§ 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