

(b) The definitions in this section are severable. If any definition in this section is held to be invalid that shall not affect the operability of the remaining definitions.

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## FEDERAL RESERVE SYSTEM

### 12 CFR Parts 225, 238, and 252

[Regulations Y, LL, and YY; Docket No. R–1724]

RIN 7100–AF95

#### Amendments to Capital Planning and Stress Testing Requirements for Large Bank Holding Companies, Intermediate Holding Companies and Savings and Loan Holding Companies

**AGENCY:** Board of Governors of the Federal Reserve System (Board).

**ACTION:** Notice of proposed rulemaking with request for comment.

**SUMMARY:** The Board is inviting comment on a notice of proposed rulemaking (proposal) to tailor the requirements in the Board's capital plan rule (capital plan rule), which applies to large bank holding companies and U.S. intermediate holding companies of foreign banking organizations. Specifically, as foreshadowed in the Board's October 2019 rulemaking that updated the prudential framework for these companies (tailoring framework), the proposal would make conforming changes to the capital planning, regulatory reporting, and stress capital buffer requirements for firms subject to Category IV standards to be consistent with the tailoring framework. To be consistent with recent changes to the Board's stress testing rules, the proposal would make other changes to the Board's stress testing rules, Stress Testing Policy Statement and regulatory reporting requirements relating to business plan change assumptions, capital action assumptions, and the publication of company-run stress test results for savings and loan holding companies. This proposal also solicits comment on the Board's guidance on capital planning for all firms supervised by the Board, in light of recent changes to relevant regulations and as part of the Board's ongoing practice of reviewing its policies to ensure that they are having their intended effect.

**DATES:** Comments must be received by November 20, 2020.

**ADDRESSES:** You may submit comments, identified by Docket No. R–1724 and

RIN 7100–AF95 by any of the following methods:

• **Agency Website:** <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.aspx>.

• **Email:** [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include the docket number and RIN number in the subject line of the message.

• **Fax:** (202) 452–3819 or (202) 452–3102.

• **Mail:** Address to Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551.

All public comments are available from the Board's website at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm> as submitted, unless modified for technical reasons or to remove personally identifiable information at the commenter's request. Accordingly, comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper in Room 146, 1709 New York Avenue NW, Washington, DC 20006, between 9:00 a.m. and 5:00 p.m. on weekdays.

#### FOR FURTHER INFORMATION CONTACT:

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## I. Changes to the Capital Plan Rule

### A. Introduction

i. Background on Capital Planning, Stress Testing and Stress Capital Buffer Requirements

Stress testing is a core element of the Board's regulatory framework and supervisory program for large firms. Stress testing enables the Board to assess whether large firms have sufficient capital to absorb potential losses and continue lending under severely adverse conditions. The Board implemented its capital plan rule, which requires large firms to develop and maintain capital plans supported by robust processes for assessing their capital adequacy, in 2011.<sup>1</sup> The Board made changes to its capital rule—which establishes minimum regulatory capital requirements—in 2013. These changes address weaknesses observed during the 2008–2009 financial crisis, including the establishment of a minimum common equity tier 1 (CET1) capital requirement and a fixed capital conservation buffer equal to 2.5 percent

<sup>1</sup> Capital Plans, 76 FR 74631 (Dec. 1, 2011). Originally, as a part of the capital plan rule, the Federal Reserve could object to a firm's capital plan based on a qualitative assessment. A subsequent rulemaking changed this requirement such that after CCAR 2020 no firm will be subject to a potential qualitative objection if the firm successfully passed several qualitative evaluations. Amendments to the Capital Plan Rule, 84 FR 8953 (March 13, 2019). All firms subject to the capital plan rule have successfully passed the required number of qualitative evaluations such that no firms are subject to the qualitative objection going forward. As a result, the proposal would revise the capital plan rule to remove references to the qualitative objection.

of risk-weighted assets.<sup>2</sup> Rigorous stress testing—in conjunction with stronger capital requirements implemented in the Board's capital rule—have significantly improved the resilience of the U.S. banking system.<sup>3</sup>

The Board recently adopted a final rule (stress capital buffer rule) to integrate its capital plan rule and capital rule through the establishment of a stress capital buffer requirement, creating a single, risk-sensitive framework for large banking organizations.<sup>4</sup> To achieve individually tailored and risk-sensitive capital requirements for banking organizations subject to the capital plan rule, the stress capital buffer rule establishes the size of a firm's stress capital buffer requirement based in part on a supervisory stress test conducted by the Federal Reserve.

The stress capital buffer rule included several changes to the assumptions

embedded in the supervisory stress test, notably removing the assumption that firms make all planned common distributions and excluding material business plan changes from the stress capital buffer requirement calculation. Previously, under the Comprehensive Capital Analysis and Review (CCAR), the Board required firms to pre-fund nine quarters of planned dividends and share repurchases. Under the stress capital buffer rule, firms are subject to a pre-funding requirement of four quarters of planned dividends. This approach recognizes the capital rule's automatic limitations on capital distributions while continuing to promote forward-looking capital planning and mitigate pro-cyclicality.

Prior to the implementation of the stress capital buffer rule, the impact of expected material changes to a firm's business plan were incorporated into a firm's CCAR results. In order to simplify

the stress test framework and to reduce burden, material business plan changes are not included in the stress capital buffer calculation. Instead, material changes to a firm's business plan resulting from a merger or acquisition are incorporated into a firm's capital and risk-weighted assets upon consummation of the transaction.

## ii. Background on Tailoring Framework

In October 2019, the Board issued a final rule that established a revised framework for applying prudential standards to large firms to align prudential standards more closely to a large firm's risk profile (tailoring rule).<sup>5</sup> The tailoring rule established four categories of prudential standards and applies them based on indicators designed to measure the risk profile of a firm.<sup>6</sup> Table I outlines the scoping criteria for categories of prudential standards finalized in the tailoring rule.

TABLE I—SCOPING CRITERIA FOR CATEGORIES OF PRUDENTIAL STANDARDS

Category	U.S. banking organizations	Foreign banking organizations
I .....	U.S. GSIBs and their depository institution subsidiaries .....	N/A.
II .....	\$700 billion or more in total assets; or \$75 billion or more in cross-jurisdictional activity; and do not meet the criteria for Category I.	
III .....	\$250 billion or more in total assets; or \$75 billion or more in weighted short-term wholesale funding, nonbank assets, or off-balance sheet exposure; and do not meet the criteria for Category I or II.	
IV .....	\$100 billion or more in total assets; and do not meet the criteria for Category I–III.	

The tailoring rule made two changes to the stress testing rules for firms subject to Category IV standards. First, the tailoring rule removed the requirement for firms subject to Category IV standards to conduct and publicly disclose the results of company-run stress tests as defined in the Board's stress testing rules. Second, the tailoring rule changed the frequency of the supervisory stress test for firms subject to Category IV standards from annual to biennial.<sup>7</sup> In the tailoring rule, the Board also foreshadowed that it intended to provide greater flexibility to firms subject to Category IV standards to develop their annual capital plans and

consider additional regulatory reporting burden relief in a separate proposal.<sup>8</sup>

## iii. Summary of Proposal

The Board is issuing this proposal to conform its capital plan rule, stress capital buffer requirements, and capital planning requirements by modifying them to be consistent with its tailoring framework. Most of the significant modifications included in the proposal have been previously described by the Board, notably in its tailoring rule and stress capital buffer rule. With respect to firms subject to Category IV standards, in order to align the capital plan rule requirements with the tailoring rule changes, this proposal would generally remove the capital plan rule

requirement to calculate forward-looking projections of capital under scenarios provided by the Board. In addition, for firms subject to Category IV standards, the proposal would update the frequency of calculating the portion of the stress capital buffer that is calculated as the decline in the CET1 ratio to every other year. These firms would have the ability to elect to participate in the supervisory stress test—and receive an updated stress capital buffer requirement—in a year in which they would not generally be subject to the supervisory stress test.

The proposal would also include changes to the Board's supervisory stress test and the company-run stress

<sup>2</sup> See 12 CFR part 217. Large banking organizations also became subject to a countercyclical capital buffer requirement, and the largest and most systemically important firms—global systemically important bank holding companies, or GSIBs—became subject to an additional capital buffer based on a measure of their systemic risk, the GSIB surcharge. See Regulatory Capital Rules: Implementation of Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies, 80 FR 49082 (Aug. 14, 2015).

<sup>3</sup> The common equity capital ratios of firms subject to CCAR have more than doubled since

2009. Combined, these firms hold more than \$1 trillion of common equity tier 1 capital and are substantially more resilient than they were ten years ago.

<sup>4</sup> See Regulations Q, Y, and YY: Regulatory Capital, Capital Plan, and Stress Test Rules, 85 FR 15576 (March 18, 2020).

<sup>5</sup> See Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations, 84 FR 59032 (Nov. 1, 2019).

<sup>6</sup> The final rule increased the threshold for general application of these standards from \$50 billion to \$100 billion in total consolidated assets.

<sup>7</sup> Both changes related to stress testing rules for firms subject to Category IV standards—(1) to remove the requirement to conduct and to publicly disclose the results of the company-run stress tests; and (2) to change the frequency of the supervisory stress test to biennial—were consistent with amendments to section 165 of the Dodd-Frank Act made by the Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA). See Public Law 115–174, 132 Stat. 1296 (2018).

<sup>8</sup> See 85 FR 15576, 15593, fn 57.

test rules.<sup>9</sup> The proposal would clarify the assumptions related to business plan changes, introduce revisions to the capital action assumptions, and would require certain savings and loan holding companies to publicly disclose their stress tests results in a parallel manner as bank holding companies.

#### *B. Changes to Capital Planning Requirements for Firms Subject to Category IV Standards*

Consistent with Section 401(e) of the EGRRCPA, the tailoring rule adjusted the frequency of supervisory stress testing for firms subject to Category IV standards to every other year and eliminated the requirement to conduct the company-run stress tests under the scenarios provided by the Board. This adjustment reflected the lower risk profile of a firm subject to Category IV standards relative to a firm subject to Category I–III standards. The proposal would update the terminology in the capital plan rule to conform to the terminology used in the tailoring framework by removing the term “large and noncomplex bank holding company” and replacing it with the definition of a firm subject to Category IV standards and tailor the requirements in the capital plan rule that currently apply to these firms, as discussed below.

##### *i. Capital Plan Submissions*

Under the proposal, firms subject to Category IV standards would be required to submit a capital plan to the Board annually but would generally no longer be required to calculate estimates of projected revenues, losses, reserves, and pro forma capital levels (effectively a form of stress testing) using scenarios provided by the Board. Such firms would continue to be required to provide a forward-looking analysis of income and capital levels under expected and stressful conditions. The projections are required to be tailored to and sufficiently capture the firm’s exposures, activities, and idiosyncratic risks in their capital plans.<sup>10</sup> This includes projections under a scenario designed by the firm that stresses the specific vulnerabilities of the firm’s risk profile and operations. This scenario should incorporate stressful conditions and events that could adversely affect the firm’s capital adequacy. Under certain circumstances, based on the

macroeconomic outlook or based on the firm’s risk profile, financial condition or corporate structure, the proposal would allow the Board to require a firm subject to Category IV standards to submit a capital plan under scenarios provided by the Board. This would ensure that the Board could evaluate the firm’s forward-looking capital position using a scenario designed for the specific circumstances of the macro-economy or the firm’s risk profile.

In addition, firms subject to Category IV standards would no longer be required to submit to the Federal Reserve forward-looking projections in the granular form prescribed by the regulatory report FR Y–14A, Schedule A—Summary. This schedule includes over five hundred capital, revenue, expense, and balance sheet line items that a firm must project over a nine-quarter planning horizon. In this way, the firm’s reporting requirements would be updated to reflect the tailoring rule’s elimination of the company-run stress test requirement for a firm subject to Category IV standards, permitting the firm to estimate its capital needs using scenarios reflective of its operations and to adjust the granularity of its stress projections to better align with the materiality of the firm’s business lines. The proposal would provide firms flexibility in the granularity of their forward-looking projections as they would no longer be required to submit the specific line items outlined in the FR Y–14A, Schedule A—Summary. As the projections would no longer require the same level of granularity, firms would also have more flexibility in the design of their individual stress scenarios.

While the proposal would no longer require firms subject to Category IV standards to include certain elements in their capital plans, all banking organizations, regardless of size and complexity, are expected to have the capacity to analyze the potential impact of adverse outcomes on their financial condition, including on capital. Risk management practices should be tailored to the risk and complexity of the individual institution, and should include practices to identify and assess a firm’s sensitivity to unexpected adverse outcomes before they occur. The Federal Reserve would continue to conduct an annual assessment of the capital plan of a firm subject to Category IV standards as part of its ongoing supervisory process, and the results of this assessment would continue to be an input into the firm’s capital planning

and positions component of the Large Financial Institution Rating System.<sup>11</sup>

##### *ii. Changes to Reporting Requirements Related to Capital Planning Requirements*

The proposal includes several modifications to the FR Y–14 reporting requirements for firms subject to Category IV standards to align with the proposed changes to company-run stress testing requirements. The Board is proposing that firms subject to Category IV standards would no longer be required to report FR Y–14A Schedule A—Summary, Schedule B—Scenario, Schedule F—Business Plan Changes, and Appendix A—Supporting Documentation, which are used to report a firm’s company-run stress test results. Firms subject to Category IV standards would be required to complete all other FR Y–14A schedules, as they are either necessary for the Board to run its supervisory stress test or a required element of the firm’s capital plan.<sup>12</sup> In order to be able to assess whether a firm’s planned capital distributions included in its capital plan would be consistent with any effective capital distribution limitations that would apply under the firm’s BHC baseline projections, as required by the capital plan rule, the proposal would add four line items to the FR Y–14A Schedule C—Regulatory Capital Instruments, as this schedule is filed by all firms subject to the capital plan rule. The line items would be the projections of Common Equity Tier 1 capital ratio, Tier 1 capital ratio, Total capital ratio and net income under the BHC baseline scenario. These line items would allow the Federal Reserve to confirm compliance with the capital plan rule for firms subject to Category IV standards.

The detailed balance sheet information that would continue to be collected on a monthly and quarterly basis from firms subject to Category IV standards on the FR Y–14Q and FR Y–14M is necessary to maintain the integrity of the stress tests, monitor financial stability, and effectively supervise those firms.

*Question 1:* What are the advantages and disadvantages of requiring firms subject to Category IV standards to continue to provide the Board with forward-looking analysis of income and capital levels under expected and

<sup>9</sup> See 12 CFR part 252, subparts E and F.

<sup>10</sup> The analysis should cover an appropriate period (usually a period of at least two years) to capture the relevant risks to a firm. A firm should estimate losses, revenues, expenses, and capital using sound methods that relate macroeconomic and other risk drivers to its estimates.

<sup>11</sup> See SR Letter 19–3, Large Financial Institution (LFI) Rating System (Feb. 26, 2019).

<sup>12</sup> In particular, firms subject to Category IV standards would be required to complete the FR Y–14A, Schedule C—Regulatory Capital Instruments, Schedule E—Operational Risk, and the Collection of Supplemental CECL Information.

stressful conditions? What, if any, alternative approaches should the Board consider and why?

*Question 2:* Are there potential alternatives or improvements to other capital planning requirements for firms subject to Category IV standards that the Board should consider in light of the Board's elimination of the requirement for firms subject to Category IV standards to conduct and publicly disclose the results of company-run stress tests? Provide specific suggestions and rationale.

*Question 3:* What are the advantages and disadvantages of requiring firms subject to Category IV standards to submit some, but not all, aspects of the Y-14A Schedule A—Summary to the Federal Reserve? For example, should these firms continue to be required to submit top-line items under their BHC stress scenario, such as level of capital, net income or risk-weighted assets, and if so why?

*Question 4:* What alternatives could the Board use to collect information related to a firm's capital plan and forward-looking projections under a range of conditions?

#### *C. Calculation and Timing of the Stress Capital Buffer Requirement for Firms Subject to Category IV Standards*

Firms subject to Category IV standards are currently subject to supervisory stress testing on a two-year cycle. Under the proposal, the portion of the stress capital buffer requirement that is calculated as the decline in the CET1 ratio for such firms would be calculated every other year. During a year in which a firm subject to Category IV standards does not undergo a supervisory stress test, the firm would receive an updated stress capital buffer requirement that reflects the firm's updated planned common stock dividends.

For example, a firm subject to Category IV standards receives a stress capital buffer requirement on June 30, 2022, equal to 3.5 percent and the buffer is composed of a 3.0 percent decline in CET1 ratio in the stress test and 0.5 percent from four quarters of planned dividends as a percent of risk-weighted assets. That requirement would be effective from October 1, 2022, to September 30, 2023. The following year, the firm would provide the Federal Reserve with an updated capital plan by April 5, 2023. If, for example, the firm planned to increase its dividends to equal 0.6 percent of risk-weighted assets, then its new stress capital buffer requirement of 3.6 percent would become effective on October 1, 2023, and would remain effective until September 30, 2024.

A firm subject to Category IV standards may prefer to receive an updated stress capital buffer requirement in a year in which it would not generally be subject to the supervisory stress test. To provide these firms the flexibility to ensure they receive stress capital buffer requirements that are reflective of their risk profiles, the proposal would allow a firm subject to Category IV standards to elect to participate in the supervisory stress test in a year in which the firm would not normally be subject to the supervisory stress test. To ensure the Board is provided sufficient notice that the firm is participating in the supervisory stress test, the firm would need to make its election by December 31 of the year preceding the year in which it seeks to opt in to the supervisory stress test by providing written notice to the Board and appropriate Federal Reserve Bank. Such a firm would be a full participant in that year's supervisory stress test, including disclosure of the firm's supervisory stress test results, and would receive an updated stress capital buffer requirement like all other firms subject to the supervisory stress test.

For purposes of calculating the stress capital buffer requirement in 2021 for a firm subject to Category IV standards that elects to participate in the 2021 supervisory stress test, the proposal includes transitional procedures such that the firm could notify the Board until February 15, 2021. These transitional arrangements would apply only for purposes of the 2021 stress test cycle.

In addition, as under the current capital plan rule, the Board would continue to have the ability to require a firm to resubmit its capital plan if, among other reasons, the Board determines that there has been or will likely be a material change in the firm's risk profile, financial condition, or corporate structure, or if changes to financial market conditions or the macroeconomic outlook require the use of updated scenarios. If a firm resubmits its capital plan, the Board may recalculate its stress capital buffer requirement and may use a new severely adverse scenario. These requirements help ensure that a firm's stress capital buffer requirement remains commensurate with its risk profile.

*Question 5:* What are the advantages and disadvantages of updating on an annual basis the dividend add-on portion of the stress capital buffer requirements for firms subject to Category IV standards? Should the Board consider a shorter or longer time

period for updating the dividend add-on portion of the stress capital buffer requirement, and if so, why?

*Question 6:* What are the advantages and disadvantages of allowing a firm subject to Category IV standards to receive an updated stress capital buffer requirement in a year in which the firm is not subject to the supervisory stress test if the firm elects to undergo a supervisory stress test, including the proposed method and timing of the election?

*Question 7:* What are the advantages and disadvantages of requiring a firm subject to Category IV standards to be a full participant (*i.e.*, the Board would disclose the results of its supervisory stress test results for the firm), in that year's supervisory stress test in order to receive an updated stress capital buffer requirement?

*Question 8:* This proposal includes February 15, 2021 as the deadline for a firm subject to Category IV standards to notify the Board of its intention to participate in the 2021 supervisory stress test. What are the advantages and disadvantages of including February 15, 2021 as the deadline for this notification to participate in the 2021 supervisory stress test for such a firm? What other date(s) or timeline should the Board consider in order to ensure such a firm can elect to participate in the 2021 supervisory stress test? For example, what would be the advantages and disadvantages of including April 5, 2021, the date on which these firms must submit their capital plans to the Federal Reserve, as the deadline for notification to participate in the 2021 supervisory stress test?

#### *D. Changes to Stress Test Rules for Firms Subject to Category I-IV Standards*

##### *i. Business Plan Change Assumption*

For purposes of the supervisory stress test, the Board does not incorporate the impact of expected changes to a firm's business plan that are likely to have a material impact on the firm's capital adequacy and funding profile (material business plan changes) in balance sheet, risk-weighted asset, and capital projections. In order to ensure alignment in the assumptions in the supervisory and company-run stress tests, the proposal would clarify that the Board and firms would exclude impacts of unconsummated material business plan changes in the supervisory and company-run stress tests conducted pursuant to the Dodd-Frank Act. As this assumption would be reflected in the stress test rules, the proposal would

remove the corresponding section from the Stress Testing Policy Statement.

A firm would continue to be required to include in its capital plan a discussion of any expected changes to the firm's business plan that are likely to have a material impact on the firm's capital adequacy or liquidity. A firm would also continue to be required to incorporate impacts of material business plan changes in projections of income and capital levels under all scenarios required for purposes of capital planning. This requirement would help to ensure that a firm appropriately plans for changes to its business. If a material business plan change resulted in or would result in a material change in a firm's risk profile, the firm would still be required to resubmit its capital plan.

#### ii. Changes for Savings and Loan Holding Companies

As a part of the tailoring rule, covered savings and loan holding companies were made subject to the Board's supervisory stress test and company-run stress test requirements in the same manner as comparable bank holding companies.<sup>13</sup> Currently, the capital action assumptions in the stress test rules for covered savings and loan holding companies are different than those for comparable bank holding companies because they were not included in the stress capital buffer rule, in which the Board updated the distribution assumptions for bank holding companies. The proposal would amend the stress test rules for covered savings and loan holding companies so the capital distribution assumptions for covered savings and loan holding companies match the assumptions for comparable bank holding companies.

The proposal would also include a change to address an omission in the Board's company-run stress test requirements to ensure that all savings and loan holding companies with more than \$250 billion in assets are required to publicly disclose the results of their stress tests, similar to the requirement for bank holding companies. This would ensure the requirements are consistent with the Dodd-Frank Act.

The Board is also considering whether to apply the capital planning and stress capital buffer requirements to large covered savings and loan holding

companies that currently apply to large bank holding companies and is posing the following questions for public comment.

*Question 9:* As outlined in the preamble of the Board's final tailoring rule, large covered savings and loan holding companies engage in many of the same activities and face similar risks as large bank holding companies, including, but not limited to, deposit taking, lending, broker-dealer activities, credit card and margin lending, and certain complex nonbanking activities. The Board's tailoring rule applied the category framework to covered savings and loan holding companies to help identify risks that warrant more sophisticated capital planning, more frequent company-run stress testing, and greater supervisory oversight through supervisory stress testing, to further the safety and soundness of these banking organizations. However, the requirements in the capital plan rule do not currently apply to large covered savings and loan holding companies. What would be the advantages and disadvantages of applying the requirements in the capital plan rule, including the stress capital buffer requirement, to large covered savings and loan holding companies in the same manner as they apply to large bank holding companies? To what extent does the public consider covered savings and loan holding companies to be close substitutes to similarly situated bank holding companies?

*Question 10:* If the Board were to apply capital planning and stress capital buffer requirements to large covered savings and loan holding, what adjustments, if any, should the Board make to those requirements as compared to the requirements that apply to large bank holding companies and why? For example, should the Board consider any adjustments to the mandatory elements of the capital plan, the calculation of the stress capital buffer requirement, regulatory reporting requirements or any other aspect capital planning and stress capital buffer requirements in light of the risk profile of large covered savings and loan holding companies relative to large bank holding companies?

*Question 11:* What other approaches to applying capital planning requirements to large covered savings and loan holding companies should the Board consider and why? For example, what would be the advantages and disadvantages of allowing large covered savings and loan holding companies to opt-in to being required to comply with the capital planning and stress capital

buffer requirements that currently apply to large bank holding companies?

*Question 12:* Under the Board's capital plan rule for large bank holding companies, a firm that is subject to the capital plan rule and meets the asset threshold on or before September 30 of a calendar year must comply with the requirements of the rule beginning on January 1 of the next calendar year. Similarly, such a firm that meets the asset threshold after September 30 of a calendar year must comply with the requirements of the rule beginning on January 1 of the second calendar year after the firm meets the asset threshold. What elements of this approach to a transition period are appropriate for applying capital planning requirements to large covered savings and loan holding companies?

#### iii. Changes to Reporting Requirements Related to Stress Test Rule Changes

The proposal would update the FR Y-14 reporting requirements for firms subject to Category I-IV standards to conform with changes made to the stress test rules. In order to reflect the exclusion of material business plan changes in company-run stress test projections, the proposal would create two sub-schedules for all items on the FR Y-14A, Schedule A—Summary: (1) DFAST, where a firm would not incorporate the effects of business plan changes and (2) CCAR, where a firm would incorporate the effects of business plan changes. Firms would report projections on the DFAST sub-schedule under the scenarios provided by the Federal Reserve, and firms would report projections on the CCAR sub-schedule under expected conditions and under a range of scenarios, including the supervisory severely adverse scenario provided by the Federal Reserve and at least one BHC baseline and one BHC stress scenario. To more accurately reflect the types of firms subject to the stress test reporting requirements, the proposal would also rename the BHC baseline scenario and BHC stress scenario to Firm baseline scenario and Firm stress scenario, respectively.

Firms subject to Category I-III standards would be required to report a version of FR Y-14A, Schedule A.1.a—Income Statement, Schedule A.1.b—Balance Sheet, Schedule A.1.c.1—Standardized RWA, Schedule A.1.d—Capital, Schedule A.2.a—Retail Balance and Loss Projections, Schedule A.3—AFS/HTM Securities, Schedule A.4—Trading, Schedule A.5—Counterparty Credit Risk, Schedule A.6—Operational Risk, and Schedule A.7—Pre-Provision Net Revenue, that incorporates the

<sup>13</sup> A covered savings and loan holding company must have less than 25 percent of its total consolidated assets in insurance underwriting subsidiaries (other than assets associated with insurance underwriting for credit), must not have a top-tier holding company that is an insurance underwriting company, and must derive a majority of its assets or revenues from activities that are financial in nature under section 4(k) of the Bank Holding Company Act. 12 CFR 217.2.

effects of business plan changes, as well as a version of these schedules and items that does not incorporate these effects. For Schedule A.1.d, firms subject to Category I–III standards would no longer report the supervisory baseline scenario on the Capital—CCAR sub-schedule. Firms subject to Category I–IV standards would be required to report a version of FR Y–14A Schedule C that incorporates the effects of material business plan changes and a version that does not incorporate these effects. As described above, firms subject to Category IV standards would not be required to submit the FR Y–14A, Schedule A—Summary. Given the changes made to the FR Y–14A, Schedule A—Summary, firms would no longer be required to submit the supervisory baseline scenario for FR Y–14A, Schedule F—Business Plan Changes.

*Question XX:* What are the advantages and disadvantages of the Board requiring firms subject to Category IV standards to submit the FR Y–14A, Schedule A—Summary in response to changes based on the macroeconomic outlook or based on the firm’s risk profile, financial condition or corporate structure?

#### *E. Definition of Common Stock Dividend in Capital Plan Rule*

A component of a firm’s stress capital buffer requirement is the dividend add-on, which is based on planned dividends during projected quarters four through seven of the planning horizon. As noted above, the dividend add-on promotes forward-looking dividend planning and mitigates the procyclicality of the Board’s stress testing framework. The capital plan rule does not define common stock dividends. However, the FR Y–14A defines dividends by referencing the definition of dividend in the Glossary to the FR Y–9C instructions. That definition provides, among other things, that cash dividends are “payments of cash to shareholders in proportion to the number of shares they own.” Using the definition of dividends on the FR Y–9C, in 2019 dividends as a share of risk-weighted assets was around 50 basis points.

The Board has observed different practices regarding the classification of dividends and share repurchases. For example, certain U.S. intermediate holding companies of foreign banking organizations have classified distributions to their parent companies as dividends, while other U.S. intermediate holding companies have classified similar distributions as non-dividend payouts. Decisions by firm

regarding classifications may depend, among other things, whether the distribution is paid out of the firm’s retained earnings.

The Board is therefore seeking comment on, but not proposing, a definition for common stock dividends in the capital plan rule. The definition of common stock dividend could be aligned with the definition on the FR Y–9C and could include payments of cash to parent organizations irrespective of whether the amount paid is debited from the firm’s retained earnings. For example, a definition of common stock dividend could be any payment of cash to shareholders in proportion to the number of shares they own.

*Question 13:* What would be the advantages and disadvantages of including a definition of common stock dividends in the capital plan rule? How should such a definition interact with the definition of dividends in the Board’s rules and regulatory reports, including the FR Y–9C and the FR Y–14A/Q/M? What would be the advantages and disadvantages of aligning the definition of dividends across the Board’s rules and regulatory reports? Please include a discussion of the materiality of including this definition.

*Question 14:* What are the advantages and disadvantages of the definition discussed above? What adjustments should the Board consider to this definition and why? Are there any special considerations the Board should consider with regards to U.S. intermediate holding companies?

#### *F. Impact Analysis*

The changes in the proposal would not affect the calculation of capital requirements. The proposal would not change the calculation of capital requirements, including the stress capital buffer requirement, for firms subject to Category IV standards. The regulatory reporting aspects of the proposal would introduce some additional compliance burden on firms subject to Category I through III standards, while significantly reducing compliance burden on firms subject to Category IV standards.

## **II. Request for Comment on Board Guidance on Capital Planning**

Sufficient capital resources are central to a firm’s ability to absorb unexpected losses and continue to lend to creditworthy businesses and consumers. Therefore, a firm’s processes for managing and allocating its capital resources are critical to its financial strength and resiliency, as well as to the stability and effective functioning of the

U.S. financial system. Over the past decades, the Board has issued guidance related to its supervisory expectations for firms’ capital planning. The Board has tailored expectations for sound capital planning depending on the size, scope of operations, activities, and systemic importance of a firm.

The Board is requesting comment on all aspects of its guidance on capital planning for firms of all sizes (as delineated below), consistent with its ongoing practice of reviewing its policies to ensure that they are having their intended effect. Certain aspects of the guidance have not been updated since the 2007–2008 financial crisis. The revisions made to the Board’s regulations in the recent tailoring and stress capital buffer rules and experiences with capital planning during the Coronavirus Disease 2019 event (COVID event) also motivate seeking public input at this time.

The Board’s key capital planning guidance includes supervision and regulation (SR) letters, “Federal Reserve Supervisory Assessment of Capital Planning and Positions for LISCC Firms and Large and Complex Firms,”<sup>14</sup> “Federal Reserve Supervisory Assessment of Capital Planning and Positions for Large and Noncomplex Firms,”<sup>15</sup> “Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies,”<sup>16</sup> and the “Policy Statement on the Payment of Cash Dividends.”<sup>17</sup> The Board also encourages feedback on any other aspects of its guidance that relate to capital planning.

*Question 15:* What if any changes should the Board consider with respect to the scope of application of its existing capital planning guidance and why? What if any considerations regarding firms’ risk profiles should be factored

<sup>14</sup> SR letter 15–18, “Federal Reserve Supervisory Assessment of Capital Planning and Positions for LISCC Firms and Large and Complex Firms,” December 18, 2015, See <https://www.federalreserve.gov/supervisionreg/srletters/sr1518.htm>.

<sup>15</sup> SR letter 15–19, “Federal Reserve Supervisory Assessment of Capital Planning and Positions for Large and Noncomplex Firms,” December 18, 2015, See <https://www.federalreserve.gov/supervisionreg/srletters/sr1519.htm>.

<sup>16</sup> SR letter 09–4, “Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies”, February 24, 2009, See <https://www.federalreserve.gov/boarddocs/srletters/2009/SR0904.htm>.

<sup>17</sup> “UNSOUND BANKING PRACTICES—Cash Dividends Not Fully Covered by Earnings” November 14, 1985. See <https://www.federalreserve.gov/boarddocs/srletters/2009/sr0904a2.pdf>.

into the applicability of capital planning guidance and why? Factoring in the applicability of the Board's regulations, what if any aspects of the Board's capital planning guidance should be changed or tailored differently based on firms' risk profiles and why?

**Question 16:** The Board is interested in comment on whether changes are appropriate to its supervisory guidance on capital planning, in light of experience with the guidance and factors such as the recent tailoring and stress capital buffer rules and other applicable regulatory requirements. Please describe appropriate changes and the rationale behind them.

**Question 17:** How should existing guidance on capital planning be adapted, if at all, to reflect times of heightened and prolonged uncertainty? For example, how has the COVID event influenced firms' capital planning and loss estimation processes? How should these types of adjustments be reflected in the Board's guidance on capital planning?

**Question 18:** How should the Board weigh the potential benefits of revising its capital planning guidance against the potential burdens, given the current economic environment? How could any such burdens be mitigated?

**Question 19:** How well does the existing guidance on capital planning reflect sound practices for managing risks across firms of various risk profiles and promote safety and soundness? With a goal of balancing clarity and flexibility, how could the guidance be improved in its application to firms with differing risk profiles? What aspects of industry practice or other developments should be considered in any potential updates to this guidance, and how?

### III. Administrative Law Matters

#### A. Paperwork Reduction Act

Certain provisions of the proposed rule contain "collections of information" within the meaning of the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501–3521). The Board 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 Board reviewed the proposed rule under the authority delegated to the Board by OMB.

The proposed rule would revise collection of information requirements subject to the PRA. The Board proposes to revise the FR Y–14, FR LL, and the FR YY to reflect the changes proposed in the proposed rule. The OMB control

numbers are 7100–0341, 7100–NEW, and 7100–0350.

Comments are invited on:

a. Whether the collections of information are necessary for the proper performance of the Federal Reserve's functions, including whether the information has practical utility;

b. The accuracy or the estimate of the burden of the information collections, including the validity of the methodology and assumptions used;

c. Ways to enhance the quality, utility, and clarity of the information to be collected;

d. Ways to minimize the burden of the information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

e. Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

All comment will become a matter of public record. Comments on aspects of this proposal that may affect reporting, recordkeeping, or disclosure requirements and burden estimates should be sent to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets NW, Washington, DC 20551. A copy of the comments may also be submitted to the OMB desk officer by mail to U.S. Office of Management and Budget, 725 17th Street NW, #10235, Washington, DC 20503 or by facsimile to 202–395–5806, Attention, Agency Desk Officer.

Proposed Revisions, With Extension for Three Years, of the Following Information Collections

(1) *Report title:* Capital Assessments and Stress Testing Reports.

*Agency form number:* FR Y–14A/Q/M.

*OMB control number:* 7100–0341.

*Frequency:* Annually, quarterly, and monthly.

*Respondents:* These collections of information are applicable to bank holding companies (BHCs), U.S. intermediate holding companies (IHCs), and covered savings and loan holding companies (SLHCs)<sup>18</sup> with \$100 billion or more in total consolidated assets, as based on: (i) The average of the firm's total consolidated assets in the four most recent quarters as reported

<sup>18</sup> Covered SLHCs are those which are not substantially engaged in insurance or commercial activities. For more information, see the definition of "covered savings and loan holding company" provided in 12 CFR 217.2 and 12 CFR 238.2(ee). SLHCs with \$100 billion or more in total consolidated assets become members of the FR Y–14Q and FR Y–14M panels effective June 30, 2020, and the FR Y–14A panel effective December 31, 2020. See 84 FR 59032 (November 1, 2019).

quarterly on the firm's Consolidated Financial Statements for Holding Companies (FR Y–9C; OMB No. 7100–0128); or (ii) if the firm has not filed an FR Y–9C for each of the most recent four quarters, then the average of the firm's total consolidated assets in the most recent consecutive quarters as reported quarterly on the firm's FR Y–9Cs. Reporting is required as of the first day of the quarter immediately following the quarter in which the respondent meets this asset threshold, unless otherwise directed by the Board.

*Estimated number of respondents:* FR Y–14A/Q: 36; FR Y–14M: 34.<sup>19</sup>

*Estimated average hours per response:* FR Y–14A: 1,250 hours; FR Y–14Q: 2,143 hours; FR Y–14M: 1,072 hours; FR Y–14 On-going Automation Revisions: 480 hours; FR Y–14 Attestation On-going Attestation: 2,560 hours.

*Estimated annual burden hours:* FR Y–14A: 45,000 hours; FR Y–14Q: 308,592 hours; FR Y–14M: 437,376 hours; FR Y–14 On-going Automation Revisions: 17,280 hours; FR Y–14 Attestation On-going Attestation: 33,280 hours.

*General description of report:* This family of information collections is composed of the following three reports:

- The annual<sup>20</sup> FR Y–14A collects quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios.<sup>21</sup>
- The quarterly FR Y–14Q collects granular data on various asset classes, including loans, securities, trading assets, and PPNR for the reporting period.

<sup>19</sup> The estimated number of respondents for the FR Y–14M is lower than for the FR Y–14Q and FR Y–14A because, in recent years, certain respondents to the FR Y–14A and FR Y–14Q have not met the materiality thresholds to report the FR Y–14M due to their lack of mortgage and credit activities. The Board expects this situation to continue for the foreseeable future.

<sup>20</sup> In certain circumstances, a BHC or IHC may be required to re-submit its capital plan. See 12 CFR 225.8(e)(4). Firms that must re-submit their capital plan generally also must provide a revised FR Y–14A in connection with their resubmission.

<sup>21</sup> On October 10, 2019, the Board issued a final rule that eliminated the requirement for firms subject to Category IV standards to conduct and publicly disclose the results of a company-run stress test. See 84 FR 59032 (Nov. 1, 2019). That final rule maintained the existing FR Y–14A/Q/M substantive reporting requirements for these firms in order to provide the Board with the data it needs to conduct supervisory stress testing and inform the Board's ongoing monitoring and supervision of its supervised firms. As noted in the final rule, the Board intends to provide greater flexibility to banking organizations subject to Category IV standards in developing their annual capital plans and consider further change to the FR Y–14A/Q/M forms as part of a separate proposal. See 84 FR 59032, 59063.



- The monthly FR Y-14M is comprised of three retail portfolio- and loan-level schedules, and one detailed address-matching schedule to supplement two of the portfolio and loan-level schedules.

The data collected through the FR Y-14A/Q/M reports provide the Board with the information needed to help ensure that large firms have strong, firm-wide risk measurement and management processes supporting their internal assessments of capital adequacy and that their capital resources are sufficient given their business focus, activities, and resulting risk exposures. The reports are used to support the Board's annual Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act Stress Test (DFAST) exercises, which complement other Board supervisory efforts aimed at enhancing the continued viability of large firms, including continuous monitoring of firms' planning and management of liquidity and funding resources, as well as regular assessments of credit, market and operational risks, and associated risk management practices. Information gathered in this data collection is also used in the supervision and regulation of respondent financial institutions. Respondent firms are currently required to complete and submit up to 17 filings each year: One annual FR Y-14A filing, four quarterly FR Y-14Q filings, and 12 monthly FR Y-14M filings. Compliance with the information collection is mandatory.

**Current Actions:** As previously described in this proposal, the Board is proposing to make several FR Y-14 revisions. Certain revisions would only be applicable to firms subject to Category IV or Category I-III standards, while other revisions would be applicable to all BHCs and IHCs. All revisions are proposed to be effective for data as-of December 31, 2020.

#### Firms Subject to Category IV Standards

As a result of the proposed changes to company-run stress testing requirements, the Board is proposing that firms subject to Category IV standards would no longer be required to report FR Y-14A Schedule A—Summary, Schedule B—Scenario, Schedule F—Business Plan Changes, and Appendix A—Supporting Documentation, which are used to report a firm's company-run stress test results. However, firms subject to Category IV standards would be required to complete all remaining FR Y-14A schedules, as they are necessary for the Board to run its supervisory stress test. The Board believes that the

detailed balance sheet information that would continue to be collected on a monthly and quarterly basis from firms subject to Category IV standards on the FR Y-14Q and FR Y-14M is crucial for maintaining the integrity of the stress tests, monitoring financial stability, and supervising those firms.

#### Firms Subject to Category I-III Standards

As previously outlined, firms subject to Category I-III standards would continue to report the FR Y-14A Schedule A—Summary. To conform the FR Y-14 reports with the stress test assumption changes made per the stress capital buffer, the Board is proposing to create two sub-schedules for all items on the FR Y-14A, Schedule A: (1) DFAST, where a firm would not incorporate the effects of business plan changes and (2) CCAR, where a firm would incorporate the effects of business plan changes. Specifically, firms subject to Category I-III standards would be required to report a version of FR Y-14A, Schedule A.1.a—Income Statement, Schedule A.1.b—Balance Sheet, Schedule A.1.c.1—Standardized RWA, Schedule A.1.d—Capital, Schedule A.2.a—Retail Balance and Loss, Schedule A.3—AFS/HTM Securities, Schedule A.4—Trading, Schedule A.5—Counterparty Credit Risk, Schedule A.6—Operational Risk, and Loss Projections, and Schedule A.7—Pre-Provision Net Revenue, that incorporates the effects of business plan changes, as well as a version of these schedules and items that does not incorporate these effects. For Schedule A.1.d, firms would continue to report two sub-schedules with different capital actions, along with the income and balance sheet information reported in the appropriate sub-schedule. In addition, firms would only be required to report FR Y-14A, Schedule F under the Firm baseline and supervisory severely adverse scenarios.

#### All BHCs and IHCs

All BHCs and IHCs would still be required to report FR Y-14A, Schedule C—Regulatory Capital Instruments, and the stress test assumption changes made per the stress capital buffer rule create a need for firms to provide certain data excluding the impact of business plan changes. As a result, the Board is proposing to create two sub-schedules for all items on the FR Y-14A, Schedule C: (1) SCB, where a firm would not incorporate the effects of business plan changes and (2) CCAR, where a firm would incorporate the effects of business plan changes. Specifically, all BHCs and IHCs would be required to

report a version of FR Y-14A, Schedule C, that incorporates the effects of business plan changes, as well as a version of this schedule and items that does not incorporate these effects.

In order to be able to assess whether a firm's planned capital distributions included in its capital plan would be consistent with any effective capital distribution limitations that would apply under the firm's baseline projections, as required by the capital plan rule, the Board is also proposing to add four items to FR Y-14A, Schedule C. These items would capture baseline projections of a firm's common equity tier 1 capital ratio, tier 1 capital ratio, total capital ratio, and net income.

#### Other Revisions

As previously mentioned, the Board is proposing to replace the current definition of "large and noncomplex bank holding company" with the definition of a firm subject to Category IV standards. Therefore, the Board is proposing to make this change across the FR Y-14A/Q/M reports. In addition, to more accurately reflect the types of firms subject to the stress test reporting requirements, the Board is proposing to rename the "BHC baseline scenario" and "BHC stress scenario" to "Firm baseline scenario" and "Firm stress scenario," respectively.

(2) *Report title:* Reporting and Disclosure Requirements Associated with Regulation LL.

*Agency form number:* FR LL.

*OMB control number:* 7100-NEW.

*Frequency:* Biennial.

*Affected Public:* Businesses or other for-profit.

*Respondents:* Savings and loan holding companies.

*Estimated number of respondents:* 1.

*Estimated average hours per response:* Reporting § 238.162(b)(1)(ii)—80; Disclosure section 238.146 (initial setup)—150; Disclosure § 238.146—60.

*Estimated annual burden hours:* Reporting § 238.162(b)(1)(ii)—40; Disclosure § 238.146 (initial setup)—75; Disclosure § 238.146—30.

*Legal authorization and confidentiality:* This information collection is authorized by section 10 of the Home Owners' Loan Act (HOLA) and section 165(i)(2) of the Dodd-Frank Act. The obligation of covered institutions to report this information is mandatory. This information would be disclosed publicly and, as a result, no issue of confidentiality is raised.

**Current Actions:** The proposed rule includes amendments to § 238.146 of Regulation LL meant to ensure that certain savings and loan holding companies are required to publicly



disclose their stress tests results. Under the proposal, a covered savings and loan holding company that is subject to a supervisory stress test under § 238.132 of Regulation LL would be required to publicly disclose a summary of the results of the stress test required under § 238.143 of Regulation LL within the period that is 15 calendar days after the Board publicly discloses the results of its supervisory stress test of the covered company pursuant to § 238.134 of Regulation LL, unless that time is extended by the Board in writing, while a covered savings and loan holding company that is not subject to a supervisory stress test under § 238.132 of Regulation LL would be required to publicly disclose a summary of the results of the stress test required under § 238.143 of Regulation LL in the period beginning on June 15 and ending on June 30 in the year in which the stress test is conducted, unless that time is extended by the Board in writing.

(3) *Report title:* Reporting, Recordkeeping, and Disclosure Requirements Associated with Regulation YY (Enhanced Prudential Standards).

*Agency Form Number:* FR YY.

*OMB Control Number:* 7100–0350.

*Frequency:* Annual, semiannual, quarterly.

*Affected Public:* Businesses or other for-profit.

*Respondents:* State member banks, U.S. bank holding companies, nonbank financial companies, foreign banking organizations, U.S. intermediate holding companies, foreign saving and loan holding companies, and foreign nonbank financial companies supervised by the Board.

*Estimated number of respondents:* 23 U.S. bank holding companies with total consolidated assets of \$100 billion or more, 4 U.S. bank holding companies with total consolidated assets of \$50 billion or more but less than \$100 billion, 1 state member bank with total consolidated assets over \$250 billion, 11 U.S. intermediate holding companies with \$100 billion or more in total assets, 23 foreign banking organizations with total consolidated assets of more than \$50 billion but less than \$100 billion; 23 foreign banking organizations with total consolidated assets of \$100 billion or more but combined U.S. operations of at least \$50 billion but less than \$100 billion; 17 foreign banking organizations with total consolidated assets of \$100 billion or more and combined U.S. operations of \$100 billion or more.

*Current estimated annual burden:* 41,619 hours.

*Proposed revisions estimated annual burden:* (13,868) hours.

*Total estimated annual burden:* 27,751 hours.

*General description of report:* Section 165 of the Dodd-Frank Act, as amended by EGRRCPA, requires the Board to implement enhanced prudential standards for bank holding companies and foreign banking organizations with total consolidated assets of \$250 billion or more, and provides the Board with discretion to apply enhanced prudential standards to certain bank holding companies and foreign banking organizations with \$100 billion or more, but less than \$250 billion, in total consolidated assets. The enhanced prudential standards include risk-based and leverage capital requirements, liquidity standards, requirements for overall risk management (including establishing a risk committee), stress test requirements, and debt-to-equity limits for companies that the Financial Stability Oversight Council has determined pose a grave threat to financial stability.

*Current Actions:* As described above, the Board proposes to allow a firm subject to Category IV standards to elect to participate in the supervisory stress test in a year in which the firm would not normally be subject to the supervisory stress test. To ensure the Board is provided sufficient notice that the firm is participating in the supervisory stress test, the firm would need to make its election by December 31 of the year preceding the year in which it seeks to opt in to the supervisory stress test by providing written notice to the Board and appropriate Federal Reserve Bank. For purposes of calculating the stress capital buffer requirement in 2021 for a firm subject to Category IV standards that elects to participate in the 2021 supervisory stress test, the proposal includes transitional procedures such that the firm could notify the Board after December 31, 2020, but before the Board publishes the supervisory scenarios.

#### *B. Regulatory Flexibility Act*

The Board is providing an initial regulatory flexibility analysis with respect to this proposed rule. The Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.*, (RFA), requires an agency to consider whether the rules it proposes will have a significant economic impact on a substantial number of small entities.<sup>22</sup> In connection with a proposed rule, the RFA requires an

agency to prepare an Initial Regulatory Flexibility Analysis describing the impact of the rule on small entities or to certify that the proposed rule would not have a significant economic impact on a substantial number of small entities. An initial regulatory flexibility analysis must contain (1) a description of the reasons why action by the agency is being considered; (2) a succinct statement of the objectives of, and legal basis for, the proposed rule; (3) a description of, and, where feasible, an estimate of the number of small entities to which the proposed rule will apply; (4) a description of the projected reporting, recordkeeping, and other compliance requirements of the proposed rule, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record; (5) an identification, to the extent practicable, of all relevant Federal rules which may duplicate, overlap with, or conflict with the proposed rule; and (6) a description of any significant alternatives to the proposed rule which accomplish its stated objectives.

The Board has considered the potential impact of the proposed rule on small entities in accordance with the RFA. Based on its analysis and for the reasons stated below, the Board believes that this proposed rule will not have a significant economic impact on a substantial number of small entities. Nevertheless, the Board is publishing and inviting comment on this initial regulatory flexibility analysis. A final regulatory flexibility analysis will be conducted after comments received during the public comment period have been considered. The proposal would also make corresponding changes to the Board's reporting forms.

As discussed in detail above, the proposed rule would amend the capital rule, capital plan rule, stress testing rules, and the Stress Testing Policy Statement. Under the proposed rule, the Board would remove certain capital plan requirements to remove company-run stress test requirements. In addition, in order to align the stress capital buffer requirements with the tailoring rule changes, the proposal would update the portion of the stress capital buffer that is calculated as the decline in the CET1 ratio every other year for firms subject to Category IV standards. The proposal would include changes to Board's supervisory stress test and the company-run stress test rules. The proposal would clarify the assumptions related to business plan changes, introduce a revision to the capital action assumptions and include a technical

<sup>22</sup> Under regulations issued by the Small Business Administration, a small entity includes a depository institution, bank holding company, or savings and loan holding company with total assets of \$600 million or less and trust companies with annual receipts of \$41.5 million or less.

change to ensure certain savings and loan holding companies are required to publicly disclose their stress tests results.

The Board has broad authority under the International Lending Supervision Act (ILSA)<sup>23</sup> and the PCA provisions of the Federal Deposit Insurance Act<sup>24</sup> to establish regulatory capital requirements for the institutions it regulates. For example, ILSA directs each Federal banking agency to cause banking institutions to achieve and maintain adequate capital by establishing minimum capital requirements as well as by other means that the agency deems appropriate.<sup>25</sup> The PCA provisions of the Federal Deposit Insurance Act direct each Federal banking agency to specify, for each relevant capital measure, the level at which an IDI subsidiary is well capitalized, adequately capitalized, undercapitalized, and significantly undercapitalized.<sup>26</sup> In addition, the Board has broad authority to establish regulatory capital standards for bank holding companies under the Bank Holding Company Act and the Dodd-Frank Reform and Consumer Protection Act (Dodd-Frank Act).<sup>27</sup>

The proposed rule would apply only to bank holding companies, intermediate holding companies and savings and loan holding companies with total consolidated assets of at least \$100 billion in total consolidated assets. The proposed rule would not apply to any small entities. Further, the proposal would make changes to the projected reporting, recordkeeping, and other compliance requirements of the rule by proposing to collect information from firms subject to the capital plan rule. These changes would not impact small entities. In addition, the Board is aware of no other Federal rules that duplicate, overlap, or conflict with the proposed changes to the capital rule, capital plan rule, and stress testing rules. Therefore, the Board believes that the proposed rule will not have a significant economic impact on small banking organizations supervised by the Board and therefore believes that there are no significant alternatives to the proposed rule that would reduce the economic impact on small banking organizations supervised by the Board.

The Board welcomes comment on all aspects of its analysis. In particular, the Board requests that commenters

describe the nature of any impact on small entities and provide empirical data to illustrate and support the extent of the impact.

#### *C. Solicitation of Comments of Use of Plain Language*

Section 722 of the Gramm-Leach-Bliley Act (Pub. L. 106–102, 113 Stat. 1338, 1471, 12 U.S.C. 4809) requires the federal banking agencies to use plain language in all proposed and final rules published after January 1, 2000. The Board has sought to present the proposed rule in a simple and straightforward manner, and invites comment on the use of plain language.

For example:

- Have we organized the material to suit your needs? If not, how could the rule be more clearly stated?
- Are the requirements in the rule clearly stated? If not, how could the rule be more clearly stated?
- Do the regulations contain technical language or jargon that is not clear? If so, which language requires clarification?
- Will a different format (grouping and order of sections, use of headings, paragraphing) make the regulation easier to understand? If so, what changes will make the regulation easier to understand?
- Will more, but shorter, sections be better? If so, which sections should be changed?
- What else could we do to make the regulation easier to understand?

#### **List of Subjects**

##### *12 CFR Part 225*

Administrative practice and procedure, Banks, Banking, Capital planning, Holding companies, Reporting and recordkeeping requirements, Securities, Stress testing.

##### *12 CFR Part 238*

Administrative practice and procedure, Banks, Banking, Federal Reserve System, Reporting and recordkeeping requirements, Securities.

##### *12 CFR Part 252*

Administrative practice and procedure, Banks, Banking, Capital planning, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities, Stress testing.

#### **Authority and Issuance**

For the reasons stated in the **SUPPLEMENTARY INFORMATION**, the Board proposes to amend chapter II of title 12 of the Code of Federal Regulations as follows:

### **PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)**

■ 1. The authority citation for part 225 continues to read as follows:

**Authority:** 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p–1, 1843(c)(8), 1844(b), 1972(1), 3106, 3108, 3310, 3331–3351, 3906, 3907, and 3909; 15 U.S.C. 1681s, 1681w, 6801 and 6805.

#### **Subpart A—General Provisions**

■ 2. Amend § 225.8 by:

- a. Removing all references to “BHC stress scenario” and “BHS stress scenario(s)” and add in their place “Firm stress scenario” and “Firm stress scenario(s),” respectively;
- b. Removing all references to “BHC baseline scenario” and add in their place “Firm baseline scenario”;
- c. Revising paragraphs (d)(10) through (15), (e)(2)(i)(A), and (e)(4)(ii) and (iii);
- d. Removing paragraphs (e)(4)(iv);
- e. Revising paragraph (f)(1);
- f. Adding paragraph (f)(4);
- g. Revising paragraphs (h)(2) through (5), (i), (j), and (k); and
- h. Removing paragraph (l).

The revisions and addition read as follows:

#### **§ 225.8 Capital planning and stress capital buffer requirement.**

\* \* \* \* \*

(d) \* \* \*  
(10) *Category IV bank holding company* means any bank holding company or U.S. intermediate holding company subject to this section that, as of December 31 of the prior capital plan cycle, is a Category IV banking organization pursuant to 12 CFR 252.5.

(11) *Common equity tier 1 capital* has the same meaning as under 12 CFR part 217.

(12) *Effective capital distribution limitations* means any limitations on capital distributions established by the Board by order or regulation, including pursuant to 12 CFR 217.11, 225.4, 252.63, 252.165, and 263.202, provided that, for any limitations based on risk-weighted assets, such limitations must be calculated using the standardized approach, as set forth in 12 CFR part 217, subpart D.

(13) *Final planned capital distributions* means the planned capital distributions included in a capital plan that include the adjustments made pursuant to paragraph (h) of this section, if any.

(14) *Global systemically important BHC* means a bank holding company identified as a global systemically important BHC under 12 CFR 217.402.

<sup>23</sup> 12 U.S.C. 3901–3911.

<sup>24</sup> 12 U.S.C. 1831o.

<sup>25</sup> 12 U.S.C. 3907(a)(1).

<sup>26</sup> 12 U.S.C. 1831o(c)(2).

<sup>27</sup> See, e.g., sections 165 and 171 of the Dodd-Frank Act (12 U.S.C. 5365 and 12 U.S.C. 5371). Public Law 111–203, 124 Stat. 1376 (2010).

(15) *GSIB surcharge* has the same meaning as under 12 CFR 217.403.

\* \* \* \* \*

(e) \* \* \*

(2) \* \* \*

(i) \* \* \*

(A) Estimates of projected revenues, losses, reserves, and pro forma capital levels, including regulatory capital ratios, and any additional capital measures deemed relevant by the bank holding company, over the planning horizon under a range of scenarios, including:

(1) If the bank holding company is a Category IV bank holding company, the Firm baseline scenario and at least one Firm stress scenario, as well as any additional scenarios, based on financial conditions or the macroeconomic outlook, or based on the bank holding company's financial condition, size, complexity, risk profile, or activities, or risks to the U.S. economy, that the Federal Reserve may provide the bank holding company after giving notice to the bank holding company; or

(2) If the bank holding company is not a Category IV bank holding company, any scenarios provided by the Federal Reserve, the Firm baseline scenario, and at least one Firm stress scenario;

\* \* \* \* \*

(4) \* \* \*

(ii) The Board, or the appropriate Reserve Bank with concurrence of the Board, may extend the 30-day period in paragraph (e)(4)(i) of this section for up to an additional 60 calendar days, or such longer period as the Board or the appropriate Reserve Bank, with concurrence of the Board, determines appropriate.

(iii) Any updated capital plan must satisfy all the requirements of this section; however, a bank holding company may continue to rely on information submitted as part of a previously submitted capital plan to the extent that the information remains accurate and appropriate.

\* \* \* \* \*

(f) *Calculation of the stress capital buffer requirement*—(1) *General*. The Board will determine the stress capital buffer requirement that applies under 12 CFR 217.11 pursuant to paragraph (f) of this section. For each bank holding company that is not a Category IV bank holding company, the Board will calculate the bank holding company's stress capital buffer requirement annually. For each Category IV bank holding company, the Board will calculate the bank holding company's stress capital buffer requirement biennially, occurring in each calendar year ending in an even number, and will

adjust the bank holding company's stress capital buffer requirement biennially, occurring in each calendar year ending in an odd number. Notwithstanding the previous sentence, the Board will calculate the stress capital buffer requirement of a Category IV bank holding company in a year ending in an odd number with respect to which that company makes an election pursuant to 12 CFR 252.44(d)(2)(ii).

\* \* \* \* \*

(4) *Adjustment of stress capital buffer requirement*. In each calendar year in which the Board does not calculate a Category IV bank holding company's stress capital buffer requirement pursuant to paragraph (f)(1) of this section, the Board will adjust the Category IV bank holding company's stress capital buffer requirement to be equal to the result of the calculation set forth in paragraph (f)(2) of this section, using the same values that were used to calculate the stress capital buffer requirement most recently provided to the bank holding company, except that the value used in paragraph (f)(2)(i)(C)(1) of this section will be equal to the bank holding company's planned common stock dividends (expressed as a dollar amount) for each of the fourth through seventh quarters of the planning horizon as set forth in the capital plan submitted by the bank holding company in the calendar year in which the Board adjusts the bank holding company's stress capital buffer requirement.

\* \* \* \* \*

(h) \* \* \*

(2) *Response to notice*—(i) *Request for reconsideration of stress capital buffer requirement*. A bank holding company may request reconsideration of a stress capital buffer requirement provided under paragraph (h)(1) of this section. To request reconsideration of a stress capital buffer requirement, a bank holding company must submit to the Board a request pursuant to paragraph (i) of this section.

(ii) *Adjustments to planned capital distributions*. Within two business days of receipt of notice of a stress capital buffer requirement under paragraph (h)(1) or (i)(5) of this section, as applicable, a bank holding company must:

(A) Determine whether the planned capital distributions for the fourth through seventh quarters of the planning horizon under the Firm baseline scenario would be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the

Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect; and

(1) If the planned capital distributions for the fourth through seventh quarters of the planning horizon under the Firm baseline scenario would not be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect, the bank holding company must adjust its planned capital distributions such that its planned capital distributions would be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect; or

(2) If the planned capital distributions for the fourth through seventh quarters of the planning horizon under the Firm baseline scenario would be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect, the bank holding company may adjust its planned capital distributions. A bank holding company may not adjust its planned capital distributions to be inconsistent with the effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable; and

(B) Notify the Board of any adjustments made to planned capital distributions for the fourth through seventh quarters of the planning horizon under the Firm baseline scenario.

(3) *Final planned capital distributions*. The Board will consider the planned capital distributions, including any adjustments made pursuant to paragraph (h)(2)(ii) of this section, to be the bank holding company's final planned capital distributions on the later of:

(i) The expiration of the time for requesting reconsideration under paragraph (i) of this section; and

(ii) The expiration of the time for adjusting planned capital distributions pursuant to paragraph (h)(2)(ii) of this section.

(4) *Effective date of final stress capital buffer requirement*. (i) The Board will provide a bank holding company with its final stress capital buffer requirement

and confirmation of the bank holding company's final planned capital distributions by August 31 of the calendar year that a capital plan was submitted pursuant to paragraph (e)(1)(ii) of this section, unless otherwise determined by the Board. A stress capital buffer requirement will not be considered final so as to be agency action subject to judicial review under 5 U.S.C. 704 during the pendency of a request for reconsideration made pursuant to paragraph (i) of this section or before the time for requesting reconsideration has expired.

(ii) Unless otherwise determined by the Board, a bank holding company's final planned capital distributions and final stress capital buffer requirement shall:

(A) Be effective on October 1 of the calendar year in which a capital plan was submitted pursuant to paragraph (e)(1)(ii) of this section; and

(B) Remain in effect until superseded.

(5) *Publication.* With respect to any bank holding company subject to this section, the Board may disclose publicly any or all of the following:

(i) The stress capital buffer requirement provided to a bank holding company under paragraph (h)(1) or (i)(5) of this section;

(ii) Adjustments made pursuant to paragraph (h)(2)(ii);

(iii) A summary of the results of the supervisory stress test; and

(iv) Other information.

(i) *Administrative remedies; request for reconsideration.* The following requirements and procedures apply to any request under this paragraph (i):

(1) *General.* To request reconsideration of a stress capital buffer requirement, provided under paragraph (h) of this section, a bank holding company must submit a written request for reconsideration.

(2) *Timing of request.* A request for reconsideration of a stress capital buffer requirement, provided under paragraph (h) of this section, must be received within 15 calendar days of receipt of a notice of a bank holding company's stress capital buffer requirement.

(3) *Contents of request.* (i) A request for reconsideration must include a detailed explanation of why reconsideration should be granted (that is, why a stress capital buffer requirement should be reconsidered). With respect to any information that was not previously provided to the Federal Reserve in the bank holding company's capital plan, the request should include an explanation of why the information should be considered.

(ii) A request for reconsideration may include a request for an informal

hearing on the bank holding company's request for reconsideration.

(4) *Hearing.* (i) The Board may, in its sole discretion, order an informal hearing if the Board finds that a hearing is appropriate or necessary to resolve disputes regarding material issues of fact.

(ii) An informal hearing shall be held within 30 calendar days of a request, if granted, provided that the Board may extend this period upon notice to the requesting party.

(5) *Response to request.* Within 30 calendar days of receipt of the bank holding company's request for reconsideration of its stress capital buffer requirement submitted under paragraph (i)(2) of this section or within 30 days of the conclusion of an informal hearing conducted under paragraph (i)(4) of this section, the Board will notify the company of its decision to affirm or modify the bank holding company's stress capital buffer requirement, provided that the Board may extend this period upon notice to the bank holding company.

(6) *Distributions during the pendency of a request for reconsideration.* During the pendency of the Board's decision under paragraph (i)(5) of this section, the bank holding company may make capital distributions that are consistent with effective distribution limitations, unless prior approval is required under paragraph (j)(1) of this section.

(j) *Approval requirements for certain capital actions—(1) Circumstances requiring approval—resubmission of a capital plan.* Unless it receives prior approval pursuant to paragraph (j)(3) of this section, a bank holding company may not make a capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio) if the capital distribution would occur after the occurrence of an event requiring resubmission under paragraph (e)(4)(i)(A) or (B) of this section.

(2) *Contents of request.* A request for a capital distribution under this section must contain the following information:

(i) The bank holding company's capital plan or a discussion of changes to the bank holding company's capital plan since it was last submitted to the Federal Reserve;

(ii) The purpose of the transaction;

(iii) A description of the capital distribution, including for redemptions or repurchases of securities, the gross consideration to be paid and the terms and sources of funding for the transaction, and for dividends, the amount of the dividend(s); and

(iv) Any additional information requested by the Board or the appropriate Reserve Bank (which may include, among other things, an assessment of the bank holding company's capital adequacy under a severely adverse scenario, a revised capital plan, and supporting data).

(3) *Approval of certain capital distributions.* (i) The Board, or the appropriate Reserve Bank with concurrence of the Board, will act on a request for prior approval of a capital distribution within 30 calendar days after the receipt of all the information required under paragraph (j)(2) of this section.

(ii) In acting on a request for prior approval of a capital distribution, the Board, or appropriate Reserve Bank with concurrence of the Board, will apply the considerations and principles in paragraph (g) of this section, as appropriate. In addition, the Board, or the appropriate Reserve Bank with concurrence of the Board, may disapprove the transaction if the bank holding company does not provide all of the information required to be submitted under paragraph (j)(2) of this section.

(4) *Disapproval and hearing.* (i) The Board, or the appropriate Reserve Bank with concurrence of the Board, will notify the bank holding company in writing of the reasons for a decision to disapprove any proposed capital distribution. Within 15 calendar days after receipt of a disapproval by the Board, the bank holding company may submit a written request for a hearing.

(ii) The Board may, in its sole discretion, order an informal hearing if the Board finds that a hearing is appropriate or necessary to resolve disputes regarding material issues of fact. An informal hearing shall be held within 30 calendar days of a request, if granted, provided that the Board may extend this period upon notice to the requesting party.

(iii) Written notice of the final decision of the Board shall be given to the bank holding company within 60 calendar days of the conclusion of any informal hearing ordered by the Board, provided that the Board may extend this period upon notice to the requesting party.

(iv) While the Board's decision is pending and until such time as the Board, or the appropriate Reserve Bank with concurrence of the Board, approves the capital distribution at issue, the bank holding company may not make such capital distribution.

(k) *Post notice requirement.* A bank holding company must notify the Board and the appropriate Reserve Bank

within 15 days of making a capital distribution if:

(1) The capital distribution was approved pursuant to paragraph (j)(3) of this section; or

(2) The dollar amount of the capital distribution will exceed the dollar amount of the bank holding company's final planned capital distributions, as measured on an aggregate basis beginning in the fourth quarter of the planning horizon through the quarter at issue.

#### **PART 238—SAVINGS AND LOAN HOLDING COMPANIES (REGULATION LL)**

■ 3. The authority citation for part 238 continues to read as follows:

**Authority:** 5 U.S.C. 552, 559; 12 U.S.C. 1462, 1462a, 1463, 1464, 1467, 1467a, 1468, 5365; 1813, 1817, 1829e, 1831i, 1972, 15 U.S.C. 78 l.

#### **Subpart O—Supervisory Stress Test Requirements for Covered Savings and Loan Holding Companies**

■ 4. In § 238.132, add paragraphs (a)(4) and (d) to read as follows:

##### **§ 238.132 Analysis conducted by the Board.**

(a) \* \* \*

(4) In conducting the analysis, the Board will not incorporate changes to a firm's business plan that are likely to have a material impact on the covered company's capital adequacy and funding profile in its projections of losses, net income, pro forma capital levels, and capital ratios.

\* \* \* \* \*

(d) *Capital action assumptions.* In conducting a stress test under this section, the Board will make the following assumptions regarding a covered company's capital actions over the planning horizon:

(1) The covered company will not pay any dividends on any instruments that qualify as common equity tier 1 capital;

(2) The covered company will make payments on instruments that qualify as additional tier 1 capital or tier 2 capital equal to the stated dividend, interest, or principal due on such instrument;

(3) The covered company will not make a redemption or repurchase of any

capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and

(4) The covered company will not make any issuances of common stock or preferred stock.

#### **Subpart P—Company-Run Stress Test Requirements for Savings and Loan Holding Companies**

■ 5. Amend § 238.144 by revising paragraphs (a)(2) and (b)(1) and (2) and adding paragraphs (b)(3) and (4) to read as follows:

##### **§ 238.144 Methodologies and practices.**

(a) \* \* \*

(2) The potential impact on pro forma regulatory capital levels and pro forma capital ratios (including regulatory capital ratios and any other capital ratios specified by the Board), and in so doing must:

(i) Incorporate the effects of any capital actions over the planning horizon and maintenance of an allowance for credit losses appropriate for credit exposures throughout the planning horizon; and

(ii) Exclude the impacts of changes to a firm's business plan that are likely to have a material impact on the covered company's capital adequacy and funding profile.

(b) \* \* \*

(1) The covered company will not pay any dividends on any instruments that qualify as common equity tier 1 capital;

(2) The covered company will make payments on instruments that qualify as additional tier 1 capital or tier 2 capital equal to the stated dividend, interest, or principal due on such instrument;

(3) The covered company will not make a redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and

(4) The covered company will not make any issuances of common stock or preferred stock.

\* \* \* \* \*

■ 6. In § 238.146, revise paragraph (a)(1) to read as follows:

##### **§ 238.146 Disclosure of stress test results.**

(a) \* \* \*

(1) *In general.* (i) A covered company that is subject to a supervisory stress test

under § 238.132 must publicly disclose a summary of the results of the stress test required under § 238.143 within the period that is 15 calendar days after the Board publicly discloses the results of its supervisory stress test of the covered company pursuant to § 238.134, unless that time is extended by the Board in writing; and

(ii) A covered company that is not subject to a supervisory stress test under § 238.132 must publicly disclose a summary of the results of the stress test required under § 238.143 in the period beginning on June 15 and ending on June 30 in the year in which the stress test is conducted, unless that time is extended by the Board in writing.

\* \* \* \* \*

#### **PART 252—ENHANCED PRUDENTIAL STANDARDS (REGULATION YY)**

■ 7. The authority citation for part 252 continues to read as follows:

**Authority:** 12 U.S.C. 321–338a, 481–486, 1467a, 1818, 1828, 1831n, 1831o, 1831p–1, 1831w, 1835, 1844(b), 1844(c), 3101 *et seq.*, 3101 note, 3904, 3906–3909, 4808, 5361, 5362, 5365, 5366, 5367, 5368, 5371.

#### **Subpart E—Supervisory Stress Test Requirements for Certain U.S. Banking Organizations With \$100 Billion or More in Total Consolidated Assets and Nonbank Financial Companies Supervised by the Board**

■ 8. In § 252.44, revise paragraphs (a)(3) and (d) to read as follows:

##### **§ 252.44 Analysis conducted by the Board.**

(a) \* \* \*

(3) In conducting the analysis, the Board will not incorporate changes to a firm's business plan that are likely to have a material impact on the covered company's capital adequacy and funding profile in its projections of losses, net income, pro forma capital levels, and capital ratios.

\* \* \* \* \*

(d) *Frequency of analysis conducted by the Board—*(1) *General.* Except as provided in paragraph (d)(2) of this section, the Board will conduct its analysis of a covered company according to the frequency in Table 1 to this paragraph (d)(1).

TABLE 1 TO PARAGRAPH (g)(1)

If the covered company is a	Then the Board will conduct its analysis
Global systemically important BHC .....	Annually.
Category II bank holding company .....	Annually.
Category II U.S. intermediate holding company .....	Annually.
Category III bank holding company .....	Annually.
Category III U.S. intermediate holding company .....	Annually.
Category IV bank holding company .....	Biennially, occurring in each year ending in an even number.

TABLE 1 TO PARAGRAPH (g)(1)—Continued

If the covered company is a	Then the Board will conduct its analysis
Category IV U.S. intermediate holding company .....	Biennially, occurring in each year ending in an even number.
Nonbank financial company supervised by the Board .....	Annually.

(2) *Change in frequency.* (i) The Board may conduct a stress test of a covered company on a more or less frequent basis than would be required under paragraph (d)(1) of this section based on the company's financial condition, size, complexity, risk profile, scope of operations, or activities, or risks to the U.S. economy.

(ii) A Category IV bank holding company or Category IV U.S. intermediate holding company may elect to have the Board conduct a stress test with respect to the company in a year ending in an odd number by providing notice to the Board by December 31 of the preceding year (ending in an even number). Notwithstanding the previous sentence, such a company may elect to have the Board conduct a stress test with respect to the company in the year 2021 by providing notice to the Board by February 15, 2021.

(3) *Notice and response*—(i) *Notification of change in frequency.* If the Board determines to change the frequency of the stress test under paragraph (d)(2)(i) of this section, the Board will notify the company in writing and provide a discussion of the basis for its determination.

(ii) *Request for reconsideration and Board response.* Within 14 calendar days of receipt of a notification under paragraph (d)(3)(i) of this section, a covered company may request in writing that the Board reconsider the requirement to conduct a stress test on a more or less frequent basis than would be required under paragraph (d)(1) of this section. A covered company's request for reconsideration must include an explanation as to why the request for reconsideration should be granted. The Board will respond in writing within 14 calendar days of receipt of the company's request.

#### Subpart F—Company-Run Stress Test Requirements for Certain U.S. Bank Holding Companies and Nonbank Financial Companies Supervised by the Board

■ 9. In § 252.54, revise paragraph (b)(2)(i)(B) to read as follows:

##### § 252.54 Stress test.

\* \* \* \* \*

(b) \* \* \*

(2) \* \* \*

(i) \* \* \*

(B) Is not a Category IV bank holding company as the term is used in 12 CFR 225.8.

\* \* \* \* \*

■ 10. In § 252.56, revise paragraph (a)(2) to read as follows:

##### § 252.56 Methodologies and practices.

(a) \* \* \*

(2) The potential impact on the regulatory capital levels and ratios applicable to the covered bank, and any other capital ratios specified by the Board, and in doing so must:

(i) Incorporate the effects of any capital action over the planning horizon and maintenance of an allowance for loan losses or adjusted allowance for credit losses, as appropriate, for credit exposures throughout the planning horizon; and

(ii) Exclude the impacts of changes to a firm's business plan that are likely to have a material impact on the covered company's capital adequacy and funding profile.

\* \* \* \* \*

■ 11. In § 252.58, revise paragraph (a)(1) to read as follows:

##### § 252.58 Disclosure of stress test results.

(a) \* \* \*

(1) *In general.* A covered company must publicly disclose a summary of the results of the stress test required under § 252.54 within the period that is 15 calendar days after the Board publicly discloses the results of its supervisory stress test of the covered company pursuant to § 252.46(b), unless that time is extended by the Board in writing.

\* \* \* \* \*

#### Appendix B to Part 252—[Amended]

■ 12. Amend appendix B to part 252 by removing and reserving section 2.6.

By order of the Board of Governors of the Federal Reserve System.

Ann E. Misback,

Secretary of the Board.

[FR Doc. 2020–22166 Filed 10–6–20; 8:45 am]

BILLING CODE 6210–01–P

## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. FAA–2020–0904; Product Identifier 2019–SW–041–AD]

RIN 2120–AA64

#### Airworthiness Directives; Airbus Helicopters

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Notice of proposed rulemaking (NPRM).

**SUMMARY:** The FAA proposes to adopt a new airworthiness directive (AD) for Airbus Helicopters Model EC225LP helicopters. This proposed AD would require various inspections of the left-hand side (LH) engine fuel supply (fuel supply) hose and depending on the inspection results, removing from service or reinstalling the hose. This proposed AD would also prohibit installing any LH fuel supply hose unless it is installed by following the service information. This proposed AD was prompted by a report of an incorrect installation of the LH fuel supply hose causing restricted fuel flow to the LH engine. The actions of this proposed AD are intended to address an unsafe condition on these products.

**DATES:** The FAA must receive comments on this proposed AD by November 23, 2020.

**ADDRESSES:** You may send comments by any of the following methods:

- *Federal eRulemaking Docket:* Go to <https://www.regulations.gov>. Follow the online instructions for sending your comments electronically.

- *Fax:* 202–493–2251.

- *Mail:* Send comments to the U.S. Department of Transportation, Docket Operations, M–30, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue SE, Washington, DC 20590–0001.

- *Hand Delivery:* Deliver to the “Mail” address between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

#### Examining the AD Docket

You may examine the AD docket on the internet at <https://>