§ 325.204 Annual stress tests required.

(a) General requirements. (1) $10 billion to $50 billion covered bank. A $10 billion to $50 billion covered bank must conduct a stress test on or before March 31 of each calendar year based on financial data as of September 30 of the preceding calendar year.

(2) Over $50 billion covered bank. An over $50 billion covered bank must conduct a stress test on or before January 5 of each calendar year based on financial data as of September 30 of the preceding calendar year.

(b) Scenarios provided by the Corporation. In conducting the stress test under this subpart, each covered bank must use the scenarios provided by the Corporation. The scenarios provided by the Corporation include:

(1) Stress test means the process to assess the potential impact of scenarios on the consolidated earnings, losses, and capital of a covered bank over the planning horizon, taking into account the current condition of the covered bank and the covered bank’s risks, exposures, strategies, and activities.

§ 325.203 Applicability.

(a) First stress test for covered banks subject to stress testing requirements as of October 15, 2012.

(1) A $10 billion to $50 billion covered bank as of October 15, 2012 must conduct its first stress test under this subpart using financial statement data as of September 30, 2013, and report the results of its stress test on or before March 31, 2014.

(2) A $10 billion to $50 billion covered bank that is subject to its first annual stress test pursuant to section 203(a)(1) of this subpart must make its initial public disclosure in the period starting June 15 and ending June 30 of 2015, by disclosing the results of a stress test conducted in 2014, using financial statement data as of September 30, 2014.

(3) A state nonmember bank or state savings association that is an over $50 billion covered bank as of October 15, 2012, must conduct its first stress test under this subpart using financial statement data as of September 30, 2012, and report the results of its stress test on or before January 5, 2013.

(b) Covered banks that become subject to stress testing requirements after October 15, 2012. A state nonmember bank or state savings association that becomes a covered bank after October 15, 2012, must conduct its first stress test under this subpart using financial statement data as of September 30, 2012, and report the results of its stress test on or before January 5, 2013.

(c) Covered banks that become subject to stress testing requirements after October 15, 2012. A state nonmember bank or state savings association that becomes a covered bank after October 15, 2012, will conduct its first stress test under this subpart beginning in the next calendar year after the date the state nonmember bank or state savings association becomes a covered bank.

(d) Covered bank subsidiaries of a bank holding company or savings and loan holding company subject to annual stress test requirements. (1) Notwithstanding the requirements applicable to covered banks under this section, a covered bank that is a consolidated subsidiary of a bank holding company or savings and loan holding company that is required to conduct an annual company-run stress test under applicable regulations of the Board of Governors of the Federal Reserve System may elect to conduct its stress test and report to the FDIC on the same timeline as its parent bank holding company or savings and loan holding company.

(2) A covered bank that elects to conduct its stress test under paragraph (d)(1) of this section will remain subject to the same timeline requirements of its parent company until otherwise approved by the FDIC.
the Corporation will reflect a minimum of three sets of economic and financial conditions, including: Baseline, adverse, and severely adverse scenarios. The Corporation will provide a description of the scenarios required under this section to each covered bank no later than November 15 of that calendar year.

(c) Significant trading activities. The Corporation may require a covered bank with significant trading activities, as determined by the Corporation, to include a trading and counterparty component for the scenarios used in its stress test. The trading and counterparty position data used in this component of the scenarios will be as of a date between October 1 and December 1 of that calendar year selected by the Corporation and communicated to the covered bank no later than December 1 of the calendar year.

§ 325.205 Methodologies and practices.

(a) Potential impact on capital. In conducting a stress test under this subpart, during each quarter of the planning horizon, each covered bank must estimate the following for each scenario required to be used:

(1) Pre-provision net revenues, losses, loan loss provisions and net income; and

(2) The potential impact on the regulatory capital levels and ratios applicable to the covered bank, and any other capital ratios specified by the Corporation, incorporating the effects of any capital action over the planning horizon and maintenance of an allowance for loan losses appropriate for credit exposures throughout the planning horizon.

(b) Controls and oversight of stress testing processes. (1) The senior management of a covered bank must establish and maintain a system of controls, oversight, and documentation, including policies and procedures, that are designed to ensure that its stress test processes satisfy the requirements in this subpart. These policies and procedures must, at a minimum, describe the covered bank's stress test practices and methodologies, and processes for validating and updating the covered bank's stress test practices and methodologies consistent with applicable laws, regulations, and supervisory guidance.

(2) The board of directors, or a committee thereof, of a covered bank must approve and review the policies and procedures of the stress testing processes as frequently as economic conditions or the condition of the covered bank may warrant, but no less than annually. The board of directors and senior management of the covered bank must receive a summary of the results of the stress test.

(3) The board of directors and senior management of each covered bank must consider the results of the stress tests in the normal course of business, including but not limited to, the covered bank's capital planning, assessment of capital adequacy, and risk management practices.

§ 325.206 Required reports of stress test results to the FDIC and the Board of Governors of the Federal Reserve System.

(a) Report required for annual stress test results—

(1) $10 billion to $50 billion covered bank. A $10 billion to $50 billion covered bank must report to the FDIC and to the Board, on or before March 31 the results of the stress test in the manner and form specified by the FDIC.

(2) Over $50 billion covered bank. An over $50 billion covered bank must report to the FDIC and to the Board, on or before January 5, the results of the stress test in the manner and form specified by the FDIC.

(b) Content of reports. (1) The reports required under paragraph (a) of this section must include under the baseline scenario, adverse scenario, severely adverse scenario and any other scenario required by the Corporation under this subpart, a description of the types of risks being included in the stress test, a summary description of the methodologies used in the stress test, and, for each quarter of the planning horizon, estimates of aggregate losses, pre-provision net revenue, provision for loan and lease losses, net income, and pro forma capital ratios (including regulatory and any other capital ratios specified by the FDIC). In addition, the report must include an explanation of the most significant