Federal agencies to take this opportunity to comment on a revision of a continuing information collection, as required by the Paperwork Reduction Act of 1995. An agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently-valid Office of Management and Budget (OMB) control number. The FDIC is soliciting comment concerning its information collection titled, “Annual Stress Test Reporting Template and Documentation for Covered Banks with Total Consolidated Assets of $10 Billion to $50 Billion under the Dodd-Frank Wall Street Reform and Consumer Protection Act.”

DATES: Comments must be received by November 25, 2013.

ADDRESSES: You may submit written comments by any of the following methods:


• Federal eRulemaking Portal: http://www.regulations.gov. Follow the instructions for submitting comments.

• Email: Comments@FDIC.gov. Include “Annual Stress Test Reporting Template and Documentation” on the subject line of the message.

• Mail: Gary A. Kuiper, Counsel, Executive Secretary Section, Attention: Comments, FDIC, 550 17th Street NW., Washington, DC 20429.

• Hand Delivery/Courier: Guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m.

Public Inspection: All comments received will be posted without change to http://www.fdic.gov/regulations/laws/federal/notices.html including any personal information provided.

Additionally, you may send a copy of your comments to: By mail to the U.S. OMB, 725 17th Street NW., #10235, Washington, DC 20503 or by facsimile to (202) 395–6974, Attention: Federal Banking Agency Desk Officer.

FOR FURTHER INFORMATION CONTACT: You may request additional information from Gary Kuiper, 202.898.3677, Legal Division, FDIC, 550 17th Street NW., NYA–5046, Washington, DC 20429. In addition, copies of the templates referenced in this notice can be found on the FDIC’s Web site (http://www.fdic.gov/regulations/laws/federal/notices.html).

SUPPLEMENTARY INFORMATION: The FDIC is requesting comment on the following revision of an information collection:

Annual Stress Test Reporting Template and Documentation for Covered Banks with Total Consolidated Assets of $10 Billion to $50 Billion under the Dodd-Frank Wall Street Reform and Consumer Protection Act

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires certain financial companies, including state nonmember banks and state savings associations, to conduct annual stress tests and requires the primary financial regulatory agency of those financial companies to issue regulations implementing the stress test requirements.4 A state nonmember bank or state savings association is a “covered bank” and therefore subject to the stress test requirements if its total consolidated assets exceed $10 billion. Under section 165(i)(2), a covered bank is required to submit to the Board of Governors of the Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing such information as the primary financial regulatory agency may require.5 On October 15, 2012, the FDIC published in the Federal Register a final rule implementing the section 165(i)(2) annual stress test requirement.6 This notice describes the reports and information required to meet the reporting requirements under section 165(i)(2) for covered banks with total consolidated assets of $10 billion to $50 billion. These information collections will be given confidential treatment to the extent allowed by law (5 U.S.C. 552(b)(4)).

The FDIC intends to use the data collected through these proposed templates to assess the reasonableness of the stress test results of covered banks and to provide forward-looking information to the FDIC regarding a covered bank’s capital adequacy. The FDIC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered bank. The stress test results are expected to support ongoing improvement in a covered bank’s stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.


6 77 FR 62417 (October 15, 2012).
The Dodd-Frank Act stress testing requirements apply to all covered banks, but the FDIC recognized that many covered banks with consolidated total assets of $50 billion or more have been subject to stress testing requirements under the Board’s Comprehensive Capital Analysis and Review (CCAR). The FDIC also recognized that these banks’ stress tests will be applied to more complex portfolios and therefore warrant a broader set of reports to adequately capture the results of the stress tests. These reports will necessarily require more detail than would be appropriate for smaller, less complex institutions. Therefore, the FDIC decided to specify separate reporting templates for covered banks with total consolidated assets between $10 billion and $50 billion and for covered banks with total consolidated assets of $50 billion or more.7

While the general reporting categories are the same (income statement, balance sheet, and capital), the level of detail for individual reporting items is less for $10 billion to $50 billion covered banks. For example, accounting for loss provisions by category is not required, and less detail is required for commercial and industrial lending. Because smaller banks with assets of $10 billion to $50 billion generally have less complex balance sheets, the FDIC believes that highly detailed reporting is not warranted, and so the FDIC is not requiring supplemental schedules on such areas as retail balances, securities and trading, operational risk, and pre-provision net revenue (PPNR). The FDIC has worked closely with the Board and the Office of the Comptroller of the Currency (OCC) (together “the agencies”) to make the agencies’ respective rules implementing annual stress testing under the Dodd-Frank Act consistent and comparable by requiring similar standards for scope of application, scenarios, data collection and reporting forms. The FDIC also has worked to minimize any potential duplication of effort related to the annual stress test requirements. The FDIC, OCC, and Board coordinated the preparation of stress testing templates in order to make the templates as similar as possible and thereby minimize the burden on affected institutions. The proposed FDIC Dodd-Frank Annual Stress Test (DFAST) reporting templates for covered banks with assets of $10 billion to $50 billion or more are described below.

**Description of Reporting Templates for Banks With $10 Billion to $50 Billion in Assets**

The “Annual Stress Test Reporting Template and Documentation for Covered Banks With Total Consolidated Assets of $10 Billion to $50 Billion under the Dodd-Frank Wall Street Reform and Consumer Protection Act” (DFAST 10–50 Results Template) includes data collection worksheets necessary for the FDIC to assess the company-run stress test results for baseline, adverse, and severely adverse scenarios as well as any other scenario specified in accordance with regulations specified by the FDIC. The DFAST 10–50 Results Template includes worksheets that collect information on the following areas:

1. Income Statement;
2. Balance Sheet, and
3. Capital.

Each $10 billion to $50 billion covered bank reporting to the FDIC using this form will be required to submit worksheets for each scenario provided to covered banks in accordance with regulations implementing Section 165(j)(2) as specified by the FDIC.

**Worksheets: Income Statement**

The income statement worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on the following areas:

1. Net charge-offs;
2. Pre-provision net revenue;
3. Provision for loan and lease losses;
4. Realized gains (losses) on held to maturity (HTM) and available-for-sale (AFS) securities;
5. All other gains (losses);
6. Taxes, and
7. Total other than temporary impairment (OTTI) losses.

This schedule provides information used to assess losses that covered banks can sustain in baseline, adverse, and severely adverse stress scenarios.

**Worksheets: Balance Sheet**

The balance sheet worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected equity capital, as well as on assets and liabilities in the following categories:

1. Loans;
2. HTM securities;
3. AFS securities;
4. Trading assets;
5. Total intangible assets;
6. Other real estate;
7. All other assets;
8. Retail funding (core deposits);
9. Wholesale funding;
10. Trading liabilities;
11. All other liabilities, and

The FDIC intends to use this worksheet to assess the projected changes in assets and liabilities that a covered bank can sustain in a baseline, adverse, or severely adverse scenario. This worksheet will also be used to assess the revenue and loss projections identified in the income statement worksheet.

**Worksheets: Capital**

The capital worksheet, which is appended to the balance sheet worksheet, collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on the following areas:

1. Unrealized gains (losses) on AFS securities;
2. Disallowed deferred tax asset;
3. Tier 1 capital;
4. Qualified subordinated debt and redeemable preferred stock;
5. Allowance includable in Tier 2 capital;
6. Tier 2 capital;
7. Total risk-based capital;
8. Total capital;
9. Risk weighted assets;
10. Total assets for leverage purposes;
11. Tier 1 risk-based capital ratio;
12. Tier 1 leverage ratio;
13. Total risk-based capital ratio;
14. Sale, conversion, acquisition, or retirement of capital stock;
15. Cash dividends declared on preferred stock, and

In addition to the information collected on the capital worksheet, the Summary Schedule captures projections for regulatory capital ratios over the planning horizon by scenario. The FDIC intends to use these worksheets to assess the impact on capital of the projected losses and projected changes in assets that the covered bank can sustain in a stressed scenario. In addition to reviewing the worksheet in the context of the balance sheet and income statement projections, the FDIC also intends to use this worksheet to assess the adequacy of capital planning processes for each covered bank.

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The expectation that these relationships are relied upon, the historical data and provide the basis for projections. Where historical assumptions relate to reported information collection: one from an industry group and one from a financial services consulting firm. The OCC and the Board together, in addition to receiving these two comments, also received five comments from individual banking organizations. As noted in the initial Federal Register notice, the agencies each developed and requested public comment on very similar reporting forms to implement the reporting requirements. The agencies coordinated the changes made to each agency’s templates in order to keep the templates as similar as possible and minimize the burden on affected institutions. As part of this coordination, in discussions with the other agencies, the FDIC considered these five comments, in addition to the two comments it directly received. The FDIC has made several changes to the proposed DFAST 10–50 Results Template in light of all comments received.

Some general comments were received regarding the report format, instructions, and timing. However, the majority of the public comments focused on specific data items on the results schedules and in some cases compared the level of detail required in the proposed DFAST 10–50 Results Template to the requirements of the Capital Assessments and Stress Testing information collection (FR Y–14A/Q/M; OMB No. 7100–0341) applicable to bank holding companies with $50 billion or more in total assets. Lastly, one commenter asked for clarification regarding how regulatory capital should be calculated over the planning horizon in consideration of the phase-in period for the new capital framework that implements Basel III standards.

A. General Comments

Some commenters expressed concern about having to submit stress testing results in a Call Report-type format, noting that the existing stress testing software of many banks and savings associations was not developed with such a format in mind, and asked for less detailed reporting forms. These commenters requested that the agencies consider further delaying implementation of the reporting requirements and/or limiting the report submissions on the DFAST 10–50 Results Template Summary Schedule. The FDIC has determined that using reporting templates modeled on the Call Report is the best solution because of familiarity with this format by the FDIC, covered banks, and the public, particularly when mandatory public disclosure of summary results under the severely adverse scenario becomes effective in 2015. The proposed DFAST 10–50 Results Template, aligned to the Call Report, provides a format that is well understood and utilized by the industry. Therefore, the FDIC believes that the reporting requirements will not place undue burden on the ability of covered banks to report stress test results. Using the Call Report format would also ensure a high level of consistency across covered banks and facilitate assessment of the results.

Furthermore, the OCC and the Board are adapting the same format for their templates; utilization of the Call Report format by covered banks would maintain consistency across agencies and in reporting for all covered institutions. Finally, the FDIC has already delayed for one year the application of the stress testing rules for the $10 billion to $50 billion covered banks, in part so that they would have time to create the necessary infrastructure to submit the appropriate stress testing results.

Two commenters expressed concern about the differences among stress testing templates used to respond to different stress testing requirements and about the burden some banking organizations (companies with $50 billion or more in assets that control subsidiaries with $10 billion to $50 billion in assets) might face in preparing multiple sets of templates. The FDIC notes that the final FDIC stress testing rule allows such subsidiaries to elect to conduct its stress test and report to the FDIC on the same timeline as its parent bank holding company or savings and 9 These comment letters may be found at http://www.fdic.gov/regulations/laws/federal/2013/2013-annual_stress_test.html

10 The FR Y–16 reporting requirements are tailored to the $10–$50 billion institutions and require significantly less granular reporting segment by relative to the FR Y–14A applicable to bank holding companies with $50 billion or more in total assets.
loan holding company. The FDIC has coordinated with the OCC and the Board in the development of the stress test templates and has attempted to minimize the duplication and reporting burden of holding companies subject to the stress test rules which have subsidiaries subject to the stress test rules.

One commenter suggested allowing covered banks to apply generalized, bank-developed loss assumptions for immaterial portfolios. The commenter also noted that an immaterial portfolio exception is allowed for firms with $50 billion or more assets in stress testing submissions. The FDIC has considered the burden of calculating losses for immaterial portfolios for covered banks with $10 billion to $50 billion in assets and determined that providing a safe harbor that defines immaterial portfolios would be contrary to the purpose of a company-run stress test and could unintentionally mask risk or cause institutions to conclude erroneously that the aggregation of immaterial portfolios would always pose little or no risk to an institution. Although stress testing should be applied to all exposures, the FDIC recognizes that the same level of detail and analysis may not be necessary for lower-risk, immaterial portfolios. For such portfolios, it may be appropriate for a covered bank to use a less sophisticated approach for its stress test projections, assuming the results of that approach are conservative and well-documented. The FDIC has therefore not established a reporting threshold for immaterial portfolios in the reporting requirements for the proposed DFAST 10–50 Results Template. Covered banks should refer to the proposed interagency supervisory guidance on implementing Dodd-Frank Act company-run stress tests for banking organizations with total consolidated assets of more than $10 billion but less than $50 billion for more information on estimates for immaterial portfolios.

B. Regulatory Capital

One commenter asked for clarification regarding the calculation and reporting of regulatory capital and risk-weighted assets (RWAs), noting the expectation that capital and RWA calculations and definitions would change over the planning horizon as new rules are implemented (specifically noting new definitions when the Basel III final rule is adopted). In addition, this commenter also requested clarification on the calculation of tier 1 non-common capital elements.

There are three line items in the proposed DFAST 10–50 Results Template that would be specifically affected by the capital framework that implements Basel III standards: tier 1 common equity capital, non-common capital elements, and RWAs. Common equity tier 1 capital was recently defined in the Basel III interim final rule for all institutions and does not become effective for institutions with $10-$50 billion in assets until 2015. The need to model alternative capital calculations more than halfway through the planning horizon for these banking organizations adds complexity and increases the potential or likelihood of erroneous calculations or assumptions. This complexity and increased risk of error could detract from the main purpose of conducting a company-run stress test; mainly to make a forward-looking assessment of capital planning processes and internal capital needs under various scenarios. Lastly, as the first required public disclosure will not commence until the 2014 stress test cycle with disclosure occurring in June of 2015, the additional burden of transitioning to a new capital calculation more than halfway through the 2013 stress test planning horizon will not provide the public with any insight into a firm’s capital adequacy or planning process in this instance.

Accordingly, the FDIC removed tier 1 common and non-common capital line items, and the associated equity ratios, from the DFAST 10–50 Results Template for the 2013 stress test cycle. The final template allows covered banks to report capital and RWAs for the entire planning horizon using the regulatory capital rules and definitions that are applicable on the “as of” date of each report for this initial reporting submission. For example, the initial respondent panel would report as of September 30, 2013; therefore, that submission should apply capital calculations consistently throughout the planning horizon using the capital rules and definitions effective as of September 30, 2013. The FDIC will provide information regarding the capital and RWA calculations in the final interagency guidance and will consider adding elements of the Basel III capital requirements in future DFAST 10–50 Results Template reporting forms and instructions.

C. Data Items—Results Schedule (Balance Sheet Income Statement)

Two commenters argued that the level of detail demanded by the templates was excessive. The commenters stated that separating 1–4 family construction loans from all other construction loans would require more detailed reporting for the DFAST 10–50 Results Template than what is required of large bank holding companies subject to the Board’s CCAR, and firms with $50 billion or more in assets that report stress test results using the DFAST 14A form. While the templates for firms with $50 billion or more in assets do not segment 1–4 family construction loans, large bank holding companies must submit that specific data item on both the FR Y–14Q and FR Y–14M reporting forms. More importantly, the FDIC believes this data item is particularly relevant to covered banks that previously have reported material concentrations in this product type and because a significant amount of the industry’s losses during the most recent economic downturn emanated from this product. These data would provide necessary information for covered banks to manage risk effectively and appropriately assess and plan for their capital needs.

One commenter also argued that requiring separate line items for retail and wholesale funding would add unnecessary complexity and burden. The FDIC, however, believes it is necessary to maintain these separate items. The breakdown of deposits between retail and wholesale is easily facilitated through Call Report data and the proposed DFAST 10–50 Results Template instructions indicate that covered banks should use the Call Report segmentation definitions to project these line items. In addition, retail and wholesale funding historically have reacted differently under stressed economic conditions. Projecting the retail and wholesale deposit structure throughout the planning horizon as proposed would provide useful information to a covered bank and the FDIC with respect to how a covered bank assesses capital adequacy, plans for its capital needs, and manages risk.

Two commenters stated that gathering AFS and HTM balances for U.S. government obligations and obligations of government sponsored entities (GSEs) would require more detailed reporting for the DFAST 10–50 Results Template than what is required for the DFAST 14A. Another commenter suggested separating GSE obligations from other government obligations on the DFAST 10–50 Results Template Balance Sheet
consistent with the treatment on the Call Report Income Statement. While the DFAST 14A collects only total AFS and HTM balances on the balance sheet schedule, this reporting series requires more granular data than proposed for the DFAST 10–50 Results Template on government securities through other schedules within the DFAST 14A. Similarly, the reporting requirements for the Call Report Balance Sheet mandate more detailed information on AFS and HTM GSE obligations relative to the reporting requirements for the DFAST 10–50 Results Template. Gathering AFS and HTM balances for U.S. government obligations and obligations of GSEs would provide relevant and required data to project net income and regulatory capital over the planning horizon.

Commenters also favored the elimination of several line items. One commenter stated that the level of detail required by the DFAST 10–50 Results Template Balance Sheet memorandum items was not informative or necessary to the loss estimation process, or entailed more detail than what is required by the DFAST 14A. Specific memorandum items cited by the commenter included troubled debt restructurings and loans secured by 1–4 family in foreclosure. Based on this comment, the FDIC also evaluated the utility of another Balance Sheet memorandum item: Loans and leases guaranteed by either U.S. government or GSE guarantees (i.e., non-FDIC loss sharing agreements). The FDIC agrees that these memorandum data items are already captured within the proposed DFAST 10–50 Results Template reporting requirements for loans and leases and that eliminating these items from the reporting template would not affect an institution’s ability to project pre-provision net revenue, net income, or regulatory capital in order to assess their capital needs under stressed conditions. Therefore, the FDIC eliminated these three supplemental Balance Sheet memorandum items: Loans and leases guaranteed by either U.S. government or GSE guarantees (i.e., non-FDIC loss sharing agreements).

Commenters also requested that common stock, retained earnings, surplus, and other equity components be reported as a single line item. The FDIC agrees with this comment and has combined the aforementioned capital components into one line item to be reported as “equity capital.”

One commenter noted that separately modeling average rates for each type of deposit would also involve a significant amount of work and potentially affect other company-run stress tests. One commenter included troubled debt restructurings and loans secured by 1–4 family in foreclosure. Based on this comment, the FDIC also evaluated the utility of another Balance Sheet memorandum item: Loans and leases guaranteed by either U.S. government or GSE guarantees (i.e., non-FDIC loss sharing agreements). The FDIC agrees that these memorandum data items are already captured within the proposed DFAST 10–50 Results Template reporting requirements for loans and leases and that eliminating these items from the reporting template would not affect an institution’s ability to project pre-provision net revenue, net income, or regulatory capital in order to assess their capital needs under stressed conditions. Therefore, the FDIC eliminated these three supplemental Balance Sheet memorandum items: Loans and leases guaranteed by either U.S. government or GSE guarantees (i.e., non-FDIC loss sharing agreements).

Commenters also requested that common stock, retained earnings, surplus, and other equity components be reported as a single line item. The FDIC agrees with this comment and has combined the aforementioned capital components into one line item to be reported as “equity capital.”

One commenter noted that separately modeling average rates for each type of deposit would also involve a significant amount of work and potentially affect other company-run models. The FDIC agrees that the average rate information is not a data input that a covered bank needs to project losses, pre-provision net revenue, or capital. Further, the additional burden placed on covered banks to calculate the projected average rates could distract unnecessarily from the primary goal of the annual company-run stress test—to estimate effectively the possible impact of an economic downturn on a covered bank’s capital position in order to plan for capital needs and to identify and managed risk. Therefore, the FDIC has removed all average rate memorandum items on the balance sheet.

Two commentors favored the elimination of the income statement item for Gains and Losses on Other Real Estate Owned (OREO). One commenter noted that this element could be combined effectively with forecasting of other OREO expenses. The other commenter stated that the level of detail for this element is more granular than what is required for the DFAST 14A templates. The FDIC notes that gains or losses on OREO are captured in the pre-provision net revenue metrics worksheet of the DFAST 14A templates. Therefore, this requirement would not be more burdensome for the $10 billion–$50 billion covered banks. Nevertheless, the FDIC has eliminated this item because gains and losses on OREO would already be captured within the noninterest income statement memorandum item “itemize and describe amounts greater than 15% of noninterest income” or in the “itemize and describe amounts greater than 15% of noninterest expense” when the amount meets the 15% threshold.

D. Technical Changes/Other Items

In response to a few technical comments received, the FDIC has adjusted the reporting templates and instructions. These changes include correction of formulaic errors; clarification reporting instructions for income statement memorandum items; and more detailed technical reporting instructions, including the elimination of the contact information schedule as this information would be collected through the DFAST 10–50 Results Template cover sheet and related data collection application.

Burden Estimates

The FDIC estimates the burden of this collection of information as follows:

Estimated Number of Respondents: 22.
Estimated Annual Burden per Respondent: 464 hours.
Estimated Total Annual Burden: 10,208 hours.

The burden for each $10 billion to $50 billion covered bank is estimated to be 464 hours. The total burden for the DFAST 10–50 Results Template is estimated to be 5,200 hours.

Federal Deposit Insurance Corporation
Robert E. Feldman,
Executive Secretary.

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