Public Comments on Agency Information Collection Activities; Proposals, Submissions, and Approvals
FR Document Number: 2014-29418
Publish Date: 12/17/2014

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The changes to stress test templates are being made for multiple purposes: For consistency with Comprehensive Capital Analysis and Review (CCAR) reporting form FR Y-14A; to minimize burden on affected institutions; to provide information on DFAST-14A stress testing results; to be consistent with Basel III definitions of regulatory capital, minimum tier 1 capital requirements, and to provide information on supplementary leverage ratios. While the revised templates may provide such greater consistency, lesser burden, and agreement with Basel III definitions, the general complexity of the forms, while perhaps usable by informed computer analysts and consultants within the 4 affected banks, and some directly involved FDIC analysts with experience and knowledge of the sources and assumptions inherent in the scenarios and results, more readily apparent results could be provided by establishing flags and associated rankings, ordering, or pie charts to show the largest sources of risk, variation, and out-of-bound occurrences under the various scenarios.

That is, for the income statement or any equivalent to FR Y-14A.1.a Income Statement, having 139 line items from Real Estate loans (line 1) to Loans secured by Farmland (line 14) to Loans for purchasing or carrying securities (Line 38) to Loans to Foreign Governments (line 36) It might be useful to have, for each scenario, A) The ten largest items on the Income statement

B) The ten items most affected or changed by each Scenarios and C) The ten items, if any, closest to not meeting any Basel III requirement. This focuses attention on the items that are Significant, Changed under Adverse Circumstances, or At Risk compared to capital and reserve requirements. Alternate ways of presenting and highlighting the most significant information could also be considered. This would aid both FDIC analyst and leadership understanding of scenario results, as well as informing the management of each of the four reporting major banks on which line items regulatory attention might be focused.

Meanwhile the FDIC has recognized that some subsidiary data can be eliminated to reduce burdens. The notice indicates that the nine sub-asset categories of Domestic Residential Mortgage Backed Securities RMBS can be removed or combined.

While it is also acceptable to allow some flexibility in use of alternative methodologies for estimating losses relating to default of issuers and counterparties, the basis for assumptions, the maximum counter-party exposure (maximum Value at Risk or VAR) for losses potentially from issuers and counter-parties needs to be set forth somewhere, so that the potential risk described, as a percentage of maximum risk or VAR can be identified. Is the reporting entity suggesting under the most adverse scenarios that losses from counter-parties are 1, 3, 10 or 50% of the potential maximum exposure. Having information about the relative estimated counter-party risk will help judge the realism of these estimates. The assumptions which are used to derive any alternative methodologies should also be set forth.