Meeting between Federal Reserve Board and Federal Reserve Bank of New York Staff and Representatives of the Financial Services Roundtable and The ClearingHouse
August 6, 2013

Participants: Benjamin McDonough, Cynthia Ayouch, Kathleen Johnson, Kassandra Quimby, Kelly Grant, Micheline Casey, and Sandra Cannon (Federal Reserve Board); Brian Osterhus and Ken Lamar (Federal Reserve Bank of New York)

See Appendix A for a list of industry participants.

Summary: Staff from the Federal Reserve Board and Federal Reserve Bank of New York met with representatives and members of the Financial Stability Industry Council of the Financial Services Roundtable and a representative of The ClearingHouse to discuss the Federal Reserve's recent and ongoing data collection efforts, including the FR Y-14 series reporting forms. The attached agenda (Attachment A) and presentation (Attachments B) were distributed at the meeting and reflect the scope of items that were discussed. Attachment C (prepared by Federal Reserve staff) was discussed at the meeting but was not distributed to meeting participants.

Appendix A

Financial Stability Industry Council - Federal Reserve Data Working Group
Financial Services Roundtable
Attendance for August 6th Meeting with Federal Reserve Staff

Company	Name	
Ally	Jacob	Stone
Bank of the West	Randy	Nissen
BBVA Compass	Jason	Buchanan
BMO Harris Bank	Diana	Blevins
BNY Mellon	Karen	Ford
Citibank	Gerald R.	Gallucci
GE Capital	Karin	Burns
M&T Bank	Mary	Brennan
M&T Bank	Randall	Krolewicz
Regions	Tom	Bloetscher
SunTrust	Ameet	Shetty
SunTrust	Paul	McElvy
Union Bank	Mike	Zeffiro
Union Bank	Randy	Canfield
Protiviti	Mark	Whitecavage
Financial Services Roundtable	Rich	Whiting
The ClearingHouse	Brett	Waxman
Barnett, Sivon & Natter	Jim	Sivon
Wilson Consulting	Greg	Wilson

Attachment A

Attachment A

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Federal Reserve/FSIC FRY-14 Workshop
Financial Services Roundtable
1001 Pennsylvania Ave., NW, Suite 500 South
Washington, D.C.
August 6, 2012

</div>

10:00 a.m. **Welcome and Opening Remarks**

10:10 a.m. **Introduction of Micheline Casey, Chief Data Officer,**
Federal Reserve System

10:30 a.m. **Enhancing Two-way Communications between the Federal**
Reserve and FRY-14 Filers*

- FRY-14 – Disclaimer on proposed modifications and discussion of new instructions
- Formal communications – Examples of Frequently Asked Questions (Quarterly Wholesale, Retail, Supplemental; Monthly retail; Other Supplemental Schedules)
    - General questions
    - Technical questions
    - Data specific questions

- Informal interactions
    - Industry (e.g., conferences, work-shops)
    - Individual companies

Noon **Open Discussion on Issues of Mutual Interest**
– Working Buffet Lunch

1:00 p.m. **Resolving Edit Checks – Recurring Examples***
- Corporate schedule
- CRE schedule
- USSB schedule
- USOthCons schedule
- Auto schedule
- Others TBD

2:30 p.m. **Rationalizing Filing Timelines - Examples***

- Explanation of System Development Life Cycle (SDLC)
- Standard change requests
- Acquisitions: portfolios and companies
- Relation of FRY-14 to other regulatory filings (e.g., FRY 15)

Attachment A

3:30 p.m.   **Discussion of Potential Next Steps and Next Meeting**

4:00 p.m.   **Adjourn**

* Note: Each module will start with a brief presentation by the FSIC Working Group of specific examples to set the context for the discussion, followed by an open discussion, and then brain-storming on ways to improve the FRY-14 process

Attachment B
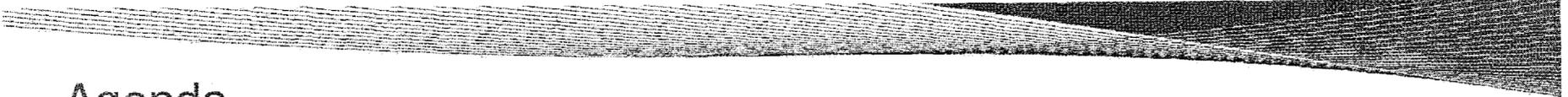
DISCUSSION GUIDE FOR FRY-14 DATA SUBMISSIONS

Communication Standards
Deadlines / Timelines
Edit Checks

Federal Reserve / Financial Service Industry
Council Working Meeting
August 6, 2013
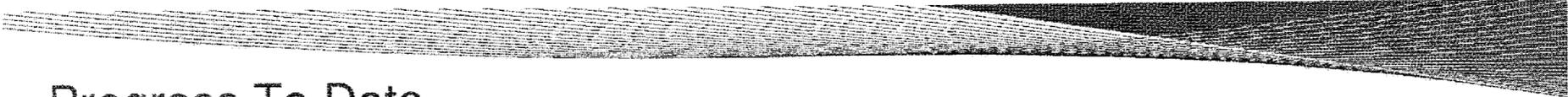
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Agenda

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Objectives for this Meeting	4
Communication Standards	5
Edit Checks	7
Deadlines / Timelines	11
Evaluation of Objectives / Next Steps	20

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Progress To Date

- **Meetings with the Federal Reserve**

  - FSIC Members and the Federal Reserve met on April 8th and April 19th to discuss initial themes and recommendations regarding the FRY-14 data submission.

  - Both groups agreed to an ongoing dialogue to improve the current process.

- **Current Discussion**

  - Discussion is focused on the three key themes previously highlighted:
    - Communication Standards
    - Deadlines / Timelines
    - Edit Checks

Objectives for this Meeting

To be Accomplished during this Meeting:

- Collaborative discussion

- Identify / agree on the issues to actively pursue

- Reach consensus on approach to resolve or address issues
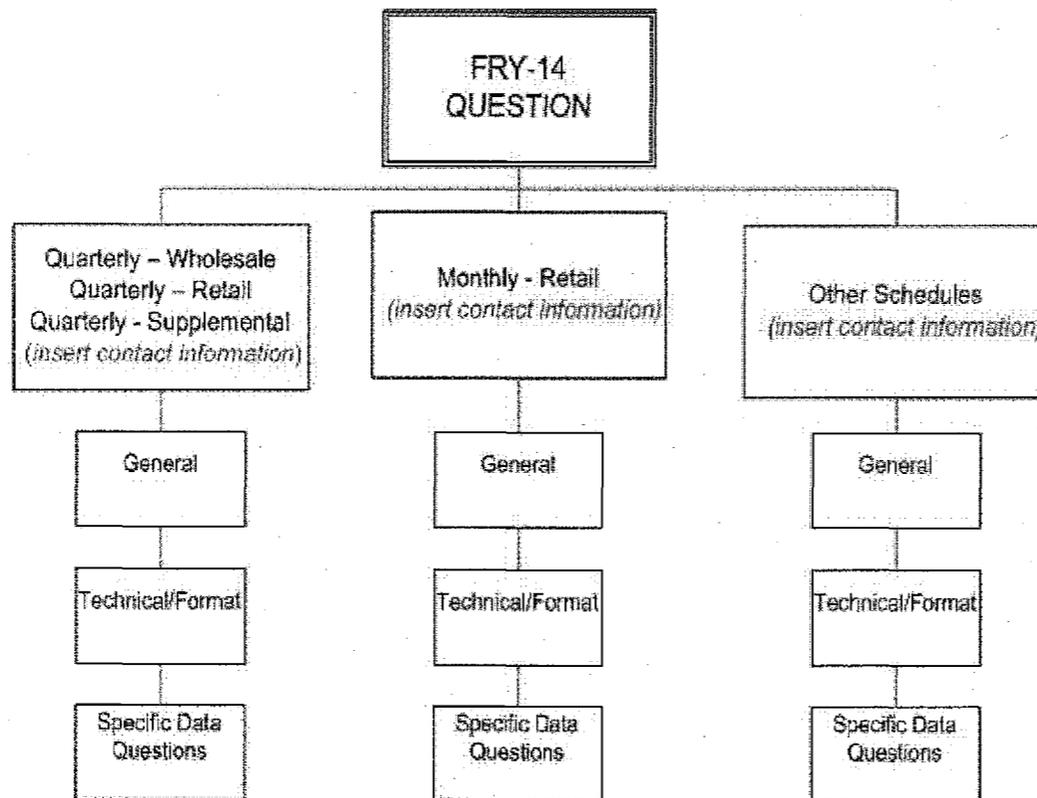
To be Accomplished Subsequent to this Meeting:

- Determine and coordinate the appropriate meeting schedule, action plans, roles and responsibilities, and timelines

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Communication Standards

Summary:

- To facilitate conversation with the appropriate personnel at the Federal Reserve, FSIC Members are requesting that the Federal Reserve implement a more effective communication process around question handling. One approach might be identifying a contact person for each sub-category of FRY-14 as diagrammed below.

```
                    ┌──────────────────┐
                    │     FRY-14       │
                    │    QUESTION      │
                    └──────────────────┘
         ┌──────────────────┼──────────────────┐
┌──────────────────┐ ┌──────────────────┐ ┌──────────────────┐
│ Quarterly – Wholesale │ │ Monthly - Retail │ │ Other Schedules │
│ Quarterly – Retail    │ │(insert contact   │ │(insert contact  │
│ Quarterly - Supplemental│ │ information)    │ │ information)    │
│(insert contact information)│ └────────────┘ └─────────────┘
└──────────────────┘
┌──────────┐          ┌──────────┐          ┌──────────┐
│ General  │          │ General  │          │ General  │
└──────────┘          └──────────┘          └──────────┘
┌──────────────┐      ┌──────────────┐      ┌──────────────┐
│Technical/Format│    │Technical/Format│    │Technical/Format│
└──────────────┘      └──────────────┘      └──────────────┘
┌──────────────┐      ┌──────────────┐      ┌──────────────┐
│ Specific Data │      │ Specific Data │      │ Specific Data │
│ Questions     │      │ Questions     │      │ Questions     │
└──────────────┘      └──────────────┘      └──────────────┘
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General Questions - Examples
We need to restate Y14Q Historical PPNR schedule due to a mistake found. What is the resubmission requirement? Should we provide a supplement explanation document?

Technical Questions - Examples
Y14Q Operational Loss schedule: There are estimated two million records that will be included in the upcoming schedule. A spreadsheet format does not seem practical. (Note this question was answered in the FAQ document later. We rarely have technical questions with Y14Q.)

Specific Data Questions - Examples
Y14Q MSR schedule: When defining buckets (e.g., FHLMC/FNMA 30 yrs.), should that include all loans typically pooled with 30-year loans, such as Fix 25, 20, etc.?
HPI & Unemployment - are these meant to represent lifetime changes to these economic variables or only for a period of time?

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Communication Standards – Additional Considerations

General Considerations – Repository and Timeframe for Responses

Consideration: Repository of questions and responses
Recommendation: Establish a repository to publish generic questions and responses; as a proposed solution, responses could be incorporated into the FAQs

Consideration: Timing of responses
Recommendation: Establish a timeline for resolution for inquiries submitted to the Federal Reserve

Considerations Specific to the Edit Check Process

Consideration: Perform a re-evaluation of low or zero tolerance levels and allow for a generic response section
Recommendation: Add a generic response section and/or change tolerance levels / acceptable data responses to mitigate subsequent questions and follow up from the Federal Reserve

Consideration: Recurring failed edit checks for which valid business reasons exist
Examples: Commercial Real Estate and C&I (Wholesale)
- Edit Check (CRE): NetOperatingIncome should not be negative
- Explanation: Net Operating Income can be negative
- Edit Check (CRE): 30 year amortization DSC is greater than 200
- Explanation: A DSC greater than 200 is possible for loans that are nearing payoff
- Edit Check (C&I): If PastDue (field 32) is 120 days or over for the credit facility then NonAccrualDate (field 33) should not have a value of 9999-12-31
- Explanation: The data includes past due acquired loans and certain matured loans that are not reported as non-accrual per accounting rules
- Edit Check (C&I): 174: The sum of CurrentAssetsCurrent (field 66) and FixedAssets (field 69) should not exceed TangibleAssets (field 68)
- Explanation: This is a result of negative balance sheet values which are normal as part of business operations

Recommendation: Recurring failed edit checks should be tracked and resolved. Additionally, the level of detail for responses should be defined at the line versus loan level

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Edit Checks – Summary

A sub-committee of the FSIC was organized to identify and analyze failed edit checks within the various reporting schedules. The results of the review are categorized by reporting schedule and edit check issue – "Edit Check in Question" or "Data Gap". Edit Checks in Question identify illogical edit checks, edit checks with low tolerance levels, or failed edit checks supported by valid business reasons. Data gaps identify failed edit checks resulting from a lack of data. This data is generally not obtained or acquired by the bank, however is required per the schedule.

The sub-committee identified 103 Edit Checks in Question and an additional 51 Data Gaps.

The tables below provide examples of Edit Checks in Question and Data Gaps identified for each schedule. The full list of detailed edit checks is provided via material supplemental to this presentation (FSIC Edit Check Review_Detailed Support.xlsx).

Corporate Schedule – 20 Edit Checks in Question and 20 Data Gaps

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
8	Data Gap	Original Internal Obligor ID must not be null or zero	Some core banking systems do not have an "ObligorID," therefore, this is a legitimate data gap.
55	Edit Check in Question	Committed Exposure must not be null or negative	Some transactions can have negative commitments (Syndications and/or Participations).
174	Edit Check in Question	TangibleAssets should be greater than or equal to the sum of Current Assets Current and Fixed Assets	Any edit that compares dollar amount fields should have a degree of rounding tolerance built in. Right now amounts that are off by even $1 fail the edit checks.
189	Edit Check in Question	If NonAccrualDate is not equal to 9999-12-31, then NonAccrualDate should be prior to the MaturityDate	It is standard business practice for a loan to be placed on non accrual status after the maturity date. Non accrual date can be after maturity date if the borrower continues to pay interest after maturity or loan is in workout.
331	Edit Check in Question	Total Assets Prior Year should be greater than or equal to Current Assets Prior Year	Any edit that compares dollar amount fields should have a degree of rounding tolerance built in. Right now amounts that are off by even $1 fail the checks.

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CRE Schedule – 17 Edit Checks in Question and 20 Data Gaps

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
15	Edit Check in Question	Committed Balance must be positive numeric and a whole number	Some transactions can have negative commitments (Syndications and/or Participations).
66	Data Gap	Current Occupancy must be provided and (>= 0 and <= 1) or NA	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.
112	Edit Check in Question	Outstanding Balance must not be multiple of 10 from prior quarter. For example, the prior quarter was 10 and the current quarter was 100. 100 / 10 = 10	Large balance changes (greater than a multiple of 10) may occur when the prior quarter balance was small.
156	Data Gap	Property Size must be (numeric and a whole number) or NA	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.
157	Edit Check in Question	If the current Origination Date is the same as prior quarter, then current Property Size must equal to prior quarter	Edit check should allow tolerance for instances when re-appraisal reflects that the property size has changed.

USSB Schedule – 7 Edit Checks in Question and 1 Data Gap

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
35	Edit Check in Question	D_COMMITMENTS must not be negative	Since the commitment is linked to the balance, if the D_OS is negative than the D_COMMITMENTS will also be negative. An account may overpay or have a credit applied to the account and show as a negative outstanding balance amount.
39	Edit Check in Question	D_GROSS_CONTRACTUAL_CO must not be negative	Negative charge-off and recovery values can result from several actions. An account that has gone to charge-off can be brought out of charge-off with a manual reversal entry, causing a negative charge-off. Manual reversal entries can occur if a customer pays on the loan after it has gone to charge-off.
34	Edit Check in Question	D_OS must be greater than or equal to D_NEW_ACCOUNTS	An account may charge new volume and return or pay it down in the same month, which makes the D_New_Accounts greater than D_OS.
24	Edit Check in Question	D_OS must not be negative	An account may overpay, have a credit applied to the account, or be guaranteed and show as a negative outstanding account balance.
26	Edit Check in Question	If N_ACCT is greater than zero, then D_OS must be equal or greater than zero	An account may overpay or have a credit applied to the account and show as a negative outstanding account balance.

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USOthCons Schedule – 6 Edit Checks in Question and 1 Data Gap

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
33	Edit Check in Question	If N_ACCT is greater than zero, then D_OS must be greater than zero	Revolving accounts within the U.S. Other Consumer population are commonly active but may have a $0 balance.
31	Edit Check in Question	D_OS must not be negative	Segments with a small number of loans can have a negative balance due to customer over-payments.
33	Edit Check in Question	If N_ACCT is greater than zero, then D_OS must be greater than zero	Revolving Accounts can be open and active but have a current zero outstanding balance.
43	Edit Check in Question	D_RECOVERIES must not be negative	Negative charge-off and recovery values can result from several actions. An account that has gone to charge-off can be brought out of charge-off with a manual reversal entry, causing a negative charge-off. Manual reversal entries can occur if a customer pays on the loan after it has gone to charge-off.
-	Data Gap	If N_NEW_ACCOUNTS is greater than zero, then D_NEW_COMMITMENTS must be greater than zero	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.

Auto Schedule – 33 Edit Checks in Question

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
42	Edit Check in Question	D_OS must not be negative	When a segment with a small number/balance of loans has over payments which exceed the amount outstanding, until those overpayments are refunded to the Borrower, the balance in the segment will be negative.
44	Edit Check in Question	If N_ACCT is greater than zero, then D_OS must be greater than zero	When a segment with a small number/balance of loans has over payments which exceed the amount outstanding, until those overpayments are refunded to the Borrower, the balance in the segment will be negative.
46	Edit Check in Question	D_OS must be greater than or equal to the sum of D_ORIG_TERM_LE_48, D_ORIG_TERM_49_60, D_ORIG_TERM_61_72 and D_ORIG_TERM_G_72	Edit fails if the sum of the components of off on the 6th place to right of the decimal. This outage is due to rounding.
67	Edit Check in Question	If N_ACCT is equal to null or zero, then D_REPO must equal null or zero	Since repos are not considered active loans, the N_ACCT can be zero and D_REPO positive.
111	Edit Check in Question	D_OS must be greater than or equal to D_JOINT_APPLICATION	Some loans in the segment could have negative balances, making the D_JOINT_APPLICATION greater than the total D_OS in segment.

Home Equity Schedule – 3 Edit Checks in Question and 10 Data Gaps

Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
8	Data Gap	Original Property Value must be a valid positive whole number	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.
11	Data Gap	Original Backend DTI must be a valid positive whole number	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.
13	Data Gap	Original FICO must be a valid whole number between 300 and 899	This data may not be obtained through normal business processes or additional tolerance should be given to the data required.
41	Edit Check in Question	Current Interest Rate – The annual percentage rate of the loan as of the last day of the reporting month	Interest Rates may exist that does not fall within this guideline (non-accrual rates, promotional rates, etc.).
75	Edit Check in Question	Loan Extension must be "Y", "N" for loans and blank for lines of credit, and "N" for Modifications with Term Extensions	Per discussion with LPS, this is a problem with the edit report logic.

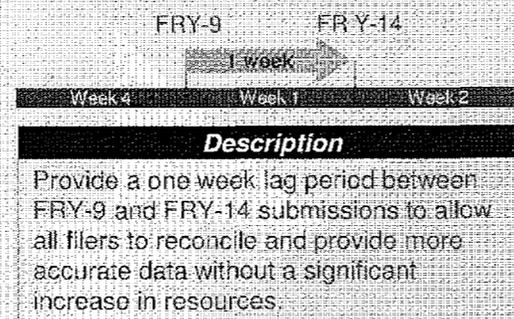## First Lien Schedule – 15 Edit Checks in Question and 1 Data Gap

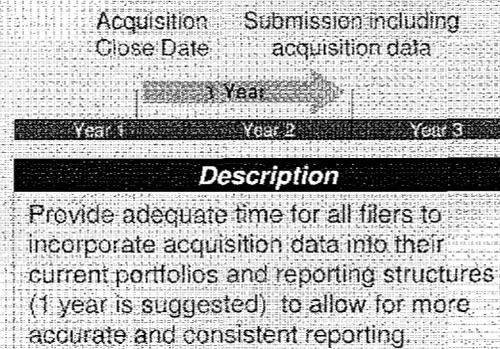| Edit Number	Edit Check Issue	Edit Test	Justification / Explanation
13	Edit Check in Question	Original FICO must be a valid whole number between 300 and 899	These are primarily converted accounts where this information was not available on the legacy system.
20.1	Edit Check in Question	Purpose of Loan coded Unknown cannot exceed 5% of reported portfolio loans	These are primarily converted accts where this information was not available on the legacy system. Research is underway to determine if additional data can be used to lower the unknown category.
21.1	Edit Check in Question	Number of Units coded Unknown cannot exceed 5% of reported portfolio loans	These are primarily loans where we can not determine the number of units as defined by the instructions. There are also old loans where no information is available to determine number of units.
37	Edit Check in Question	ARM Lifetime Rate Cap must be a number between 0.00001 and 0.99999 when loan is an ARM loan	A number of ARM loans do not have a Lifetime Rate Cap.
56	Edit Check in Question	Current Interest Rate – The annual percentage rate of the mortgage as of the last day of the reporting month	Interest Rates may exist that does not fall within this guideline (non-accrual rates, promotional rates, etc.)

Deadlines / Timelines to Comply with Requirements

Summary:

- Under the current frameworks, reporting FSIC Members must reallocate resources to meet the established deadlines and timelines. FSIC Members are requesting to establish more reasonable deadlines and timeframes that will allow all filers sufficient time to incorporate the necessary structure, mapping, and data validation to ensure data accuracy and integrity.

- A summary of the proposed timelines and recommendations is included below:
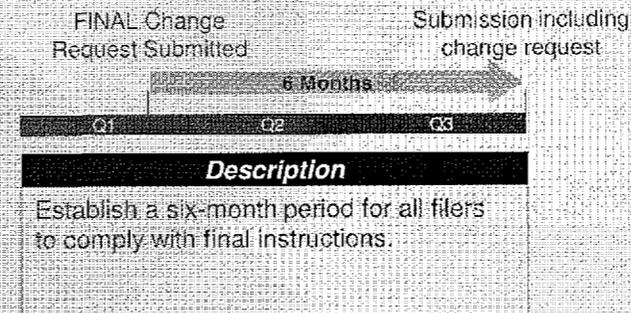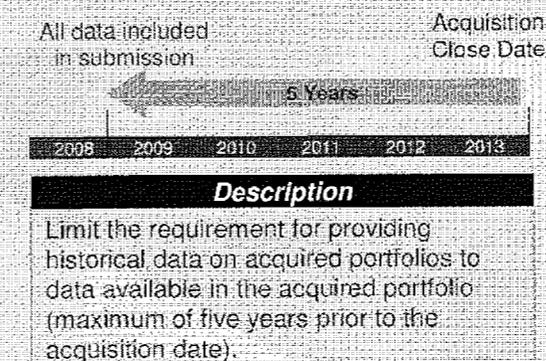
Submission Deadlines

FRY-9   FR Y-14

1 week

Week 4	Week 1	Week 2

Description

Provide a one week lag period between FRY-9 and FRY-14 submissions to allow all filers to reconcile and provide more accurate data without a significant increase in resources.

Timeline: Change Request

FINAL Change   Submission including
Request Submitted   change request

6 Months

Q1	Q2	Q3

Description

Establish a six-month period for all filers to comply with final instructions.

Timeline: Acquisition Data - Future

Acquisition   Submission including
Close Date   acquisition data

1 Year

Year 1	Year 2	Year 3

Description

Provide adequate time for all filers to incorporate acquisition data into their current portfolios and reporting structures (1 year is suggested) to allow for more accurate and consistent reporting.

Timeline: Acquisition Data - Historic

All data included   Acquisition
in submission   Close Date

5 Years

2008	2009	2010	2011	2012	2013

Description

Limit the requirement for providing historical data on acquired portfolios to data available in the acquired portfolio (maximum of five years prior to the acquisition date).

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Submission Deadlines: FR Y-9 and FR Y-14

Summary:
- FR-Y14 schedules are filed on the same day as the FRY-9C; however, FRY-14 schedules must also be reconciled against the FRY-9C.

Recommendation:
- FSIC Members are requesting to establish a one-week lag period between FRY-9 and FRY-14 submissions for all filers to allow adequate time to reconcile the reports and provide more accurate data.

Challenges / Support for Timeline:
- The FRY-9C Report Serves as an Anchor Report: The BHC's have been reporting the FRY-9C report since the late 1970s. This reporting process has evolved and matured over the past decades. Many internal control processes have been established to ensure the reporting quality of the FRY-9C. It is a good practice to reconcile the FRY-14 to FRY-9C whenever possible, but having these two reports due on the same day causes special challenges to the reporting groups. Oftentimes the FRY-14 reports have to wait for the final balance from the FRY-9C report for reconciling and research purposes. As a result, a reasonable lead time of one week between these two reporting dates is practical and desired. We believe this will improve the quality of the FRY-14 reporting overall.
- The FRY-9C and FRY-14 Reports Share the Same Data Source: Both the FRY-9C and FRY-14 reporters, in many cases, rely on the same source data providers and the same subject matter experts for their reporting requirements. A one-week lag period for the FRY-14Q will greatly alleviate the stress for the data providers, which in turn, will likely have a positive effect on the reporting quality.

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Timeline: Change Request

Summary:

- Effective governance is paramount in driving data quality and is stressed under compressed timelines.

- Data requests are generally processed by organizations through established System Development Lifecycle ("SDLC") and Quality Control ("QC") processes. SDLC is resource dependent, requiring subject matter experts, business analysts, technology experts and end users.

- The SDLC process is generally started at the time the data request is received, however, may take from three months to one year to fully implement depending on the request, system capabilities, and resource constraints. The chart below displays an approximate percentage of time required for each phase of a standard SDLC process based on industry averages.

- The following two slides define tasks within the SDLC process and outline the benefits and challenges as it relates to FRY-14 reporting. Subsequent slides discuss the impact of changes and provide real examples of the application of SDLC as support for the timeline requested.

Recommendation:

- Currently, a change request to data requirements from the Federal Reserve occurs without sufficient time to perform the appropriate SDLC and QA processes.
- FSIC Members are requesting establishing a 6-month lag for all filers between the time when a final instruction is published to the deadline in which it much be satisfied.

Average SDLC Time by Phase

Phase / Objective	Time Required (% of project)
Receive Request	
Planning Phase	
Project definition	5%
Write Business Requirements and Obtain Sign-off	10%
Write Technical / Systems Requirements	15%
System Build / Coding and Ongoing Clarification / System Testing	55%
User Acceptance Testing	10%
Approval and Deployment / Go-Live	5%
Quality Control	Ongoing

Note: The percentages noted above are estimates based on an *average* change request. The SDLC process varies dramatically for less and more sophisticated changes; actual timelines may range from three months to one year or more.

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Timeline: Change Request - FRY14 Q&M Timeline

Definition of Tasks within SDLC Phases:

- **Project Definition:** Interpretation of data requests in FAQ's, e-mails, coordination of project management

- **Business Requirements:** Documenting the requirements to meet the data request, as defined by the business user; enhancements; analyzing returned edit check errors; defining reconciliation needs; evaluating new edit check requirements; documenting SLA's/schedules; documenting change request and sign-off's

- **Technical / System Requirements:** Identifying the technical requirements to achieve the business requirements. This includes: database sources; documenting technical interface requirements and rules for error checks; defining data aggregation specifications; analyzing data validation rules and data integrity; documenting end-to-end data lineage and data processing requirements.

- **System Coding:** Developing ETL interface; coding the system per requirements origination system(s) capture and field validation; testing of newly developed code; program scheduling of data extraction and FRY-14 schedule production; automation of edit checks and reconciliations

- **User Acceptance Testing:** Reconciling data in schedules to G/L, Y9C, and other regulatory reports; validating portfolio accuracy; preparing schedules for submission

- **Approval and Go Live:** Implementing new data programmed requests to production; implementing various technical processes; obtaining business and executive sign-off; submission of final schedules

Average FRY-14 Q&M - SDLC Time by Phase

Phase / Objective	Time Required (% of project)
Receive Request	
Planning Phase	
Project definition	10%
Write Business Requirements and Obtain Sign-off	10%
Analyze and Write Technical / Systems Requirements	25%
System Build / Coding and Ongoing Clarification / System Testing	35%
User Acceptance Testing	15%
Approval and Deployment / Go-Live	5%
Quality Control	Ongoing

Note: The percentages noted above are estimates based on an *average* change request. The SDLC process varies dramatically for less and more sophisticated changes; actual timelines may range from three months to one year or more.

Timeline: Change Request - FRY14 Q&M Timeline

Benefits of SDLC:

- SDLC is an industry accepted, structured methodology to ensure that changes are implemented in an appropriate manner
- Accuracy - A thorough analysis is performed to support the accurate delivery of the new data request
- Reviews - Formal documentation, reviews, and approvals are obtained and performed
- Controls - Data extract programming includes schedules, error checking controls, and data validations
- End-to-end testing - Appropriate testing cycles will eliminate submission errors
- Reliable and proven - Provides for a repeatable and controlled data delivery
- Governance – Consistency across the organization

Existing Challenges Impacting SDLC:

- Ambiguity in new data requests often results in excess time to interpret the specific request
- The requested timeline to complete new requests does not allow for a formal SDLC
- Requirements are not communicated via a consistent channel and often without sufficient detail
- Data requirements are conflicting across schedules or within the same schedule
- Data edit check rules are delayed or published without sufficient time to incorporate and automate; automating these rules will allow for a cleaner edit check process, however, requires additional resources to build on the front end
- Resources are required to analyze the request and then perform the SDLC to implement the request

Average FRY-14 Q&M - SDLC Time by Phase

Phase / Objective	Time Required (Weeks)
Receive Request	
Planning Phase	
Project definition	2.5
Write Business Requirements and Obtain Sign-off	2.5
Write Technical / Systems Requirements	7
System Build / Coding and Ongoing Clarification / System Testing	9
User Acceptance Testing	4
Approval and Deployment / Go-Live	1
Quality Control	Ongoing

Note: The weeks noted above are estimates based on an *average* change request. The SDLC process varies dramatically for less and more sophisticated changes; actual timelines may range from three months to one year or more.

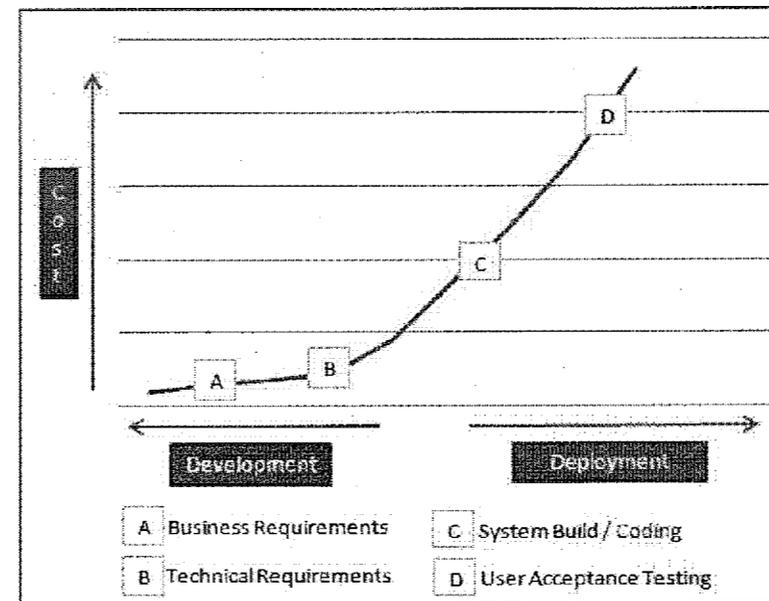THE FINANCIAL SERVICES ROUNDTABLE
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Timeline: Change Request - Impact of Changes

- Change requests to the initial data request further hinder the implementation of the complete SDLC process. The impact of change requests vary based on current progress and phase within the SDLC process. The below provides a summary of the impact of changes throughout various phases of the SDLC.
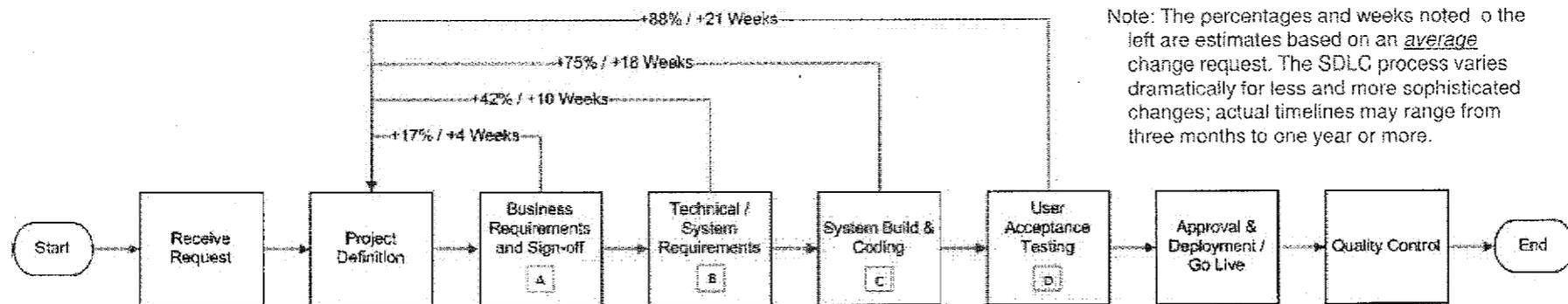
Note: The percentages and weeks noted o the left are estimates based on an *average* change request. The SDLC process varies dramatically for less and more sophisticated changes; actual timelines may range from three months to one year or more.

- As changes occur further along in the SDLC process, the impact (cost) of time, resources, and other constraints increases exponentially.

- Reporting FSIC Members are challenged in meeting deadlines and ensuring that data produced and submitted is accurate and complete.

- As a result, there may be an impact to data quality or downstream effect to other previously committed deliverables within the organization.

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| A | Business Requirements | C | System Build / Coding |
| B | Technical Requirements | D | User Acceptance Testing |

Timeline: Change Request – Gross Credit Exposure Example

Summary of Project:

- Produce a single counterparty gross credit exposure report using a specific data metric

Challenges in SDLC:

- New configuration impacted current reports in production
- Configuration updates affected Risk Reporting Asset Category Codes
- Hard-coded logic had to be replaced with automatic configuration
- Configuration flags for all outbound processes had to be consolidated
- Facility Limits previously reported by Facility Owner Customer were updated to be reported by Primary Customer
- Configuration had to be updated to include data for Credit Default Reporting

Gross Credit Exposure - SDLC Timeline

Phase / Objective	Time Required (Weeks)
Receive Request	
Planning Phase	4
Project definition	4
Write Business Requirements and Obtain Sign-off	6
Write Technical / Systems Requirements	10
System Build / Coding and Ongoing Clarification / System Testing	6
User Acceptance Testing	5
Approval and Deployment / Go-Live	5
Quality Control / Parallel Run	12
Total	52

Note: The SDLC process varies dramatically for less and more sophisticated changes; actual timelines may range from three months to one year or more.

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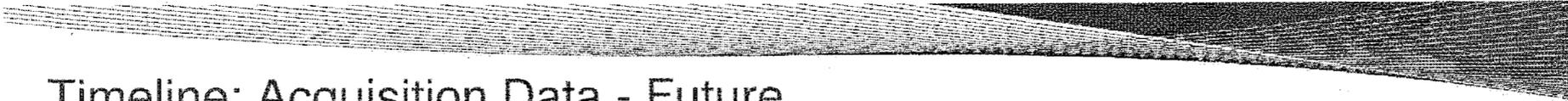
Timeline: Acquisition Data - Future

Summary:

- Data from acquired portfolio's must be integrated into current systems or pulled separately and consolidated for data submission, however, this requires a significant amount of resources to be performed accurately within the current time requirements.

Recommendation:

- Additional time and tolerance should be given to comply with "origination" field requirements. These items could be potentially explained in supplemental schedules.
- FSIC Members have requested establishing a timeline of one year for all filers for submitting data after the close date of an acquisition.

Challenges / Support for Timeline:

- Data Integration / Consolidation: At the time of acquisition, the specifics, as to the data being acquired, are not often known and communication is limited throughout the acquisition process. Data is reviewed post-closing at which time, an organization may choose to: 1) merge acquired and existing systems to produce a consolidated data source; or 2) run systems and related reporting in parallel and consolidate data on the back-end.
- Timeline (example): System Integration 12 months post-closing date
    - 10 weeks - System and hardware comparisons and recommendations with cost estimates
    - 4 weeks - Management review and Executive approvals
    - 16 weeks - Detail data mapping, system and hardware enhancements, customer impacts
    - Concurrent to above 30 weeks – Detail credit review and rerating; identification of data gaps in acquired data
    - 10 weeks - User acceptance testing, downstream system testing
    - 10 weeks - Customer information rollout, internal user training
    - 4 weeks - Conversion weekend, post-conversion immediate issues, first month-end close
    - Conversion goes well - Consolidated data ready for Y-14 reporting

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Timeline: Acquisition Data - Historic

Summary:
- Specific data fields required for reporting may not have been captured in acquired portfolios at the time of origination. Populating these data fields after acquisition may force reporting FSIC Members to expend excessive resources under already stretched resource constraints to deliver data of questionable use.

Recommendation:
- Additional time and tolerance should be given to all filer to comply with "origination" field requirements. These items could be potentially explained in supplemental schedules.
- FSIC Members have requested limiting the requirement for all filers providing historical data on acquired portfolios to data available in the acquired portfolio (maximum of five years prior to the acquisition date).

Challenges / Support for Timeline:
- Data Integration / Consolidation: At the time of acquisition, the specific data to be acquired is not often known and communication is limited throughout the acquisition process. Data is reviewed post-closing at which time, an organization may choose to: 1) merge acquired and existing systems to produce a consolidated data source; or 2) run systems and related reporting in parallel and consolidate data on the back-end.
- Significant Roadblocks Encountered in Acquiring Historic Data from Acquisitions
  - With acquisitions done as a purchase (not pooling), accounting begins at date of close. The resulting fair value and ASC 310-30 adjustments provide little value for the acquirer to convert historical data.
  - Y-14 reporting teams are left to scavenge old systems and data marts for acquired bank historical data when data of the acquired bank is merged on the acquirer's systems.
  - Many acquired institutions resulted from acquisitions they themselves made. This creates a multiplication effect in terms of historical data challenges.
  - Smaller acquired institutions often used service providers for their data needs and the contracts with these providers does not require the maintenance of history sufficient to meet Y-14 requirements

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Evaluation of Objectives / Next Steps

Evaluation of Objectives

- Collaborative discussion

- Identify / agree on the issues to actively pursue

- Reach consensus on approach to resolve or address issues

Next Steps

- Coordinate a conference call by early September to discuss feedback

- Plan another meeting in October to review final recommendations

- Create individual working groups

- Establish project plans and deliverables

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Attachment C

FR Y-14 Instructions Rewrite

Brian Osterhus

Financial Services Roundtable – August 6, 2013

Disclaimer

- The views that I express are my own and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

Why did we need an instructions rewrite?

- Non-standardized locations and level of detail within the instructions
- Inconsistencies within the FR Y-14 reports and with the FR Y-9C
- Overlapping and duplicative content
- The need to incorporate FAQs into the instructions

Project scope

- Review the content and quality of the current FR Y-14A/Q/M instructions

- Assess the gaps and overlapping content in the current instructions

- Streamline and revise the content

- Publish new instruction booklets and communicate to the industry

Deliverables

- Created three separate instructions booklets: FR Y-14A, FR Y-14Q and FR Y-14M
  - Developed General Instructions for all three reports
  - Included line-by-line instructions for each item
  - Referenced, rather than restated, FR Y-9C definitions
  - Moved Supporting Documentation instructions to Appendices

Remaining project timeline

- June 25, 2013: Published initial Federal Register notice with proposed changes for September 2013; published draft templates and instructions on Board of Governors website (incorporating instructions rewrite and proposed changes)
- August 26, 2013: Public comment period ends
- September 2013: Publish final templates and instructions

Future FR Y-14 FAQ process

- To date
  - Over 700 published FAQs
  - Use of FAQs is viewed as a short-term solution
- Proposed changes
  - Submit questions to Statistics staff
  - Fall 2013 through fall 2014: Publish FAQs quarterly for all FR Y-14 reports, approximately one month prior to the report date
  - Incorporate FAQs into report instructions every September
  - Discontinue publishing FAQs by late 2014