

November 16, 2015

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Proposed Agency Information Collection Activities; Comment Request: Capital Assessments and Stress Testing Information Collection (80 Fed. Reg. 55,621 September 16, 2015)

Mr. Frierson:

The Clearing House Association L.L.C. (“**The Clearing House**”), the Institute of International Bankers, the American Bankers Association, and the Securities Industry and Financial Markets Association (collectively, the “**Associations**”)¹ appreciate the opportunity to comment on the proposed revisions (the “**Proposal**”) by the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”) to the Instructions and Forms of the Capital Assessments and Stress Testing information collection program (including Forms FR Y-14A, FR Y-14Q and FR Y-14M; collectively, the “**FR Y-14 Forms**”). The revised FR Y-14 Forms would, among other changes, include an attestation requirement, to be made by the chief financial officer or equivalent senior officer (“**CFO**”) of a bank holding company (“**BHC**”) subject to the Large Institution Supervision Coordinating Committee (“**LISCC**”) framework. This would include, presumably, the BHC and/or intermediate holding company (“**IHC**”) subsidiaries of foreign banking organizations (“**FBOs**”) that are subject to the LISCC framework but are not themselves required to file the FR Y-14 Forms at the parent level. As proposed, this attestation requirement would become effective June 30, 2016, and the other revisions to the FR Y-14 Forms would become effective December 31, 2015, March 31, 2016 and June 30, 2016, as applicable.

The Associations strongly supports the Federal Reserve’s efforts to help ensure that banks have appropriate risk measurement and management processes supporting assessments of capital adequacy. We are concerned, however, that the Proposal does not afford subject banking organizations sufficient time to undertake the many necessary changes that will be required to implement the proposed revisions and, with respect to several of its attestation requirements, the Proposal is broader than is necessary or appropriate.

While subject banking organizations have put in place (and continue to enhance) robust internal controls over their FR Y-14 reporting processes to support capital

¹ Descriptions of the Associations are provided in Annex C of this letter.

planning and stress testing activities, a significant incremental investment of time and resources will nevertheless be required for these banking organizations to design, develop and implement the internal processes and procedures necessary to fully implement the proposed attestations in accordance with regulatory expectations. Such additional efforts would include the design and development of more granular documentation of reporting processes and internal controls, annual assessments of the design and operating effectiveness of the internal control framework, as well as annual testing and independent validation programs. More particularly, a substantial implementation challenge exists with respect to the attestation as to internal controls insofar as the creation of new documentation, including sub-certifications, necessary to support an independent and timely review of all FR Y-14 submissions by an appropriately staffed second or third line of defense function. Simply put, even in the most robust control environment, there are significant practical challenges involved in expanding existing documentation practices to ensure COSO-level² standards.

The LISCC firms that have been previously fully subject to the Comprehensive Capital Analysis and Review (“**CCAR**”) process have spent more than five years, under the close supervision of the Federal Reserve, building, testing and upgrading systems and processes necessary to support reliable filing of the FR Y-14 Forms. As such, we agree that it is both practical and appropriate for subject domestic banking organizations to provide an attestation as to conformance with FR Y-14 Form instructions by June 30, 2016 as described below and in Annex B hereto.

However, because of the considerable practical challenges involved, including those in applying COSO principles to submissions on the FR Y-14 Forms, we respectfully request that the Federal Reserve extend the implementation deadline for subject domestic banking organizations to April 2018 for the proposed attestations as to the effectiveness of internal controls and to the material correctness of data, subject to an incremental requirement that subject domestic banking organizations demonstrate, as part of the normal supervisory process, by April 2017 that a framework has been put in place to identify, test and independently validate key control activities to support these attestations. In addition, the Federal Reserve should extend the implementation deadline for all of the Proposal’s attestations to no earlier than April 2018 for subject IHC subsidiaries of LISCC FBOs in light of the additional burdens they face in relation to the creation of the IHCs themselves by July 1, 2016. We believe the foregoing timing modifications would best promote the orderly implementation of the Proposal’s attestation requirements regarding the effectiveness of internal controls and the material correctness of data thereby furthering the goal of effective assessments of capital adequacy by both subject banking organizations themselves and the Federal Reserve.

Part I of this letter sets forth, in greater detail, our overarching concerns regarding the Proposal with respect to the proposed timing of implementation of the various attestation requirements. Part II describes other specific concerns, including regarding the overbroad scope of the distinct attestations that would be required under the Proposal. Annex

² “**COSO**” refers to The Committee of the Sponsoring Organizations of the Treadway Commission, which consists of representatives of the American Institute of Certified Public Accountants, the American Accounting Association, the Institute of Internal Auditors, the Institute of Management Accountants and the Financial Executives Institute (now Financial Executives International).

A to this letter contains a number of technical comments we believe should be addressed by the Federal Reserve in the final release of the revisions to the FR Y-14 Forms. Finally, Annex B provides illustrations of the revisions to the text and timing of the Proposal's attestation requirements described in this letter.

I. Concerns with Timing Necessary to Adapt Resources to Meet Proposed Requirements

As a fundamental matter, we believe that the effective date of June 30, 2016 as currently proposed does not afford subject banking organizations adequate implementation time for several of the proposed attestation requirements.

We are most concerned with respect to the proposed CFO attestation that "the internal controls are effective and include those practices necessary to provide reasonable assurance as to the accuracy of [actual data as of the reporting period]". It is certainly the case that strong internal controls are currently in place at subject banking organizations to ensure the accuracy of data submitted on the FR Y-14 Forms.³ While existing internal controls function to serve the purposes for which they were designed, they are not currently being evaluated under a COSO-based framework for design and operational effectiveness. As such, these banking organizations will need to materially supplement and/or modify existing systems and processes in order to generate adequate documentation of those controls to support the Proposal's effectiveness attestation, including putting in place a framework of sub-certifications to support the CFO's attestation and determining the additional resources and personnel necessary to generate such support.

A substantial number of subject banking organizations currently evaluate internal controls as part of a Risk Control Self-Assessment ("RCSA") management self-assessment framework rather than under a formal COSO-based testing regime comparable to that required by the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley").⁴ Processes currently used to evaluate internal controls under a management self-assessment, while certainly robust, may not yield the level of formal documentation required to support evaluations under the COSO framework. Expanding upon the current process to generate the necessary level of formal documentation will require subject banking organizations to (i) analyze what documentation is necessary and what testing is required to generate it, (ii) customize a detailed COSO framework to be applied to a diverse data set, (iii) create a comprehensive COSO-based controls documentation inventory (including gathering evidence, assessing effectiveness to identify areas of remediation and completing action plans as needed), (iv) further develop and execute

³ The Clearing House has previously expressed its views regarding FR Y-14 Forms attestations. *See, e.g.,* Letter from The Clearing House, *et al* to the Federal Reserve (September 11, 2015); Letter from The Clearing House, *et al* to the Federal Reserve (September 4, 2012). As discussed therein, we continue to believe that there remain important considerations regarding the imposition of attestation requirements for the FR Y-14 Forms more generally.

⁴ Section 404 of Sarbanes-Oxley requires internal controls to be evaluated using a "suitable" framework, identifying the COSO Report, among other acceptable frameworks, as meeting the criteria for suitability. COSO, *Internal Control—Integrated Framework* (July 1994), containing material originally published in September 1992 and supplemented in May 1994; COSO, *Enterprise Risk Management—Integrated Framework* (Sept. 2004); COSO, *Internal Control over Financial Reporting—Guidance on Monitoring Internal Control Systems* (Oct. 2009); COSO, *Internal Control—Integrated Framework* (May 2013).

expanded plans for internal controls consistent with the COSO framework, and (v) establish a robust monitoring program. Effective development and deployment of these enhanced testing systems and processes will require the devotion of significant resources and time. The Federal Reserve itself acknowledges in the Proposal that subject banking organizations will need time to “enhance certain systems and processes” and “modify internal control frameworks and data governance committees” to support the attestation.⁵

In addition, although many subject banking organizations may very well be able to leverage parts of their existing infrastructure for the management certifications required under Sarbanes-Oxley, important differences between Sarbanes-Oxley and the FR Y-14 reporting processes make this infrastructure incapable of being implemented in its current form for FR Y-14 attestation purposes without significant changes. As a general matter, the scope and level of data granularity that is required to be reported on the FR Y-14 Forms is substantially larger than the financial information that is currently within the ambit of a banking organization’s Sarbanes-Oxley processes and procedures. For example, in addition to financial measures, the FR Y-14 Forms also include regulatory capital data (*e.g.*, risk-weighted assets), risk parameter data (*e.g.*, probability of default and loss given default), statistical data (*e.g.*, number of employees, deal volume) and reference data (*e.g.*, counterparty identifiers). In another area, the corporate loan template includes 95 discrete data fields. A LISCC firm with a modest corporate loan portfolio may have 10,000 distinct corporate loan facilities, resulting in an aggregate 950,000 data fields (95 x 10,000), which must be submitted multiple times a year. LISCC firms are likely to have an even greater number of residential mortgage loans (138 fields reported in the loan level table within Schedule A to Form FR Y-14M), in some cases in the hundreds of thousands, resulting in millions of aggregate data fields, which again must be submitted multiple times a year. Financial statements, in contrast, involve a much smaller data set. In any event, proper Sarbanes-Oxley/COSO documentation, inclusive of process flowcharts, control narratives, and detailed analysis of the key controls, can take months to develop and complete, even in a mature Sarbanes-Oxley environment.⁶

Furthermore, implementation of the Proposal’s various attestation requirements will require the dedication of significant firm management, internal audit, finance management, compliance and information technology resources, expertise and personnel in an environment where subject banking organizations are already involved in a plethora of other projects responsive to regulatory initiatives.⁷ While subject banking organizations will always

⁵ 80 Fed. Reg. 55,621, 55,624.

⁶ In addition to the substantial differences in scope between financial and capital adequacy reporting, the ability to leverage an existing Sarbanes-Oxley internal controls infrastructure is further limited by recent changes to the COSO framework itself. As revised, the COSO framework now requires additional coverage and documentation, including an analysis for each of the 17 newly introduced principles. As a result, leveraging the existing internal controls infrastructure developed in response to Sarbanes-Oxley will require incremental changes to the existing COSO framework, including significant incremental supporting documentation. See COSO, Internal Control—Integrated Framework (May 2013).

⁷ Such projects include: (i) changes to the Form FR Y-15 reporting process, including revisions to the form, the shift from annual to quarterly submission and the introduction of new data elements; (ii) the Financial Stability Board’s data gap proposal to introduce common data templates for all global systemically important BHCs (“**G-SIBs**”); (iii) the Basel Committee on Banking Supervision’s (“**BCBS**”) revised Pillar 3

prioritize regulatory implementation requirements, there are practical limitations on firms' ability to simultaneously manage and implement a wide variety of regulatory standards, each of which requires changes to processes and systems. Given the scope and extent of resources required to implement the Proposal, and the range of existing regulatory projects already underway, we believe that permitting firms additional time would allow them to more carefully and deliberately expand and upgrade existing processes and systems to ensure compliance.

In light of the foregoing, we urge the Federal Reserve to adopt a phased approach to implementation under which (i) the proposed attestation for compliance with FR Y-14 Form instructions, which should not require as significant adaptations of existing infrastructure, would be effective for subject domestic banking organizations as of the currently proposed date of June 30, 2016 and (ii) additional transition time is provided for the proposed attestation as to the effectiveness of internal controls and to the material correctness of data by extending the deadline for implementation for subject domestic banking organizations to April 2018, with an incremental requirement that subject domestic banking organizations demonstrate as part of the normal supervisory process, by April 2017, that a framework has been put in place to identify, test, and independently validate key control activities to support these attestations. Extending the deadline for implementation of the attestations as to the effectiveness of internal controls and material correctness of data to April 2018 would permit sufficient time for subject domestic banking organizations to make the substantial alterations to existing systems and processes necessary to support this proposed attestation, including as necessary for the implementation of the COSO framework.

In addition, given the unique circumstances currently facing FBOs, we urge the Federal Reserve to make all of the Proposal's attestation requirements applicable to the IHC subsidiaries of LISCC FBOs no earlier than April 2018. The proposed June 30, 2016 implementation timeline is particularly challenging for FBOs, which are currently devoting substantial resources to the restructuring required to complete their respective IHC implementation plans by the July 1, 2016 deadline. Furthermore, some LISCC FBOs are not subject to Sarbanes-Oxley (or may be subject only at the parent level) and therefore cannot leverage any existing Sarbanes-Oxley infrastructure at the IHC level. Thus, for IHC subsidiaries of LISCC FBOs, development of the appropriate infrastructure to support the proposed attestations will require additional time and resources that are currently being devoted to the establishment of the IHC structure itself, and will continue to be employed in those efforts until the July 1, 2016 deadline. By allowing LISCC FBOs to first complete the restructurings required to establish their respective IHC structures, these FBOs will thereafter be better able to reallocate appropriate resources to establishing the framework necessary to support the Proposal's attestations. In addition, we note that the Federal Reserve has not yet announced when newly established IHCs will be required to file one or more of the FR Y-14 Forms, further compounding the Proposal's problematic June 30, 2016 implementation timeline for FBOs. Finally, given that the subject IHC subsidiaries of LISCC FBOs will be newly subject to, among other things, the FR Y-14 reporting requirements, we welcome a dialogue with the Federal Reserve concerning

disclosure requirements; (iv) the Federal banking agencies' proposed revisions to the Call Report on Forms 031 and 041; (v) the Federal Deposit Insurance Corporation's proposed revisions to the risk-based deposit insurance assessment; (vi) the BCBS 239 data governance initiatives for risk data aggregation and reporting; and, (vii) for LISCC FBOs, the IHC implementation process.

substantive compliance with the attestation requirements and relevant reporting policies and procedures through the supervisory process between the adoption of a final rule and the ultimate implementation of the attestation requirements by LISCC FBOs.

II. Concerns with the Scope of the Proposed Attestations and Other Aspects of the Proposal

A. Scope of Attestation for Conformance with Instructions

We respectfully submit that the proposed attestation regarding conformance with the instructions should include appropriate qualifiers to limit the attestation to the good faith, reasonable efforts of the BHC to conform with the instructions issued by the Federal Reserve, in order to accommodate those situations in which ambiguity remains.⁸ Our primary concern is that, in our experience, the instructions to the FR Y-14 Forms have not been updated on a regular basis and, in some cases, responses to questions posed through the FAQ process have been delayed or not provided. While the Federal Reserve acknowledges these issues in its Proposal, noting that it “would not expect to penalize a firm for incorrect reporting” due to errors in interpretation or completion where a firm “makes a good faith effort to reasonably interpret the instructions while awaiting a response”, the proposed attestation text does not include such qualifying language. Accordingly, we recommend that the Federal Reserve also clarify the form of attestation itself with a similar qualifier in order to ensure that there is no potential analytical gap between the Federal Reserve’s statement regarding good faith efforts not being penalized and the text of an attestation that the CFO will be personally responsible for making. We believe it is particularly important to eliminate any potential technical ambiguities between the text of the attestation and the Federal Reserve’s stated intentions regarding good faith efforts—especially in the context of a personal obligation.

B. Scope of Attestation for Effectiveness of Internal Controls

We respectfully submit that the proposed attestation as to the effectiveness of internal controls should be limited to annual submissions on the FR Y-14A. The Proposal appears to require that this proposed attestation be made each time an FR Y-14 Form is submitted—that is, annually, quarterly and monthly for the Form FR Y-14A, 14Q and 14M, respectively. As a practical matter, it is not feasible to perform the level of internal controls testing necessary to support an effectiveness attestation for each quarterly and monthly submission. Indeed, as the Securities and Exchange Commission acknowledged in its final release of the rules implementing Section 404 of Sarbanes-Oxley, some controls operate continuously while others operate only at certain times, such as the end of the fiscal year.⁹ In recognition of this factual reality, the SEC further stated its belief “that each company should be afforded the flexibility to design its system of internal control over financial reporting to fit its particular circumstances” such that “evaluations of the design and operation of the company’s

⁸ Under the Proposal, the attestation as to conformance with the instructions is the only proposed attestation applicable to projected data on Form FR Y-14A. For certain reports (*e.g.*, the Trading and Counterparty FR Y-14Q), BHCs are required to calculate sensitivities based on spot exposures, which are not “actual” balances, but rather are equivalent to projected data. We suggest that such data be treated as projected data, subject only to the attestation as to conformance with the instructions.

⁹ 68 Fed. Reg. 36,636, 36,644.

entire system of internal control over financial reporting [should be performed] over a period of time that is adequate for it to determine whether, *as of the end of the company's fiscal year*, the design and operation of the company's internal control over financial reporting are effective."¹⁰ While Sarbanes-Oxley does require a quarterly management certification, this certification is not an "effectiveness" certification that must be supported by internal controls testing as of a specified date; only the annual Section 404 report filed on Form 10-K is supported by the results of a comprehensive evaluation of the design of internal control and assessment of its effectiveness.¹¹ As such, an annual attestation regarding the effectiveness of internal controls on the FR Y-14A based on year-end data—supported by a comprehensive annual assessment of those controls under the COSO framework—is the most logistically feasible approach to comprehensive testing of these controls.

Moreover, aligning the "as of" dates for the evaluation of internal controls over financial reporting and internal controls over capital adequacy reporting on the FR Y-14 Forms would yield substantial efficiency gains. For example, the entity-level controls and certain elements of the COSO framework that are currently applied company-wide would only need to be addressed once annually to provide support for both financial and capital adequacy reporting.

C. Scope of Attestation for Responsibility for Internal Controls

The proposed attestation as to responsibility for internal controls should be modified such that the CFO attests that senior management, and not the CFO individually, is responsible for the internal controls over the reporting of the FR Y-14 data. As proposed, this attestation would require the CFO to attest that he or she is responsible for the internal controls over the reporting of actual data as of the reporting period. The Proposal states that this attestation requirement is "similar to the attestation requirement for internal controls over financial reporting required under [Sarbanes-Oxley]."¹² The management report required by Section 404 of Sarbanes-Oxley, however, requires a "statement of *management's responsibility* for establishing and maintaining adequate internal control over financial reporting" and does not require the attesting officer to attest to *individual* responsibility.¹³ Furthermore, as a factual matter, internal controls over both financial reporting and capital adequacy reporting, including the FR Y-14 reports, as well as reporting of risk management data, are the joint responsibility of senior management. In other words, the CFO is not solely functionally responsible for every internal control over capital adequacy reporting such as, for example, PD/LGD calculations which are often performed by a banking organization's risk function.

¹⁰ 68 Fed. Reg. 36,636, 36,644 (emphasis added).

¹¹ Rules implementing Section 404 (Regulation S-K Item 308; Rule 13a-15) require a comprehensive annual management report on internal control over financial reporting.

¹² 80 Fed. Reg. 55,621, 55,623.

¹³ 17 C.F.R. § 229.308 (emphasis added).

D. Scope of Attestation for Material Correctness of Data

With respect to the proposed attestation that requires the CFO to attest that actual data as of the reporting period are materially correct to the best of his or her knowledge, the Proposal states that “BHCs should have a policy in place for determining materiality ... [that] include[s] a robust analysis of all relevant qualitative and quantitative considerations including ... the size and effect of the omission or misstatement on firms’ projected regulatory capital ratios in stressed scenarios.” We believe that any policy for determining materiality must necessarily be based on the projections in the firm’s own capital plan submission and not on the Federal Reserve’s review and evaluation of the capital plan under its CCAR exercise. As noted in the preamble to the Proposal, the Federal Reserve uses financial data reported by a BHC on the FR Y-14 Forms to assess whether the BHC has the capital necessary to absorb losses under stress. Subject banking organizations themselves, however, do not—by design—have access to the exact specifications of the supervisory models or parameter estimates that will be used by the Federal Reserve in its CCAR exercise. Therefore, the Federal Reserve should explicitly acknowledge in any final rule implementing the Proposal that subject BHCs should be expected to develop materiality policies based upon their own projected revenues, losses, reserves and pro forma capital levels under baseline and stressed conditions pursuant to the Federal Reserve’s capital plan and stress test rules.¹⁴

E. Timing of Data Reported on Form FR Y-14Q Schedules H.1 and H.2

The implementation deadline for reporting loans that were disposed of during the reporting quarter, with respect to Form FR Y-14Q Schedules H.1 and H.2, and loans in the syndicated loan pipeline, with respect to Form FR Y-14Q Schedule H.1, should be extended by a minimum of two quarters to at least September 30, 2016. In addition, the instructions should clarify that only those syndicated loans for which the subject banking organization serves as the lead bank should be reported. Many subject banking organizations do not currently capture the specific information regarding disposed loans and loans in the syndicated loan pipeline that would be newly required under the Proposal. Systems used to capture this type of information will need to be revised to include the logic necessary to capture these additional details in order to populate these schedules going forward.

Furthermore, to effectively design and implement the system changes necessary to capture this data, subject banking organizations will need greater clarity with respect to the information required to be reported on these schedules. As a fundamental matter, the populations of “disposed loans” and “syndicated loans” must be defined. For example, with regard to disposed loans, it is unclear whether the population to be reported should include: (i) partial payoffs or disposals of a facility (for example, where a facility has more than one arrangement of which the committed balance of one arrangement is reduced to zero or syndicated out); (ii) loans (*i.e.*, notes or overdrafts) active during the reporting period but no longer active at quarter end and thus not reflected in quarter-end data; and (iii) loans previously reported on Schedule H.1 or H.2 in prior quarters, the committed balance of which have fallen below the \$1 million reporting threshold in an interim quarterly reporting period prior to the

¹⁴ 12 C.F.R. § 225.8; 12 C.F.R. § 252, Subparts B, E and F.

time of disposal (and thus no longer meeting the \$1 million reporting threshold). It is also unclear whether the data to be reported for disposed loans would be the same data reported in previous Form FR Y-14Q filings, or whether all facility information would have to be updated and reported as of the disposition date. In addition, for syndicated loans, it is unclear what type of lending is intended to be captured in this population and what it meant by “closed and settled”. Thus, we respectfully request that the Federal Reserve clarify what information is intended to be captured regarding disposed loans and the syndicated loan pipeline in order to allow subject banking organizations to make changes necessary for systems to capture such information.

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If you have any questions or need further information, please contact me at (212) 613-9883 (email: david.wagner@theclearinghouse.org), Brett Waxman at (212) 612-9211 (email: brett.waxman@theclearinghouse.org), Richard Coffman at (646) 213-1149 (email: rcoffman@iib.org) or Hugh Carney at (202) 663-5335 (email: hcarney@aba.com).

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Technical Corrections and Enhancements

In addition to the foregoing, we also submit the following suggestions for technical corrections and amendments to the FR Y-14 Forms set forth in the Proposal:

- The requirement to track and report loans disposed of during a reporting period (versus end-of-quarter reporting) creates system/tracking considerations. Intra-quarter information is not currently maintained and would require additional infrastructure. We urge the Federal Reserve to reconsider or clarify its need for intra-quarter information, or, alternatively, to provide additional time for subject banking organizations to alter systems as necessary to capture the required data.
- The intent of the requirement to report “intended hold” of corporate loans is unclear and has the potential to introduce subjectivity into the reporting process versus pure risk- or accounting-based reporting. We urge the Federal Reserve to require only objective information for corporate loans and avoid introduction of a subjective, intent-based metric.

Form FR Y-14M

- Schedules A (First Lien) and B (Home Equity): The Proposal would introduce a flag to identify a loan as “serviced by others”. As proposed, the flag would require an affirmative response (*i.e.*, a “Y” in the data field) if the loan is serviced by the reporting BHC or its subsidiary and a negative response (*i.e.*, an “N” in the data field) if the loan is not serviced by the reporting BHC or its subsidiary. The instructions seem counterintuitive in light of the fact that the flag is intended to identify loans serviced by others. In order to limit unnecessary confusion and edit checks, please confirm the proposed approach in the final rule.
- Schedule B.1 (Loan/Line Level Table): In line 77 (Modification Type) on this schedule, a new modification type item 13 “HELOC Line Renewal” has been added. Field 77 instructs that the modification type should be reported for any loan that is currently operating under modified terms and should identify the specific terms that were altered through loss mitigation efforts. Should this new modification type 13 be reported only when the HELOC line renewal was completed through loss mitigation efforts? Or should all HELOC line renewals be reported? If all HELOC line renewals are reported, it seems problematic to include them in a line item that has previously only been used to report modifications for loss mitigation efforts.

Form FR Y-14Q

- Schedules A.1-A.10 (Retail): The Proposal would restrict the loan population of these schedules to “accrual loans”.
 - The draft instructions for these schedules, however, indicate that a BHC should “only include loans and leases held for investment at amortized cost” and should exclude “loans or leases held for sale or held for investment and measured at fair value under the fair value option.” Please confirm in the final rule that the description provided in the draft instructions should be followed.

- Without further clarification, we take this to mean that non-accrual loans should be excluded. Currently, there is no distinction made between accrual and non-accrual loans within loan transaction systems, and to meet this presumed requirement would require labor-intensive manual adjustments. Therefore, the implementation deadline for this revision should be extended by a minimum of three quarters to at least September 30, 2016 to allow banks to enhance current transaction and reporting systems to properly identify accrual loans and extract necessary data elements from the transaction systems.
- Schedule B (Securities): The Proposal would add “Appropriation-Backed” to the list of options for the Municipal Bond security type to capture this bond type’s “unique characteristics”. Appropriation-backed bonds vary in their characteristics—they can take a number of different forms and can be made from a specific stream of revenue or from the general taxing authority of the issuer. Please clarify what “unique characteristics” are contemplated in order to ensure that this type of bond is correctly captured.
- Schedule C.3 (Regulatory Capital Instruments Issuances During Quarter): According to the Proposal, the details on swaps that are matched to subordinated debt instruments have an effective date of June 30, 2016, whereas the draft forms and instructions show an effective date of March 31, 2016. Please indicate the correct effective date for this data.
- Schedule D.4 (Regulatory Capital Transitions—Standardized RWA): The Proposal would modify this schedule in accordance with FFIEC 102 and FR Y-9C Schedule HC-R Part II. See comment on Schedule A.1.c.2 (Standardized RWA) of Form FR Y-14A, below, regarding the level of forecasting granularity and consistency in effective dates. Additionally, the draft instructions do not (1) include any visual (*i.e.*, PDF), or (2) appear to be updated when compared to the snapshot of the proposed reporting template.
- Schedule G (PPNR): Presently, the Federal Reserve requires a firm to complete the Net Interest Income (“NII”) worksheet in this schedule only if deposits comprise 25 percent or more of the firm’s total liabilities for any period reported in any of the four most recent FR Y-14Q submissions. The Proposal would eliminate this deposit funding threshold for submission of NII worksheets and require all respondents to submit such worksheets. We respectfully urge the Federal Reserve to maintain the existing 25 percent threshold for NII worksheet submissions.

Requiring firms for which deposits are a modest portion of overall liabilities to submit the NII templates would impose an unnecessary burden. As the Proposal notes, “nearly all respondents” currently submit such templates, providing the Federal Reserve with sufficient data to model interest income-related trends across the entire U.S. banking industry. Requiring all firms to complete the NII template, however, would result in significant new operational burdens that only incrementally expand existing NII data for the banking industry. NII data is also less relevant for the Federal Reserve’s review of trading book-focused firms’ FR Y-14 submissions. In addition, because existing trading book-focused systems cannot be leveraged for this purpose, firms with large trading book concentrations will need to devote significant resources to the development,

implementation and testing of NII reporting systems, diverting such resources from other important regulatory implementation initiatives.

Alternatively, if the Federal Reserve chooses to expand the scope of NII template reporting, we respectfully request that firms be afforded the option to complete such templates only for banking book assets and liabilities, thereby limiting the scope of reporting to the most relevant dataset within these firms and reducing the operational burden that would be imposed by trading book implementation, and historical reporting requirements for Schedule G.2 also be removed. Expansion of the NII submission requirement in any respect, however, will require sufficient time for newly covered firms to build responsive reporting systems.

- Schedule H.1 (Corporate Loan):

- By their definition, “non-purpose loans” are loans collateralized by securities made for any purpose other than purchasing or carrying securities. Since these loans cannot be used for purchasing or carrying securities, there are no margin requirements. If the securities collateralized decrease in value, the borrower can request additional securities.

Two of the five categories added by the Proposal to the Credit Facility Purpose item are (1) non-purpose margin lending collateralized by securities and (2) other non-purpose lending collateralized by securities. As per the above definition, a “non-purpose loan” cannot be a margin loan. Please provide more guidance on the difference between these two categories and what types of loans are expected to be reported on these categories.

- The Proposal would expand the loan population to include “non-purpose loans that are not graded.” As scored non-purpose loans are currently reported on Form FR Y-14M, please clarify that scored non-purpose loans are not included within “non-purpose loans that are not graded.”
- As per the Proposal and the draft instructions, the term “legally binding” would be omitted from the reporting requirement on credit extensions in order to bring this schedule in line with Schedule HC-L and all other relevant line items on the FR Y-9C. Please clarify what the term “legally binding” is intended to include, as the FR Y-9C specifically states to include “commitments that are legally binding.” Is the intention to include all uncommitted and/or unadvised lines on the FR Y-14Q reports? Or is this specifically to allow the inclusion of exposures in the syndicated loan pipeline?
- In Field 20 (Credit Facility Type), two new credit facility types have been added: item 18 “Fronting Loan” and item 19 “Swingline”. Please clarify what is to be reported here.
- For Field 98 (Disposition Flag), please provide further clarification and guidance as to what is reportable. For example,

- Value 0 “Active” – Please clarify what is reported for this value. If the facility was paid off or sold or disposed of in any way but the BHC is still awaiting or pursuing payment of principal “and” interest “and” fees, should a 0 be reported? Does 0 mean disposed of but not fully collected?
 - Value 1 “Payoff” – If a facility is renewed, is it reported as a 1?
 - Value 2 “Involuntary Payoff” – Would this include all instances where the Obligor defaulted on any payment and then repaid in full, or would it only include instances where there have been charge-offs and subsequent Recoveries? Would this include a situation where the borrower is in technical default but pays off?
 - Value 3 “Involuntary Liquidation” – Is this specifically intended to capture facilities where there were charge-offs (without subsequent Recovery), REO and short sales?
 - Value 5 “Syndicated” – Is this a subset of value 4 “Sold or participated”?
- Schedules H.1 (Corporate Loan) and H.2 (Commercial Real Estate):
 - For the Credit Rating Agency Equivalent Rating field (Field 96 of Schedule H.1 and Field 59 of Schedule H.2), the draft instructions would require reporting of the comparable external Nationally Recognized Statistical Rating Organization (NRSRO) credit rating agency rating for the internal rating reported.
 - Please clarify the effective date for such reporting.
 - Many BHCs use an S&P comparable rating assigned to their loans by credit risk departments. In such cases, the BHCs already report a NRSRO credit rating agency rating in field 10. Is it allowable to use the same value in this field as reported in field 10?
 - If there is a many-to-one relationship for an internal rating to an external rating, should only one of the many external rating options be reported, or all? For example, if an internal rating of 1.1 corresponds to an external S&P rating of AAA/AA+, should the Credit Rating Agency Equivalent Rating Field report AAA:1 or AAA/AA+:1?
 - For the Credit Rating Agency field (Field 97 of Schedule H.1 and Field 60 of Schedule H.2), please advise on the value to be reported when BHCs use an S&P comparable rating assigned to their loans by credit risk departments, as described above. Please also clarify the effective date for this reporting.
- Schedule L (Counterparty)
 - The new column instructions instruct BHCs to “Report the four to six digit numeric code that describes the primary business activity of the

parent/consolidated entity according to the North American Industry Classification System (NAICS). Six digit code required for all financial counterparties.” Some firms currently use Global Industry Classification Standard (“GICS”) codes in the “Industry Code” field. Is it acceptable for BHCs to use GICS codes in this template as allowed in Schedule H.1 (Corporate Loan) Field 8 “Industry Code”?

- Under the current instructions for consolidation of counterparties, as revised for the second quarter of 2015, BHCs must report data at the consolidated group/parent level (with the exception of central counterparties) for Schedules L.1 and L.4, and at the counterparty level for Schedules L.2 and L.3. The draft instructions, however, instruct BHCs to report data at the counterparty level for all four schedules, as was required prior to the second quarter 2015 revisions. Please clarify the level at which data for Schedules L.1 and L.4 should be reported.

Form FR Y-14A

- Schedule A.1.c.1 (General RWA) and Schedule A.1.d (Capital): We support the proposed removal of Schedule A.1.c.1 (General RWA) and the removal of certain items related to tier 1 capital from Schedule A.1.d (Capital), consistent with the planned elimination of the tier 1 common ratio from the capital plan and stress test rules. The Proposal indicates that Schedule A.1.c.1 (General RWA) and the tier 1 capital items on Schedule A.1.d (Capital) would, however, remain part of the CCAR 2016 technical instructions “in order to mitigate operational issues and allow for appropriate time to adjust internal system[s] to accommodate changes”. We recommend removing these items from the technical instructions in order to limit unnecessary edit checks for the upcoming CCAR and Dodd-Frank Act Stress Testing exercises.

We note that we continue to support the Federal Reserve’s July 2015 proposed amendments to the capital plan and stress test rules which would eliminate the use of the Tier 1 common ratio calculation and other Basel 1 methodologies.¹⁵ A final rule implementing these changes has not yet been released, and we would ask the Federal Reserve to confirm that such changes are reflected in the final release of the revisions to the FR Y-14 Forms.

- Schedule A.1.c.2 (Standardized RWA): The Proposal would modify this schedule to increase consistency with the FR Y-9C and FFIEC 102 reports by replacing the existing market-risk weight asset portion with the relevant items from the FFIEC 102 and aligning the remaining items with the FR Y-9C Schedule HC-R Part II. The Proposal would also make similar changes to Schedule D.4 (Regulatory Capital Transitions—Standardized RWA) of Forms FR Y-14Q and FR Y-14A. We believe the revised templates request an unnecessary level of forecasting granularity (primarily around Market Risk RWA) and we recommend that this level of detail not be included in the final template. It should also be noted, the effective dates for these changes are not the same. The changes to

¹⁵

See Letter from The Clearing House to the Federal Reserve (September 24, 2015).

Schedule A.1.c.2 (Standardized RWA) are proposed to be effective as of June 30, 2016, while the changes to each Schedule D.4 (Regulatory Capital Transitions—Standardized RWA) are proposed to be effective as of December 15, 2015. We recommend that the effective dates be consistent and set for June 30, 2016.

- Schedule A.2.b (Retail Repurchase): Under the Proposal, this schedule would be separated from Schedule A (Summary) and become a stand-alone semi-annual schedule of Form FR Y-14A. The new schedule would—similar to the FR Y-14Q—be due seven calendar days after the FR Y-9C. Since this schedule contains forecast data as well as actual data, we are concerned that shortening the time allowed to complete this schedule, from the current approximately 90 days to the proposed approximately 45 days, will not allow BHCs adequate time to prepare and vet the forecast results. It is not clear why this particular information is being separated out from the other projected data contained in Form FR Y-14A; regardless, all projected data should be due within the normal FR Y-14A timeframe. Additionally, even though the proposed implementation date is June 30, 2016, the proposed CCAR 2016 instructions already reflect this change. Furthermore, we are concerned that even if this schedule were only to include actual data (or if the timeline for reporting this schedule remained in line with the approximately 90 days required for Form FR Y-14A), the proposed effective date would not allow BHCs appropriate time to implement the necessary controls and other processes required to submit the new semi-annual schedule. Accordingly, we recommend delaying the implementation of this proposed change an additional six months, in addition to the proposed considerations above, to allow BHCs appropriate time to implement the change in a manner consistent with the Federal Reserve’s expectations around data quality and internal controls.
- Schedule A.2.c (ASC 310-30): The Proposal calls for this schedule to be deleted effective June 30, 2016, but the proposed CCAR 2016 instructions already reflect this change. We recommend that the Federal Reserve make this change effective as of December 31, 2015.
- Schedule D.4 (Regulatory Capital Transitions—Standardized RWA): The Proposal would modify this schedule in accordance with FFIEC 102 and FR Y-9C Schedule HC-R Part II. See comment on Schedule A.1.c.2 (Standardized RWA), above, regarding the level of forecasting granularity and consistency in effective dates. Additionally, the draft instructions do not (1) include any visual (*i.e.*, PDF), or (2) appear to be updated when compared to the snapshot of the proposed reporting template.

FR Y-14A/Q/M
Proposed Attestation for Cover Page

Attestation

NOTE: Each bank holding company's board of directors and senior management are responsible for establishing and maintaining an effective system of internal controls, including controls over the Federal Reserve's *Capital Assessments and Stress Testing* information collection (FR Y-14A/Q/M). The *Capital Assessments and Stress Testing* information collection must be prepared in accordance with instructions provided by the Federal Reserve System. The *Capital Assessments and Stress Testing* information collection must be signed and attested by the bank holding company's chief financial officer or equivalent senior officer.

[[I, the undersigned CFO or equivalent senior officer of the named bank holding company, attest that the FR Y-14A, FR Y-14Q, and FR Y-14M schedules forms (the "FR Y-14 schedules forms") for this report date have been prepared in good faith using reasonable efforts of the bank holding company to in-conformance with the instructions issued by the Federal Reserve System.]¹⁶

[Regarding actual data as-of the reporting period, I, the undersigned CFO or equivalent senior officer of the named bank holding company, attest that I am management is responsible for the internal controls over the reporting of these data, and these data are materially correct to the best of my knowledge. I attest that the internal controls are effective and include those practices necessary to provide reasonable assurance as to the accuracy of these data. I attest that the controls are audited at least annually by internal audit or compliance staff, and are assessed regularly by management of the bank holding company. I agree to report material weaknesses in these internal controls and any material errors or omissions in the data submitted to the Federal Reserve promptly as they are identified.]¹⁷¹⁸

Printed Name and Title of Senior Officer	Legal Title of Bank Holding Company
Signature of Senior Officer	(Mailing Address of the Bank Holding Company) Street / P.O. Box
Date of Signature (MM/DD/CCYY)	City State Zip Code

¹⁶ To be provided by subject domestic banking organizations as of June 30, 2016, as proposed by the Federal Reserve.

¹⁷ Propose subject domestic banking organizations to provide beginning with the annual Form FR Y-14A to be filed in April 2018.

¹⁸ Propose subject IHC subsidiaries of LISCC FBOs to provide all attestations no earlier than April 2018.

FR Y-14A/Q/M
Proposed Attestation for Cover
Page

Attestation

NOTE: Each bank holding company's board of directors and senior management are responsible for establishing and maintaining an effective system of internal controls, including controls over the Federal Reserve's *Capital Assessments and Stress Testing* information collection (FR Y-14A/Q/M). The *Capital Assessments and Stress Testing* information collection must be prepared in accordance with instructions provided by the Federal Reserve System. The *Capital Assessments and Stress Testing* information collection must be signed and attested by the bank holding company's chief financial officer or equivalent senior officer.

[[I, the undersigned CFO or equivalent senior officer of the named bank holding company, attest that the FR Y-14A, FR Y-14Q, and FR Y-14M ~~schedules forms~~ (the "FR Y-14 ~~schedules forms~~") for this report date have been prepared in good faith using reasonable efforts of the bank holding company to in conform~~ance~~ with the instructions issued by the Federal Reserve System.]¹⁹

[Regarding actual data as-of the reporting period, I, the undersigned CFO or equivalent senior officer of the named bank holding company, attest that ~~I am management is~~ responsible for the internal controls over the reporting of these data, and these data are materially correct to the best of my knowledge. ~~I attest that the internal controls are effective and include those practices necessary to provide reasonable assurance as to the accuracy of these data.~~ I attest that the controls are audited at least annually by internal audit or compliance staff, and are assessed regularly by management of the bank holding company. I agree to report material weaknesses in these internal controls and any material errors or omissions in the data submitted to the Federal Reserve promptly as they are identified.]²⁰²¹

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Signature of Senior Officer	(Mailing Address of the Bank Holding Company) Street / P.O. Box
Date of Signature (MM/DD/CCYY)	City State Zip Code

¹⁹ To be provided by subject domestic banking organizations as of June 30, 2016, as proposed by the Federal Reserve.

²⁰ Propose subject domestic banking organizations to provide in Form FR Y-14Q and Form FR Y-14M periodic filings made after April 2018.

²¹ Propose subject IHC subsidiaries of LISCC FBOs to provide all attestations no earlier than April 2018.

ANNEX C

The Clearing House. 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.

The Institute of International Bankers. IIB is the only national association devoted exclusively to representing and advancing the interests of the international banking community in the United States. Its membership is comprised of internationally headquartered banking and financial institutions from over 35 countries around the world doing business in the United States. The IIB's mission is to help resolve the many special legislative, regulatory, tax and compliance issues confronting internationally headquartered institutions that engage in banking, securities and other financial activities in the United States. Through its advocacy efforts the IIB seeks results that are consistent with the U.S. policy of national treatment and appropriately limit the extraterritorial application of U.S. laws to the global operations of its member institutions. Further information is available at www.iib.org.

The American Bankers Association. The American Bankers Association is the voice of the nation's \$15 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$12 trillion in deposits and extend more than \$8 trillion in loans.

Securities Industry and Financial Markets Association. The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. 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 www.sifma.org.