



January 17, 2017

Via Electronic Mail

Office of the Comptroller of the Currency
Legislative and Regulatory Activities Division
Attn: 1557-0319
400 7th Street, S.W.
Suite 3E-218, Mail Stop 9W-11
Washington, D.C. 20219

Re: Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions With Total Consolidated Assets of \$50 Billion or More Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (OMB Control No.: 1557-0319)

Ladies and Gentlemen:

The Clearing House Association L.L.C.¹ appreciates the opportunity to comment on the revisions to the above-referenced information collection proposal related to the Dodd-Frank Wall Street Reform and Consumer Protection Act's Section 165(i)(2), specifically relating to the Dodd-Frank Act Company-Run Stress Test for institutions with total consolidated assets over \$50 Billion ("DFAST-14A"). Although we support several aspects of this proposal, which *inter alia* would revise DFAST-14A reporting requirements to mirror the recently finalized FR Y-14A changes,² we request that where the proposal diverges from the FR Y-14A (*e.g.*, the new OCC Supplemental Schedule) that such proposed changes not be included in any final rule in an effort to improve (i) consistency in reporting between the DFAST-14A and the FR Y-14A and (ii) the quality of information reported.

¹ The Clearing House is a banking association and payments company that is owned by the largest commercial banks and dates back to 1853. The Clearing House Association L.L.C is a nonpartisan organization that engages in research, analysis, advocacy and litigation focused on financial regulation that supports a safe, sound and competitive banking system. Its affiliate, The Clearing House Payments Company L.L.C., owns and operates core payments system infrastructure in the United States and is currently working to modernize that infrastructure by building a new, ubiquitous, real-time payment system. The Payments Company is the only private-sector ACH and wire operator in the United States, clearing and settling nearly \$2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume.

² 81 Fed. Reg. 93917 (December 22, 2016).

We strongly agree that the DFAST-14A reporting requirements should be revised to mirror the recently finalized changes to the FR Y-14A in effort to reduce the burden on institutions subject to both reporting forms. For this reason, we urge the OCC to retain in the final amendments the proposed restructuring of the DFAST-14A to mirror the recently finalized changes to the FR Y-14A.

The proposal states that the OCC is in the process of reviewing the amendments to the Capital Plan and Stress Testing rule proposed by the Board of Governors of the Federal Reserve System in September 2016.³ As discussed in our comment letter submitted to the Federal Reserve,⁴ we supported the Federal Reserve's proposal to remove the qualitative assessment and objection framework from CCAR for "large and noncomplex" firms and also requested that some of the relief proposed for "large and noncomplex" firms be extended to all CCAR filers. Furthermore, we requested that the Federal Reserve (i) clarify and revise further the supporting documentation regarding capital planning processes that would be required to be provided by those institutions no longer subject to the qualitative assessment, and (ii) provide additional clarification and relief regarding reporting requirements for all institutions subject to CCAR. We believe that similar clarification and relief should be extended to institutions subject to the DFAST-14A and we urge the OCC to include such relief in a future rulemaking.

We note that the proposed OCC Supplemental Schedule seeks to collect information that is not submitted as a part of the FR Y-14A. The new schedule would collect, among other information, additional data on auto lending, commercial exposures, non-U.S. exposures and information relevant to the Supplementary Leverage Ratio. We believe that the new schedule should be deleted from any final rule in its entirety. Covered institutions do not have existing systems in place to report the level of granularity that is required in the OCC Supplemental Schedule, as much of the additional information requested will require substantial systems revisions and information technology changes. Moreover, the systems revisions and information technology changes would be inconsistent with the plain language and intent of the proposal:

"For the OCC Supplemental Schedule, it is anticipated that covered institutions will use existing models and methodologies to furnish the requested information. **Covered institutions should not develop new models/methodologies just to provide the loss, balance, provision, and allowance numbers requested in the OCC Supplemental Schedule.**"⁵

We also note that the additional information that would be reported in the OCC Supplemental Schedule is already received by the OCC from other sources, including risk, finance and CCAR models, so that the incremental information requested by the OCC Supplemental Schedule would not result in more robust analysis of capital adequacy.

³ 81 Fed. Reg. 67239 (Sept. 30, 2016).

⁴ The Clearing House, *Comment Letter Re: Amendments to the Capital Plan and Stress Test Rules* (November 23, 2016) available at https://www.theclearinghouse.org/-/media/action%20line/documents/volume%20vii/20161123_tch_comments_ccar.pdf?la=en.

⁵ 81 Fed. Reg. 80717 (November 16, 2016), footnote 10, (emphasis added).

In the event that the OCC nevertheless determines to proceed with adopting the OCC Supplemental Schedule, we believe that the OCC should (i) delay the effective date of the proposal, as covered institutions will need additional time to develop internal processes and procedures, integrate the changes with their existing internal controls structure and test their internal control systems in order to comply with the requirements of the proposed data collection and (ii) delete or clarify a number of items before the schedule is adopted. We respectfully note those items and they are included in the attached Annex A. Additionally, we request that the OCC provide its analysis of the purported benefits of the additional information that would be required in the OCC Supplemental Schedule, since no such analysis was included in the proposal.

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The Clearing House appreciates the opportunity to comment on the proposal. If you have any questions, please contact the undersigned by phone at (212) 613-9883 or by email at david.wagner@theclearinghouse.org.

Respectfully submitted,



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Risk Affairs & Senior Associate General Counsel
The Clearing House Association L.L.C.

cc: Amy Friend
Morris Morgan
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Karen Solomon
(Office of the Comptroller of the Currency)

Annex A

OCC Supplemental Schedule

1. **Line items 6-8, 25-27, 45-47, 61-63 and 81-87, Owner-Occupied Loans.** We believe that owner-occupied loans should not be categorized as CRE loans in the OCC Supplemental Schedule, as CRE risk measures (*i.e.*, portfolio vacancy and weighted average loan-to-value) are not strong indicators of risk for owner-occupied loans. Institutions underwrite owner-occupied loans to the underlying operating company's cash flow, thereby distorting the accuracy of CRE measures when reporting risk. We respectfully note that the Federal Reserve classifies owner-occupied loans as C&I assets for the purpose of FR Y-14Q. Consistent with the Federal Reserve, we believe that owner-occupied loans should not be categorized as CRE loans in the OCC Supplemental Schedule and these line items should be deleted from the OCC Supplemental Schedule.
2. **Line items 83 and 90, Portfolio Vacancy Rate.** We believe that the portfolio vacancy rate is not indicative of the true risk of a CRE retail loan and needs to be reviewed in conjunction with the underwritten vacancy and debt service coverage levels. Given the distortion of risk, we recommend that the OCC remove these line items from the OCC Supplemental Schedule, thereby removing the portfolio vacancy rate requirement from the CRE loan submission.
3. **Line item 108, Counterparty FVA Losses.** We request that the OCC provide guidance regarding Counterparty FVA losses, as it is a relatively new concept in the industry that does not have a standard definition or method of calculation. Within that guidance, we request that the OCC provide instructions on how to calculate Counterparty FVA losses.
4. **C&I Requirements.** We request that the OCC clarify that that C&I requirements should only be captured on loans existing as of the start of the DFAST-14A process and that historical data would not be required to be submitted, in light of the substantial amount of additional resources that would be required to report such data and little corresponding benefit.
5. **Internal Modeling Practices.** In the event a covered institution's internal modeling practices do not align to the regulatory definition with respect to the additional granularity requested, we believe that covered institutions should be allowed to use a pro-rated allocated approach (to the extent these items are available in the position data) and provide a note in the supplementary documentation. Additionally, in the event the information is not available in the position data, we believe that covered institutions should be permitted to note "N/A" in the template and provide an explanation in the supplementary documentation.

6. Forecasting.

- a. In the event that a covered institution's methodology does not forecast certain requested items (e.g., LTV and Vacancy Rate) and would not have the ability to update the methodology prior to the proposed effective date, the OCC should permit covered institutions to report metrics where they are available and "N/A" in the event such metrics are not available.
- b. In the event that a covered institution's methodology can only forecast metrics for a subset of exposures on a particular line item (e.g., if forecasted LTV is only available for 80% of the exposures on a particular line item due to differences between regulatory classification and bank modeling/business practices), the OCC should permit a footnote and subsequent additional information in the supplementary documentation section to be deemed sufficient for reporting purposes.
- c. In the event that a covered institution's methodology forecasts funded balances and not total commitments, we request that the OCC clarify that covered institutions can include a footnote and provide additional information in the supplementary documentation describing such discrepancy.