used in this component will be as of a
date between October 1 and December 1
of that calendar year selected by the
Board, and the Board will commu-
nicate the as-of date and a description
of the component to the company no
later than December 1 of the calendar
year.

(ii) The Board may require a bank
holding company, savings and loan
holding company, or state member
bank to include one or more additional
components in its adverse and severely
adverse scenarios in the stress test re-
quired by this section based on the
company’s financial condition, size,
complexity, risk profile, scope of oper-
ations, or activities, or risks to the
U.S. economy.

(3) Additional scenarios. The Board
may require a bank holding company,
savings and loan holding company, or
state member bank to include one or
more additional scenarios in the stress
test required by this section based on
the company’s financial condition, size,
complexity, risk profile, scope of oper-
ations, or activities, or risks to the
U.S. economy.

(4) Notice and response. If the Board
requires a bank holding company, sav-
ings and loan holding company, or
state member bank to include one or
more additional components in its ad-
verse and severely adverse scenarios
under paragraph (b)(2)(ii) of this sec-
tion or to use one or more additional
scenarios under paragraph (b)(3) of this
section, the Board will notify the com-
pany in writing no later than Sep-
tember 30. The notification will include
a general description of the additional
component(s) or additional scenario(s)
and the basis for requiring the com-
pany to include the additional compo-
nent(s) or additional scenario(s). With-
in 14 calendar days of receipt of a noti-
fication under this paragraph, the bank
holding company, savings and loan
holding company, or state member
bank may request in writing that the
Board reconsider the requirement that
the company include the additional
component(s) or additional scenario(s),
including an explanation as to why the
reconsideration should be granted. The
Board will respond in writing within 14
calendar days of receipt of the com-
pany’s request. The Board will provide
the bank holding company, savings and
loan holding company, or state mem-
ber bank with a description of any ad-
ditional component(s) or additional
scenario(s) by December 1.

§ 252.155 Methodologies and practices.

(a) Potential impact on capital. In con-
ducting a stress test under §252.154, for
each quarter of the planning horizon, a
bank holding company, savings and
loan holding company, or state mem-
ber bank must estimate the following
for each scenario required to be used:

(1) Losses, pre-provision net revenue,
provision for loan and lease losses, and
net income; and

(2) The potential impact on pro forma
regulatory capital levels and pro forma
capital ratios (including regulatory
capital ratios and any other capital ra-
tios specified by the Board), incor-
porating the effects of any capital ac-
tions over the planning horizon and
maintenance of an allowance for loan
losses appropriate for credit exposures
throughout the planning horizon.

(b) Assumptions regarding capital ac-
tions. In conducting a stress test under
§252.154 of this part, a bank holding
company or savings and loan holding
company is required to make the fol-
lowing assumptions regarding its cap-
tal actions over the planning hori-
zon—

(A) For the first quarter of the plan-
ning horizon, the bank holding com-
pany or savings and loan holding com-
pany must take into account its actual
capital actions as of the end of that
quarter; and

(B) For each of the second through
ninth quarters of the planning horizon,
the bank holding company or savings
and loan holding company must take into account its actual
capital actions as of the end of that
quarter;

(i) Common stock dividends equal to
the quarterly average dollar amount of
common stock dividends that the com-
pany paid in the previous year (that is,
the first quarter of the planning hori-
zon and the preceding three calendar
quarters);

(ii) Payments on any other instru-
ment that is eligible for inclusion in
the numerator of a regulatory capital
ratio equal to the stated dividend, in-
terest, or principal due on such instru-
mnet during the quarter; and
(iii) An assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio.

(c) Controls and oversight of stress testing processes—(1) In general. The senior management of a bank holding company, savings and loan holding company, or state member bank must establish and maintain a system of controls, oversight, and documentation, including policies and procedures, that are designed to ensure that its stress testing processes are effective in meeting the requirements in this subpart. These policies and procedures must, at a minimum, describe the company’s stress testing practices and methodologies, and processes for validating and updating the company’s stress test practices and methodologies consistent with applicable laws, regulations, and supervisory guidance.

(2) Oversight of stress testing processes. The board of directors, or a committee thereof, of a bank holding company, savings and loan holding company, or state member bank must approve and review the policies and procedures of the stress testing processes as frequently as economic conditions or the condition of the company may warrant, but no less than annually. The board of directors and senior management of the bank holding company, savings and loan holding company, or state member bank must receive a summary of the results of the stress test conducted under this section.

(3) Role of stress testing results. The board of directors and senior management of a bank holding company, savings and loan holding company, or state member bank must consider the results of the stress test in the normal course of business, including but not limited to, the banking organization’s capital planning, assessment of capital adequacy, and risk management practices.

§ 252.156 Reports of stress test results.

(a) Reports to the Board of stress test results—(1) Savings and loan holding companies with average total consolidated assets of $50 billion or more and state member banks that are covered company subsidiaries. A savings and loan holding company with average total consolidated assets of $50 billion or more and a state member bank that is a covered company subsidiary must report the results of the stress test to the Board by January 5 of each calendar year in the manner and form prescribed by the Board, unless that time is extended by the Board in writing.

(b) Bank holding companies, savings and loan holding companies, and state member banks. Except as provided in paragraph (a)(1) of this section, a bank holding company, savings and loan holding company, or state member bank must report the results of the stress test to the Board by March 31 of each calendar year in the manner and form prescribed by the Board, unless that time is extended by the Board in writing.

(b) Contents of reports. The report required under paragraph (a) of this section must include, under the baseline scenario, adverse scenario, severely adverse scenario, and any other scenario required under § 252.154(b)(3) of this part, 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 regulatory capital ratios. In addition, the report must include an explanation of the most significant causes for the changes in regulatory capital ratios and any other information required by the Board. This paragraph will remain applicable until such time as the Board issues a reporting form to collect the results of the stress test required under § 252.154 of this part.

(c) Confidential treatment of information submitted. The confidentiality of information submitted to the Board under this subpart and related materials shall be determined in accordance with applicable exemptions under the Freedom of Information Act (5 U.S.C. 552(b)) and the Board’s Rules Regarding Availability of Information (12 CFR part 261).