

February 11, 2016

Bank Capital Plans and Stress Tests

Federal Reserve Board Proposes Reporting Requirements for the Intermediate Holding Companies of Foreign Banking Organizations

On February 2, 2016 the Federal Reserve issued proposed reporting requirements (the “*Proposal*”)¹ for the U.S. intermediate holding companies (“*IHCs*”) to be formed by certain foreign banking organizations (“*FBOs*”) no later than July 1, 2016. The Proposal would require IHCs to submit various Federal Reserve regulatory reports, including reports on forms FR Y-6, FR Y-9C, FR Y-14A/Q/M, FR Y-15, and FR 4200 and 4201, beginning with the reporting period ending September 30, 2016 for most reports.² A table setting forth the complete reporting panel is attached as Annex A hereto, including the proposed effective dates for each report. Notable provisions of the Proposal include:

- **Reports on Forms FR Y-14 to “Mirror” Reporting by Bank Holding Companies.** The Proposal would require IHCs to complete the FR Y-14 series of reports related to capital assessments and stress testing “in the same manner as a [bank holding company].”³ The Proposal does not explicitly address, and it is therefore unclear, whether this requirement is intended by the Federal Reserve to apply the recently-finalized CFO attestation requirements to the IHC/BHC subsidiaries of FBOs that are subject to supervision by the Federal Reserve’s Large Institution Supervision Coordinating Committee.⁴
- **Reports on Forms FR Y-14 would Include Historical Data.** With respect to the FR Y-14 series of reports, an IHC would be “subject to requirements to report historical data with respect to its U.S. bank and nonbank operations.”⁵ The Proposal states that this information is “necessary for the Federal Reserve to perform a supervisory assessment of the capital plans of IHCs and to conduct supervisory stress tests,” but also acknowledges the difficulty IHCs may encounter in reporting historical data prior to the formation of the IHC in light of the structural reorganizations associated with IHC formation. The Federal Reserve invites public comment on the ability of IHCs to report such data, specifically requesting (i) a description, with supporting detail, of any challenges that IHCs may face in providing historical data, (ii) specific compliance burdens for IHCs, such as issues related to systems integration or data retention policies, and (iii) whether an IHC would be able to report historical data if granted a compliance extension, and if so, how much additional time would be needed.
- **Reports would Reflect Onboarding Filing Delays for Certain Schedules.** The Proposal indicates that, with respect to the FR Y-14 series of reports, the reporting instructions provide

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IHCs with the submission dates for each report, including the onboarding filing delays applicable to certain schedules and the requirements for reporting historical data for the FR Y-14Q Retail and PPNR (Pre-provision net revenue) schedules, noting that IHCs will also receive this information in an IHC onboarding memo.

- **Requirements for the Market Shock Exercise.** Currently, six bank holding companies with large trading operations are required to incorporate a global market shock (the “*Market Shock exercise*”) as part of their scenarios for the 2016 Comprehensive Capital Analysis and Review (“*CCAR*”) and Dodd-Frank Act Stress Testing (“*DFAST*”) exercises. Application of the requirements for the Market Shock exercise to newly formed IHCs with significant trading activity will be addressed by the Federal Reserve in a separate proposal.⁶

Comments on the Proposal are due by April 5, 2016.

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ENDNOTES

- ¹ On December 14, 2012, the Federal Reserve issued a notice of proposed rulemaking (“NPR”) that would require certain FBOs with significant U.S. operations to establish an IHC to hold those operations (with certain exclusions) and would impose enhanced prudential standards on the IHC. 77 Fed. Reg. 76628 (Dec. 28, 2012), available at <https://www.gpo.gov/fdsys/pkg/FR-2012-12-28/pdf/2012-30734.pdf>. The NPR also provided the names and the OMB reporting numbers for the proposed reporting forms that would be applicable to such IHCs. Subsequently, on February 18, 2014, the Federal Reserve adopted a final rule implementing enhanced prudential standards for FBOs as Regulation YY, indicating in the preamble that the Federal Reserve would address the reporting requirements for IHCs at a later date. 79 Fed. Reg. 17240 (Mar. 27, 2014), available at <https://www.gpo.gov/fdsys/pkg/FR-2014-03-27/pdf/2014-05699.pdf>.
- ² Federal Reserve System, *Proposed Agency Information Collection Activities; Comment Request*, 81 Fed. Reg. 6265 (Feb. 5, 2016), available at <https://www.gpo.gov/fdsys/pkg/FR-2016-02-05/pdf/2016-02230.pdf>.
- ³ Proposal, at 6270.
- ⁴ Federal Reserve System, *Agency Information Collection Activities*, 81 Fed. Reg. 3412 (Jan. 21, 2016), available at <https://www.gpo.gov/fdsys/pkg/FR-2016-01-21/pdf/2016-01043.pdf>. For a discussion of the CFO attestation requirements, see our memorandum to clients, *Bank Capital Plans and Stress Tests: Federal Reserve Board Finalizes Rule Revising FR Y-14 Forms to Include CFO Attestation Requirements for Certain Large Bank Holding Companies* (Jan. 26, 2016), available at <https://www.sullcrom.com/bank-capital-plans-and-stress-tests-01-26-16>.
- ⁵ Proposal, at 6270.
- ⁶ IHCs established by FBOs for purposes of complying with the IHC requirement by July 1, 2016 that were not previously subject to CCAR will become subject to the capital plan rule beginning January 1, 2017. 12 C.F.R. Part 252, subpart O.

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ANNEX A

Report Title	Agency Form Number	Effective Date	Reporting Frequency
Consolidated Financial Statements for Holding Companies, Parent Company Only Financial Statements for Large Holding Companies, and Financial Statements for Employee Stock Ownership Plan Holding Companies	FR Y-9C, FR Y-9LP, and FR Y-9ES	September 30, 2016 (December 31, 2016 for the FR Y-9ES)	Quarterly and annually
Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies and Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies	FR Y-11 and FR Y-11S	September 30, 2016 for the quarterly FR Y-11 (December 31, 2016 for the annual FR Y-11 and FR Y-11S)	Quarterly and annually
Consolidated Holding Company Report of Equity Investments in Nonfinancial Companies and the Annual Report of Merchant Banking Investments Held for an Extended Period	FR Y-12 and FR Y-12A	September 30, 2016 (December 31, 2016 for the FR Y-12A)	Quarterly and annually
Capital Assessments and Stress Testing	FR Y-14Q, FR Y-14M, and FR Y-14A	December 31, 2016	Monthly, quarterly and semiannually
Recordkeeping and Reporting Requirements Associated with Regulation Y (Capital Plans)	Reg Y-13	January 1, 2017	Annually
Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations and Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations	FR 2314 and FR 2314S	September 30, 2016 for the quarterly FR 2314 (December 31, 2016 for the annual FR 2314 and FR 2314S)	Quarterly and annually
Annual Report of Holding Companies	FR Y-6	December 31, 2016	Annually
Banking Organization Systemic Risk Report	FR Y-15	September 30, 2016	Quarterly
Risk-Based Capital Standards: Advanced Capital Adequacy Framework	FR 4200	July 1, 2016	On Occasion
Risk-Based Capital Guidelines: Market Risk	FR 4201	September 30, 2016	On Occasion