FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request and Announcement of Board Approval under Delegated Authority and Submission to OMB

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice, request for comment; temporary approval of information collection.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) invites comment on a proposal to extend for three years, with revision, the Capital Assessments and Stress Testing Reports (FR Y-14A/Q/M; OMB No. 7100-0341). The Board has also temporarily revised the FR Y-14A/Q/M pursuant to the authority delegated to the Board by the Office of Management and Budget (OMB). The temporary revisions are applicable only to reports reflecting the December 31, 2019, as of date.

DATES: Comments must be submitted on or before [insert date 60 days after publication in the Federal Register].

ADDRESSES: You may submit comments, identified by FR Y-14A, FR Y-14Q, or FR Y-14M, by any of the following methods:


- E-mail: regs.comments@federalreserve.gov. Include the OMB number in the subject line of the message.

- FAX: (202) 452-3819 or (202) 452-3102.

- Mail: Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551.
All public comments are available from the Board’s website at https://www.federalreserve.gov/apps/foia/proposedregs.aspx as submitted, unless modified for technical reasons or to remove personally identifiable information at the commenter’s request. Accordingly, comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room 146, 1709 New York Avenue, NW, Washington, DC 20006, between 9:00 a.m. and 5:00 p.m. on weekdays. For security reasons, the Board requires that visitors make an appointment to inspect comments. You may do so by calling (202) 452-3684. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

Additionally, commenters may send a copy of their comments to the 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.

FOR FURTHER INFORMATION CONTACT: 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, if approved. These documents will also be made available on the 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 below.

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. In exercising this delegated authority, the Board is directed to take every reasonable step to solicit comment. In determining whether to approve a collection of information, the Board will consider all comments received from the public and other agencies.

On June 15, 1984, OMB also delegated to the Board authority under the PRA to temporarily approve a revision to a collection of information without providing opportunity for public comment if the Board determines that a change in an existing collection must be instituted quickly and that public participation in the approval process would defeat the purpose of the collection or substantially interfere with the Board’s ability to perform its statutory obligation.

The Board’s delegated authority requires that the Board, after temporarily approving a collection, publish a notice soliciting public comment on a proposal to extend the collection for a period of up to three years. This notice will serve as both the temporary approval for revisions, as well as the proposal on which the Board will consider all comments received from the public and other agencies.

Request for Comment on Information Collection Proposal
The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. Comments are invited on the following:

a. Whether the proposed collection of information is necessary for the proper performance of the Board’s functions, including whether the information has practical utility;
b. The accuracy of the Board’s estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
c. Ways to enhance the quality, utility, and clarity of the information to be collected;
d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Board should modify the proposal.

Temporary Approval Under OMB Delegated Authority and Proposal to Extend for Three Years, With Revision, 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.

Frequency: Annually, quarterly, and monthly.

Respondents: These collections of information are applicable to bank holding companies (BHCs), U.S. intermediate holding companies (IHCs), and 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; OMB No. 7100-0128); or (ii) if the firm has not filed an FR Y-9C for each of the most recent four quarters, then

\(^{1}\) SLHCs with $100 billion or more in total consolidated assets become members of the FR Y-14Q and FR Y-14M panels effective June 30, 2020, and the FR Y-14A panel effective December 31, 2020. See 84 FR 59032 (November 1, 2019).
the average of the firm’s total consolidated assets in the most recent consecutive quarters as
reported quarterly on the firm’s FR Y-9Cs. 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/Q: 36; FR Y-14M: 34.2 Estimated average hours
per response: FR Y-14A: 926 hours; FR Y-14Q: 1,979 hours; FR Y-14M: 1,072 hours; FR Y-14
On-going Automation Revisions: 480 hours; FR Y-14 Attestation On-going Attestation: 2,560
hours.

Estimated annual burden hours: FR Y-14A: 33,336 hours; FR Y-14Q: 284,976 hours; FR Y-
14M: 437,376 hours; FR Y–14 On-going Automation Revisions: 17,280 hours; FR Y-14
Attestation On-going Attestation: 33,280 hours.

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

- The 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.3

- The quarterly FR Y-14Q collects granular data on various asset classes, including loans,

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

3 On October 10, 2019, the Board issued a final rule that eliminated the requirement for firms subject to Category IV
standards to conduct and publicly disclose the results of a company-run stress test. See 84 FR 59032 (Nov. 1, 2019).
That final rule maintained the existing FR Y-14 substantive reporting requirements for these firms in order to
provide the Board with the data it needs to conduct supervisory stress testing and inform the Board’s ongoing
monitoring and supervision of its supervised firms. However, as noted in the final rule, the Board intends to provide
greater flexibility to banking organizations subject to Category IV standards in developing their annual capital plans
and consider further change to the FR Y-14 forms as part of a separate proposal. See 84 FR 59032, 59063.
securities, trading assets, and PPNR for the reporting period.

- 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 Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Test (DFAST) 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. Respondent firms are currently required to complete and submit up to 17 filings each year: one annual FR Y-14A filing, four quarterly FR Y-14Q filings, and 12 monthly FR Y-14M filings. Compliance with the information collection is mandatory.

Current actions and proposed revisions: The Board has temporarily revised the FR Y-14A report to allow eligible firms to incorporate the effects of the simplifications rule\(^4\) and tailoring rules\(^5\) effective with the December 31, 2019, as of date.

\(^4\) See 84 FR 35234 (July 22, 2019).
\(^5\) See 84 FR 59230 and 84 FR 35234 (November 1, 2019).
The Board also has proposed revisions necessary to better identify risk as part of the stress test, such as revisions to the Trading and Counterparty schedules or sub-schedules, as well as capital revisions related to capital simplification, total loss absorbing capacity (TLAC), and standardized approach for counterparty credit risk on derivative contracts (SA-CCR). The Board also proposes to make several clarifications to the instructions that were, in part, prompted by questions the Board has received from reporting institutions. All proposed revisions would be effective for the September 30, 2020, report date for the FR Y-14Q and FR Y-14M, and for the December 31, 2020, report date for the FR Y-14A.

**Capital Simplifications**

On July 22, 2019, the Board, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) (“the agencies”) published a final rule amending their regulatory capital rules to make a number of burden-reducing changes. In the simplifications rule, the agencies adopted a simpler methodology for firms not subject to the advanced approaches rule (non-advanced approaches banking organizations) to calculate minority interest limitations and simplified the regulatory capital treatment of mortgage servicing assets (MSAs), temporary difference deferred tax assets (DTAs), and investments in the capital of unconsolidated financial institutions for non-advanced approaches banking organizations. The revisions implemented by the simplifications rule become effective April 1, 2020.

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6 See 12 CFR part 3 (OCC); 12 CFR part 217 (Board); 12 CFR part 324 (FDIC). While the agencies have codified the capital rule in different parts of title 12 of the Code of Federal Regulations, the internal structure of the sections within each agency’s rule is substantially similar. All references to sections in the capital rule or the proposal are intended to refer to the corresponding sections in the capital rule of each agency.

7 See 84 FR 35234 (July 22, 2019).

8 Non-advanced approaches banking organizations are institutions that do not meet the criteria in 12 CFR 3.100(b) (OCC); 12 CFR 217.100(b) (Board); or 12 CFR 324.100(b) (FDIC).

9 Eligible firms can choose to adopt the simplifications rule effective January 1, 2020.
In order to implement the effects of the simplifications rule into the FR Y-14 reports, the Board proposes to make a number of changes to the calculation of Common Equity Tier 1 (CET1) capital, Additional Tier 1 (AT1) capital, and Tier 2 (T2) capital for non-advanced approaches institutions only. Under the simplifications rule, the agencies raised the threshold for non-advanced approaches institutions for determining the amount of MSAs, temporary difference DTAs that could not be realized through net operating loss carrybacks (temporary difference DTAs),\textsuperscript{10} and investments in the capital of unconsolidated financial institutions that must be deducted from regulatory capital. In addition, the simplifications rule streamlined the capital calculation for minority interest includable in regulatory capital for non-advanced approaches institutions and made other technical changes to the regulatory capital rule.

The current regulatory capital calculations in FR Y-14A, Schedule A.1.d (Capital), and FR Y-14Q, Schedule D (Regulatory Capital), require that an institution’s capital cannot include MSAs, certain temporary difference DTAs, and significant investments in the common stock of unconsolidated financial institutions in an amount greater than 10 percent of CET1 capital, on an individual basis, and that those three data items combined cannot comprise more than 15 percent of CET1 capital. When the reporting of regulatory capital calculations by non-advanced approaches institutions in accordance with the simplifications rule takes effect, this calculation would be revised to require that MSAs or temporary difference DTAs in an amount greater than 25 percent of CET1 capital, must be deducted from a non-advanced approaches institution’s capital. The 15 percent aggregate deduction threshold would be removed. In addition, the simplifications rule would streamline the current three categories of investments in financial

\textsuperscript{10} The Board notes that An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, P.L. 115-97 (originally introduced as the Tax Cuts and Jobs Act), enacted December 22, 2017, eliminated the concept of net operating loss carrybacks for U.S. federal income tax purposes, although the concept may still exist in particular jurisdictions for state or foreign income tax purposes.
institutions (non-significant investments in the capital of unconsolidated financial institutions, significant investments in the capital of unconsolidated financial institutions that are in the form of common stock, and significant investments in the capital of unconsolidated financial institutions that are not in the form of common stock) into a single category, investments in the capital of unconsolidated financial institutions, and require that non-advanced approaches institutions deduct amounts of these investments that exceed 25 percent of CET1 capital. Any investments in excess of the 25 percent threshold would be deducted from capital using the corresponding deduction approach.

Per the final tailoring rules, Category I and II firms are subject to the advanced approaches rule, while Category III and IV firms are not subject to the advanced approaches rule.\textsuperscript{11} Therefore, the Board proposes to specify reporting of capital simplifications to clearly delineate between the requirements for the different firm categories. In order to implement these regulatory capital changes from a regulatory reporting perspective, the Board proposes the following revisions to FR Y-14A, Schedule A.1.d and FR Y-14Q, Schedule D:

\textit{FR Y-14A, Schedule A.1.d (Capital)}

The Board proposes to add new items and revise several existing items that relate to CET1 capital deductions to align with the revisions proposed to the FR Y-9C, Schedule HC-R (Regulatory Capital), Part I (Regulatory Capital Components and Ratios). These items would allow Category III and IV firms to reflect the 25 percent of CET1 capital limit for MSAs and certain temporary difference DTAs. The new items would only be required for Category III and IV firms. These new items would be:

\textsuperscript{11} See 84 FR 59230 (November 1, 2019).
● “Investments in the capital of unconsolidated financial institutions, net of associated [deferred tax liabilities] DTLs, that exceed 25 percent common equity tier 1 capital deduction threshold”;

● “Aggregate amount of investments in the capital of unconsolidated financial institutions, net of associated DTLs”;

● “25 percent common equity tier 1 deduction threshold”; and

● “Amount to be deducted from common equity tier 1 due to 25 percent deduction threshold.”

The existing items that the Board proposes to revise are:

● “Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed 10 percent common equity tier 1 capital deduction threshold” (item 37);

● “MSAs, net of associated DTLs, that exceed the common equity tier 1 capital deduction threshold” (item 38);

● “DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the common equity tier 1 capital deduction threshold” (item 39);

● “Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold” (item 40);

● “Common equity tier 1 deduction threshold” (item 75);
• “Amount to be deducted from common equity tier 1 due to the deduction threshold” (item 76);
• “Common equity tier 1 deduction threshold” (item 78); and
• “Amount to be deducted from common equity tier 1 due to the deduction threshold” (item 79).

Also, the Board proposes to revise the instructions for the following groups of items and to indicate that they would only be reported by Category I and II firms:

• “Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of DTLs” (items 64 through 66);
• “Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of DTLs” (items 67 through 71); and
• “Aggregate of items subject to the 15% limit (significant investments, mortgage servicing assets and deferred tax assets arising from temporary differences)” (items 80 through 83).

On the FR Y-9C, Schedule HC-R, Part I, several items were renumbered to reflect the simplifications rule. As a result, the Board also proposes to revise the corresponding FR Y-14A, Schedule A.1.d, items to reference the renumbered FR Y-9C items.

Additionally, the Board proposes to make a number of revisions to the instructions for certain FR Y-14A, Schedule A.1.d, items that would remove language regarding the inclusion of any applicable transition provisions. These revisions would be applicable to Category I, II, III, and IV firms. Specifically, the Board proposes to revise the instructions for the following items:

• Item 18 (“AOCI opt-out election”).
• Item 35 (“Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments”);

• Item 37 (“Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed 10 percent common equity tier 1 capital deduction threshold”);

• Item 38 (“MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold”);

• Item 39 (“DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold”);

• Item 40 (“Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold”);

• Item 48 (“Additional tier 1 capital deductions”);

• Item 84 (“Amount to be deducted from common equity tier 1 due to 15 percent deduction threshold, prior to transition provision”); and

• Item 110 (“Deferred tax assets that arise from net operating loss and tax credit carryforwards, net of DTLs, but gross of related valuation allowances”).
FR Y-14Q, Schedule D (Regulatory Capital)

In order to incorporate the effects of the simplifications rule on FR Y-14Q, Schedule D, the Board proposes to add four items related to non-significant investments in the capital of unconsolidated financial institutions in the form of common stock:

- “Aggregate amount of non-significant investments in the capital of unconsolidated financial institutions”;
- “Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock”;
- “10 percent threshold for non-significant investments”; and
- “Amount to be deducted from common equity tier 1 due to 10 percent deduction threshold.”

The Board further proposes that these four new items, as well as the items formerly numbered 1 through 5 (“Significant investments in the capital of unconsolidated financial institutions in the form of common stock”) and 21 through 25 (“Aggregate of items subject to the 15% limit (significant investments, mortgage servicing assets, and deferred tax assets arising from temporary differences)”), be reported only by Category I and II firms.

The Board also proposes to add three items related to investments in the capital of unconsolidated financial institutions that would only be reported by Category III and IV firms:

- “Aggregate amount of investments in the capital of unconsolidated financial institutions”;
- “25 percent threshold for investments in the capital of unconsolidated financial institutions”; and
Finally, the Board proposes to rename two items and revise the instructions for four items to account for the different deduction threshold for Category I, II, III, and IV firms:

- The instructions would be revised for “10 percent common equity tier 1 deduction threshold” (existing items 13 and 19). These items would also be renamed to “Common equity tier 1 deduction threshold: 10 percent for Category I and II firms, 25 percent for Category III and IV firms”; and

- The instructions would be revised for “Amount to be deducted from common equity tier 1 due to 10 percent deduction threshold” (existing items 14 and 20).

**Total Loss-Absorbing Capacity (TLAC)**

On April 8, 2019, the agencies published a notice of proposed rulemaking that would address an advanced approaches banking organization’s regulatory capital treatment of an investment in unsecured debt instruments issued by foreign or U.S. global systemically important banks (GSIBs) for the purposes of meeting minimum TLAC and, where applicable, long-term debt (LTD) requirements, or liabilities issued by GSIBs that are pari passu or subordinated to such debt instruments (TLAC Holdings NPR). Under the proposal, investments by an advanced approaches banking organization in such unsecured debt instruments generally would be subject to deduction from the advanced approaches banking organization’s own regulatory capital. The Board also proposed to require that banking organizations subject to minimum TLAC and LTD requirements under Board regulations publicly disclose their TLAC and LTD issuances in a manner described in this proposal.
Under the TLAC Holdings NPR, the capital calculations of advanced approaches banking organizations would take into account the total amount of deductions related to investments in own CET1, AT1, and T2 capital instruments; investments in own covered debt instruments, if applicable; reciprocal cross holdings; non-significant investments in the capital and covered debt instruments of unconsolidated financial institutions that exceed certain thresholds; certain investments in excluded covered debt instruments, as applicable; and significant investments in the capital and covered debt instruments of unconsolidated financial institutions. Any deductions related to covered debt instruments and excluded covered debt instruments (together, TLAC debt holdings) would be applied at the level of T2 capital under the agencies’ existing regulatory capital rule. Any required deduction would be made using the “corresponding deduction approach,” by which the advanced approaches banking organization would deduct TLAC debt holdings first from T2 capital and, if it had insufficient T2 capital to make the full requisite deduction, deduct the remaining amount from AT1 capital and then, if necessary, from CET1 capital.

In order to incorporate these proposed regulatory changes, the Board proposes the following revisions to FR Y-14A, Schedule A.1.d, and FR Y-14Q, Schedule D. These revisions to the FR Y-14A and FR Y-14Q would remain pending until such time as the Board may adopt the TLAC Holdings proposal in final form, at which point, these revisions would be incorporated into the FR Y-14 reports.

**FR Y-14A, Schedule A.1.d (Capital)**

As a part of the TLAC Holdings NPR, the Board proposed revisions to the FR Y-9C, Schedule HC-R, Part I, that would collect information from U.S. GSIBs and from IHCs of foreign GSIBs. Specifically, the proposed items would collect information on these holding
companies’ LTD and TLAC amounts, LTD and TLAC ratios, and TLAC buffer. In order to align Schedule A.1.d with the FR Y-9C, the Board is proposing to add the following items to Schedule A.1.d:

- “Outstanding eligible long-term debt”;
- “Total loss-absorbing capacity”;
- “LTD and TLAC total risk-weighted assets ratios”;
- “LTD and TLAC leverage ratios”;
- “LTD and TLAC supplementary leverage ratios”;
- “Institution-specific TLAC buffer necessary to avoid limitations on distributions discretionary bonus payments”;
- “TLAC risk-weighted buffer”; and
- “TLAC leverage buffer.”

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

The Board proposes that the instructions for proposed item 1 ("Aggregate amount of non-significant investments in the capital of unconsolidated financial institutions") would require Category I and II firms to include covered debt instruments.

Standardized Approach for Counterparty Credit Risk on Derivative Contracts (SA-CCR)

On January 24, 2020, the agencies published a final rule to implement the SA-CCR approach for calculating the exposure amount of derivative contracts under the capital rule. The SA-CCR final rule becomes effective on April 1, 2020, with a mandatory compliance date of January 1, 2022.

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13 See 85 FR 4362 (January 24, 2020).
The final rule replaces the current exposure methodology (CEM) with SA-CCR in the capital rule for advanced approaches banking organizations. Under the final rule, an advanced approaches banking organization will have to choose either SA-CCR or the internal models methodology to calculate the exposure amount of its noncleared and cleared derivative contracts and use SA-CCR to determine the risk-weighted asset amount of its default fund contributions. In addition, an advanced approaches banking organization will be required to use SA-CCR (instead of CEM) to calculate the exposure amount of its noncleared and cleared derivative contracts and to determine the risk-weighted asset amount of its default fund contributions under the standardized approach, as well as to determine the exposure amount of its derivative contracts for purposes of the supplementary leverage ratio. When using SA-CCR, a banking organization should use the value of the replacement cost amount for its current credit exposure.

Under the final rule, a non-advanced approaches banking organization will be able to use either CEM or SA-CCR to calculate the exposure amount of its noncleared and cleared derivative contracts and to determine the risk-weighted asset amount of its default fund contributions under the standardized approach. A Category III banking organization will also use SA-CCR for calculating its supplementary leverage ratio if it chooses to use SA-CCR to calculate its derivative and default fund exposures.

The Board proposes to revise FR Y-14A, Schedule A.1.c.1 (Risk-weighted Assets) as follows to incorporate SA-CCR:

FR Y-14A, Schedule A.1.c.1 (Risk-weighted Assets)

Generally, the reporting of derivatives elements in Schedule A.1.c.1 is driven by the treatment of cleared derivatives’ variation margin (settled-to-market versus collateralized-to-market), netting provisions impacting the calculations of notional and exposure amounts, and
attributions of derivatives to cleared versus non-cleared derivatives. In order to incorporate the SA-CCR final rule and to ensure alignment with the FR Y-9C, Schedule HC-R, Part II (Risk-Weighted Assets), the Board proposes to revise the instructions for Schedule A.1.c.1, Item 45 (“Current credit exposure across all derivative contracts covered by the regulatory capital rules”) to refer to the corresponding FR Y-9C item (Schedule HC-R, Part II, Memoranda Item 1, “Current credit exposure across all derivative contracts covered by the regulatory rules”).

**General**

For clarification purposes, the Board proposes to clarify the FR Y-14A and FR Y-14Q instructions to affirm that the threshold for filing the Trading and Counterparty schedules (in the FR Y-14Q) and sub-schedules (in the FR Y-14A) are based on a four-quarter average of trading assets and liabilities (either in aggregate of $50 billion or more or in aggregate greater than or equal to 10 percent of total consolidated assets, as indicated in the instructions), calculated as of two quarters preceding the reporting quarter.

**FR Y-14A, Schedule A (Summary)**

*Schedule A.1.d (Capital)*

Firms are currently required to report the “Capital – DFAST” sub-schedule of FR Y-14A, Schedule A.1.d, using applicable capital action assumptions. The tailoring rules adjusted the frequency of the requirement to conduct the company-run stress tests under the mandated scenarios provided by the Federal Reserve for firms subject to Category III standards. As a result, the Board proposes to revise the instructions to require firms subject to Category III

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14 See 12 CFR 225.8 and the CCAR instructions for more information regarding the capital action assumptions used to complete the Capital – CCAR sub-schedule. See 12 CFR 252.56(b) for information regarding the capital assumptions used to complete the Capital – DFAST sub-schedule.

15 See 84 FR 59230 and 84 FR 59032 (both November 1, 2019).
standards to only report the “Capital – DFAST” Sub-schedule of FR Y-14A, Schedule A.1.d, every other year. Annual submission of this sub-schedule would no longer be required.

The Board proposes to make minor clarifications to several ratio items on Schedule A.1.d in response to previous industry comments. The current instructions for item 104 (“Supplementary Leverage Ratio”) indicate that this item is derived. However, this item is actually reported by firms. The Board proposes to make this item derived, and to indicate that this item should correspond to the definition used in FR Y-9C, Schedule HC-R, Part I, item 45 (“Advanced approaches holding companies only: Supplementary leverage ratio”). Further, several ratio fields are not derived in a consistent format on the FR Y-9C and FR Y-14. For some items, the FR Y-9C requires the ratio in ‘x.xxx’ format while the FR Y-14 requires the same ratio in ‘.0xxxx’ format. To align the required format of these items, the Board proposes to revise the instructions for the following Schedule A.1.d ratio items so that they will be derived in the same format as on the FR Y-9C:

- Item 97 (“Common Equity Tier 1 Ratio”);
- Item 99 (“Tier 1 Capital Ratio”);
- Item 101 (“Total risk-based capital ratio”);
- Item 103 (“Tier 1 Leverage Ratio”); and
- Item 104 (“Supplementary Leverage Ratio”).

Other Schedules

The Board proposes to eliminate FR Y-14A, Schedules A.1.c.2 (Advanced RWA) and A.7.c (PPNR Metrics), in order to reduce burden while continuing to collect all information necessary to conduct supervisory stress testing and qualitative reviews of firms’ capital plans. The Board also proposes to remove any references to these schedules across the FR Y-14A/Q/M
instructions. Per section 225.8 of the Board’s Regulation Y, firms should not use the advanced approaches to calculate their regulatory capital ratios for purposes of stress testing and capital planning. As a result, firms are not required to report Schedule A.1.c.2, and so the Board proposes to eliminate this schedule. For Schedule A.7.c, it has been determined that point-in-time values (as opposed to projected values, which are reported in Schedule A.7.c), are more useful for stress testing purposes. Point-in-time PPNR metric values are currently reported in FR Y-14Q, Schedule G.3 (PPNR Metrics).

**FR Y-14Q, Schedule F (Trading)**

*Formalizing supplemental collections*

The Board proposes to formalize two supplemental collections by incorporating them into Schedule F. First, the Board proposes to require firms to report corporate single name exposures at the obligor level in Schedule F.22 ([Incremental Default Risk] IDR – Corporate Credit) along with corporate index exposures at the series level. Collecting this information would allow the Board to enhance its stress testing of issuer default risk. Second, the Board proposes to require firms to report a version of Schedule F that captures fair value option (FVO) loan hedges. Requiring firms to report a version of Schedule F that captures FVO loan hedges would enable the Board to more adequately assess the risk associated with firm positions as they relate to FVO loan hedges.

*Hedge reporting*

Currently, some firms are reporting X-valuation adjustment (XVA) hedges (e.g. funding valuation adjustment hedges) and accrual loan hedges within the credit valuation adjustment (CVA) hedge version of Schedule F. This causes an inadvertent comingling of CVA, XVA, and accrual loan hedges, and subsequent calculation of profit and loss on these hedges. In order to
isolate the impact of specific hedges, the Board proposes two changes related to hedge reporting on Schedule F. First, to remove ambiguity, the Board proposes to revise the instructions to clarify that XVA hedges should not be reported on Schedule F. Second, the Board proposes to require firms to report a version of Schedule F that captures the impact of accrual loan hedges. Separately collecting hedges for accrual loans would ensure consistent hedge treatment between firms, which would allow the Board to better assess the risks associated with accrual loans.

Municipal exposures

Currently, Schedule F.16 (Munis) has a “<B” rated category, but not does further distinguish into “<B Defaulted,” “<B Not Defaulted,” and “<B Default Status Unknown” categories, as the Corporate Credit Schedules (e.g., F.18 – Corporate Credit – Advanced) do. Therefore, it is not possible to evaluate <B municipal exposures that have defaulted separately from those that have not or are of unknown status. Municipal exposures that have defaulted carry different risk characteristics than those that have not defaulted. In order to be able to assess municipal exposures that have defaulted separately from those that have not defaulted, the Board proposes to replace the existing “<B” category on Schedule F.16 with the three <B categories that exist on the Corporate Credit Schedules.

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

Legal entity identifier (LEI)

In order to enhance entity identification, the Board proposes to add fields to Schedules H.1 (Corporate Loan Data) and H.2 (Commercial Real Estate) that capture the LEIs assigned to reported obligors and, if applicable, entities that are identified as the primary source of repayment, when the primary source of repayment differs from the reported obligor. LEI is a publicly available, standardized, global identification system for entities that engage in financial
transactions. LEI allows for precise identification of entities across markets and jurisdictions, including global entities, and provides information about an entity’s ownership structure. Adding an LEI field would enhance data quality of the stress test by allowing the Board to precisely identify parties to financial transactions, including linking parent/subsidiary relationships and cross-referencing obligors across reporting firms.

*Fully undrawn loans*

The current Schedule H instructions require firms to report fully undrawn loans in Schedules H.1 (Corporate Loan Data) and H.2 (Commercial Real Estate). However, for certain fields, such as those related to interest rates, firms are not required to provide data for fully undrawn loans. Interest rates provide a measure of risk that is quantitative and uniformly defined across reporting entities. Collecting interest rate information for undrawn exposures would allow the Board to more accurately estimate wholesale risk and potential credit availability in a stressed environment. Given this, the Board proposes to revise the instructions to require firms to report interest rate data for fully undrawn loans as if the facility were fully drawn on the reporting date.

*Fee-only facilities*

Currently, interest rate related fields are reported inconsistently for fee-only facilities. There is not an interest component on certain facilities where the lender is compensated solely through fees, which differs from fully undrawn facilities where interest will be collected when the facility is drawn. Clarification would allow the Board to more accurately collect interest rate items for fee-only facilities, as well as to differentiate between fee-only and fully undrawn facilities.
Accordingly, the Board proposes to revise the following interest rate items on Schedules H.1 and H.2 to instruct firms on how to report fully undrawn commitments and fee-only facilities:

- “Interest Rate Variability” (Schedule H.1, item 37; Schedule H.2, item 26),
- “Interest Rate” (38;27),
- “Interest Rate Index” (39;28),
- “Interest Rate Spread” (40;29),
- “Interest Rate Ceiling” (41;30),
- “Interest Rate Floor” (42;31), and
- “Frequency of Rate Reset” (N/A; 32).

**Ambiguous or inconsistent instructions**

For consistency with the language used in Schedule H.1, item 25 (“Utilized Exposure Global”), the Board proposes to add language to Schedule H.2, item 3 (“Outstanding Balance”) to require firms to report zero for fully undrawn commitments.

Additionally, the “Property Type” (Schedule H.2, item 9) description requires reporters to use predominance to determine type when possible. However, the “Property Size” (Schedule H.2, item 39) instructions do not make clear that predominance is allowed to determine a specific property type (rather than having to report as “Other” if the loan consists of mixed property types). To eliminate this ambiguity, the Board proposes to revise the instructions for item 39 to clarify that predominance can be used to determine the units even if the loan consists of mixed property types.

Finally, the current Schedule H instructions do not require firms to report information regarding exposures to capital call subscriptions. Subscription finance typically provides general-
purpose term and revolving credit facilities to private equity funds, is provided by one or more lenders, is secured by a pledge of the right to call, enforces capital calls, and receives capital contributions from a fund’s limited partners. In order to monitor the risks associated with capital call subscriptions, the Board proposes to add response options to Schedule H.1, items 20 (“Credit Facility”) and 22 (“Credit Facility Purpose”) that would allow firms to indicate which facilities are capital call subscriptions.

**FR Y-14Q, Schedule L (Counterparty)**

*Credit default swap (CDS) hedging*

The Board has received several questions from firms regarding the definition of “CDS Hedge Notional” in Schedule L.5.1 (Derivative and securities financing transaction (SFT) information by counterparty legal entity and netting set/agreement), as the current definition is ambiguous. Accordingly, the Board is proposing to revise the instructions for this item in several ways. First, the Board proposes to clarify that the net notional amount of specific CDS hedges should be reported in this item. Second, the Board proposes to clarify that when firms are calculating the net notional amount, purchased CDS hedge notional amounts must be reflected as negative amounts, and sold amounts must be reflected as positive amounts. Third, the Board proposes to remove the reference to “plain vanilla CDS” from the instructions, and clarify that single-name and non-tranched index credit derivatives for which one of the constituents matches directly to counterparty legal entity level should be included. The Board would further clarify that positions reported in this item must be “eligible credit derivatives,” as defined in section 252.71 of the Board’s Regulation YY.

*Variation margins*
There is currently an inconsistency between the FR Y-14Q, Schedule L instructions and SR Letter 17-7 (Regulatory Capital Treatment of Certain Centrally-cleared Derivative Contracts under the Board’s Capital Rule)\(^{16}\) regarding how variation margins can be treated. Per SR Letter 17-7, variation margins can be treated as part of mark-to-market (MtM) value when computing firms’ gross current exposure (CE) for centrally cleared derivatives subject to the settle-to-market approach. However, this treatment is not reflected in the Schedule L instructions. To align the instructions with SR Letter 17-7, the Board proposes to revise the instructions to allow for this treatment.

**Client-cleared derivatives exposures**

The Board proposes to require that all client-cleared derivatives exposures be reported on the large counterparty default (LCPD) section. The Board believes these exposures present credit risk that would increase under stress, and could potentially be material for some firms. These derivatives create an exposure for a firm to its client to the extent that the firm is guaranteeing the client performance to the central counterparty (CCP) or the exchange. If a client defaults when its exposure moves significantly out of the money to the CCP (and therefore the CCP is in the money), then the clearing firm will suffer a loss as a result of the performance guarantee it has provided to the CCP. This proposed reporting change would allow the Board to evaluate the materiality of the potential LCPD loss impact associated with the client cleared derivatives exposures. The Board already collects information on client cleared SFT exposures and is proposing a similar treatment for client cleared derivatives exposures. Please note that the Board would not include these exposures as part of the stress test at this time. Rather, this information would only be collected for monitoring purposes.

Additional clarifications

The Board also proposes the following additional revisions that would address inconsistent interpretations:

- Provide illustrative examples to clarify netting agreement reporting requirements on Schedule L.5 (Derivatives and Securities Financing Transitions (SFT) Profile);
- Clarify the definition of “Excess Variation Margin (for CCPs)” to be more consistent with the CCP margining practice;
- Clarify how centrally cleared exposures should be computed. This clarification would ensure consistent reporting across firms;
- Clarify that IHC affiliate counterparties should be considered counterparties and included for reporting across Schedule L;
- Provide specific clarifications on reporting requirements associated with CSA details when multiple CSAs apply to a single netting agreement;
- Clarify the definition of “New Notional During Quarter” on Schedules L.1.a-d;
- Clarify the definition of “CDS Reference Entity Type”; provide guidelines for the definitions of vanilla, structured, and exotic contracts; reporting of data fields to specify agreement population (SFT and/or derivatives); and reporting of to be announced (TBA) positions;
- Clarify that the U.S. dollar equivalent of the respective currency bucket should be used in the “Unstressed MtM Cash Collateral (Derivatives)” and “Total Unstressed MtM Collateral (Derivatives)” items; and
- Clarify rank methodology to include affiliate as an allowable entry. This change would help reinforce reporting requirements of counterparty types reported.
The Board also proposes to revise the instructions for the “External Rating” field in Schedule L.5.3 (Aggregate SFTs by Internal Rating), to require firms to report an external rating equivalent to a counterparty’s internal rating, as reported in the “Internal Rating” field of Schedule L.5.3. These instructions were inadvertently revised in December of 2019.\(^{17}\)

**FR Y-14Q, Schedule M (Balances)**

Effective June 30, 2018, “Purchased credit card relationships and nonmortgage servicing assets” was removed from FR Y-9C, Schedule M (Memoranda), and the values previously reported in this item were added to FR Y-9C, Schedule M, item 12.c, “All other identifiable intangible assets”.\(^{18}\) This point-in-time item is critical for stress testing modeling. Therefore, the Board proposes to add this item to Schedule M of the FR Y-14Q.

**FR Y-14M**

The Board proposes several revisions to the FR Y-14M that would clarify reporting. The following clarifications to Schedules A.1 (First Lien, Loan Level), B.1 (Home Equity, Loan Level), and D.2 (Credit Card, Portfolio Level) are proposed:

- **Schedule A – item 23, Schedule B – item 19 (“Property Type”):** Clarify how to report planned unit developments, as there is currently ambiguity. This clarification would make it clear that if the property type is known, then firms should report the underlying property type. If it is unknown, then firms should report it as a planned unit development.

- **Schedule A – item 63, Schedule B – item 53 (“Foreclosure Status”):** Expand the definition of these items to have an option to capture loans that have foreclosure suspended for reasons other than loss mitigation or bankruptcy proceedings.

\(^{17}\) See 84 FR 70529 (December 23, 2019).

\(^{18}\) See 83 FR 36935 (July 31, 2018).
expanded definition would allow firms to report all applicable loans as foreclosure suspended, regardless of the reason.

- Schedule A – item 65, Schedule B – item 87 (“Foreclosure Suspended”): Clarify how to report this field in the month the loan liquidates. This clarification would make it clear that the foreclosure status should be post-sale foreclosure in these instances.

- Schedule B – item 61 (“Workout Type Completed”): Define the “Settlement” and “Other” values. “Settlement” and “Other” are not currently defined, and firms are not sure when they should be used. These definitions would remove that ambiguity.


**Temporary Revisions to the FR Y-14A/Q/M**

As a result of the simplified threshold deduction framework and new accumulated other comprehensive income (AOCI) opt-out election discussed below, the simplifications and tailoring rules could have a material impact on projected capital levels for certain non-advanced approaches institutions. In order to allow non-advanced approaches institutions to be able to incorporate the effects of the simplifications and tailoring rules effective for FR Y-14A reports reflecting the December 31, 2019, as-of date, which must be submitted to the Board by April 6, 2020, the Board is unable to satisfy the normal Paperwork Reduction Act clearance process. The Board has determined that it must revise the FR Y-14A quickly and public participation in the approval process would defeat the purpose of the collection of information, as delaying the revisions would result in the collection of inaccurate information, and would interfere with the
Board’s ability to perform its statutory duties pursuant to section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).^{19}

Capital Simplifications

In order to allow eligible firms to report projected capital levels consistent with the capital rule then in effect, the Board has temporarily revised the FR Y-14A instructions for the December 31, 2019, as-of date, to allow non-advanced approaches institutions to report certain capital items in a manner that aligns with the simplifications rule. Specifically, the Board has temporarily revised the instructions for several items on FR Y-14A, Schedule A.1.d, and Schedule A.1.c.1 (Standardized risk-weighted assets), to allow eligible firms to report data beginning with the second projected quarter that incorporates the effects of capital simplifications. The instructions for the following FR Y-14A, Schedule A.1.d, items have been temporarily revised to provide as follows:

- Item 35 (“Non-significant investments in the capital of unconsolidated financial institutions in the form of common stock that exceed the 10 percent threshold for non-significant investments”);
- Item 37 (“Significant investments in the capital of unconsolidated financial institutions in the form of common stock, net of associated DTLs, that exceed 10 percent common equity tier 1 capital deduction threshold”);
- Item 38 (“MSAs, net of associated DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold”);
- Item 39, (“DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of

\[^{19}\text{12 U.S.C. 5365.}\]
DTLs, that exceed the 10 percent common equity tier 1 capital deduction threshold”);  
• Item 40, (“Amount of significant investments in the capital of unconsolidated financial institutions in the form of common stock; MSAs, net of associated DTLs; and DTAs arising from temporary differences that could not be realized through net operating loss carrybacks, net of related valuation allowances and net of DTLs; that exceeds the 15 percent common equity tier 1 capital deduction threshold”);  
• Item 66 (“Amount of non-significant investments that exceed the 10 percent deduction threshold for non-significant investments”);  
• Item 67, (“Gross significant investments in the capital of unconsolidated financial institutions in the form of common stock”);  
• Item 70, (“10 percent common equity tier 1 deduction threshold”);  
• Item 75, (“10 percent common equity tier 1 deduction threshold”);  
• Item 78, (“10 percent common equity tier 1 deduction threshold”); and  
• Item 84, (“Amount to be deducted from common equity tier 1 due to 15 percent deduction threshold, prior to transition provision (greater of item 83 minus item 81 or zero)”).  

The Board also has temporarily revised the instructions for FR Y-14A, Schedule A.1.c.1, to require non-advanced approaches institutions to incorporate the effects of capital simplifications on applicable risk-weighted asset items (items 1-41), beginning in the second projected quarter.  

Tailoring  

Prior to the tailoring rules, non-advanced approaches firms could elect to recognize elements of AOCI in regulatory capital. The result of this election is reported in item 18 (“AOCI
opt-out election”). Per the guidance provided in SR Letter 20-2 (Frequently Asked Questions on the Tailoring Rules), Category III and IV firms are required to make a new election to determine whether to recognize elements of AOCI in regulatory capital, beginning January 1, 2020. This election must be made during the first reporting period after the banking organization meets the definition of a Category III or IV firm. The Board proposes to revise the instructions for item 18 to adhere to the guidance provided in SR Letter 20-2.

Previously, the instructions to FR Y-14A Schedule A.1.d, item 18 did not contemplate a situation in which a holding company would make an AOCI opt-out election on a FR Y-9C report with an as-of date other than (1) March 31, 2015, or (2) for a holding company that comes into existence after that date, the first FR Y-9C report filed by the holding company. As such, eligible firms will not have the ability to reflect this new election in projected quarters for the December 31, 2019, FR Y-14A submission.

Because the ability to make an AOCI opt-out election could have a material impact on projected capital levels for certain firms, the Board has temporarily revised FR Y-14A Schedule A.1.d, item 18 to reflect that Category III and IV firms that were previously advanced approaches institutions must make a new AOCI opt-out election during the first reporting period after the firm meets the definition of a Category III Board-regulated institution or Category IV Board-regulated institution. This temporary revision will permit firms to reflect this new election in projected quarters for the December 31, 2019, FR Y-14A submission.

Legal authorization and confidentiality: The Board has the authority to require BHCs to file the FR Y-14 reports pursuant to section 5(c) of the Bank Holding Company Act (“BHC Act”), (12 U.S.C. 1844(c)), and pursuant to section 165(i) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (12 U.S.C. 5365(i)) as amended by section
401(a) and (e) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). The Board has authority to require SLHCs to file the FR Y-14 reports pursuant to section 10(b) of the Home Owners’ Loan Act (12 U.S.C. 1467a(b)), as amended by section 369(8) and 604(h)(2) of the Dodd-Frank Act. Lastly, the Board has authority to require U.S. IHCs of FBOs to file the FR Y-14 reports pursuant to section 5 of the BHC Act, as well as pursuant to sections 102(a)(1) and 165 of the Dodd-Frank Act (12 U.S.C. 5311(a)(1) and 5365). In addition, section 401(g) of EGRRCPA (12 U.S.C. 5365 note) provides that the Board has the authority to establish enhanced prudential standards for foreign banking organizations with total consolidated assets of $100 billion or more, and clarifies that nothing in section 401 “shall be construed to affect the legal effect of the final rule of the Board... entitled ‘Enhanced Prudential Standard for [BHCs] and Foreign Banking Organizations’ (79 Fed. Reg. 17240 (March 27, 2014)), as applied to foreign banking organizations with total consolidated assets equal to or greater than $100 million.” The FR Y-14 reports are mandatory. The information collected in the FR Y-14 reports is collected as part of the Board’s supervisory process, and therefore, such information is afforded confidential treatment pursuant to exemption 8 of the Freedom of Information Act (FOIA) (5 U.S.C. 552(b)(8)). In addition, confidential commercial or financial information, which a submitter actually and customarily treats as private, and which has been

20 Pub. L. No. 115-174, Title IV 401(a) and (e), 132 Stat. 1296, 1356-59 (2018).

21 Section 165(b)(2) of the Dodd-Frank Act (12 U.S.C. 5365(b)(2)) refers to “foreign-based bank holding company.” Section 102(a)(1) of the Dodd-Frank Act (12 U.S.C. 5311(a)(1)) defines “bank holding company” for purposes of Title I of the Dodd-Frank Act to include foreign banking organizations that are treated as bank holding companies under section 8(a) of the International Banking Act of 1978 (12 U.S.C. 3106(a)). The Board has required, pursuant to section 165(b)(1)(B)(iv) of the Dodd-Frank Act (12 U.S.C. 5365(b)(1)(B)(iv)) certain foreign banking organizations subject to section 165 of the Dodd-Frank Act to form U.S. intermediate holding companies. Accordingly, the parent foreign-based organization of a U.S. IHC is treated as a BHC for purposes of the BHC Act and section 165 of the Dodd-Frank Act. Because Section 5(c) of the BHC Act authorizes the Board to require reports from subsidiaries of BHCs, section 5(c) provides additional authority to require U.S. IHCs to report the information contained in the FR Y-14 reports.

22 The Board’s Final Rule referenced in section 401(g) of EGRRCPA specifically stated that the Board would require IHCs to file the FR Y-14 reports. See 79 Fed. Reg. 17240, 17304 (March 27, 2014).
provided pursuant to an express assurance of confidentiality by the Board, is considered exempt from disclosure under exemption 4 of the FOIA (5 U.S.C. 552(b)(4)).

Consultation outside the agency: There has been no consultation outside the agency.


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Michele Taylor Fennell,

Assistant Secretary of the Board.

Billing Code 6210-01-P

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23 Please note that the Board publishes a summary of the results of the Board’s CCAR testing pursuant to 12 CFR 225.8(f)(2)(v), and publishes a summary of the results of the Board’s DFAST stress testing pursuant to 12 CFR 252.46(b) and 12 CFR 238.134, which includes aggregate data. In addition, under the Board’s regulations, covered companies must also publicly disclose a summary of the results of the Board’s DFAST stress testing. See 12 CFR 252.58; 12 CFR 238.146. The public disclosure requirement contained in 12 CFR 252.58 for covered BHCs and covered IHCs is separately accounted for by the Board in the Paperwork Reduction Act clearance for FR YY (OMB No. 7100-0350) and the public disclosure requirement for covered SLHCs is separately accounted for in by the Board in the Paperwork Reduction Act clearance for FR LL (OMB No. 7100-NEW).