September 11, 2015

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Scott G. Alvarez
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Re: FR Y-14 Series of Reporting Forms: Contemplated Attestation Requirement

Dear Messrs. Gibson and Alvarez:

The Clearing House Association L.L.C. ("**The Clearing House**")[1] and the Securities Industry and Financial Markets Association ("**SIFMA**"[2] and, together the "**Associations**") appreciate the opportunity to present our views with respect to the potential introduction of an attestation requirement for Forms FR Y-14A, FR Y-14Q and/or FR Y-14M (collectively, the "**FR Y-14 Forms**"), which we understand may be under consideration by the Board of Governors of the Federal Reserve System

1 Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world's largest commercial banks, which collectively hold more than half of all U.S. deposits and which employ over one million people in the United States and more than two million people worldwide. The Clearing House Association L.L.C. is a nonpartisan advocacy organization that represents the interests of its owner banks by developing and promoting policies to support a safe, sound and competitive banking system that serves customers and communities. Its affiliate, The Clearing House Payments Company L.L.C., which is regulated as a systemically important financial market utility, owns and operates payments technology infrastructure that provides safe and efficient payment, clearing and settlement services to financial institutions, and leads innovation and thought leadership activities for the next generation of payments. It clears almost $2 trillion each day, representing nearly half of all automated clearing house, funds transfer and check-image payments made in the United States. *See* The Clearing House's web page at www.theclearinghouse.org.

2 SIFMA is the voice of the U.S. securities industry, representing the broker-dealers, banks and asset managers whose 889,000 employees provide access to the capital markets, raising over $2.4 trillion for businesses and municipalities in the U.S., serving clients with over $16 trillion in assets and managing more than $62 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

(the "**Federal Reserve**"). While we recognize that no formal decision has yet been made by the Federal Reserve to propose such a requirement for public comment, we believe that it is important that we share with you our initial concerns at this early stage given the serious and significant problems we believe are associated with attestation in this context. We hope this letter will inform the Federal Reserve's deliberations on this topic.

The Federal Reserve previously proposed and ultimately decided not to adopt an attestation requirement substantially similar to that in effect for Form FR Y-9C with respect to the FR Y-14 Forms in 2012.[3] While we support the Federal Reserve's efforts to help ensure that banks have appropriate risk measurement and management processes supporting their internal assessment of capital adequacy, as previously stated in The Clearing House comment letter[4] to the original proposal, the Associations continue to have significant reservations regarding a possible attestation requirement for the FR Y-14 Forms as set forth in more detail below.

I. In light of the continued evolution of data elements of the FR Y-14 Forms, an attestation requirement remains inappropriate.

Although we recognize and appreciate that the Federal Reserve has made important strides since 2012 in providing greater clarity with respect to the requirements of the FR Y-14 Forms, uncertainty remains regarding various data elements set forth in the FR Y-14 Forms, the interpretation of certain of the FR Y-14 Form instructions and related matters. Last year, banking organizations submitted a considerable volume of queries regarding the FR Y-14 Forms to the Federal Reserve. The quantity and substance of these questions amply demonstrate that difficult interpretative questions continue to arise and, as discussed below, indeed will likely increase as the Comprehensive Capital Analysis and Review ("**CCAR**") process is changed by the Federal Reserve. The Federal Reserve issued fewer Frequently Asked Questions ("**FAQs**") regarding the FR Y-14 Forms than in previous cycles, and many of the questions that banking organizations posed often went unanswered. At other times, when questions were answered, the responses came after the submission deadline or so close thereto as to make it exceedingly difficult to implement requisite changes to the submission. As such, a significant degree of uncertainty continues to persist regarding important elements of the FR Y-14 Forms.

We are also concerned that such uncertainty will not abate until such time as the instructions to the FR Y-14 Forms and the various FAQs are codified into a single, clear and readily accessible source of guidance with which all CCAR-filing banking organizations are required to comply. Currently, CCAR banks must review the instructions and then review each and every related FAQ in historical progression in order to attempt to comply with the requirements of the FR Y-14 Forms and Federal Reserve guidance with respect thereto, where it is available. Unfortunately, such a complex and convoluted process is unlikely to sufficiently clarify underlying reporting obligations in a manner that could practically lend support to the level of certainty necessary to provide any attestation.

Moreover, the uncertainty regarding the FR Y-14 Forms is likely to increase given the expectation of continued changes to the CCAR process itself. The Federal Reserve itself has

3 *See* 77 F.R. 40051 (July 6, 2012).

4 *See, e.g.*, Letter from The Clearing House, *et al* to the Federal Reserve (September 4, 2012).

acknowledged that the CCAR process continues to evolve.[5] Given prior industry experience with the supervisory stress testing process, it is more than reasonable to expect that these changes in the CCAR process could very well impact certain aspects of the FR Y-14 Forms themselves and/or, at the very least, various information and inputs for required data elements and related instructions and interpretations regarding these data elements and how they are to be calculated. These changes and refinements will undoubtedly introduce an additional layer of interpretative uncertainty to what is already an unclear process as described above, thereby further making an attestation requirement impractical and inappropriate.

Because the interpretation of various data element requirements and instruction line items of the FR Y-14 Forms, as well as the format requirements and forms themselves, remain subject to a not insubstantial degree of flux, we respectfully submit that any attestation requirement remains inappropriate. We therefore do not believe the circumstances have changed materially since the attestation requirement was rejected by the Federal Reserve in 2012 to justify its imposition now, nor do we believe that circumstances are likely to change in the foreseeable future.

II. The incremental value of an attestation requirement is unclear and may very well be outweighed by the substantial costs involved.

It is unclear what an attestation requirement for the FR Y-14 Forms would practically accomplish that has not already been achieved, or is not already capable of being achieved, through existing CCAR requirements, and in particular, the Federal Reserve qualitative review process. We believe that the quality of data being reported on the FR Y-14 Forms has significantly improved as a result of changes made by the industry. For example, banking organizations have implemented strong data integrity processes to assure that submissions are accurately populated to the greatest possible extent. In addition, banking organizations have made, and are continuing to make, great strides in further automating the collection and processing of information, which serves to enhance data quality.

Many of these improvements have come as direct or indirect results of the constructive dialogue between the Federal Reserve and banking organizations under the aegis of the supervisory CCAR qualitative review.[6] As part of this process, the Federal Reserve has the authority and means to evaluate, and thereby ensure, the quality and accuracy of the data being provided on the FR Y-14 Forms, and Form FR Y-14A in particular. Because a CCAR objection (be it on either or both quantitative or qualitative grounds) significantly affects the ability to make capital distributions, banks have every reason to ensure that the data they provide to the Federal Reserve is as accurate and free of errors as reasonably possible. Moreover, using the qualitative review process, the Federal Reserve

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5 For example, Governor Tarullo has stated that the Federal Reserve has altered both the substance and the process of CCAR every year of its existence and, in July of this year, indicated that the Federal Reserve anticipates considering a number of further changes to CCAR later this year. *See* Governor Daniel K. Tarullo, Speech at the (cont.) Federal Reserve Third Annual Stress Test Modeling Symposium, "Stress Testing after Five Years" (June 25, 2014), *available at* http://www.federalreserve.gov/newsevents/speech/tarullo20140625a.htm; *see also* Governor Daniel K. Tarullo, Opening Statement (July 20, 2015), *available at* http://www.federalreserve.gov/newsevents/press/bcreg/tarullo-statement-20150720a2.htm.

6 *See* Federal Reserve, *Comprehensive Capital Analysis and Review 2015 Summary Instructions and Guidance* (Oct. 2014), at 9-10, 27.

can address any perceived issues concerning data integrity in a more robust and tailored fashion. Thus, the introduction of an attestation requirement would appear to have little or no incremental benefit in ensuring the quality and/or accuracy of the data provided in the FR Y-14 Forms. An attestation requirement would, however, likely create substantial additional costs, requiring even more dedicated management and information technology resources than are already dedicated to CCAR and adding to banking organizations' current CCAR timelines. It is undeniable that management attention and information technology expertise are not infinite in the face of increasing regulatory reporting and data requirements—even for larger banking organizations. We do not believe these additional regulatory burdens would be justified in light of the existing CCAR qualitative review process.

III. An attestation requirement is clearly inappropriate for projections under any circumstances.

Regardless of whether an attestation requirement is currently appropriate, we strongly believe that attestation will never be appropriate for the financial projections in Form FR Y-14A. In theory at least, such a requirement seeks to ensure the quality of the data provided in the FR Y-14 Forms by compelling each subject banking organization to attest to the accuracy of the information being reported. It is impossible for anyone to attest to the accuracy of projections, however, because projections rely on assumptions about the future which may prove erroneous for reasons beyond anyone's control. Although banking organizations have confidence in the robustness of their projection processes, this dependence upon assumptions means that such organizations are not able to attest to the accuracy of the resulting data. Thus, an attestation requirement remains fundamentally at odds with the inherent nature of projection as just that—predictions about the future—and not verifiable historical financial information.

IV. Banking organizations' internal audit functions cannot serve as the source of an attestation with respect to the FR Y-14 Forms.

Just as an attestation requirement is incompatible with financial projections, we believe that attestation concerning the FR Y-14 Forms from an organization's internal audit function would be fundamentally incompatible with that function's proper role within a banking organization, including acting as the so-called third line of defense. Among the responsibilities of the internal audit function is generally to examine the information produced by the organization, including information that is being externally reported, through the lens of the processes used to produce that information. This is done in order to identify any issues that were not previously addressed by the organizational functions responsible for assembling the information. Thus, the proper role of the internal audit function centers around the systems and controls that ensure the ultimate accuracy of the information rather than the information itself. Furthermore, this role requires organizational independence in order to have the distance and neutrality necessary to successfully critique and recommend improvements to such systems and controls. Requiring the internal audit function to make an accuracy attestation for the FR Y-14 Forms not only would compromise the function's organizational independence, but would also be incompatible with the function's focus on systems and controls. In addition, requiring internal audit to make a controls attestation would compromise the function's neutrality, hamper its ability to critique future iterations and thereby substantially infringe upon its role as the third line of defense.

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If you have any questions or need further information, please contact David Wagner at 212.613.9883 (email: david.wagner@theclearinghouse.org) or Ken Bentsen at (202) 962-7400 (email: kbentsen@sifma.org).

Respectfully submitted,

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