Stress Test Rules

Federal Banking Agencies Publish Final Stress Test Rules on Supervisory and Company-Run Stress Test Requirements Imposed by Dodd-Frank

SUMMARY

In October 2012, the Board of Governors of the Federal Reserve System (the “FRB”) published in the Federal Register final rules implementing the requirements of Section 165(i)(1) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) concerning supervisory stress tests to be conducted by the FRB (the “Annual Supervisory Stress Test Rule”) and Section 165(i)(2) of Dodd-Frank regarding semi-annual company-run stress tests (the “Semi-Annual Company-Run Stress Test Rule,” and, together with the Annual Supervisory Stress Test Rule, the “Stress Test Rules”). The Stress Test Rules apply to bank holding companies (“BHCs”) with total consolidated assets of $50 billion or more (“Large BHCs”) and nonbank financial companies designated by the Financial Stability Oversight Council (“Designated SIFIs,” and together with Large BHCs, “Covered Companies”). Concurrent with the Stress Test Rules, the FRB, Office of the Comptroller of the Currency (“OCC”) and Federal Deposit Insurance Corporation (“FDIC,” and together with the FRB and OCC, the “Agencies”) published separate final rules implementing the requirements of Section 165(i)(2) of Dodd-Frank regarding annual company-run stress tests (the “Annual Company-Run Stress Test Rules”) for supervised entities (BHCs, savings and loan holding companies (“SLHCs”) and depository institutions) with average total consolidated assets greater than $10 billion other than Covered Companies (together “Covered Institutions”). The Stress Test Rules and Annual Company-Run Stress Test Rules have substantial implications for capital planning, including capital distributions.
The specific application of the rules generally depends on the type of entity involved (for example, BHC, depository institution, or SLHC), the size of the institution and its applicable regulator. In summary, the requirements of the Stress Test Rules and Annual Company-Run Stress Test Rules are as follows:

- **For BHCs:**
  - Large BHCs (that is, with over $50 billion in total consolidated assets) that participated in the 2009 Supervisory Capital Assessment Program ("SCAP") or are a successor to such a Large BHC ("SCAP BHCs") must comply with the supervisory and company-run stress test requirements starting November 15, 2012. The annual company-run stress test must be conducted and results reported to the FRB by January 5, 2013 and the results publicly disclosed, starting with the 2012 stress test, during the period March 15 through March 31, 2013. Mid-year company-run stress tests must be completed and results reported to the FRB by July 5, 2013 and the results publicly disclosed during the period September 15 through September 30, 2013. The FRB will conduct its supervisory stress test, report a summary of the results to the SCAP BHCs and publicly disclose the summary by March 31, 2013. The timing of these disclosure requirements creates a number of difficult issues relating to the quarterly earnings statements, the potential differences between the company-run and supervisory stress test results, and “window” and “black-out” periods for trading in securities of the Large BHC and the offering of securities by the Large BHC.
  - Large BHCs that did not participate in SCAP must comply with the supervisory and company-run stress test requirements starting in the fall of 2013. The annual company-run stress test must be conducted and results reported to the FRB by January 5, 2014 and the results publicly disclosed, starting with the 2013 stress test, during the period March 15 through March 31, 2014. Mid-year stress tests must be completed and results reported to the FRB by July 5, 2014 and the results publicly disclosed during the period September 15 through September 30, 2014. The FRB will conduct its supervisory stress test, report a summary of the results to the Large BHC and publicly disclose the summary by March 31, 2014.
  - BHCs with $10 billion or more but less than $50 billion in average total consolidated assets must comply with the supervisory and company-run stress test requirements starting in the fall of 2013. The annual company-run stress test must be conducted and results reported to the FRB by March 31, 2015 and publicly disclosed, starting with the 2014 stress test, during the period June 15 through June 30, 2015.

- **For State Member Banks:**
  - State banks that are members of the Federal Reserve System and are subsidiaries of SCAP BHCs must comply with the annual company-run stress test requirements starting November 15, 2012. Any other state member bank must comply with the annual company-run stress test requirements starting in the fall of 2013.
    - If the state member bank is a subsidiary of a Large BHC (regardless of whether that BHC participated in SCAP), the annual company-run stress test must be conducted and results reported to the FRB by January 5 of each year and the results publicly disclosed during the period March 15 through March 31 of each year. If the state member bank has average total consolidated assets of less than $50 billion, its initial public disclosure begins with the 2014 stress test.
    - For any other state member bank, the annual company-run stress test must be conducted and results reported to the FRB by March 31 of each year and the results publicly disclosed, starting with the 2014 stress test, during the period June 15 through June 30 of each year.
For National Banks, Savings Associations and State Non-member Banks:

- National banks, savings associations and state non-member banks with average total consolidated assets of $50 billion or more must comply with the annual company-run stress test requirements immediately. The annual company-run stress test must be conducted and results reported to their primary federal regulatory agency and the FRB by January 5, 2013 and the results publicly disclosed, starting with the 2012 stress test, during the period March 15 through March 30, 2013.

- National banks, savings associations, and state non-member banks with average total consolidated assets of $10 billion or more but less than $50 billion must comply with the annual company-run stress test requirements starting in the fall of 2013. The annual company-run stress test must be conducted and results reported to their primary federal regulatory agency and the FRB by March 31, 2014 and the results publicly disclosed, starting with the 2014 stress test, during the period June 15 through June 30, 2015.

For SLHCs:

- SLHCs with average total consolidated assets of $50 billion or more must comply with the annual company-run stress test requirements and run their first stress test in the fall of the calendar year after they first become subject to minimum capital requirements. The annual company-run stress test must be conducted and results reported to the FRB by January 5 of each year and the results disclosed during the period March 15 through March 31 of each year.

- SLHCs with average total consolidated assets of $10 billion or more but less than $50 billion must comply with the annual company-run stress test requirements and run their first stress test in the fall of the calendar year after they first become subject to minimum capital requirements. The annual company-run stress test must be conducted and results reported to the FRB by March 31 of each year and the results publicly disclosed during the period June 15 through June 31 of each year.

The Semi-Annual Company-Run Stress Test Rule requires a Covered Company with a Covered Institution that is a depository institution as a subsidiary to disclose a summary of the subsidiary’s stress test results as part of the parent Covered Company’s own public disclosure. The Annual Company-Run Stress Test Rules allow these Covered Institutions generally to rely on this disclosure by their parent holding company in satisfaction of the subsidiary’s disclosure requirements. In addition, these Covered Institutions, to the extent that their reporting and disclosure requirements have been extended by the Annual Company-Run Stress Test Rules as described above, are permitted (but not required) to conduct their stress tests and report and publicly disclose results on the same timeline as their parent holding company.

The Agencies expect that the stress tests required under these rules will be only one component of the broader stress testing activities conducted by Covered Companies and Covered Institutions, including stress tests for BHCs with $50 billion or more of total consolidated assets under the FRB’s capital plan rule (the “Capital Plan Rule”). The Agencies previously highlighted the use of stress testing as a means to better understand the range of a banking organization’s potential risk exposures in joint guidance issued in 2011.
BACKGROUND

Section 165(i)(1) of Dodd-Frank requires the FRB to conduct a supervisory stress test of each Covered Company on an annual basis to determine whether the Covered Company holds sufficient capital to absorb losses resulting from adverse economic conditions. The FRB must administer the stress test under at least three different sets of conditions—baseline, adverse and severely adverse—and publish a summary of the supervisory stress test results. 6

Section 165(i)(2) of Dodd-Frank requires the Agencies to issue regulations that require Covered Institutions to conduct company-run stress tests on an annual basis, and the FRB to issue regulations that require Covered Companies to conduct stress tests twice a year. In January 2012, the FRB published for comment a notice of proposed rulemaking (“NPR”) to implement the enhanced prudential standards and early remediation requirements established under Sections 165 and 166 of Dodd-Frank (the “165/166 NPR”), which included proposed rules addressing the supervisory, semi-annual and annual stress tests. 7 The FRB received various comments highlighting concerns with the 165/166 NPR, including the supervisory and company-run stress tests. 8 The FRB discusses many of the comments received in the preambles to the Stress Test Rules, and the final rules contain several changes from the 165/166 NPR. However, the Stress Test Rules do not address several of the key concerns of many commenters, including the opaque nature of the FRB’s supervisory stress test models and the lack of opportunity for mid-course correction and communication with the FRB.

The OCC and FDIC also issued NPRs in January 2012 that proposed regulations requiring the respective Covered Institutions supervised by them to conduct annual company-run stress tests. 9 The Annual Company-Run Stress Test Rules contain several differences from the NPRs and, in certain instances, among the Agencies, which are discussed below.

The FRB notes in the preamble to the Stress Test Rules that it issued the rules in advance of the other enhanced prudential standards and early remediation requirements in the 165/166 NPR. It remains to be seen whether other aspects of the FRB’s 165/166 NPR, such as the corporate governance and single counterparty credit limit rules, also will be finalized separately.

I. ANNUAL SUPERVISORY AND SEMI-ANNUAL COMPANY-RUN STRESS TESTS FOR LARGE BHCS AND DESIGNATED SIFIS

Scope

As noted above, the Stress Test Rules apply to Large BHCs and Designated SIFIs—that is, Covered Companies. They do not currently apply to foreign banking organizations (“FBOs”) themselves. The FRB, however, anticipates issuing separate proposals for comment on enhanced prudential standards, including stress test requirements, for FBOs at a later date. Nevertheless, these requirements will apply
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to U.S.-domiciled subsidiaries of FBOs currently relying on the FRB’s Supervision and Regulation Letter SR 01-1 (“SR 01-1”) starting in 2015.10

Effective Dates
Under the Stress Test Rules, SCAP BHCs are subject to the supervisory and company-run stress test requirements under the Stress Test Rules beginning November 15, 2012 for company-run stress tests and capital plans that must be submitted to the FRB by January 5, 2013.11 Large BHCs that are not SCAP BHCs are subject to these stress test requirements beginning in the fall of 2013 for company-run stress tests and capital plans that must be submitted to the FRB by January 5, 2014.12 A BHC that becomes a Covered Company after November 15, 2012 is not required to conduct its first company-run stress test or be subject to with the requirements of the Annual Supervisory Stress Test Rule until the calendar year after the year in which it becomes a Covered Company.13

A company that becomes a Designated SIFI must comply with the Stress Test Rules the calendar year after the year in which the company first becomes subject to the FRB’s minimum regulatory capital requirements.14 The Stress Test Rules grant the FRB discretion to extend the effective date for Large BHCs and accelerate it for Designated SIFIs.

The delay in the effective date for Large BHCs that are not SCAP BHCs is a change from the 165/166 NPR, which would have required all Covered Companies to comply with these stress test requirements in late 2012. The 165/166 NPR also would have required a BHC that becomes a Covered Company after November 15, 2012 to comply with the requirements of the Stress Test Rules in the same calendar year if it became a Covered Company no less than 90 days before September 30 of that year.

Stress Scenarios
The Stress Test Rules require a minimum of three different sets of economic and financial conditions, including baseline, adverse and severely adverse scenarios, to be used by the FRB when conducting supervisory stress tests and by Covered Companies when conducting their annual company-run stress test.15

Except as discussed below, under the Semi-Annual Company-Run Stress Test Rule, the FRB will provide Covered Companies baseline, adverse and severely adverse scenarios no later than November 15 of each year to be used in their annual company-run stress test.16 However, the FRB will not provide scenarios to Covered Companies for the mid-year company-run stress tests. Instead, Covered Companies must develop their own three sets of scenarios, including a baseline, adverse and severely adverse scenario, reflecting the Covered Company’s unique vulnerabilities and risk profiles.17 The FRB indicates that it will use the same scenarios for its supervisory stress tests as Covered Companies will use for their annual company-run stress tests.
The Stress Test Rules define the term “scenario” and elaborate upon the conditions to be used in the supervisory and annual company-run stress tests as follows:

- “Scenario” means those sets of conditions that affect the U.S. economy or the financial condition of a Covered Company that the FRB annually determines are appropriate for use in the stress tests, including, but not limited to, baseline, adverse and severely adverse.

- “Baseline Scenario” means a set of conditions that affect the U.S. economy or the financial condition of a Covered Company and reflect the consensus views of the economic and financial outlook. The baseline will reflect the macroeconomic outlook based on the consensus views of professional forecasters, government agencies and other public-sector organizations.

- “Adverse Scenario” means a set of conditions that affect the U.S. economy or the financial condition of a Covered Company that are more adverse than those associated with the baseline scenario and may include trading or other additional components. At a minimum, the adverse scenarios will include economic variables consistent with mild or moderate recessions.

- “Severely Adverse Scenario” means a set of conditions that affect the U.S. economy or the financial condition of a Covered Company and that overall are more severe than those associated with the adverse scenario and may include trading or other additional components. At a minimum, the severely adverse scenario will include economic variables consistent with severe post-war U.S. recessions.

The FRB indicates that it may modify these scenarios to reflect the characteristics of a particular company or economic climate. For instance, under the Stress Test Rules, a Covered Company with significant trading activity, as determined by the FRB and evidenced by the company’s FR Y-14A, FR Y-14Q and FR Y-14M (collectively, “Form FR Y-14”), may be required to include a global market shock component in the adverse and severely adverse scenarios of the stress test that measures potential stress losses from trading activities and counterparty exposures, which will be communicated to the Covered Company by December 1. The Annual Supervisory Stress Test Rule also allows the FRB to use other components of the scenarios or additional scenarios in its analysis that will be communicated to the Covered Company by December 1. Similarly, the Semi-Annual Company-Run Stress Test Rule allows the FRB to require a Covered Company to use one or more additional components in its adverse and severely adverse scenarios or additional scenarios for both its annual and mid-year company-run stress tests based on the company’s financial condition, size, complexity, risk profile, scope of operations or activities, or risks to the U.S. economy. The FRB will use notice and response procedures for the additional components or scenarios in the company-run stress test and communicate the as-of date and a description of the component or scenario to the Covered Company no later than December 1.

The FRB, however, generally rejected suggestions by commenters to tailor scenarios for Designated SIFIs in certain industries, indicating that a general uniform set of scenarios is necessary to provide a basis for comparison across companies. Commenters expressed concern about applying the Stress Test Rules to Designated SIFIs and requested the FRB either to tailor further the requirements for Designated SIFIs in the final rule or issue a separate rule for these companies. In response, the FRB did indicate that
it may tailor the application of the enhanced standards, including stress test requirements, to Designated SIFIs on an individual basis or by category, as appropriate.  

Company-Run Stress Test Methodology

Under the Semi-Annual Company-Run Stress Test Rule, for both annual and mid-year stress tests, Covered Companies must estimate for each scenario to be used:

- Losses, pre-provision net revenue, provision for loan and lease losses and net income; and
- The potential impact on pro forma regulatory capital levels and pro forma capital ratios, incorporating the effects of any capital actions over the planning horizon and maintenance of an allowance for loan losses appropriate for credit exposures throughout the planning horizon.

The Semi-Annual Company-Run Stress Test Rule also requires a Covered Company to make certain assumptions regarding its capital actions over the nine quarter planning horizon in conducting its annual and mid-year stress tests. For the first quarter, the Covered Company must consider its actual capital actions as of the end of the calendar quarter. For the second through ninth quarters of the planning horizon, the Covered Company must include the following assumptions in its projections of capital:

- Common stock dividends equal to the quarterly average dollar amount of common stock dividends that the company paid in the previous year;
- Payments on any other instrument eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated assumption dividend, interest or principal due on such instrument during the quarter; and
- An assumption of no redemption or repurchase of any capital instrument that is eligible for the inclusion in the numerator of a regulatory capital ratio.

These assumptions were added to the Semi-Annual Company-Run Stress Test Rule in response to commenters who requested an approach utilizing a uniform set of assumptions of capital actions across BHCs.

Supervisory Stress Test Methodology

Under the Annual Supervisory Stress Test Rule, the FRB will use its own models to evaluate whether each Covered Company has the capital, on a total consolidated basis, necessary to continue operating under the economic and financial market conditions of each scenario. The FRB’s analysis will include an assessment of the projected losses, net income, and pro forma capital levels and regulatory capital ratio, tier 1 common ratio and other capital ratios for the Covered Company and use such analytical techniques the FRB determines to be appropriate to identify, measure and monitor risks of the Covered Company that may affect the financial stability of the United States.

Neither the Annual Supervisory Stress Test Rule nor the preamble thereto commits the FRB to provide additional meaningful details concerning the methodology and models to be used in supervisory stress tests despite the request from many commenters for greater clarity with respect to the application of the supervisory stress test models and increased transparency of the FRB’s analysis, modeling techniques.
and assumptions used to analyze Covered Companies. Commenters’ concerns focused on the substantial differences, using the same scenarios, between results produced by bank models and those produced by supervisory models. The preamble to the Stress Test Rules does note, however, that the FRB is still considering methods to increase transparency while being careful not to eliminate the incentives for companies to develop better internal stress test models.

In addition, the FRB notes that it has established an independent internal model validation group to review supervisory models and their implementation, which is intended to foster continuing improvements in supervisory modeling practices. The FRB has also formed the Model Validation Council, composed of independent, external experts to improve the quality of the FRB’s model validation process and strengthen confidence in the FRB’s stress tests.29

**Reporting of Results to the FRB**

Under the Semi-Annual Company-Run Stress Test Rule, Covered Companies must file reports of results with the FRB by January 5 of each year, reflecting data as of September 30 of the previous year.30 The reports should contain information reporting the results of the annual company-run stress test and will assist the FRB in conducting its supervisory stress tests. This information is collected on a single set of regulatory reports, Form FR Y-14, which contains information that the FRB has determined is necessary in order for the FRB to derive the relevant pro forma estimates of a Covered Company over the planning horizon both for the Stress Test Rules and the FRB’s Capital Plan Rule.

Reports for mid-year company-run stress tests must be submitted by July 5 of each year, reflecting data as of March 31 of that same year. The FRB expects this report will be identical to or modeled on the FR Y-14A and will seek public comment on it. Echoing the general concerns of commenters, the FRB notes that the timing of these reports coincides with the Capital Plan Rule and is intended to minimize the burden on institutions and avoid duplication. The FRB also indicates in the preamble that it expects to apply Form FR Y-14 to a Designated SIFIs upon such company’s designation. The confidentiality of any information submitted to the FRB for the supervisory and company-run stress tests will be determined in accordance with the FRB’s rules regarding public availability of information.31

In addition, as necessary, the FRB may require the submission of additional information to enable the FRB to conduct its supervisory stress test and to project a company’s losses, pre-provision net revenue, provision for loan and lease losses, pro forma capital levels, regulatory capital ratios and tier 1 common ratio under the scenarios provided.32

**Public Disclosure of Supervisory and Company-Run Stress Test Results**

Dodd-Frank and the Stress Test Rules require the FRB to publicly disclose a summary of its annual supervisory stress test for each Covered Company, and for Covered Companies to publicly disclose a summary of their company-run stress tests.33 Covered Companies must disclose a summary of their annual stress tests results in the period beginning March 15 through March 31 of each year and their mid-
year stress test results in the period beginning September 15 through September 30 of each year. As a practical matter for public reporting companies, these periods roughly correspond to traditional pre-quarter end "black-out" periods. The FRB must disclose a summary of its results under the supervisory stress test by March 31 of each year. These disclosure dates are earlier in the calendar than FRB practice under the Comprehensive Capital Analysis and Review ("CCAR") and SCAP. The timing creates a number of difficult issues relating to the quarterly earnings statements, the potential differences between the company-run and regulatory stress test results, and "window" and "black-out" periods for trading in securities of the Covered Company and the offering of securities by the Covered Company.

For the company-run stress tests, Covered Companies are required under the Semi-Annual Company-Run Stress Test Rule to publicly disclose only the results under the severely adverse scenario and to include the following minimum disclosure:

- A description of the types of risks included in the stress test;
- A general description of the methodologies used in the stress test, including those employed to estimate losses, revenues, provision for loan and lease losses and changes in capital positions over the planning horizon;
- Estimates of: (i) pre-provision net revenue and other revenue; (ii) provision for loan and lease losses, realized losses or gains on available-for-sale and held-to-maturity securities, trading and counterparty losses and other losses or gains; (iii) net income before taxes; (iv) loan losses in the aggregated and by subportfolio; and (v) pro forma regulatory capital ratios and the tier 1 common ratio and any other capital ratios specified by the FRB; and
- An explanation of the most significant causes for the changes in regulatory capital ratios and the tier 1 common ratio.

The Semi-Annual Company-Run Stress Test Rule also requires a Covered Company to disclose changes in its regulatory capital ratios and any other capital ratios specified by the FRB of its depository institution subsidiary that are Covered Institutions over the planning horizon, including an explanation of the most significant causes for the changes in regulatory capital ratios. This disclosure generally satisfies the publication requirements for these Covered Institutions as further discussed in Part II below.

For the supervisory stress tests, the FRB indicates in the preamble that for stress tests conducted in 2012 it will limit public disclosure of the results to the severely adverse scenario only. When reporting on the results of the severely adverse scenario, the FRB indicates that it will disclose information about a company’s revenue, losses and gains, net income before taxes, loan losses, and pro forma regulatory and other capital ratios. The FRB acknowledges commenters’ concerns that the publication of the baseline scenario could be perceived as earnings guidance. However, the FRB intends, as it implements the supervisory and company-run stress test requirements for Covered Companies, to evaluate whether public disclosure of the results of the adverse and baseline scenarios would assist in informing the Covered Company and market participants about the condition of the banking organization. Thus, it expects periodically to revisit the scope of disclosure and may choose to disclose, or require Covered Companies to disclose, the results of the adverse and baseline scenarios in the future.
Furthermore, the FRB rejected requests from commenters to institute a formal appeals process to allow Covered Companies to dispute the FRB’s findings under the supervisory stress tests prior to their publication. By appealing the FRB’s findings, commenters had argued, companies could defend their internally conducted stress tests and explain any differences between FRB and company-run results. The Annual Supervisory Stress Test Rule does not include an appeals process, failing to address concerns regarding mid-course correction and discussions with the FRB prior to disclosure. The FRB contends that its models and assumptions are consistent across all companies.

Management and Board Oversight of the Company-Run Stress Test Process
The Semi-Annual Company-Run Stress Test Rule imposes responsibility on the board of directors and senior management of each Covered Company to establish and maintain a system of controls, oversight and documentation for each company’s stress tests to ensure effective compliance with the FRB’s regulations. Under the Semi-Annual Company-Run Stress Test Rule, senior management must ensure the establishment of company policies outlining the practices and methodologies of their institution in compliance with stress test requirements. The board of directors or a committee thereof must review and approve these policies and procedures at least once a year. In addition, stress test results must be given to the board of directors and senior management.

Under the Stress Test Rules, the board of directors and senior management must consider the results of the semi-annual stress test and the analysis conducted by the FRB in the supervisory stress tests in their decision making, including: (i) as part of the company’s capital plan, including contemplating changes to the company’s capital structure; (ii) in assessments of the company’s exposures, concentrations and risk positions; and (iii) in the development and implementation of any plans for recovery or resolution. Each Covered Company also is required under the Annual Supervisory Stress Test Rule to update its resolution plan, as the FRB determines appropriate based on the FRB’s analysis of the company under the rule.

These revised final provisions are in response to the requests of several commenters to the FRB to clarify the role of the board of directors and senior management in overseeing the company-run stress test process.

Coordination Among Agencies
The Annual Supervisory Stress Test Rule explicitly provides that the FRB will coordinate with the other Agencies and the Federal Insurance Office, as appropriate, in conducting the analysis required under that rule. In addition, the FRB indicates that it plans to consult with the OCC and FDIC when developing scenarios for supervisory and company-run stress tests.

Moreover, as noted above, the Semi-Annual Company-Run Stress Test Rule requires Covered Companies with a Covered Institution that is a depository institution as a subsidiary to disclose the subsidiary’s stress test results as part of the Covered Company’s own disclosure. Disclosure by a BHC...
II. ANNUAL COMPANY-RUN STRESS TEST RULES

The Agencies’ Annual Company-Run Stress Test Rules are not technically joint rules but, with a few exceptions noted below, are substantially similar in scope, application and requirements.

Scope
Covered Institutions to which the Annual Company-Run Stress Test Rules apply comprise the following (listed according to their primary federal regulator):

- FDIC: FDIC-insured state non-member banks and state-chartered savings associations;
- OCC: national banks and federal savings associations; and
- FRB: BHCs that are not Covered Companies (that is, not Large BHCs or Designated SIFIs), state member banks and SLHCs.

The Annual Company-Run Stress Test Rules do not currently apply to FBOs or federal branches or agencies of foreign banks. The FRB notes that it expects to issue a separate rulemaking on the application of enhanced prudential standards, including stress tests, to FBOs at a later date. These requirements will, however, apply to a U.S.-domiciled BHC subsidiary of a FBO with total consolidated assets of $10 billion or more, but not until October 1, 2015. One notable difference in the OCC’s Annual Company-Run Stress Test Rule from that of the other Agencies is that it includes reserved authority for the OCC, where, as a supervisory matter, it believes it is important for an institution with assets of less than $10 billion to conduct a stress test, to designate such national bank or federal savings association as a Covered Institution. The OCC’s Annual Company-Run Stress Test Rule also reserves the right for the OCC to exempt Covered Institutions from its requirements entirely to the degree consistent with Dodd-Frank.40 The FRB’s and FDIC’s Annual Company-Run Stress Test Rules do not contain a similar reservation of authority, although, as a practical matter, they may otherwise be able to achieve the same result through the prudential supervisory process.

Coordination Among Agencies
The Annual Company-Run Stress Test Rules use a uniform definition of “stress test” that is consistent with the definition in the Semi-Annual Company-Run Stress Test Rule. Under the Annual Company-Run Stress Test Rules, a stress test means a process to assess the potential impact of scenarios on the consolidated earnings, losses and capital of a Covered Institution over the planning horizon, taking into account the Covered Institution’s current condition, risks, exposures, strategies and activities.41 For the OCC, this definition is a change from that included in its NPR. The OCC modified the definition in its Annual Company-Run Stress Test Rule to include the impact on consolidated earnings and losses and
deleted the term “material” qualifying the risks taken into consideration in response to comments requesting its definition be consistent with those of the other Agencies.

As discussed in Part I above, a number of commenters expressed concerns about the need for consistency and coordination between the Agencies in implementing the annual company-run stress test requirements and generally suggested that the Agencies should seek comparability on their respective stress test requirements and resolve some of the key differences between their respective NPRs to ensure consistent and comparable stress testing for all Covered Institutions and to minimize regulatory burden.

The Agencies also attempted to address concerns regarding consistency and coordination in the following other ways:

- Each Agency’s preamble includes assurances that the Agency worked closely with the other Agencies and Federal Insurance Office to ensure that the standards in the Annual Company-Run Stress Test Rules are consistent and comparable in the areas of scope of application, scenarios, data collection and reporting and disclosure.
- The preambles also indicate that the Agencies intend to continue to coordinate with one another on the development of stress scenarios. In this regard, the FRB indicates in the preamble to its rule that it plans to develop scenarios each year in close consultation with the FDIC and OCC so that, to the greatest extent possible, a common set of scenarios can be used across various covered institutions within the same organizational structure. The OCC’s preamble indicates that, absent specific supervisory concerns, the OCC anticipates that its annual stress test scenarios will be identical for all of its supervised Covered Institutions and will be the same or nearly identical to the scenarios the FRB develops under the supervisory stress tests.
- With respect to shell holding companies with a single Covered Institution primarily regulated by the FDIC and OCC, the preambles for those Agencies indicate that the relevant regulator will coordinate with the FRB and communicate with the holding company and subsidiary on how to adequately address their respective stress test requirements to avoid duplicative requirements.

Nonetheless, although the preambles contain several statements of the Agencies’ intent to coordinate on company-run stress test requirements, the reservation of authority provisions in the Annual Company-Run Stress Test Rules provide the Agencies discretion to tailor the stress test requirements for any of their supervised Covered Institutions, including with respect to deadlines for stress test requirements, scenarios and assumptions and reporting and publication requirements.42

Effective Dates

The effective dates for the Annual Company-Run Stress Test Rules are summarized below:

- **Annual Company-Run Stress Test Requirements Are Applicable Immediately To:**43
  - national banks, savings associations and state non-member banks with average total consolidated assets of $50 billion or more; and
  - any state member bank with average total consolidated assets greater than $10 billion that is a subsidiary of a SCAP BHC.
Annual Company-Run Stress Test Requirements Are Delayed Until Fall of 2013 For:

- national banks, savings associations and state non-member banks with average total consolidated assets of less than $50 billion;
- BHCs with average total consolidated assets of less than $50 billion (other than U.S.-domiciled BHC subsidiaries of FBOs relying on SR 01-1 for which implementation begins 2015); and
- state member banks with average total consolidated assets greater than $10 billion (other than state member bank subsidiaries of SCAP BHCs).

In addition, an institution that becomes a Covered Institution (that is, meets the $10 billion dollar average total consolidated asset threshold) after the appropriate effective date of the Annual Company-Run Stress Test Rules must comply with the requirements of the Annual Company-Run Stress Test Rules and conduct its stress test beginning in the calendar year after the year in which the institution becomes a Covered Institution. 44

Under the FRB’s Annual Company-Run Stress Test Rule, a SLHC will not be required to conduct its first stress test until after it is subject to minimum capital requirements. 45 If the SLHC meets the $10 billion dollar average total consolidated asset threshold at that time, it must comply with the annual stress test requirements the year after it becomes subject to those capital requirements. If the SLHC meets the threshold after those capital requirements are imposed on SLHCs, the FRB’s preamble indicates that such SLHC must comply with the annual stress test requirements in the year after it meets the threshold. The text of the Annual Company-Run Stress Test Rule, however, states that it must comply with the requirements in the year after it becomes subject to minimum capital requirements. 46 This may be a scrivener’s error, and it is not unreasonable to expect that the FRB may very well intend such SLHCs to begin complying with the company-run stress test requirements the year after they meet the threshold.

The delay in the implementation date for certain Covered Institutions based on size or characteristics is a significant change from the NPRs, which proposed implementing the stress test requirements for all Covered Institutions in late 2012. The FDIC and FRB also changed the requirements for institutions that become Covered Institutions after the effective date of the Annual Company-Run Stress Test Rules from their NPRs, which would have required such institutions to begin stress testing in the same calendar year if they became Covered Institutions no less than 90 days before September 30 of that year. The Agencies also have retained the authority under the Annual Company-Run Stress Test Rules to delay the application of these requirements on a case-by-case basis. 47

Timeline of Company-Run Stress Test Requirements

The Annual Company-Run Stress Test Rules require Covered Institutions to conduct annual stress tests using financial data as of September 30 and scenarios provided by the Agencies, report the results of their stress tests to their primary federal regulatory agency and the FRB and publish a summary of those results. Agencies will distribute the scenarios to all covered institutions no later than November 15 of

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each year. This will provide Covered Institutions for which the rules apply in the fall of 2012 approximately seven weeks prior to the date by which these institutions must report the results of their annual stress tests, which the Agencies indicate, based on their supervisory experience with these institutions, should provide adequate time for these institutions to carry out the required stress tests.

The timeline for completing stress tests, reporting stress test results and publicly disclosing a summary of those results is summarized below:

- **Stress Test Conducted and Reported by January 5; Publicly Disclosed March 15–March 30:**
  - national banks, savings associations and state non-member banks with average total consolidated assets of $50 billion or more;
  - state member banks with average total consolidated assets greater than $10 billion that are subsidiaries of Large BHCs (regardless of whether they participated in SCAP); and
  - SLHCs with average total consolidated assets of $50 billion or more.

- **Stress Test Conducted and Reported by March 31; Publicly Disclosed June 15–June 30:**
  - national banks, savings associations and state non-member banks with average total consolidated assets of greater than $10 billion but less than $50 billion;
  - BHCs and SLHCs with average total consolidated assets of greater than $10 billion but less than $50 billion; and
  - state member banks with average total consolidated assets greater than $10 billion (other than state member bank subsidiaries of Large BHCs).

The Annual Company-Run Stress Test Rules also permit Covered Institutions with holding companies subject to the Annual Company-Run Stress Test Rules to report their stress test results under the same timeline as their parent holding company. The OCC and FRB Annual Company-Run Stress Test Rules also allow a state member bank, national bank and federal savings association, as applicable, that is a subsidiary of a holding company subject to company-run stress test requirements to rely on systems and models of its parent holding company if the parent’s systems and models fully capture the institution’s risks (for example, the parent and subsidiary can use the same date collection processes, methods and models).

With respect to the initial public disclosure requirements, Covered Institutions with average total consolidated assets of less than $50 billion are not required to publicly disclose a summary of their results under the Annual Company-Run Stress Test Rules until the 2014 stress test (with public disclosure to be made in 2015). This delays implementation of the initial public disclosure requirements for all BHCs covered by the FRB’s Annual Company-Run Stress Test Rule. National banks, savings associations and non-member banks with average total consolidated assets over $50 billion are expected to begin public disclosure in 2013 of a summary of the results of their 2012 stress test. State member banks with $50 billion or more of average total consolidated assets that are subsidiaries of SCAP BHCs also will begin initial public disclosure in 2013 of a summary of the results of their 2012 stress tests. All other state
member banks with $50 billion or more of average total consolidated assets will begin public disclosure in 2014 of a summary of the results of their 2013 stress tests.

The delay in the timeline for reporting and public disclosure of annual company-run stress tests for certain Covered Institutions is a significant departure from the NPRs, which would have required all reports be made by January 5 of each year and disclosures be made in early April of each year.

Nonetheless, despite requests from several commenters to push up the date on which scenarios are distributed, consistent with the Annual Supervisory Stress Test Rule, the Agencies insist on distributing the scenarios to all Covered Institutions no later than November 15 of each year. This date, the Agencies purport, allows alignment of the development and issuance of the scenarios in coordination with one another, and avoids scenarios becoming stale in the ever-changing regulatory environment. For the OCC, this is a change from its NPR, which indicated that the OCC would release scenarios in mid-October.

Scenarios and Methodologies
As noted above, the Annual Company-Run Stress Test Rules require Covered Institutions to conduct their annual stress test using at a minimum three scenarios provided by the Agencies—baseline, adverse and severely adverse. The FRB’s Annual Company-Run Stress Test Rule, like the Stress Test Rules, includes definitions of “scenario,” “baseline scenario,” “adverse scenario” and “severely adverse scenario” consistent with the definitions in the Stress Test Rules described in Part I. The FDIC’s rule adopts consistent definitions of these terms in its Annual Company-Run Stress Test Rule. The OCC’s rule, however, includes only the definition of “scenario.”

The Agencies reserve authority to require a Covered Institution to use different or additional scenarios as they deem appropriate. In this regard, the Annual Company-Run Stress Test Rules, like the Stress Test Rules, grant the Agencies discretion to include a trading and counterparty component in stress tests for Covered Institutions with significant trading activity, as determined by the Agencies, and, with respect to FRB-supervised Covered Institutions, specified on Form FR Y-14. The FRB’s Annual Company-Run Stress Test Rule also allows the FRB to impose this component on a state member bank subject to the FRB’s market risk rule and that is a subsidiary of a Large BHC subject to this component under the Semi-Annual Company-Run Stress Test Rule. Any such component will be communicated by the Agencies to the Covered Institution no later than December 1. In addition, the Agencies may require a Covered Institution to include additional scenarios or components in its adverse and severely adverse scenarios based on relevant factors, including the nature and level of the activities, complexity, risks, operations and financial position of the Covered Institution.

Furthermore, Covered Institutions must comply with certain methodologies and practices in completing their company-run stress tests. The Annual Company-Run Stress Test Rules require Covered Institutions to use a planning horizon of at least nine quarters over which the impact of specified scenarios would be
For each quarter end, Covered Institutions must calculate losses, pre-provision net revenues, net income, provision for loan and lease losses and the potential impact on their capital levels and regulatory capital ratios. The FRB's Annual Company-Run Stress Test Rule requires Covered Institutions to use the same assumptions regarding their capital actions over the planning horizon as required by the Stress Test Rules, as discussed in Part I. The OCC's and FDIC's Annual Company-Run Stress Test Rules do not contain similar provisions providing such assumptions.

The Agencies rejected requests from several commenters to allow Covered Institutions to use their own internally generated scenarios and indicate in the Annual Company-Run Stress Test Rules that all Covered Institutions should use the same set of scenarios so that the results are more directly comparable. The OCC and FDIC did respond to commenters' requests for input into the development of scenarios, however, by indicating that they anticipate seeking comment on the procedures to be used by the Agencies in the development of the scenarios.

Management and Board Oversight of the Stress Test Process

The Annual Company-Run Stress Test Rules contain the same provisions on senior management controls and board of directors' oversight of the annual company-run stress test process for Covered Institutions as the Semi-Annual Company-Run Stress Test Rule contains for Covered Companies described in Part I. In addition, the Annual Company-Run Stress Test Rules require the board of directors and senior management of a Covered Institution to consider the results of stress tests in the normal course of business, including, but not limited to, capital planning, assessment of capital adequacy and risk management practices. These provisions were adopted in response to commenters’ requests for further clarification of the role of the board of directors and senior management in the stress test process.

Reporting

The Annual Company-Run Stress Test Rules require all Covered Institutions to report results of company-run stress tests to their primary federal regulatory agency and the FRB under the timelines described above and in the manner and form required by the Agencies.

The FDIC and OCC recently proposed reporting templates for Covered Institutions with $50 billion or more of total consolidated assets for which they are the primary federal regulatory agency. Recognizing that these institutions’ stress tests will be applied to more complex portfolios and, therefore, warrant a broader set of reports to adequately capture the stress tests results, these Agencies also indicate in their preambles that they will work together and propose more simplified and separate reporting templates for their Covered Institutions with under $50 billion of total consolidated assets. The FDIC and OCC reserve the right, however, to require such institutions to use the templates for their larger Covered Institutions and, on a case-by-case basis, to allow simplified reporting for any of their Covered Institutions. The FRB has not yet proposed reporting templates for its Covered Institutions, but indicates that it...
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expects to tailor any data schedules for its Covered Institutions with total consolidated assets of less than $10 billion in order to reduce the reporting burden. 68

Until a reporting form is issued, the FRB’s Annual Company-Run Stress Test Rule requires its Covered Institutions to report certain information. Similarly, the FDIC’s Annual Company-Run Stress Test Rule mandates its Covered Institutions to include certain information in its reports, notwithstanding that the FDIC has proposed reporting templates for its larger Covered Institutions. Reports under the FDIC’s and FRB’s Annual Company-Run Stress Test Rules must include the following:

- A description of the types of risks being included in the stress test;
- A summary description of the methodologies used in the stress test;
- Estimates of aggregate losses, pre-provision net revenue, provision for loan and lease losses, net income, and pro forma capital ratios (including regulatory and any other capital ratios specified by the FRB or FDIC, as applicable); and
- An explanation of the most significant causes for the changes in regulatory capital ratios. 69

These minimum reporting requirements are a change from the Agencies’ NPRs, which did not describe the content of the required reports. The OCC’s Annual Company-Run Stress Test Rule does not include such reporting requirements.

The OCC’s rule does, however, contain a difference with respect to confidential treatment of stress test reports submitted to it by its supervised Covered Institutions. It expressly provides that the annual stress test report and any other supplemental information the OCC may require will be confidential and exempt from disclosure under the Freedom of Information Act as confidential supervisory information. 70 The FDIC and FRB Annual Company-Run Stress Test Rules, on the other hand, do not explicitly ensure confidentiality of information submitted to those Agencies under the Annual Company-Run Stress Test Rules and instead indicate that the confidentiality of these materials will be determined in accordance with applicable law, including any available exemptions under the Freedom of Information Act, and those Agencies’ rules and regulations regarding disclosure of information. 71

Public Disclosure of Stress Test Results

Consistent with the Annual Supervisory Stress Test Rule, the Annual Company-Run Stress Test Rules require Covered Institutions to publicly disclose results under only the severely adverse scenario. Each of the Agencies also mandates in its Annual Company-Run Stress Test Rule certain minimum disclosures under the severely adverse scenario, which is the same information listed above that the FRB and FDIC require their Covered Institutions to report in their reports to the FRB and, as applicable, FDIC for each of the three scenarios. This information also is generally consistent with the minimum public disclosure required of Covered Companies under the Stress Test Rules. 72 Although the FRB indicates it may revisit its decision to limit disclosure to the severely adverse scenario only, the OCC and FDIC have not made similar suggestions in the preambles of their respective final rules.
The Annual Company-Run Stress Test Rules also permit a Covered Institution that is a depository institution and subsidiary of a BHC or SLHC subject to the Stress Test Rules to satisfy its disclosure requirement by publishing a summary of its stress test results with its parent’s summary. In this regard, the Annual Company-Run Stress Test Rules allowCovered Institutions electing to satisfy their public disclosure requirements in this manner to include abbreviated disclosure, which includes a summary of changes in regulatory capital ratios and any other capital ratio specified by the Agency over the planning horizon, and an explanation of the most significant causes for the changes in regulatory capital ratios.\textsuperscript{73} The Agencies, however, reserve the right to require additional disclosures if they believe disclosures at the holding company level are not adequate.

The limitation in the Annual Company-Run Stress Test Rules of public disclosure to the severely adverse scenario only is a significant change from the Agencies' NPRs that was made in response to several commenters’ concerns about the publication of detailed stress test results. The Agencies also addressed commenters’ concerns about duplicative requirements and requests for better coordination by allowing certain Covered Institutions to satisfy their publication requirements through their parent holding companies as discussed above.

III. HYPOTHETICAL EXAMPLES

The application and interaction of various components of the Stress Test Rules and Annual Company-Run Stress Test Rules are rather complex. In order to better illustrate how the rules would affect a BHC and its depository institution subsidiaries in various circumstances, we are including the following examples:

Example No. 1: A BHC that did not participate in SCAP with less than $50 billion in average total consolidated assets and a national bank subsidiary with less than $50 billion in average total consolidated assets.

- **Supervisory Stress Test:** Not applicable.

- **Annual Company-Run Stress Test:** The BHC is not subject to company-run stress test requirements until fall of 2013. The BHC must conduct its annual stress test using data as of September 30, 2013 and scenarios to be provided by the FRB by November 15, 2013. The BHC must complete its stress test and report its results to the FRB by January 5, 2014. The BHC is not required to publicly disclose the results of the 2013 stress test. Public disclosure requirements begin with the 2014 company-run stress test, and a summary of the results of the severely adverse scenario must be disclosed during the period March 15 through March 31, 2015.

- **Mid-Year Company-Run Stress Test:** Not applicable.

- **Covered Institution Annual Company-Run Stress Test:** The national bank subsidiary of the BHC is not subject to company-run stress test requirements until 2013. The national bank subsidiary will conduct its first stress test using data as of September 30, 2013 and scenarios to be provided by the OCC by November 15, 2013. The national bank subsidiary has more time than its parent BHC to complete its stress test. It must complete its stress test and report the results to the OCC and FRB by March 31, 2014. The national bank subsidiary is not required to publicly disclose the results of the 2013 stress test. Public disclosure requirements begin with the 2014 company-run stress test, and a
In this example, even though the national bank subsidiary has more time than its parent to conduct and report the results of its company-run stress test, the subsidiary is authorized under the OCC’s Annual Company-Run Stress Test Rule to conduct its stress test on the same timeline, and using the same systems and methods, as its parent BHC. Thus, the national bank subsidiary can choose to complete its stress test and report its results by January 5, 2014 instead of March 31, 2014. In addition, once public disclosure requirements apply (in 2015 for the 2014 company-run stress test), the national bank subsidiary may satisfy that requirement by publishing an abbreviated disclosure with its parent BHC’s summary.

Example No. 2: A BHC that participated in SCAP with over $50 billion in average total consolidated assets and a state member bank subsidiary with less than $50 billion in average total consolidated assets.

- **Supervisory Stress Test:** The BHC is subject to the FRB’s supervisory stress test starting fall 2012. The FRB will issue scenarios to the BHC by November 15, 2012. The FRB will communicate the results of its analysis under the supervisory stress test to the BHC, and publish a summary of its results under the severely adverse scenario by March 31, 2013.

- **Annual Company-Run Stress Test:** The BHC is subject to company-run stress test requirements starting fall 2012. The BHC must conduct its annual stress test using data as of September 30, 2012 and the same scenarios provided by the FRB for the supervisory stress test. The BHC must report its results to the FRB by January 5, 2013 and disclose a summary of its results under the severely adverse scenario during the period March 15 through March 31, 2013.

- **Mid-Year Company-Run Stress Test:** The BHC must conduct its mid-year stress test using data as of March 31, 2013 and scenarios that the BHC develops. The BHC must complete the stress test and reports its results to the FRB by July 5, 2013 and disclose a summary of its results under the severely adverse scenario during the period September 15 through September 30, 2013.

- **Covered Institution Annual Company-Run Stress Test:** The state member bank subsidiary is subject to company-run stress test requirements starting fall 2012. The state member bank subsidiary must conduct its annual stress test using data as of September 30, 2012 and scenarios to be provided by the FRB by November 15, 2012. The state member bank subsidiary must report its results to the FRB by January 5, 2013. The state member bank subsidiary is not required to publicly disclose the results of the 2013 stress test. Public disclosure requirements begin with the 2014 company-run stress test, and a summary of the results of the severely adverse scenario must be disclosed during the period March 15 through March 31, 2015.

In this example, because the BHC is a SCAP BHC, both the BHC and its state member bank subsidiary are required to comply with stress test requirements fall of 2012, even though the subsidiary has less than $50 billion in average total consolidated assets. If the subsidiary were a national bank or non-member bank, by contrast, its requirement to comply with the company-run stress test rules would be delayed until the fall of 2013. However, because the state member bank subsidiary has less than $50 billion in average total consolidated assets, the FRB’s Annual Company-Run Stress Test Rule delays the requirement to publicly disclose a summary of the subsidiary’s stress test results under the severely adverse scenario until the 2014 stress test, with the first disclosure in 2015. The FRB also allows state
member bank subsidiaries of BHCs subject to stress test requirements to satisfy that requirement by publishing an abbreviated disclosure with its parent’s summary.

Example No. 3: A BHC that did not participate in SCAP with over $50 billion in average total consolidated assets and a non-member bank subsidiary with over $50 billion in average total consolidated assets.

- **Supervisory Stress Test:** The BHC is not subject to the FRB’s supervisory stress test until fall 2013. The FRB will issue scenarios to the BHC by November 15, 2013. The FRB will communicate the results of its analysis under the supervisory stress test to the BHC, and publish a summary of its results under the severely adverse scenario, by March 31, 2014.

- **Annual Company-Run Stress Test:** The BHC is not subject to company-run stress test requirements until fall 2013. The BHC must conduct its annual stress test using data as of September 30, 2013 and the same scenarios provided by the FRB for the supervisory stress test. The BHC must complete its stress test and report its results to the FRB by January 5, 2014 and disclose a summary of its results under the severely adverse scenario during the period March 15 through March 31, 2014.

- **Mid-Year Company-Run Stress Test:** The BHC must conduct its mid-year stress test using data as of March 31, 2014 and scenarios that the BHC develops. The BHC must complete the stress test and report its results to the FRB by July 5, 2015 and disclose a summary of its results under the severely adverse scenario during the period September 15 through September 30, 2015.

- **Covered Institution Annual Company-Run Stress Test:** A non-member bank subsidiary is subject to company-run stress test requirements starting fall 2012. A non-member bank subsidiary must conduct its annual stress test using data as of September 30, 2012 and scenarios to be provided by the FDIC by November 15, 2012. The state member bank subsidiary must report its results to the FRB and FDIC by January 5, 2013 and disclose a summary of its results under the severely adverse scenario during the period March 15 through March 31, 2013.

In this example, because the BHC did not participate in SCAP, it is not subject to the supervisory or company-run stress test requirements until the fall of 2013 with its first report to the FRB of its results and public disclosure of a summary of those results beginning in 2014. However, because its subsidiary has over $50 billion in average total consolidated assets, the subsidiary must begin its company-run stress test this year and report its results and disclose a summary of those results in 2013, a year before its parent BHC. Nonetheless, the BHC is subject to the FRB’s Capital Plan Rule, which requires the BHC to submit its capital plan to the FRB in 2013, the disparity between the parent and subsidiary in this example in practice relates only to timing of public disclosure.

* * *

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ENDNOTES


4 On November 22, 2011, the FRB issued an amendment to its Regulation Y, known as the Capital Plan Rule, to require all U.S. Large BHCs to submit annual capital plans to the FRB to allow the FRB to assess whether they have robust, forward-looking capital planning processes and have sufficient capital to continue operations throughout times of economic and financial stress. Capital Plans, 76 Fed. Reg. 74631 (Dec. 1, 2011) (codified at 12 C.F.R. § 225.8). For additional information on the Capital Plan Rule, please refer to our Memorandum to Clients, dated November 29, 2011, “Bank Capital Plans—Federal Reserve Board Issues Final Rule Regarding Capital Plan and Formal Stress Test Requirements for Certain Large Bank Holding Companies”.

5 Final Joint Guidance on Stress Testing for Banking Organizations with More than $10 Billion in Total Consolidated Assets, 77 Fed. Reg. 29458 (May 17, 2012). The FRB also indicates in the preamble to the Annual Company-Run Stress Test Rule that it plans to issue supervisory guidance to provide more detail describing supervisory expectations for company-run stress tests that will be tailored to Covered Institutions with total consolidated assets of less than $50 billion.


10 See 12 C.F.R. §§ 252.133(a)(3); 252.143(a)(3). SR Letter 01-1 generally provides that a U.S. BHC that is owned and controlled by a foreign bank that is a financial holding company that the FRB has determined is “well capitalized” and “well managed” is not required to comply with the FRB’s capital adequacy guidelines. Section 171 of Dodd-Frank requires that, commencing July 21, 2015, these BHCs may no longer rely upon SR Letter 01-1.

11 12 C.F.R. §§ 252.133(a)(2); 252.143(a)(2).

12 Id. §§ 252.133(a)(1); 252.143(a)(1).

13 Id. §§ 252.133(b)(1); 252.143(b)(1).

14 Id. §§ 252.133(b)(2); 252.143(b)(2).
ENDNOTES (CONTINUED)

15. Id. § 252.134(b); 252.145(b).
16. Id. § 252.144(b)(1).
17. Id. § 252.145(b)(1).
18. Id. §§ 252.132(m); 252.142(o).
19. Id. §§ 252.132(a), (d), (n); 252.142(a), (d), (p).
20. Id. § 252.144(b)(2)(i). In a separate NPR, the FRB invited comment on its FR Y-14, Capital Assessments and Stress Testing Information Collection, 77 Fed. Reg. 40051 (July 6, 2012). The FR Y-14 is issued by Covered Companies to report the results of their annual company-run stress tests and to collect information for the FRB’s supervisory stress test as well as data from Large BHCs under the Capital Plan Rule.
21. Id. § 252.134(b).
22. Id. § 252.144(b)(2).
23. 77 Fed. Reg. at 62380.
24. 12 C.F.R. § 252.146(a). Under the Semi-Annual Company-Run Stress Test Rule, the planning horizon is defined as the period of at least nine quarters, beginning on the first day of a stress test cycle (October 1 or April 1, as appropriate) over which the relevant projections extend. Id. § 252.142(k).
25. Id. § 252.146(b).
26. Although somewhat unclear, the FRB’s Capital Plan Rule presumably would require the BHC to reflect all planned actions over the planning horizon for purposes of their required capital plan submission and 5% tier 1 common ratio minimum under stressed conditions. See 12 C.F.R. § 225.8(d)(2).
27. 77 Fed. Reg. at 62385.
30. 12 C.F.R. § 252.147(a)(1).
31. See generally 12 C.F.R. part 261; see also 5 U.S.C. § 552(b).
32. 12 C.F.R. § 252.135(b).
33. Id. §§ 252.136(c); 252.148(a).
34. Id. § 252.148(b).
35. 77 Fed. Reg. at 62387.
36. 12 C.F.R. § 252.146(c).
37. Id. §§ 252.146(c)(1)-(3).
38. Id. § 252.134(a)(3).
39. Id. § 252.148(b)(5).
40. Id. § 46.4(a).
41. Id. § 46.2.
42. Id. §§ 325.201(c) (FDIC); 252.154 (FRB); 46.4 (OCC).
The applicable effective date is October 9, 2012 (for OCC-supervised Covered Institutions); October 15, 2012 (for FDIC-supervised Covered Institutions), November 15, 2012 (for state member banks) and December 31, 2012 (for BHCs that are not Covered Companies).

12 C.F.R. §§ 325.203(b) (FDIC); 252.153(b), (c)(2) (FRB); 46.3 (OCC).

Id. § 252.153(c) (FRB).


12 C.F.R. §§ 252.153 (FRB); 46.3 (OCC).

Id. §§ 252.154(b)(1) (FRB); 46.5(b) (OCC).

See id. §§ 325.204(a), 325.207(a) (FDIC); 252.154(a)(1), (a)(2); 252.156(a)(1), (a)(2) (FRB); 46.7(a), (b); 46.8(a), (b) (OCC).

Id. §§ 325.203(d)(1) (FDIC); 252.157(b)(2) (FRB); 46.3(e) (OCC).

Id. §§ 252.157(b)(2) (FRB); 46.8(b) (OCC).

Id. §§ 325.207(a)(1) (FDIC); 252.157(a)(2) (FRB); 46.8(a) (OCC).

Id. §§ 325.204(b) (FDIC); 252.154(b)(1) (FRB); 46.5(b) (OCC).

Id. §§ 252.152(a), (e), (p).

Id. §§ 325.202(a), (c), (j).

Id. § 46.2.

Id. §§ 325.204(c) (FDIC); 252.154(b)(2) (FRB); 46.5(d) (OCC).

Id. § 154(b)(2); see also id. part 208, appendix E.

Id. §§ 252.154(2) (FRB); 46.4(b) (OCC).

Id. §§ 325.202(e) (FDIC); 46.6(b) (OCC).

Id. § 325.205(a).

Id. § 252.155(b).

77 Fed Reg. at 62418 (FDIC); 77 Fed Reg. at 61240 (OCC).

12 C.F.R. §§ 325.205(b) (FDIC); 252.155(c)(3) (FRB).

Id. §§ 325.206 (FDIC); 252.156 (FRB); 46.7 (OCC).


77 Fed. Reg. at 62402.

12 C.F.R. §§ 325.206(b) (FDIC); 252.156(b) (FRB).

See id. §§ 4.32(b); 46.7(c).

See 5 U.S.C. § 552(b); 12 C.F.R. §§ 325.206(c), part 309 (FDIC); 252.156(c), part 261 (FRB).

Id. §§ 325.207(c) (FDIC); 252.157(b) (FRB); 46.8(c) (OCC).

Id. §§ 325.207(b) (FDIC); 252.157(b)(2) (FRB); 46.3(e) (OCC).
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