments between those reported at fair value and those reported using accounting methods other than fair value (non-fair value). Two commenters asked the Board to clarify whether the intended population of the private equity investments reported at fair value includes investments required to be held at fair value, as well as (1) investments in which FVO accounting treatment has been elected and (2)

fund positions measured at net asset value (NAV). In response, the Board notes that the intended population of the private equity investments reported at fair value consists of investments required to be reported at fair value, including investments where fair value is estimated using NAV or where FVO has been elected. The commenters also suggested excluding all non-fair value investments from Schedule F because they believe the macro scenario is more appropriate than the global market shock scenario for capital planning purposes for these positions. The Board notes that private equity is the only asset type where non-fair value exposures are required to be reported on Schedule F. Further, the Board notes that fair value and non-fair value private equity investments have different risk characteristics, and so believes it is essential that these exposures are separately reported. Since the Board now has a breakout between fair value and non-fair value private equity investments, the Board will be able to assess whether the macro scenario is more appropriate than the global market shock for non-fair value exposures. If the macro scenario is more appropriate, then the Board will propose an alternative treatment in a future notice.[11] The Board has adopted the revisions as proposed.

The Board proposed to add a sub-schedule that captures FVO loan hedges. One commenter asked the Board to expand this sub-schedule to include all non-trading hedges, regardless of accounting treatment, as including these hedges would portray a more accurate picture of risk and because it may be difficult for firms to segment hedging activity that is directly correlated to a specific accounting treatment. The Board has been collecting FVO loan hedge information as a supplement to the supervisory stress test for several years, and this proposal was a formalization of this supplemental collection. FVO loan hedge information is critical to adequately assessing the risks posed by FVO loans. Without this information, the

[11] See 84 FR 6664 (February 28, 2019) for more information about the Federal Reserve's model development and validation practices.

Board would have no way to determine whether firms are mitigating FVO loan risks through hedging. The Board has adopted the revisions as proposed, and will consider expanding the sub-schedule in a future proposal. The same commenter asked the Board to clarify whether the as-of date the FVO loan hedges sub-schedule should be at quarter end. Consistent with the instructions published with the initial proposal, the as-of date for the FVO loan hedges sub-schedule is quarter end.

One commenter asked whether the Board could provide examples of what should be included in the FVO loan hedge sub-schedule. The Board is revising the instructions to add a non-exhaustive list of examples of what should be included in this sub-schedule.

The Board proposed to exclude mandated investments, such as those in government or government-sponsored entities and stock exchanges, from Schedule F. One commenter asked the Board to further clarify the definition of mandated investments. The Board believes the proposed definition is sufficient, and therefore has adopted the revisions as proposed. The Board encourages firms to seek guidance from the Federal Reserve if they have specific questions related to bespoke investments.

The Board did not propose to revise the list of examples for what to include the Other Fair Value Assets Sub-schedule that is currently in the instructions. However, due to the placement of the list in the instructions, one commenter asked that the Board clarify whether the list applies only to the Other Fair Value Assets sub-schedule. The Board is revising the instructions to make it clear that this list applies only to the Other Fair Value Assets sub-schedule.

Schedule H (Wholesale)

The Board proposed to add two additional Schedules, H.3 (Line of Business) and H.4 (Internal Risk Rating Scale), which would allow for mapping of each firm's internal risk ratings and line of business values to a consistent benchmark for use in modeling. One commenter suggested the Board expand Schedule H.4 to ask for additional items, such as probability of default information. The commenter also suggested expanding Schedule H.4 to correspond to FR Y-14Q, Schedule L (Counterparty), instead of just Schedule H, as both schedules require an internal and external rating equivalent factor. At this time, the Board does not need any additional fields on these schedules, but will consider expanding Schedule H.4 as part of a future proposal. Additionally, the Board will not expand Schedule H.4 to correspond with the Counterparty schedule at this time, as the data between the two schedules do not readily align.

The Board proposed to revise Schedule H.1 (Corporate Loan Data), item 25 ("Utilized Exposure Global"), and Schedule H.2 (Commercial Real Estate), item 3 ("Outstanding Balance"), to align reporting with the FR Y-9C definition of loan and lease financing receivables. This would cause the exposure amounts reported in Schedule H.1, item 25, and Schedule H.2, item 3, to be netted by deferred fees and costs. One commenter stated that while this would align with the FR Y-9C, firms would need significant time to accurately implement these revisions, and requested the proposal be dropped or delayed. These two fields are critical for modeling, and the Board believes that aligning the definitions between the FR Y-14Q and FR Y-9C will enhance reporting accuracy and improve clarity. The Board also acknowledges that unlike the FR Y-9C, the Wholesale schedule is reported at the facility level, and so firms need time to adequately capture the deferred fees and costs. Therefore, the Board has adopted the revisions as proposed, but is delaying implementation until December 31, 2019, so that these

fields can be updated in time for CECL implementation on the FR Y-14Q, as these fields are critical for CECL.

The Board proposed to revise the line of business items (Schedule H.1, item 27; Schedule H.2, item 22) to not require that the line of business be reported at origination, as they typically change over time. One commenter requested the Board expand the description of these items to clarify that the current line of business should be reported. The Board believes its proposed revision captures this point because firms will no longer be required to report the line of business at origination, and is more consistent with the existing instructions for other items. The Board has adopted the revision as proposed.

The Board proposed to revise several Schedule H items to align with the definition of loans and lease financing receivables on the FR Y-9C. One commenter noted that the Board should also align the definition of major modification in origination date fields of Schedules H.1 and H.2 (items 18 and 10, respectively), with that of the FR Y-9C. While the Board strives to align reporting definitions when appropriate, the definition of a major modification on Schedule H is much broader than that of the FR Y-9C and is used to assess whether there has been a change in the origination date for all types of loans. The Board does not believe it is appropriate to use the FR Y-9C or GAAP definition of "modification" because this definition is mainly associated with troubled debt. The Board has adopted the revision as proposed.

The Board proposed to revise the definition of "country" on Schedule H.1 (item 6) to refer to the definition of "domicile," as defined in the FR Y-9C glossary. One commenter suggested the Board also revise Schedule H.1, items 5 ("City") and 7 ("Zip Code"), to reference the borrower's domicile in assigning the obligor's country in Schedule H.1, (item 6). The Board

strives to align the definitions of related items where applicable, and so is revising the instructions accordingly.

The Board proposed to revise the maturity date fields of Schedules H.1 and H.2 (item 19 for both) to eliminate the implied requirement to test compliance with the terms of the credit agreement each quarter. One commenter asked whether this revision means that firms would now have to factor in the extension options that are solely at the discretion of the borrower from inception, or alternatively, whether it means 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. The Board has adopted the proposed revisions to the maturity date fields, which is inclusive of all extension options that are solely at the borrower's discretion regardless of the timing of the extension option window, including extension options that are conditional on certain terms being met without any need to assess compliance with the terms of the credit agreement.

The Board proposed to add items 65 ("Committed Exposure Global Fair Value") and 66 ("Outstanding Balance Fair Value") to Schedule H.2. One commenter questioned whether these two new items were capturing duplicative information, as items 5 ("Committed Exposure Global") and 3 ("Outstanding Balance"), respectively, seem to capture similar information for held-for-sale and FVO exposures. The Board notes that Schedule H.2, items 5 and 3, represent different concepts from the newly-proposed fair value items 65 and 66. Although there may be cases where values in items 5 and 3 coincide with the values in the newly proposed fair value items (65 and 66, respectively), in other instances the values may differ between these fields

(specifically for held-for-sale (HFS) loans reported at lower of cost or fair value, when amortized cost is lower than fair value). The Board has adopted the revisions as proposed.

The Board proposed to add several fields related to committed exposure and utilized exposure global par values, as well as fair values, to Schedules H.1 (items 102 through 105) and H.2 (items 63 through 66). One commenter had several questions about these new items. First, the commenter wanted the Board to clarify whether firms should report their share of the global commitments or the total global commitment of the entire facility. The Board notes that firms are expected to report their pro-rata commitments in the committed exposure fields. The pro-rata share is net of adjustments that are noted in the FR Y-14Q instructions. The "Committed Exposure Global" fields should include the total commitment amount, including any unused portfolio of the commitment. Second, the commenter asked how to report these items for facilities that include held-for-sale loans or loans accounted for under a fair value option and held-for-investment loans. The Board notes that for loans reported in Schedule H.1, if the firm reports a value of 3 ("NA") in the "Lower of Cost or Market Flag" (item 86), then it should report "NA" for items 102 ("Committed Exposure Global Par Value") and 103 ("Utilized Exposure Global Par Value"). In cases where there are multiple loans in the same facility, firms should report the consolidated exposure based on the accounting type for loans that make up the predominant share of the facility. Third, the commenter asked whether firms should continue to report commitment balances on a trade date basis. The Board notes that firms should continue to report commitment balances on a trade date basis. The Board has adopted the revision as proposed.

The Board did not propose any changes to the treatment of disposed loans on Schedule H. However, one commenter suggested that the Board revise the instructions to allow disposed

facilities to be reported with data as of the prior reporting cycle rather than the day of disposition. The Board believes collecting loan disposition information as it existed at the point of disposition is critical, and so will not revise the current requirements.

Schedule L (Counterparty)

The Board proposed to expand the scope of granularity of a firm's reporting of credit valuation adjustment (CVA) related data fields from the top 95 percent to all counterparties at the legal entity level for several sub-schedules. Four commenters expressed that this change would cause significant burden on firms not only from a data perspective, but also from a technical perspective, as firms' and vendors' systems may not be capable of handling data sets of that size. The Board acknowledges the operational concerns raised by the industry. In doing so, the Board has adopted a modification of the proposed revision that limits the scope of counterparty legal entity identifier (LEI) level reporting requirements in Schedules L.1-L.3[12] to top 95% stressed CVA, in addition to the existing 95% unstressed CVA. For the remaining counterparties that are not required to be reported at an individual LEI level, a new Schedule will be added to collect summary metrics with respect to their key attributes, for example by industry, rating, and region.

Two commenters requested the Board clarify whether this increased scope applied to all counterparties, or only counterparties with CVA. The Board confirms the scope of the counterparty population under the adopted modification of the proposed revision should apply only to counterparties with CVA.

In addition to the increased scope in CVA related fields, the Board proposed revisions to several definitions throughout Schedule L. Two commenters asked for additional clarification

[12] Sub-schedules L.1.a through L.1.d.2 capture information regarding derivatives profile by counterparty and aggregate across all counterparties. Sub-schedule L.2 captures expected exposure profile by counterparty and sub-schedule L.3 captures credit quality by counterparty.

regarding the consistency of the "Netting Set ID" field throughout the Schedules, the definition of the "Trades Not Captured" field, as well as whether securities financing transactions (SFTs) should be included with derivatives in the same counterparty data sets. "Netting Set ID" and "Sub-netting Set ID" are optional fields for certain schedules. To ensure consistency across Schedule L, the Board is revising the instructions to require these field to be reported for all schedules, and is requiring that they be reported using the same granularity across Schedule L. Further, the Board is revising the instructions to indicate that the "Trades Not Captured" field should incorporate types of trades or counterparties for which CVA is computed offline (i.e., outside of the main CVA systems). This is effectively equivalent to the scope of counterparties and/or types of trades for which the firm is unable to submit data requirements associated with Schedule L.2 that relate to the components of the CVA. Finally, the Board is revising the instructions to clarify that fair-valued SFTs should be reported in aggregate under Schedule L.1.e.2 (Additional/Offline CVA Reserves), as opposed to at the granular counterparty LEI level reporting under Schedules L.1, L.2, and L.3. In doing so, a new line item will be added to collect fair-valued SFTs separately under Schedule L.1.e.2.

The Board proposed to require firms to report certain counterparties on Schedule L.1.a-L.1.d at a counterparty legal entity level, rather than a consolidated parent level. One commenter recommended that the reporting of 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. The commenter added that if this change were required, then the Board should clarify the definition of "full faith and credit of a sovereign entity" and how to determine that using North American Industry Classification System (NAICS) codes. The

commenter further suggested that the Board confirm whether the determination of designated central counterparties (CCPs) not located in the U.S. is consistent with those CCPs identified as Qualifying Central Counterparty (QCCP) under 12 CFR 217. If this is not the intended population, the commenter recommended that the Board specify the supervisory provisions that would constitute an international CCP being regulated and supervised in a manner equivalent to the designated financial market utilities. The Board notes that the proposed change to the instructions on sovereign and designated CCP counterparties is a codification of how the Board requires firms to calculate their largest counterparty as part of the large counterparty default (LCPD) component. However, the Board does acknowledge the benefit of using the definitions of sovereign and CCPs that are consistent with those in the regulatory capital rules. Given this, the Board is revising the definitions of sovereign and CCPs, including the scope of QCCPs vs non-QCCPs, to correspond with the definitions in section .2 of the regulatory capital rules (12 CFR 217), as recommended by the commenter. As a result of the Board revising the instructions to use the definition of sovereign in regulatory capital rules and the delaying of the effective date until June 30, 2020, the Board believes the concerns raised by the commenter have been mitigated.

The Board proposed to revise Schedule L.1.a (Individual Counterparties – Credit Valuation Adjustment (CVA)) to clarify that individual counterparties should be captured at the legal entity level, rather than at the aggregated parent or consolidated level. Two commenters asked the Board to clarify how this change impacts Schedule L.1.e (Aggregate CVA Data by Ratings and Collateralization) and Schedule L.4 (Aggregate and Top 10 CVA Sensitivities by Risk Factor). The Board is revising the instructions to show that Schedule L.1.e should be

reported based on the immediate counterparty LEI facing the firm and that Schedule L.4 should continue to be reported at the aggregated parent or consolidated counterparty level.

The Board received a comment recommending that language be added to the Schedule L instructions specifying how the schedule should relate to data reported in FR Y-14A, Schedule A.5 (Counterparty Credit Risk). The Board strives to align or otherwise connect related data fields, where applicable, and is including language in the technical instructions to clarify how the data should reconcile between these two schedules with regards to both CVA and LCPD.

FR Y-14M

Schedule A (Domestic First Lien Closed-end 1-4 Family Residential Loan) and Schedule B (Domestic Home Equity Loan and Home Equity Line)

The Board proposed to revise Schedules A and B to indicate that in cases of involuntary terminations, loans should be reported for up to 24 months following termination until data in the four loss severity fields are available to report. The Board notes that this change should apply to loans that have experienced an involuntary termination within the past 12 months of the date of the revised instructions and for which the four loss severity fields are available. One commenter asked whether this revision should only be applied to accounts where the event (i.e., charge-off and involuntary termination) occurred in the first month after the revision became effective, and which accounts should now be included in these schedules. The Board clarifies that the reporting of accounts where the event occurred 12 months prior to the date of the revised instruction is not changing, and firms are not required to include accounts where the event occurred 24 months prior to the date of the revised instructions.

The Board received two other comments on its proposal regarding reporting cases of involuntary terminations on Schedule A and B. The first comment states that this proposal will create additional operational burden, specifically as it relates to loans serviced by others. Per the comment, 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 involuntary liquidated, the servicer is responsible for recording all of the loss severity information and passing that information to the bank that owns the loan/line. When this happens, the owning bank removes the liquidated loan/line from its system. The commenter points out that this revision should only be applied prospectively (i.e., for accounts with involuntary terminations from the date of the revised instructions forward). The second comment asks that certain commercial and serviced loans be exempt from this treatment, and asks to confirm whether all fields on Schedules A and B need to be filled out for these loans/lines, or whether only the loss severity fields need to be filled out.

The Board notes that only a portion of recoveries are realized within the first 12 months after charge-off, and so moving to a 24 month window would portray a more complete picture of applicable recoveries. The Board further notes that in the case of involuntary terminations, loans should be reported for up to 24 months following termination, until the data on specified fields (items 93 ("Total Debt at Time of any Involuntary Termination"), 94 ("Net Recovery Amount"), 95 ("Credit Enhanced Amount"), and 121 ("Sales Price of Property")) are available to report. If the data are available sooner, the firm does not have to continue reporting these loans in the following months. Moreover, these fields should only be reported for any portfolio or private securitized loans that experienced involuntary terminations. Per the proposal, the Board will require firms to carry involuntary liquidated loans/lines up to 24 months to fully populate all

fields up until all the fields are captured or 24 months. A firm does not need to change its reporting conventions for loans before and after the involuntary liquidations. The Board has adopted the revision as proposed.

The Board proposed to revise item 65 ("Foreclosures Status") of Schedule A to clarify that in the month a loan liquidates, a firm should report the loan as a post-sale foreclosure. One commenter noted that a loan could have moved from a post-sale foreclosure to real estate owned in the month a loan liquidates, and suggested the Board clarify in the instructions that item 65 should be reported as of the month end in the month the loan liquidates. The Board notes that the instructions for this item already require reporting as of the end of the reporting month. However, for clarification purposes, the Board is revising the instructions to indicate that if a loan was in foreclosure in the prior month, and the loan liquidates during the current month, then it should be reported as a post-sale foreclosure.

The Board proposed to revise Schedule A, item 59, and Schedule B, item 43 (both "Principal and Interest (P&I) Amount Current"), to clarify that firms should report the principal and interest due from the borrower in the reporting month, even in cases of balloon loans that mature in the reporting month. One commenter pointed out that this clarification contradicts other parts of these items instructions, which state that a loan in the process of paying off in a reporting month can be reported with a value of zero. As a result, the Board is revising the instructions for these two items to state that for balloon loans in the process of paying off in a reporting month, firms should report the full amount due.

The Board proposed to add two new items to Schedule B (items 118 ("Charge-off Amount") and 119 ("Charge-off Date")). A commenter asked whether similar fields should have

been added to Schedule A. The Board did not propose to add these fields to Schedule A, as it does not need this information for that loan population.

Schedule D (Domestic Credit Card)

The Board proposed to revise the instructions for Schedule D to state if an account at the time of closure or charge-off had a positive unpaid balance that needed to be repaid or recovered, then information on that account should be reported up to 24 months after the closure or charge-off. Previously, information on that account would have only been reported up to 12 months after the closure or charge-off. A commenter noted that this requirement should only be applied prospectively due to the burden of retrieving data from the past 24 months. The Board notes that only a portion of recoveries are realized within the first 12 months after charge-off, and so moving to a 24 month window would portray a more complete picture of applicable recoveries. The Board notes that this reporting change should only apply to loans that have experienced a charge-off or termination event within the past 12 months of the date of the revised instructions. The Board has adopted this revision as proposed.

The same commenter asked the Board to clarify when closed accounts should be excluded in cases when they have a zero balances at closure and in cases where they do not. The Board clarifies that charge-off and non-charge off accounts should be have a zero balance reported in the month they close, and should be excluded in the month after they close. Accounts that have a balance greater than zero when closed should be reported up to 24 months after they close.

The Board proposed to update the instructions for items 17 (“Managed Recoveries”) and 18 (“Booked Recoveries”) on Schedule D to clarify that all gross charge-offs, including those related to acquired impaired loans, should be included. One commenter asked why charge-offs

should be included in amounts related to recoveries. The Board is revising the instructions to make it clear that these items should be capturing the recovery of the charged-off amount for acquired impaired loans.

The Board proposed to add a clause to the instructions for item 68 ("Account Sold Flag") on Schedule D to indicate that firms must start to report this item from the sale announcement date. The instructions were previously ambiguous as to when to begin to report this item. One commenter asked how this item should be reported if the sale has been announced but the accounts in the portfolio to be sold have not yet been finalized. The commenter asked the Board to allow for firms to not report this item if the information needed to report is not available as of the sale announcement date. The Board needs the information reported in this item as soon as it is available in order to adequately assess the risk effects of portfolios that are in the process of being sold, and so has adopted the revision as proposed.

One commenter requested revising the FR Y-14M to be reported quarterly instead of monthly, citing reporting burden of monthly filing as a rationale. Monthly data collection allows the Board's financial models to be sensitive to high-frequency changes in risk drivers, and so the Board will continue to require monthly data.

The Board did not propose revising how retired fields on the FR Y-14M should be reported. However, a commenter requested the Board confirm whether retired fields should be removed from the report or remain in the schedules but reported with null values. The Board confirms that due to previously received industry feedback regarding the burden of renumbering items, retired fields should continue to reported and reported with null values.

CECL Proposal Comments

General

The Board proposed to add items and update references to the FR Y-14 reports to incorporate CECL. One commenter expressed concern that firms would be required to produce additional information in order to demonstrate how their projections incorporating CECL differ from what the projections would have been under the incurred-loss methodology, even if the firms intend to retire their incurred-loss models upon adoption of CECL and do not intend to maintain parallel processes. The commenter referenced CCAR FAQ GEN0207, [13] in which the Board stated that firms should prepare to submit documentation on the methodology used to produce the capital plan submission in accordance with the capital plan rule. CCAR FAQ GEN0207 further stated that examiners may request any additional documentation necessary to understand and support the firm's estimated stressed capital insomuch as the firm relied upon that information to create and approve that plan. Per the response to CCAR FAQ GEN0207, firms are not required to maintain parallel methodologies (i.e., CECL and incurred-loss). Firms only need to provide documentation on the methodology used in their projections and capital plans.

The Board received a comment regarding whether the effective dates for CECL filers will be revised based on FASB's recent proposal to delay CECL effective dates for certain institutions (FASB approved this proposal on October 17, 2019).[14] The Board had initially proposed to remove incurred-loss model items and references from the FR Y-14 reports by March 31, 2022, at the latest, as that was the anticipated time by which all filers would have adopted CECL. However, given this extension, the Board is delaying the removal of these items until March 31, 2023.

[13] https://www.federalreserve.gov/publications/comprehensive-capital-analysis-and-review-questions-and-anwers.htm.
[14]https://www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176173176157&acceptedDisclaimer=true.

The Board received a comment asking how the implementation of CECL would impact the disclosure of DFAST/CCAR results. The commenter points out that the fundamental inconsistencies between how the Board and participating firms will calculate credit loss allowances over the projection horizon will present challenges in comparing the risk profiles and capital planning capabilities of firms. Further, per the comment, stakeholders may have difficulty evaluating and understanding firms' stress-test disclosures, as well as the DFAST and CCAR results, because of the different methodologies used among firms and by the Board. To avoid potential confusion for stakeholders, the commenter recommends that the Board explain in its DFAST and CCAR results publications that its projections for the supervisory severely adverse scenario are not comparable to firms' projections for the same scenario because of the fundamentally different methodologies used by the Board and firms to project credit loss allowances, and that firms' own projections may not be comparable to one another's because of differences in how they incorporated CECL into their projection methodologies. Finally, the commenter recommends that to further promote clear communication to stakeholders and stakeholders' understanding of the stress test results, the Board should provide a template disclosure that firms could include in their own DFAST disclosures explaining that their projections may not be comparable to those of other firms, and are not comparable to those of the Board because of methodological differences relating to the projections of credit loss allowances. In response, the Board understands the concerns posed by the commenter, and will consider this comment as part of its results disclosure process.

FR Y-14A

General

In the initial proposal, the Board mentioned that it would update applicable reporting instructions to account for the exclusion of unconditionally cancelable commitments from the allowance for credit losses off-balance sheet exposures. One commenter pointed out that the Board did not make any such revisions. The Board notes that the reference to updating applicable instructions should not have been made in the initial proposal because the only instructions that mention unconditionally cancelable commitments refer to the definition on the FR Y-9C, and so no additional updates were necessary.

Schedule A.1.a (Income Statement)

The Board proposed to add items that capture the provisions, net charge-offs, and allowances for held-to-maturity (HTM) and available-for-sale (AFS) debt securities to Schedule A.1.a. However, the Board did not add items that capture these fields for all other financial assets that fall within the scope of CECL, such as securities purchased under agreements to resell and other assets. One commenter pointed out that without adding these items, net income as reported on Schedule A.1.a would not be accurate. The Board notes that under the proposed instructions, net income would not reconcile across the FR Y-14 and FR Y-9C reports, and is revising the form and instructions to add applicable items to capture all other financial assets that fall within the scope of CECL.

Schedule A.1.b (Balance Sheet)

The Board proposed to revise the instructions for "Other assets" (item 129) to change the FR Y-9C items referenced in the definition. Specifically, the Board proposed to remove references to FR Y-9C, Schedule HC (Balance Sheet), items 8 ("Investments in unconsolidated subsidiaries and associated companies") and 9 ("Direct and indirect investments in real estate ventures"). One commenter noted that if the references to items 8 and 9 were removed, then the

total assets balances would not reconcile between the FR Y-14A and FR Y-9C. The Board notes the total balances would not reconcile under the proposed revision, and is revising the instructions to add back these references.

Schedule A.1.d (Capital)

The Board proposed several revisions to Schedule A.1.d to mirror those made to FR Y-9C, Schedule HC-R (Regulatory Capital), Part I (Regulatory Capital Components and Ratios), to incorporate the adoption of CECL. One commenter pointed out that in the proposed revisions for item 54 ("Allowance for loan and lease losses includable in tier 2 capital"), the Board did not properly mirror the revisions to the equivalent item on the FR Y-9C, Schedule HC-R, Part I (item 30.a), in that it did not add a clause to the instructions for item 54 specifying that firms should only include the portion of allowance for loan and lease losses (ALLL) or adjusted allowances for credit losses (AACL) that is includable in tier 2 capital, per the regulatory capital rule. The Board notes that this clause should be added to the instructions, as only the ALLL or AACL that is included in tier 2 capital should be included in item 54, and is revising the instructions for item 54 to use language in the equivalent FR Y-9C item.

The Board did not propose to revise the instructions for item 96 ("Supplementary leverage ratio exposure") to state that firms that have adopted ASU 2016-13 and have elected to apply the transition provision should incorporate the effects of this transition. One commenter pointed out that per the regulatory capital rules, the transitional amount should also be applied to the supplementary leverage ratio, and suggested the Board revise the instructions for item 96 to indicate so. The Board confirms that the transitional amount should be applied to the supplementary leverage ratio. However, the current instructions for item 96 directly reference the

regulatory capital rules, which describe the items to which the transitional amount applies. Given this, the Board does not believe any further clarification is necessary.

The Board did not propose to add an item to separately capture the AACL on PCD assets on the FR Y-14. One commenter asked the Board to confirm it will not ask firms to provide this information through a supplemental request. The Board does not intend to add an item to separately capture this value on the FR Y-14.

Schedules A.3.f and A.3.g (Expected Credit Loss and Provision for Credit Loss – HTM and AFS securities, respectively)

The Board proposed to add Schedules A.3.f and A.3.g to capture allowance for credit loss information on HTM and AFS securities. One commenter asked whether the "Total allowance for credit loss" items on both schedules should be reported as of the prior quarter, the current quarter, or a projected quarter. The Board is revising the instructions to clarify that these items should be reported as of the report date (i.e., current quarter).

One commenter requested that the Board specify what the "Expected loss" item in both schedules consists of, whether it corresponds to any FR Y-9C item, and how it differs from the "Provision for credit loss" item that is also on both schedules. The "Expected loss" item is the expected credit losses as defined by ASU 2016-13 and before applying the "fair value floor" that limits the amount of the allowance for credit losses to the amount by which fair value is below amortized cost. This item should equal FR Y-9C, Schedule HI-B (Charge-offs and Recoveries on Loans and Leases and Changes in Allowances for Credit Losses), Part 2 (Change in Allowances for Credit Losses), item 5 ("Provision for credit losses"). To avoid confusion, the Board is renaming the "Expected loss" item to "Expected credit loss before applying the fair value floor," and is revising the instructions to indicate this as well. Also in response to this comment, the

Board is removing the "Amortized cost of securities intended to sell or will be required to sell before recovery of amortized cost" item from Schedule A.3.g, as it is no longer necessary.

Finally, one commenter asked the Board to confirm that the sum of provision for credit loss items reported on Schedules A.3.f and A.3.g should equal proposed items 91.b ("Provisions for credit losses on held-to-maturity debt securities during the quarter") and 91.c ("Provisions for credit losses on available-for-sale securities during the quarter") on Schedule A.1.a, respectively. The Board confirms these values should be equal.

Collection of Supplemental CECL Information

The Board proposed to add a collection of supplemental CECL information to be reported by institutions that adopt ASU 2016-13 that captures the timing and impact of CECL adoption as of December 31. This collection would require firms to report actual values (i.e., not projected) that incorporate the adoption of CECL on the FR Y-14A, in the stress test cycle year of adoption. One commenter notes that the collection of supplemental CECL information would not require reporting of information on the stressed impact of CECL on either existing portfolios or on newly originated exposures during the stress test horizon. The commenter is also concerned that this proposed collection would not provide the Board with the insight it is seeking into the stressed impacts of CECL since these potential losses are important components of overall CECL estimates. The commenter further suggested that the Board provide a description of the relationship between each item on Collection of Supplemental CECL information and items on the FR Y-14A, Summary sub-schedules. Finally, the commenter pointed out that the instructions for item 6 ("Total allowance for credit losses") refer to sub-items 5.a and 5.b, which do not exist.

The Board notes that it intends to collect information of the day 1 unstressed impact; that is, the effect of the change in accounting principles on the effective date of CECL (i.e., not the impact over the entire projection horizon). The Board also notes that because this collection is a pro-forma estimate of the effect of the change in accounting principles, there is no relationship between items on this schedule and other FR Y-14A items corresponding to prior quarter end financial statement data. The Board believes that it will have sufficient data under the collection to reflect the impact of stress losses under CECL accounting. Therefore, the Board has adopted this revision as proposed, except that it is revising the heading on the form to make it clear that the Board is asking for the effect of changes in accounting principles, and it is revising the instructions for item 6 to refer to the sub-items of item 6. For clarification purposes, the Board is also updating the FR Y-14A instructions to include language about when this schedule should be filed and which items need to be reported for certain firms.

FR Y-14Q

Schedule B (Securities)

The Board proposed to add two items to Schedule B that would only be completed by firms that have adopted CECL ("Amount of allowance for credit losses" and "Writeoffs"). One commenter asked whether the Board will specify that reporting debt securities on a trade-lot level will continue to apply to firms that have adopted CECL if they calculate their credit loss allowances for AFS debt securities on security-level basis or for HTM debt securities on either a security-level or pool-level basis. The Board is revising the instructions for these two items to instruct firms that if a given allowance measurement or specific writeoff applies to more than one row on the reporting form, to allocate the allowances across the relevant investments on a pro rata basis, based on amortized cost.

The Board proposed instructions for "Writeoffs" to require firms to report any writeoffs of the security during the quarter. One commenter asked the Board to clarify whether that means on a quarter-to-date, year-to-date, or lifetime-to-date basis. The Board is revising the instructions to clarify that this item should be reported on a quarter-to-date basis.

Schedule D (Regulatory Capital)

The Board proposed minor revisions to Schedule D in the CECL proposal, but substantial revisions to the schedule in the non-CECL proposal. Two firms commented as to how to reconcile revisions in the event that certain text and items were eliminated in one proposal but not the other. Since the Board has adopted both proposals at the same time, the combined instructions document should clear up any ambiguity. Further, the Board clarifies that Schedule D should be reported by all firms that file the FR Y-14Q, and not just advanced approaches firms.

Schedule H (Wholesale)

The Board proposed to revise the instructions to Schedule H.1, item 24 ("Committed Exposure Global") to require firms to report the total commitment amount as the sum of loan and lease financing receivables recorded in FR Y-9C, Schedule HC-C (reported in field 25 – "Utilized Exposure Global") and any unused portion of the commitment recorded in Schedules HC-F (Other Assets), HC-G (Other Liabilities), and HC-L (Derivatives and Off-Balance Sheet Items). One commenter said that this revision made it unclear what to report in this item, and recommended the Board clarify the types of unused loan commitments that should be reported instead of referencing other FR Y-14Q or FR Y-9C items. The Board does not believe further clarification is necessary for two reasons. First, the Schedule H instructions already define the reportable facilities. Second, the Board believes it is better to leverage existing instructions

within or across reports in order to reduce burden and improve data accuracy. The Board has adopted the revision as proposed.

The Board proposed to add additional items to Schedules H.1 and H.2 that are only reported by firms that have adopted CECL. Two of these items, "ASC326-20" and "Purchased Credit Deteriorated Noncredit Discount" (Schedule H.1 – items 102 and 103; Schedule H.2 – items 63 and 64, respectively), require firms to report the information at the credit facility level, if available, or if not, at a pro-rated allocation from the collective (pool) basis. One commenter stated it was unclear which basis should be used for the proposed allocation. Further, the commenter is concerned that without a prescribed allocation methodology, methods could vary broadly across firms. Per the comment, this inconsistency would weaken comparability and reduce the value of this schedule. Finally, the commenter requested the Board remove the requirements proposed in these two items, and instead prescribe a clear allocation methodology. The Board believes that the reporting firm is in the best position to determine the appropriate allocation methodology, and does not want to impose additional burden by prescribing a single allocation methodology. The Board has adopted the revision as proposed.

FR Y-14M

Generally, institutions subject to filing the FR Y-14 reports would reflect the CECL standard in data reported on the FR Y-14A, FR Y-14Q, and FR Y-14M, with as-of dates following the start of the firm's fiscal year and the adoption of the standard, beginning with the FR Y-14 reports as of December 31, 2019. In the initial proposal, the Board instructed firms to refer the final CECL rule for specifics surrounding inclusion of credit losses in a given stress test cycle. One commenter asked if a firm that adopts CECL January 1, 2020, could report CECL-related FR Y-14M items on a best effort basis for its January and February 2020 FR Y-14M

submissions. The rationale for this request is that a firm will be required to file other regulatory reports reflecting CECL for the first time as of March 31, 2020 (FR Y-9C, FR Y-14Q, Securities and Exchange Commission (SEC) reports, etc.). In light of the concerns posed in this comment, the Board is allowing CECL-related FR Y-14M items to be reported on a best effort basis for the January and February 2020 submissions.

Board of Governors of the Federal Reserve System, December 18, 2019.

Michele Taylor Fennell,

Assistant Secretary of the Board.

Billing Code 6210-01-P

[FR Doc. 2019-27655 Filed: 12/20/2019 8:45 am; Publication Date: 12/23/2019]