Comprehensive Capital Analysis and Review 2020 Summary Instructions

March 2020

Board of Governors of the Federal Reserve System

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Introduction

The Federal Reserve's annual Comprehensive Capital Analysis and Review (CCAR) is an intensive assessment of the capital adequacy of the largest U.S. bank holding companies (BHCs) and U.S. intermediate holding companies of foreign banking organizations (IHCs) (collectively, firms) and the practices that these firms use to assess their capital needs.[1] CCAR includes the supervisory and company-run stress tests that are conducted as a part of the Board's Dodd-Frank Act stress tests (DFAST),[2] the sizing of each firm's stress capital buffer requirement, and a qualitative assessment of firms' capital plans. The Federal Reserve expects firms to be able to continue operating and lending to households and businesses, even during times of economic and financial market stress.

These instructions include information about the Federal Reserve's supervisory stress tests and qualitative assessment of capital plans submitted in connection with this year's CCAR exercise (CCAR 2020) by (1) firms subject to the Large Institution Supervision Coordination Committee framework (LISCC firms); (2) large and complex firms;[3] and (3) large and noncomplex firms,[4] which are subject only to the supervisory stress tests. See table 1 for a list of firms participating in CCAR 2020 and the elements of the exercise, explained more herein, to which they are subject.

About this Publication

These instructions provide information regarding CCAR 2020, the stress testing and capital planning cycle that began on January 1, 2020. Similar to the CCAR instructions in previous years, these instructions provide information regarding

- logistics for a firm's capital plan submission,
- expectations regarding the mandatory elements of a firm's capital plan,
- the qualitative assessment of a firm's capital plan,
- the supervisory stress tests,
- the Federal Reserve's response to a firm's capital plan and planned capital actions, and
- public disclosures by the Federal Reserve at the end of the exercise.

Key Differences between the CCAR 2020 Instructions and the Previous Year's Instructions

- **Adoption of the stress capital buffer:** The Board recently adopted a final rule to establish a firm-specific stress capital buffer (SCB) requirement, whereby the results of the Federal Reserve's supervisory stress tests and firms' planned dividends are used to determine the size of the capital buffer requirements to which each of the largest banks are subject.[5] The components and mechanics of

1 See 12 CFR 225.8 (capital plan rule), 12 CFR 252.153(e)(2)(ii) (stating that an IHC with total consolidated assets of $100 billion or more must comply with 12 CFR 225.8 in the same manner as a BHC).

2 Pub. L. No. 111-203, 124 Stat. 1376 (2010); 12 CFR part 252, subpart E; Pub. L. No. 115-174, 132 Stat. 1296 (2018).

3 Under the Board's capital plan rule (12 CFR 225.8), large and complex firms are BHCs and IHCs that, as of December 31, 2019, (1) have $250 billion or more in average total consolidated assets, (2) have average total nonbank assets of $75 billion or more, or (3) are U.S. global systemically important bank holding companies. LISCC and large and complex firms should consult the guidance in SR letter 15-18, "Federal Reserve Supervisory Assessment of Capital Planning and Positions for LISCC Firms and Large and Complex Firms," December 18, 2015, https://www.federalreserve.gov/supervisionreg/srletters/sr1518.htm.

4 Large and noncomplex firms are BHCs or IHCs that (1) have average total consolidated assets of between $100 billion and $250 billion, (2) have average total nonbank assets of less than $75 billion, and (3) are not U.S. global systemically important bank holding companies. These firms' capital planning capabilities are reviewed under a separate process.

5 A firm's SCB requirement is calculated as (1) the difference between the firm's starting and minimum projected common equity tier 1 capital ratios under the severely adverse scenario in the supervisory stress test, plus (2) four quarters of planned common stock dividends as a ratio of risk-weighted assets.

Table 1. Firms participating in CCAR 2020

Firm	Subject to qualitative assessment	Subject to qualitative objection	Subject to global market shock	Subject to counterparty default
Ally Financial Inc.				
American Express Company				
Bank of America Corporation	✓		✓	✓
The Bank of New York Mellon	✓			✓
Barclays US LLC	✓	✓	✓	✓
BMO Financial Corporation				
BNP Paribas USA, Inc.				
Capital One Financial Corporation	✓			
Citigroup Inc.	✓		✓	✓
Citizens Financial Group, Inc.				
Credit Suisse Holdings (USA)	✓	✓	✓	✓
DB USA Corporation	✓	✓	✓	✓
Discover Financial Services				
DWS	✓	✓		
Fifth Third Bancorp				
The Goldman Sachs Group, Inc.	✓		✓	✓
HSBC North America Holdings Inc.	✓		✓	✓
Huntington Bancshares Incorporated				
JPMorgan Chase & Co.	✓		✓	✓
KeyCorp				
M&T Bank Corporation				
Morgan Stanley	✓		✓	✓
MUFG Americas Holdings Corporation				
Northern Trust Corporation				
The PNC Financial Services Group, Inc.	✓			
RBC USA Holdco Corporation				
Regions Financial Corporation				
Santander Holdings USA, Inc.				
State Street Corporation	✓			✓
TD Group US Holdings LLC	✓			
Truist	✓			
UBS Americas Holdings LLC	✓	✓	✓	✓
U.S. Bancorp	✓			
Wells Fargo & Company	✓		✓	✓

the SCB are described in the final rule. As a result of certain of those components, the results of the company-run and supervisory stress tests will be less comparable this year.

- **Changes as a result of the Board's tailoring rule:** In October 2019, the Board adopted a final rule that established a revised framework for determining prudential standards for large domestic and foreign banks (the tailoring rule).[6] A number of the changes arising from the tailoring rule impact stress testing and are noted below.

—*Impact upon large and noncomplex firms*: Category IV firms (as defined in the tailoring rule) are subject to the supervisory stress tests every two years. These firms did not participate in the supervisory stress tests in 2019 and, therefore, are subject to the supervisory stress tests in 2020.[7] Additionally, these firms are no longer required to conduct company-run stress tests.[8]

—*AOCI opt-out's impact upon stress testing*: Under the tailoring rule, an institution that meets the definition of a Category III or Category IV institution as of December 31, 2019, is permitted to make an election to opt-out of AOCI during the first quarter of 2020 on the applicable reporting form filed as of March 31, 2020. For the purposes of projections in CCAR 2020, these firms should follow the calculation election they make in the first quarter of 2020.

—*Capital simplifications*: Beginning on April 1, 2020, a firm that is not subject to Category I or II standards will be subject to simpler regulatory capital requirements for certain capital deductions and updated risk-weights for those items. For the purposes of CCAR 2020, firms subject to Category III or IV standards should assume that these capital calculation changes are in effect beginning with the second quarter of the planning horizon.

—*Large and complex firms exempted from company-run stress tests in 2021*: Category III firms (as defined in the tailoring rule) must conduct and disclose their company-run stress tests in even years, including 2020, instead of annually. These firms are still required to submit their

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6 Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations, https://www.govinfo.gov/content/pkg/FR-2019-11-01/pdf/2019-23662.pdf. The tailoring rule establishes four risk-based categories for determining the applicability and stringency of certain prudential standards. Those categories have not yet been incorporated into the capital plan rule but are referred to herein for ease of reference.

7 See Prudential Standards. These firms are not subject to CCAR's qualitative assessment but are required to submit capital plans to the Federal Reserve annually.

8 Consistent with the Board's action in adopting the tailoring rule, the Federal Reserve extended the deadline for Category IV firms to submit the Y-14A, except for Schedule C—Regulatory Capital Instruments, until April 5, 2021.

post-stress projections to the Board on an annual basis in connection with their capital plan.

—*Removal of the supervisory adverse scenario*: The tailoring rule removed the supervisory adverse scenario from the Board's stress test rules, beginning with the 2020 cycle. Accordingly, the number of required supervisory scenarios has been reduced to two—the supervisory baseline and supervisory severely adverse scenarios.

- **Incorporation of the current expected credit loss (CECL) methodology:** Beginning in CCAR 2020, all firms are required to incorporate the impact of the Financial Accounting Standard Board's (FASB) new accounting standard for credit losses, known as CECL (Topic 326), into their stressed projections. However, the Board will maintain its current modeling framework for the supervisory stress tests as it relates to CECL through the 2021 CCAR cycle. In addition, the Board will not issue supervisory findings on firms' stressed estimates of allowances under CECL through the 2021 CCAR cycle.[9]
- **Other changes in accounting standards**: The FASB periodically makes revisions to U.S. generally accepted accounting principles (U.S. GAAP). These changes affect a firm's financial reporting upon adoption by the firm. The FASB made major revisions to accounting standards associated with the recognition and measurement of financial instruments, revenue recognition, leases, credit losses, and derivatives and hedging. The effective dates for these standards range from fiscal years beginning after December 15, 2017, to fiscal years beginning after December 15, 2020.[10]

  Unless otherwise noted herein, for CCAR 2020 a firm should not reflect the adoption of new accounting standards in its projections unless the firm has already adopted the accounting standard for financial reporting purposes. If a firm was required to adopt or had voluntarily adopted a standard or a particular provision of a standard as of December 31, 2019, that adoption should be reflected in the FR Y-14A report with December 31, 2019, as-of dates and in the subsequent projected quarters.
- **No use of the standardized approach for counterparty credit risk in projections for stress testing:** To promote comparability of stress test results across banking organizations, for the 2020 cycle, all banking organizations would continue to use the current exposure method, or CEM, for CCAR 2020 projections.
- **Phasing out of CCAR's qualitative objection:** Beginning with last year's CCAR cycle, the Board limited its ability to object to firms' capital plans on qualitative grounds to firms recently subject to CCAR that continue to exhibit material deficiencies in capital planning.[11] By January 1, 2021, the Board's authority to object to capital plans on qualitative grounds will be eliminated entirely, other than for any firm receiving a qualitative objection in CCAR 2020.

Overview of CCAR Process

The Board's capital plan rule requires the largest and most complex firms to submit capital plans to the Federal Reserve annually.[12] Under the capital plan rule, a firm's capital plan must include a detailed description of the firm's internal processes for assessing capital adequacy, the board of directors' approved policies governing capital actions, and the firm's planned capital actions over a nine-quarter planning horizon. Further, a firm must report to the Federal Reserve the results of stress tests conducted by the firm under supervisory scenarios provided by the Federal Reserve (supervisory baseline and supervisory severely adverse scenarios) and under a baseline scenario and a stress scenario designed by the firm (BHC baseline and BHC stress scenarios). These stress tests assess the sources and uses of capital under baseline and stressed economic and financial market conditions.

Before a firm submits its capital plan to the Federal Reserve, the capital plan must be approved by the firm's board of directors, or a committee thereof.

9 See Board of Governors of the Federal Reserve System, "Federal Reserve will maintain current modeling framework for loan allowances in its supervisory stress tests through 2021," press release, December 21, 2018, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20181221b.htm.

10 The lease standard (Topic 842) was effective for annual and interim periods beginning after December 15, 2018. The credit losses standard (Topic 326) is effective for fiscal years beginning after December 15, 2019, for Securities and Exchange Commission (SEC) filers and after December 15, 2020, for non-SEC filers. The derivatives and hedging standard (Topic 815) was effective for fiscal years beginning after December 15, 2018, for public business entities (PBE) and after December 15, 2019, for non-PBE.

11 In CCAR 2020, Barclays US LLC, Credit Suisse Holdings (USA), DB USA Corporation, DWS, and UBS Americans Holdings LLC are subject to the qualitative objection.

12 See the capital plan rule (12 CFR 225.8).

For CCAR 2020, capital plans should be submitted to the Federal Reserve no later than **April 6, 2020**.

The Federal Reserve conducts qualitative assessments of firms' capital plans. For purposes of the qualitative assessment, the Federal Reserve assesses the strength of the firm's capital planning practices, including the firm's ability to identify, measure, and determine the appropriate amount of capital for its risks, and controls and governance supporting capital planning.[13] The qualitative assessment is informed by a review of the materials each firm provides in support of its annual capital plan submission. In addition, the Board's qualitative assessment incorporates supervisory assessments that are undertaken throughout the year.

The qualitative assessments serve as the basis for the Federal Reserve's decision to object to certain firms' capital plans. Any firms receiving objections to their capital plans and the reasons for those objections will be published on or before June 30, 2020. In addition, CCAR includes the supervisory stress tests required under the stress test rules. The Board will publish the results of the supervisory stress tests.

Communications Related to CCAR

The Federal Reserve uses secure CCAR Communications (info@ccar.frb.org) and Stress Testing Communications (info.stresstesting@frb.org) mailboxes to communicate with firms on topics related to the qualitative assessment and the stress tests, send notifications and announcements, and respond to firms' questions. Firms use the mailboxes to send questions and communications to the Federal Reserve about the qualitative assessment, the supervisory stress tests, the capital plan rule, and related requirements.

When a firm sends a question to the CCAR Communications mailbox or their FR Y-14 point of contact as part of the Federal Reserve's CCAR and FR Y-14 Q&A processes, the firm receives a notification with a timeframe in which a response can be expected. The Federal Reserve provides a direct response to the firm as soon as the response is available. In addition, to help ensure that all firms receive the same information, the Federal Reserve publishes such questions and answers on a regular basis (1) on a secure collaboration website accessible by firms participating in the qualitative assessment and the stress tests, and (2) on the Federal Reserve's website.[14]

[13] See 12 CFR 225.8(f).

[14] See "Comprehensive Capital Analysis and Review (CCAR) Q&As," last modified February 5, 2020, https://www.federalreserve.gov/publications/comprehensive-capital-analysis-and-review-qas.htm.

Mandatory Elements of a Capital Plan

As noted above, a firm must submit its capital plan and supporting information, including certain FR Y-14 schedules, to the Federal Reserve by **April 6, 2020**, using a secure collaboration site.

The capital plan rule specifies the four mandatory elements of a capital plan:[15]

1. An assessment of the expected uses and sources of capital over the planning horizon that reflects the firm's size, complexity, risk profile, and scope of operations, assuming both expected and stressful conditions, including the following:
   a. Estimates of projected revenues, losses, reserves, and pro forma capital levels—including any minimum regulatory capital ratios (e.g., tier 1 leverage, tier 1 risk-based, common equity tier 1 risk-based, and total risk-based capital ratios, and supplementary leverage ratio, as applicable) and any additional capital measures deemed relevant by the firm—over the planning horizon under baseline conditions and under a range of stressed scenarios. These must include any scenarios provided by the Federal Reserve and at least one baseline and one stress scenario developed by the firm that is appropriate to its business model and activities.
   b. A discussion of how the firm will maintain all minimum regulatory capital ratios under expected conditions and the required stressed scenarios.
   c. A discussion of the results of the stress tests required by law or regulation and an explanation of how the capital plan takes these results into account.
   d. A description of all planned capital actions by the firm over the planning horizon.
2. A detailed description of the firm's process for assessing capital adequacy.
3. The firm's capital policy.
4. A discussion of any expected changes to the firm's business plan that are likely to have a material impact on the firm's capital adequacy or liquidity.

In addition to these mandatory elements, the Board also requires firms to submit supporting information necessary to facilitate review of a firm's capital plan under the capital plan rule and in accordance with the FR Y-14 Instructions, including appendix A to the FR Y-14A.[16]

The remainder of this section provides instructions and guidance for the contents and format that firms should use when submitting their capital plans and any supporting information. In a continuing effort to reduce burden associated with the submission of supporting documentation related to CCAR's qualitative assessment, subject firms are required to submit documentation only for areas in scope for this year's exercise, as set forth in the scoping letter sent to each of these firms in December 2019 and summarized in appendix A.

Assessment of the Expected Uses and Sources of Capital

A firm must include an assessment of the expected uses and sources of capital over the planning horizon that reflects the firm's size, complexity, risk profile, and scope of operations, assuming both expected and stressful conditions.[17] For the purposes of CCAR, firms are required to submit capital plans that are supported by their capital planning processes and post-stress results for each of the nine quarters under the required scenarios.

[15] See 12 CFR 225.8(e)(2).

[16] See 12 CFR 225.8(e)(3).

[17] See 12 CFR 225.8(e)(2)(i).

The Federal Reserve's evaluation of a firm's capital plan focuses on whether the firm has adequate processes for identifying the full range of relevant risks, given the firm's unique exposures and business mix, and whether the firm appropriately assesses the impact of those risks on its financial results and capital needs.

Estimates of Projected Revenues, Losses, Reserves, and Pro Forma Capital Levels

For the purposes of CCAR, each firm must submit its capital plan supported by its internal capital planning process and include post-stress results under the various scenarios.

In conducting its stress tests, a firm must consider the regulatory capital rules in effect for each quarter of the planning horizon (other than the advanced approaches), including the minimum regulatory capital ratios and the applicable transition provisions.[18]

A firm should clearly identify and report to the Federal Reserve any aspects of its portfolios and exposures that are not adequately captured in the FR Y-14 schedules and that the firm believes are material to loss estimates for its portfolios. In addition, the firm should be able to explain why the FR Y-14 reports are not accurately capturing such exposures. Some examples may include portfolios that have contractual loss-mitigation arrangements or contingent risks from intraday exposures that are not effectively captured by the FR Y-14 schedules. The firm should fully describe its estimate of the potential impact of such items on financial performance and loss estimates under the baseline and stressed scenarios. A firm should incorporate and document any pertinent details that would affect the production and results of these estimates.

Firms should refer to the FR Y-14A Instructions for further information on the required data and supporting documentation for submitting regulatory capital projections.

Discussion of Stress Test Results Conducted by Firms

The capital plan rule requires a firm to include in its capital plan a discussion of the results of any stress tests required by law or regulation and an explanation of how a firm's capital plan takes these results into account.[19] Under the stress test rules, firms are required to conduct those tests using two supervisory scenarios provided by the Federal Reserve (supervisory baseline and supervisory severely adverse scenarios).[20] In addition, the capital plan rule requires firms to use at least one stressed scenario and a baseline scenario developed by them.[21] Firms must include these four scenarios:

1. **Supervisory baseline:** a baseline scenario provided by the Federal Reserve under the stress test rules
2. **Supervisory severely adverse:** a severely adverse scenario provided by the Federal Reserve under the stress test rules
3. **BHC baseline:** a firm-defined baseline scenario
4. **BHC stress:** at least one firm-defined stress scenario

Unless noted otherwise in the FR Y-14A Instructions, a firm's estimates of its projected revenues, losses, reserves, and pro forma capital levels based on data as of December 31, 2019, begin in the first quarter of 2020 (January 1, 2020) and conclude at the end of the first quarter of 2022 (March 31, 2022).

The supervisory baseline and severely adverse scenarios are not forecasts of the expected outcomes. They are hypothetical scenarios to be used to assess the strength and resilience of a firm's capital in baseline and stressed economic and financial market environments. Under the stress test rules, the Board is required to provide firms with a description of the supervisory macroeconomic scenarios no later than February 15 of each calendar year.[22] While supervisory macroeconomic scenarios are applied to all firms that are part of CCAR, the Board may apply additional scenarios or scenario components to all or a subset of the firms in CCAR.[23] The Board published descriptions of the supervisory scenarios and additional scenario components on February 6, 2020.[24]

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[18] See Amendments to the Capital Plan and Stress Test Rules, 80 Fed. Reg. 75419 (December 2, 2015), https://www.govinfo.gov/content/pkg/FR-2015-12-02/pdf/FR-2015-12-02.pdf.

[19] See 12 CFR 225.8(e)(2).

[20] See 12 CFR part 252, subpart F.

[21] A firm may use the same baseline scenario as the supervisory baseline scenario if the firm determines the supervisory baseline scenario appropriately represents its view of the most likely outlook for the risk factors salient to the firm.

[22] See 12 CFR 252.44(b) and 12 CFR 252.54(b).

[23] See 12 CFR 252.44(b).

[24] See Board of Governors of the Federal Reserve System, *2020 Supervisory Scenarios for Annual Stress Tests Required under the*

Global Market Shock

Firms with significant trading activity must include in their company-run stress tests under the supervisory severely adverse scenario a component that assesses potential losses associated with trading positions, private equity positions, and counterparty exposures (global market shock). The Board modified the threshold for the global market shock component in 2017 to apply to any firm that is subject to supervisory stress tests and that has aggregate trading assets and liabilities of $50 billion or more, or aggregate trading assets and liabilities equal to 10 percent or more of total consolidated assets, and is not a large and noncomplex firm.[25]

Firms subject to the global market shock in CCAR 2020 must apply the shock as of a specified point in time, which will result in instantaneous losses and a reduction in capital. These losses and related capital impact will be included in projections for the first quarter of the planning horizon. The as-of date for the global market shock is October 18, 2019.

The global market shock is an add-on component of the supervisory severely adverse scenario that is exogenous to the macroeconomic and financial market environment specified in that scenario. As a result, losses from the global market shock should be viewed as an addition to the estimates of losses under the macroeconomic scenario.[26] Firms subject to the global market shock should not assume for the purposes of calculating post-stress capital ratios that there is a decline in portfolio positions or risk-weighted assets due to losses from the global market shock, except in the case noted below.

If a firm subject to the global market shock can demonstrate that its loss-estimation methodology stresses identical positions under both the global market shock and the supervisory macroeconomic scenario, that firm may assume that the combined losses from such positions do not exceed losses resulting from the higher of either the losses stemming from the global market shock or those estimated under the macroeconomic scenario. However, the full effect of the global market shock must be taken through net income in the first quarter of the planning horizon, which will include the as-of date for the global market shock.

If a firm subject to the global market shock makes any adjustment to account for identical positions, then that firm must demonstrate that the losses generated under the macroeconomic scenario are on identical positions to those subject to the global market shock, break out each of the adjustments as a separate component of pre-provision net revenue (PPNR), and describe the rationale behind any such adjustments.

Counterparty Default Scenario Component

Firms with substantial trading or processing and custodian operations are required to incorporate a counterparty default scenario component into their supervisory severely adverse stress scenario.[27]

Firms subject to the counterparty default scenario component in CCAR 2020 are required to estimate and report the potential losses and related effects on capital associated with the instantaneous and unexpected default of the counterparty that would generate the largest losses across its derivatives and securities financing transactions, including securities lending and repurchase or reverse repurchase agreement activities. The largest counterparty of each firm is determined by net stressed losses, which is estimated by revaluing exposures and collateral using the global market shock scenario.

The as-of date for the counterparty default scenario component is October 18, 2019, the same date as the global market shock.

Similar to the global market shock, the counterparty default scenario component is an add-on component to the macroeconomic and financial market scenarios specified in the Federal Reserve's supervisory severely adverse scenario, and, therefore, losses associated with this component should be viewed as an addition to the estimates of losses under the macroeconomic scenarios.

Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule (Washington: Board of Governors, February 2020), https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200206a1.pdf.

[25] See Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB, 82 Fed. Reg. 59608 (December 15, 2017), https://www.govinfo.gov/app/details/FR-2017-12-15/2017-26960.

[26] Firms should not report changes in value of the mortgage-servicing rights (MSRs) assets or hedges as trading losses resulting from the global market shock. Therefore, if derivative or other MSRs hedges are placed in the trading book for FR Y-9C purposes, these hedges should not be stressed with the global market shock.

[27] See 12 CFR 252.44(b).

BHC Scenarios

To gain a deeper understanding of a firm's unique vulnerabilities, the capital plan rule requires each firm to design an internal stress scenario that is appropriate to its business activities and exposures, including any expected material changes therein over the nine-quarter horizon. As part of its annual capital plan submission, each firm must submit the results of its stress tests based on at least one stress scenario developed by that firm and on a firm baseline scenario, which reflect the firm's unique risk exposures and business activities.

A firm may use the same baseline scenario as the supervisory baseline scenario if the firm determines the supervisory baseline scenario appropriately represents its view of the most likely outlook for the risk factors salient to the firm.

Firms should consult SR letter 15-18, and, in particular, part III.E and appendix G, for detailed guidance on developing internal scenarios that focus on the specific vulnerabilities of the firm's risk profile and operations.[28]

Description of All Capital Actions Assumed over the Planning Horizon

The Federal Reserve considers the firm's description of all planned capital actions over the planning horizon, including both capital issuances and capital distributions. Under the capital plan rule, a capital action is any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the Federal Reserve determines could affect a firm's consolidated capital.[29] A capital distribution is a redemption or repurchase of any debt or equity capital instrument, a payment of common or preferred stock dividends, a payment that may be temporarily or permanently suspended by the issuer on any instrument that is eligible for inclusion in the numerator of any minimum regulatory capital ratio, and any similar transaction that the Board determines to be in substance a distribution of capital.[30]

Under certain circumstances, a firm must request approval from the Board to make capital distributions that exceed those included in its capital plan on a gross or net basis.[31] Further detail is provided in "Execution of Capital Plan and Requests for Additional Distributions" below.

Capital Action Assumptions

Firms must incorporate assumptions about capital actions over the planning horizon into their company-run stress tests. The types of capital actions that a firm must incorporate into its company-run stress tests under various scenarios are defined as follows:

- **Planned capital actions:** a firm's planned capital actions under the BHC baseline scenario
- **Alternative capital actions:** a firm's assumed capital actions under the BHC stress scenario
- **Company-run stress test capital actions:** capital action assumptions as required under the stress test rules[32]

Planned Capital Actions

As part of the capital plan submission, except in the case of the BHC stress scenario, firms should calculate post-stress capital ratios using their planned capital actions over the planning horizon that are described in the BHC baseline scenario.

With respect to the planned capital actions that are described in the capital plan:

- For the initial quarter of the planning horizon, the firm must take into account the actual capital actions taken during that quarter.
- For the second quarter of the planning horizon (i.e., the second quarter of 2020), a firm's capital distributions should be consistent with those already included in the capital plan from the prior year and not objected to by the Federal Reserve for that quarter.
- For each of the third through ninth quarters of the planning horizon, the firm must include any planned capital actions.

For scenarios other than the BHC baseline scenario, a firm's capital action may depend on projections of other items, particularly share prices. To ensure consistency, a firm should include the following assumptions when projecting its capital actions:

28 See SR letter 15-18.

29 See 12 CFR 225.8(d)(4).

30 See 12 CFR 225.8(d)(5).

31 See 12 CFR 225.8(g).

32 See 12 CFR 252.56(b).

- Assume that the dollar value of dividends, repurchases, and redemptions of capital instruments do not vary from the amount in the BHC baseline scenario.
- Assume that the dollar value of the issuance of capital instruments does not vary by scenario from the amount in the BHC baseline scenario unless the scenario directly impacts shareholder's equity or consideration paid in connection with a planned merger or acquisition.

Alternative Capital Actions

In calculating post-stress capital ratios that are described in the BHC stress scenario, a firm should use the capital actions it would expect to take if the stress scenario were realized. These alternative capital actions should be consistent with the firm's established capital policies.

Company-Run Stress Test Capital Action Assumptions

For stressed projections under the stress test rules, firms should follow the capital action assumptions set forth in the stress test rules as of the April 6, 2020, submission date of their capital plans. For the supervisory stress tests, the Federal Reserve will use the capital action assumptions set forth in the SCB rule. The results of the company-run and supervisory stress tests will be less comparable as a result of these different capital actions.

Organization of Description of Capital Actions

A firm should align the description of its planned capital actions to the actions submitted on the FR Y-14A Summary Schedule that are described in the BHC baseline scenario and on the FR Y-14A Regulatory Capital Instruments Schedule, and organize the description of the planned capital actions in a manner that permits comparison with the schedules. One method of organization would be a table, such as table 2, which presents the capital actions by type of capital instrument over the quarterly path.

Dividend Add-On

The SCB rule specifies that part of a firm's SCB requirement will be composed of a dividend add-on equal to the sum of the dollar amount of the firm's planned common stock dividends for each of the fourth through seventh quarters of the planning horizon as a percentage of risk-weighted assets.

In order to calculate this value, the Federal Reserve will use a firm's planned common dividends in the BHC baseline scenario. The dividend add-on will exclude planned dividends to the extent that these dividends are associated with a material business plan change.

As planned dividends will serve as an input into a firm's SCB, this part of each firm's capital plan will receive particularly close scrutiny.

Description of a Firm's Process for Assessing Capital Adequacy

A firm's description of its process for assessing capital adequacy is an important component of its capital plan. As discussed in SR letter 15-18 and the capital plan rule, a firm's capital planning process should have as its foundation a full understanding of the risks arising across all parts of the firm from its exposures and business activities, as well as scenario-based stress testing analytics, to ensure that it holds sufficient capital corresponding to those risks to maintain operations across the planning horizon.

The detailed description of a firm's capital planning process should include a discussion of how, under stressful conditions, that firm will meet supervisory expectations for maintaining capital commensurate with its risks, taking into account minimum regulatory capital ratios and its internal capital goals. Firms should primarily refer to SR letter 15-18 for additional detail on the supervisory expectations for the capital planning process.

Expected Changes to Business Plans Affecting Capital Adequacy or Funding

Each firm should include in its capital plan a discussion of any expected changes to the firm's business plan that are likely to have a material impact on the firm's capital adequacy. Examples of changes to a business plan that may have a material impact could include a planned merger, acquisition, or divestiture; changes in key business strategies; or significant investments. For projections under the BHC scenarios, a firm should include all planned mergers,

Table 2. Summary of planned capital actions, CCAR 2020

Item	2020:Q1	2020:Q2	2020:Q3	2020:Q4	2021:Q1	2021:Q2	2021:Q3	2021:Q4	2021:Q1	9-quarter
Dividends										
Common dividends/share ($)										n/a
Common dividends										
Preferred dividends										
Repurchases and redemptions										
Common stock issuance										
Common stock repurchase (gross)										
Common stock repurchase (net)										
Common stock - employee stock compensation issuance										
Common stock - employee stock compensation repurchase (gross)										
Common stock - employee stock compensation repurchase (net)										
Preferred stock issuance										
Preferred stock repurchase (gross)										
Preferred stock repurchase (net)										
TruPS issuance										
TruPS repurchase (gross)										
TruPS repurchase (net)										
Subordinated debt issuance										
Subordinated debt repurchase (gross)										
Subordinated debt repurchase (net)										
Other capital instruments issuance (gross)										
Other capital instruments repurchase (gross)										
Other capital instruments repurchase (net)										
Millions of dollars										

n/a Not applicable.
TruPS Trust preferred securities.

acquisitions, and divestitures that represent the firm's current view of the most likely outlook over the planning horizon under the given scenario.

In the discussion of the business plan change, the firm should consider in its capital plan the effects of these expected changes and any potential adverse consequences in the event the actions do not result in the planned changes (e.g., a merger plan falls through, a change in business strategy is not achieved, or the firm suffers a loss on the significant planned investment).[33] In addition, a firm should reflect material changes to the firm's business plan in its FR Y-14A Summary and Business Plan Changes Schedule F.1 and provide relevant supporting documentation. FR Y-14A Schedule F.2, Pro Forma Combining Balance Sheet Mergers and Material Acquisitions, must only be completed if a firm projects a material merger or acquisition. A firm must reflect the impact of the scenario on any issuance of capital or increase in shareholder's equity associated with a business plan change. Upon reviewing this information, the Federal Reserve may request addi-

[33] If a firm's December 31, 2019, FR Y-9C is not reflective of its risk profile and business activities, the firm should provide a description of the business plan changes that affect its starting data. The Federal Reserve may request additional information about any description of material changes to the starting data, including incremental impacts on the firm's starting balance sheet, income statement, capital, and risk-weighted assets.

tional information about the firm's business plan change.[34]

Organizing Capital Plan Submissions

Appendix B provides a suggested outline for both the capital plan narrative and supporting information, as well as defining the submission components and mapping them to the mandatory elements in the capital plan rule and the FR Y-14A Instructions.

In December 2019, the Federal Reserve issued a letter to firms notifying them of the planned scope of CCAR 2020. In an effort to reduce burden associated with the submission of supporting documentation, firms will only be required to submit documentation related to the elements in scope for this year's exercise.

Data Supporting a Capital Plan Submission

In conducting its assessment of a firm's capital plan, the Federal Reserve relies on the completeness and accuracy of information provided by the firm. A firm's internal controls around data integrity are critical to assure the quality of the capital planning process. Firms should refer to appendix E of SR letter 15-18 for more information on the Federal Reserve's expectations for internal audit.

Firms are expected to have procedures in place for meeting the accuracy requirements of the FR Y-14A, FR Y-14Q, and FR Y-14M forms and should be able to evaluate the results of such procedures.[35]

LISCC firms must complete the attestation for FR Y-14A, FR Y-14Q, and FR Y-14M reports with December 31, 2019, as-of dates.[36] For these reports, LISCC firms are required to attest to conformance with the forms' instructions, the material correctness of the actual data as of that date, and the effectiveness of internal controls throughout the year.

FR Y-14 Data Submission

In general, firms are required to report all data elements in the FR Y-14 schedules; however, certain schedules, worksheets, or data elements may be optional for a firm. The instructions for the individual FR Y-14A, FR Y-14Q, and FR Y-14M schedules provide details about how to determine whether a firm must submit a specific schedule, worksheet, or data element.

Firms are required to report FR Y-14 data that are materially accurate. Firms may be asked to resubmit FR Y-14 data after the initial due date as specified in the associated report instructions should errors or omissions be identified by the Federal Reserve. Due dates are specified in the FR Y-14Q and FR Y-14M General Instructions, which are available on the Federal Reserve Board's website.[37] FR Y-14A schedules, where applicable, are due by April 6, 2020. For submissions with a December 31, 2019, as-of date, voluntary data resubmissions received after the initial data submission will be considered on a case-by-case basis for inclusion in the assessment. (See "Supervisory Post-Stress Capital Analysis" for the treatment of unresolved data issues.)

Under the capital plan rule, failure to submit complete data to the Federal Reserve in a timely manner may be indicative of weaknesses in a firm's capital planning process and could result in supervisory action. A firm's inability to provide required data by the due dates may affect supervisory estimates of losses, PPNR, risk-weighted assets, and capital for the firm and may affect the Federal Reserve's assessment of the internal risk-measurement and risk-management practices supporting a firm's capital planning process.

FR Y-14A Summary Schedule Capital Worksheets

Firms must complete capital worksheets on the FR Y-14A Summary Schedule to report their projections of capital components, risk-weighted assets, and capital ratios under each of the four scenarios described above.

With respect to a firm's projections under the supervisory scenarios, the firm must calculate two sets of pro forma capital ratios and complete (1) the Capi-

[34] Although firms will include business plan changes in their company-run stress tests per the current stress test rules, the Federal Reserve will not incorporate business plan changes into the supervisory stress test results. As a result, the results of the company-run and supervisory stress tests will be less comparable.

[35] See SR letter 15-18, appendix E.

[36] See 82 Fed. Reg. 59608 (December 15, 2017).

[37] See "Report Forms," last modified August 12, 2011, https://www.federalreserve.gov/apps/reportforms/default.aspx.

tal—CCAR worksheet (FR Y-14A Schedule A.1.d.1) using the firm's planned capital actions in the BHC baseline scenario, and (2) the Capital—DFAST worksheet (FR Y-14A Schedule A.1.d.2) using the prescribed assumptions about capital actions under the stress test rules.

For the firm-developed scenarios, a firm should complete only the Capital—CCAR worksheet (FR Y-14A Schedule A.1.d.1) and include projections using the firm's expected capital actions as deemed appropriate by the firm for that scenario and in accordance with the firm's capital policies.

Table 3 illustrates the capital actions used for each scenario's FR Y-14A Schedule.

Table 3. Capital worksheet requirements

Scenario	CCAR capital worksheet	DFAST capital worksheet
BHC baseline[1]	Planned capital actions	n/a
Supervisory baseline[1]	Planned capital actions	DFA stress test capital actions
BHC stress	Alternative capital actions	n/a
Supervisory severely adverse	Planned capital actions	DFA stress test capital actions

[1] If a firm determines the supervisory baseline scenario to be appropriate for its own BHC baseline, the firm may submit identical FR Y-14A Summary schedules for the BHC baseline and supervisory baseline, but would not be required to submit a DFAST capital worksheet for the BHC baseline.

n/a Not applicable.

CCAR Assessment

The Federal Reserve's CCAR assessment consists of a review of firms' capital plan and the generation of supervisory stress test estimates, using internally developed supervisory models and assumptions with firms' FR Y-14 filings and supporting information." [38]

Qualitative Assessment

In conducting the qualitative assessment, the Federal Reserve evaluates firms' capital planning practices, focusing on six areas of capital planning—namely, governance, risk management, internal controls, capital policies, incorporating stressful conditions and events, and estimating impact on capital positions. The supervisors engaged in the qualitative assessment include dedicated supervisory teams that provide a firm-specific assessment and horizontal evaluation teams focusing on cross-firm assessments of capital planning processes. Horizontal evaluation teams are multidisciplinary and include financial analysts, accounting and legal experts, economists, risk-management specialists, financial risk modelers, and regulatory capital analysts.

In addition to the assessment carried out subsequent to the submission of the required annual capital plans, CCAR qualitative assessments are informed by supervisory activities that are conducted throughout the year to assess a firm's practices and processes used, in part, to support its capital planning. These supervisory activities include reviews that focus on risk management, internal controls, audit, and corporate governance and the monitoring of the firm's progress toward addressing identified weaknesses in capital planning processes and meeting supervisory expectations. The CCAR qualitative assessment helps to highlight key weaknesses in a firm's internal processes that can result in additional supervisory scrutiny throughout the year.

During the qualitative assessment, supervisors assign ratings to each of the six areas of capital planning noted above. The ratings, which indicate the extent to which a firm's capital planning practices meet supervisory expectations, are used to determine the nature and severity of supervisory feedback. For firms subject to the qualitative objection, decisions to object or not object to a firm's capital plan for qualitative reasons are based on an absolute assessment of the firm's practices relative to standards in the capital plan rule.

As the Federal Reserve reviews a firm's capital plan, it will consider, among other factors, the following:

- Whether the firm has material unresolved supervisory issues, including but not limited to issues associated with its capital adequacy process.
- Whether the assumptions and analyses underlying the firm's capital plan, or the firm's methodologies for reviewing its capital adequacy process, are not reasonable or appropriate.
- Whether the firm's capital planning process or proposed capital distributions otherwise constitute an unsafe or unsound practice or would violate any law, regulation, Board order, directive, or any condition imposed by, or written agreement with, the Board or the appropriate Federal Reserve Bank.

Material Unresolved Supervisory Issues

The Federal Reserve's qualitative assessment critically evaluates supervisory issues—identified through CCAR and year-round supervisory assessments—related to identification, measurement, and management of firms' material risks and controls and governance around those activities. Sound capital planning requires a strong foundation of risk management, internal controls, and governance.

[38] See Board of Governors of the Federal Reserve System, *Dodd-Frank Act Stress Test 2018: Supervisory Stress Test Methodology and Results* (Washington: Board of Governors, June 2018), https://www.federalreserve.gov/publications/files/2018-dfast-methodology-results-20180621.pdf (2018 DFAST Methodology and Results).

The Federal Reserve may object to a firm's capital plan if the firm has material unresolved supervisory issues, including but not limited to issues associated with its capital adequacy process that

- are severe in nature (e.g., relate to the fundamental ability of a firm to identify, measure, and monitor its risks or to determine its capital needs under stressful conditions);
- have proven to be pervasive in nature (e.g., not necessarily confined to an individual function, business line, or assessment area); or
- have remained outstanding for a considerable period of time (e.g., at least one supervisory assessment cycle), with limited progress made in addressing the root causes of the identified deficiencies.[39]

Assumptions and Analysis Underlying the Capital Plan

A forward-looking assessment of capital adequacy under a range of stressful scenarios is a key input to a firm's capital plan. In order to support the firm's capital planning processes, the capital adequacy assessment process should evidence a clear link between stress scenarios and the firm's material risks; sound approaches used to quantify the effect of the scenarios on the firm's financial performance and capital positions; critical assessments of the assumptions, analysis, and output of its stress testing; and strong controls and governance surrounding the capital planning process.

The Federal Reserve may object to a firm's capital plan if the firm has material or pervasive deficiencies in areas such as

- comprehensive, firm-wide identification, capture, and measurement of risks, including the identification of risks that may only emerge or become apparent under stress; or
- assumptions and analysis designed to address known data or model weaknesses; to account for the potential effect of a given stress event on strategic or other management actions; or to support elements of the forward-looking assessment that remain difficult to model and, therefore, require the application of well-governed business judgment.[40]

[39] See 12 CFR 225.8(f)(2)(ii)(B)(2).

[40] See 12 CFR 225.8(f)(2)(ii)(B).

Controls and Governance over the Capital Planning Process

A firm's internal controls over its capital planning process should help to ensure the effectiveness of the firm's capital planning. If a firm has weak internal controls, the reliability and credibility of the firm's capital planning process and any outputs from the process are called into question.

For example, the Federal Reserve may object to a capital plan if a firm has material or pervasive deficiencies in

- internal controls around key elements of the firm's capital planning processes, including controls around the processes used to develop and independently validate key assumptions, models, and other approaches used as part of the firm's forward-looking capital adequacy assessment;
- the execution of internal audits of processes supporting the firm's capital planning;
- controls around the data and information technology infrastructure supporting the firm's capital adequacy assessment, including those relating to regulatory reporting; or
- senior management oversight of capital planning processes.[41]

Supervisory Stress Tests

The Federal Reserve's supervisory stress tests, conducted under the stress test rules, estimate losses, revenues, balances, risk-weighted assets, and capital.[42] The supervisory projections are conducted using two hypothetical macroeconomic and financial market scenarios developed by the Federal Reserve: (1) the supervisory baseline, and (2) supervisory severely adverse scenarios.

As described in the final SCB rule, the Board will use the results of the supervisory stress tests to size a firm's SCB requirement.

In connection with the supervisory stress tests, the Federal Reserve may use data and information provided in the FR Y-14 regulatory reports with December 31, 2019, as-of dates. Firms should review the

[41] See 12 CFR 225.8(f)(2)(ii)(B).

[42] For more details on the methodology of the Federal Reserve's supervisory stress tests, see 2018 DFAST Methodology and Results.

instructions for each schedule to determine the appropriate submission date for each regulatory report. The Federal Reserve will apply conservative assumptions to any missing or otherwise deficient FR Y-14 data in producing supervisory estimates if such deficiencies are not remedied.

- **Missing data or data deficiency:** If data that are direct inputs to supervisory models are missing or reported erroneously, then a conservative value (e.g., 10th percentile PPNR rate or 90th percentile loss rate) will be assigned to the specific data based on all available data reported by covered companies, depending on the extent of the data deficiency. If a firm's submitted data quality is deemed too deficient to produce a supervisory model estimate for a particular portfolio segment or portfolio, the Federal Reserve may assign a high loss rate (e.g., 90th percentile) or a conservative PPNR rate (e.g., 10th percentile) to that segment or portfolio based on supervisory projections of portfolio losses or PPNR estimated for other firms.
- **Immaterial portfolio:** Each firm has the option to either submit or not submit the relevant data schedule for a given portfolio that does not meet a materiality threshold (as defined in FR Y-14Q and FR Y-14M instructions). If the firm does not submit data on its immaterial portfolio(s), the Federal Reserve will assign the median loss rate, based on the estimates for other firms. Otherwise, the Federal Reserve will estimate losses using data submitted by the firm.

Federal Reserve's Responses to Planned Capital Actions

For firms subject to the qualitative objection, the Federal Reserve will determine whether to object to those firms' capital plans based upon the results of CCAR's qualitative assessment.

If a firm receives an objection to its capital plan, the firm may not make any capital distribution other than those capital distributions with respect to which the Federal Reserve has indicated in writing its non-objection. In this instance, the Federal Reserve may still authorize the firm to undertake certain distributions set forth in its capital plan.

Under the capital plan rule, the Federal Reserve may require a resubmitted capital plan if there is a material change in the firm's risk profile (including a material change in its business strategy or any risk exposure), financial condition, or corporate structure, or if changes in financial markets or the macroeconomic outlook that could have a material impact on the firm's risk profile and financial condition require the use of updated scenarios.[43]

Disclosure of Supervisory Assessments

At the completion of the CCAR process, the Federal Reserve will disclose its supervisory stress test results, any decision to object to a firm's capital plan on qualitative grounds, and the reasons for any such objections. The disclosure will include the detailed results of supervisory stress tests for each firm under the severely adverse supervisory scenario.

The Federal Reserve will publish the CCAR results by June 30, 2020. Firms required to undertake company-run stress testing must disclose the results of those stress tests, which were submitted to the Federal Reserve on April 6, 2020, within 15 days of the date the Federal Reserve discloses the CCAR results.

Resubmissions

If a firm receives an objection to its capital plan, it may choose to resubmit its plan.

In addition, pursuant to the capital plan rule, a firm must revise and resubmit its capital plan if it determines there has been or will be a material change in the firm's risk profile (including a material change in its business strategy or any material-risk exposures), financial condition, or corporate structure since the firm adopted the capital plan.[44] Further, the Federal Reserve may direct a firm to revise and resubmit its capital plan for a number of other reasons, including if a stress scenario developed by the firm is no longer appropriate to its business model and portfolios or if changes in financial markets or the macroeconomic outlook that could have a material impact on a firm's risk profile and financial condition requires the use of updated scenarios.[45]

Submissions that are incomplete or contain material weaknesses could result in an objection to the resub-

[43] See 12 CFR 225.8(e)(4).

[44] See 12 CFR 225.8(e)(4)(i)(A).

[45] See 12 CFR 225.8(e)(4)(i)(B).

mitted plan and a mandatory resubmission of a new plan, which may not be reviewed until the following quarter. Based on a review of a firm's capital plan, supporting information, and data submissions, the Federal Reserve may require additional supporting information or analysis from a firm or require it to revise and resubmit its plan.

Execution of Capital Plan and Requests for Additional Distributions

The stress capital buffer rule generally removes the requirement for firms to request prior approval for incremental capital distributions, with certain exceptions. A firm will be required to provide the Board with notice within 15 days after making any capital distributions in excess of those included in its capital plan and will be required to update its FR Y-14A Schedule C, Regulatory Capital Instruments at the same time.

A firm that has resubmitted its capital plan or received a qualitative objection to its capital plan must continue to request prior approval of the Board for incremental capital distributions.

As indicated in the SCB rule, a firm's SCB requirement is effective as of the fourth quarter of 2020. The rule provides a transition for the third quarter of 2020 whereby a firm is permitted to make capital distributions that do not exceed the four-quarter average of distributions to which the firm has previously indicated its non-objection.

Appendix A: Scope of CCAR 2020 Qualitative Assessment

Table A.1. Scope of CCAR 2020 qualitative assessment

Areas	Exposure types				
	Retail credit risk	Wholesale credit risk	Counterparty credit risk	Trading risk	Pre-provision net revenues, securities, risk-weighted assets
Governance	All	All	All	All	All
Risk management – risk identification and assessment process	(1) Domestic credit cards (other than small-business cards); and (2) domestic auto loans	(1) Commercial real estate loans; and (2) commercial & industrial loans and other commercial loans and leases held for investment	(1) Repurchase, reverse repurchase, securities lending, and securities borrowing activities; (2) credit derivatives; and (3) credit valuation adjustment hedges	(1) U.S. government agency residential mortgage-backed securities (RMBS), to-be-announced (TBA) RMBS, and agency debentures; (2) private equity exposures; and (3) credit valuation adjustment hedges	Standardized approach risk-weighted assets excluding market risk components
Internal controls	(1) Domestic credit cards (other than small-business cards); and (2) domestic auto loans	(1) Commercial real estate loans; and (2) commercial & industrial loans and other commercial loans and leases held for investment	(1) Repurchase, reverse repurchase, securities lending, and securities borrowing activities; (2) credit derivatives; and (3) credit valuation adjustment hedges	(1) U.S. government agency RMBS, TBA RMBS, and agency debentures; (2) private equity exposures; and (3) credit valuation adjustment hedges	Standardized approach risk-weighted assets excluding market risk components
Capital policy	All	All	All	All	All
Estimating impact on capital positions – all sub-areas, as relevant	(1) Domestic credit cards (other than small-business cards); and (2) domestic auto loans	(1) Commercial real estate loans; and (2) commercial & industrial loans and other commercial loans and leases held for investment	(1) Repurchase, reverse repurchase, securities lending, and securities borrowing activities; (2) credit derivatives; and (3) credit valuation adjustment hedges	(1) U.S. government agency RMBS, TBA RMBS, and agency debentures; (2) private equity exposures; and (3) credit valuation adjustment hedges	Standardized approach risk-weighted assets excluding market risk components

Appendix B: Organizing Capital Plan Submissions

When submitting materials to the secure collaboration site, firms may categorize each component in order to facilitate identification and review of relevant documentation. Table B.1 shows the categorization system that may be used for submissions to the secure collaboration site.

Capital Plan Narrative

This section outlines, as an illustrative example, a potential organizational structure for a firm's capital plan narrative. Components of this structure that reflect one of the four mandatory elements of a capital plan under the capital plan rule are noted (see "Mandatory Elements of a Capital Plan" for more information).

- **Capital plan**—provides a summary of the firm's capital plan and the *pro forma* financial results under the different scenarios evaluated as part of the capital planning process. The document should summarize the firm's proposed capital actions, the various scenarios used in the capital planning process, the key risks and drivers of financial performance under each scenario, key assumptions, and other relevant information.
- **Capital policies**—provides the firm's policies outlining the principles and guidelines used for capital planning, capital issuance, usage, and distributions *(mandatory element 3)*.
- **Planned capital actions**—provides (1) a description of all planned capital actions over the planning horizon and (2) a summary of all capital actions by instrument quarterly over the nine-quarter path, which should align with the capital actions included in the FR Y-14A Summary and Regulatory Capital Instruments schedules *(mandatory element 1(d))*. (See "Description of All Capital Actions Assumed over the Planning Horizon.")
- **Capital planning process**—provides a detailed description of the firm's process for assessing capital adequacy, including key assumptions and limitations *(mandatory element 2)*.
- **Risk-identification program overview**—describes the risk-identification process the firm uses to support the firm-wide stress testing required in the capital plans and how these risks are captured in the firm's capital planning process.
- **BHC scenario design process overview**—describes the firm's process and approach to developing the BHC baseline and BHC stress scenarios, including all methodologies, variables, and key assumptions, and how the BHC stress scenarios address the firm's particular vulnerabilities. (See "BHC Scenarios.")
- **Material business plan changes**—provides a discussion of any expected changes to the firm's business plan that are likely to have a material impact on the firm's capital adequacy and funding profile (e.g., a proposed merger, acquisition, or divestiture; changes in key business strategies; or significant investments) *(mandatory element 4)*.
- **Summary of assumptions, limitations, and weaknesses**—provides credible support for all assumptions used to derive loss estimates, including assumptions related to the components of loss, severity of loss, and any known weaknesses in the translation of assumptions into loss estimates.
- **Governance framework**—describes internal governance around the development of the firm's comprehensive capital plan. Documentation should demonstrate that senior management has provided the board of directors with sufficient information to facilitate the board's full understanding of stress testing used by the firm for capital planning purposes.
- **Summary of audit findings**—provides a summary of the most recent findings and conclusions from a review of the firm's capital planning process carried out by internal audit or an independent party. In the discussion, the firm should describe the scope of audit work and specifically identify any

areas of the end-to-end capital planning process that have not been independently reviewed.

If the firm chooses to organize its capital plan narrative in the format set forth above, the capital plan narrative elements may be submitted as one large file, as individual files, or as several files that combine various elements. When uploading these documents to the secure collaboration site, a firm should follow these instructions:

1. For document type, categorize all documents as "Capital plan narrative."
2. For document subtype, please choose the appropriate category from the list below based on the descriptions above.
   - *Document subtype categories:* (1) Complete narrative, (2) Capital plan (use this category to submit a capital plan summary), (3) Capital policy, (4) Planned capital actions, (5) Capital planning process, (6) Risk-identification (use this category to submit information about risk-identification and risk inventory), (7) BHC scenario design process overview, (8) Material business plan changes, (9) Assumptions—

Table B.1. Capital plan submission categorization scheme

Submission type (REQUIRED)	Submission subtype (REQUIRED)	Supporting materials only	
		Comment (OPTIONAL)[1]	Topic (REQUIRED)
Capital plan narrative	Complete narrative Capital plan Capital policy Planned capital actions Capital adequacy process Risk-identification program overview BHC scenario design process overview Material business plan changes Assumptions - limitations - weaknesses Governance framework Summary of audit findings Other (please define)		
Supporting documents (capital plan & FR Y-14)	Policies and procedures Methodology inventory mapped to Y-14A Methodology and process overview Model technical document Model validation Audit report Results finalization & challenge Cons pro forma financials methodology Contact list Other (please define)[2]		General Wholesale Retail Operational risk Securities Trading Counterparty PPNR - balance sheet - RWA Regulatory capital
FR Y-14 schedule[3]	Y-14A - Sch A - Summary Y-14A - Sch B - Scenario Y-14A - Sch C - Reg cap instruments Y-14A - Sch E - Ops risk Y-14A - Sch F - Business plan changes Y-14Q - Sch A - Retail Y-14Q - Sch B - Securities Y-14Q - Sch C - Reg cap instruments Y-14Q - Sch D - Reg cap transitions Y-14Q - Sch E - Ops risk Y-14Q - Sch F - Trading Y-14Q - Sch G - PPNR Y-14Q - Sch H - Wholesale Y-14Q - Sch I - MSR valuation Y-14Q - Sch J - FVO/HFS Y-14Q - Sch K - Supplemental Y-14Q - Sch L - Counterparty Y-14Q - Sch M - Balances		
Attestation	FR Y-14A - Annual FR Y-14M - Monthly FR Y-14Q - Quarterly		

1 See FR Y-14A Instructions, Appendix A: Supporting Documentation.

2 If a firm selects "Other," it will be prompted to provide a description of the submission.

3 Data for all FR Y-14A/Q schedules should be submitted in Reporting Central as of December 31, 2019, except for the FR Y-14Q, Schedule I (MSR valuation). Supporting documentation should continue to be submitted in Intralinks.

limitations—weaknesses, (10) Governance framework, (11) Summary of audit findings, and (12) Other.

—If the entire capital plan narrative (i.e., all elements above) is in one file, please choose “Complete narrative.”

—If combining some of the elements above into one file, please choose “Other” and provide a description of the supporting document in the “Other—defined” field.

—If supporting documentation does not fit one of the defined elements above, please choose “Other” and provide a description of the supporting document in the “Other—defined” field.

Capital Plan and FR Y-14A Supporting Documentation

This section outlines, as an illustrative example, a potential organizational structure for the required documentation that each firm must submit through the collaboration site to support the capital plan and the FR Y-14A schedules. All model and methodology documentation described below should be organized by the following work streams: retail, wholesale, fair value option and held-for-sale loans, securities, trading, counterparty, operational risk, pre-provision net revenue (PPNR), and mortgage-servicing rights (MSR). This supporting documentation also addresses *mandatory element 1* under the capital plan rule.

- **Policies and procedures**—All policies and procedures related to the capital planning process, including the firm’s model risk management policy. (See the FR Y-14A Instructions and SR letter 15-18, as applicable, for specific supervisory expectations for a model risk management policy.)
- **Methodology and model inventory mapping to FR Y-14A**—Provides an inventory of all models and methodologies used to estimate losses, revenues, expenses, balances, and risk-weighted assets and the status of validation/independent review for each. As required by the FR Y-14A Instructions, documentation should also include mapping that clearly conveys the methodology used for each FR Y-14A product line under each stress scenario.
- **Methodology documentation**—Should include, at a minimum, the following documents:[46]

—**Methodology and process overview**—Describes key methodologies and assumptions for performing stress testing on the firm’s portfolios, business, and performance drivers. Documentation should clearly describe the model-development process, the derivation of outcomes, and validation procedures, as well as assumptions concerning the evolution of balance sheet and risk-weighted assets under the scenarios, changing business strategies, and other impacts to a firm’s risk profile. Supporting documentation should clearly describe any known model weaknesses and how such information is factored into the capital plan.

—**Model technical documents**—Firms should include thorough documentation in their capital plan submissions that describes and makes transparent key methodologies and assumptions for performing stress testing on the firm’s portfolios. In particular, the design, theory, and logic underlying the methodology should be well-documented and generally supported by published research and sound industry practice.

—**Model validation**—Models employed by firms (either developed internally or supplied by a vendor) should be independently validated or otherwise reviewed in line with model risk management expectations presented in existing supervisory guidance, including SR letter 11-7 and SR letter 15-18, as applicable. Institutions should provide model validation documentation developed in accordance with their internal policies and consistent with supervisory expectations.

—**Audit reports**—Firms should submit audit reports from their internal audit of the capital planning process including reviews of the models and methodologies used in the process.

—**Results finalization and challenge**—Firms should ensure that they have sound processes for review, challenge, and aggregation of estimates used in their capital planning processes. This category would be used to provide any documentation relating to the review, challenge, and aggregation

[46] See appendix A of Capital Assessment and Stress Testing information collection (FR Y-14A) (OMB No. 7100-0341).

processes and the finalization of results that ensures transparency and repeatability.

Methodology documentation should be provided in accordance with the supporting documentation requirements outlined in the appendix of the FR Y-14A Instructions as follows:

Retail—See A.2 in the appendix.

Wholesale—See A.3 in the appendix.

Fair value option and held-for-sale loans—See A.4 in the appendix.

AFS/HTM Securities—See A.5 in the appendix.

Trading—See A.6 in the appendix.

Counterparty credit risk—See A.7 in the appendix.

Operational risk—See A.8 in the appendix.

PPNR—See A.9 in the appendix.

MSR—See A.10 in the appendix.

Consolidated pro forma financials methodology—Describes (1) how the various balance sheet and income statement line items were developed and reported; (2) the specific assumptions used to calculate regulatory capital, including a discussion of any proposed capital distributions; and (3) any other information necessary to understand the firm's capital calculations (e.g., calculations related to the projections of the deferred tax asset or servicing assets that may be disallowed for regulatory capital purposes). Methodology documentation should be provided in accordance with the supporting documentation requirements outlined in A.1 of the appendix of the FR Y-14A Instructions for the Income Statement, Balance Sheet, and Capital worksheets.

If a firm chooses to organize its capital plan and FR Y-14A supporting documentation in the format set forth above, the firm should consider the following:

1. For document type, categorize all supporting documents as "Supporting materials."
   - A firm should ***not*** categorize any FR Y-14 supporting documentation as "FR Y-14 Schedule." That category is for FR Y-14 schedules only—that is, Excel or XML files only.
2. For document subtype, choose the appropriate category from the list below based on the descriptions above.
   - *Document subtype categories:* (1) Policies and procedures, (2) Methodology inventory mapped to FR Y-14A, (3) Methodology and process overview, (4) Model technical documents, (5) Model validation, (6) Audit reports, (7) Results finalization & challenge, (8) Cons pro forma financials methodology, and (9) Other.
     - —If a firm has combined some of the elements above into one file, choose "Other" and provide a description of the supporting document in the "Other—defined" field.
     - —If a firm has other supporting documentation that does not fit one of the defined elements above, choose "Other" and provide a description of the supporting document in the "Other—defined" field.
3. In the "Comment" field, provide the information described in the appendix of the FR Y-14A Instructions for each supporting document.
4. For the work stream, choose the appropriate category from the list below:
   - *Work stream categories:* (1) General, (2) Wholesale, (3) Retail, (4) Operational risk, (5) Securities, (6) Trading, (7) Counterparty, (8) PPNR – balance sheet – RWA, and (9) Regulatory capital.
     - —All supporting documentation should be categorized by one of the specific work-stream categories above. The "General" category should only be used for (1) policies and procedures that are not related to a specific work stream, (2) the model/methodology inventory, (3) consolidated pro forma financials methodology, and (4) any documentation on results finalization and the challenge process that are not work-stream specific.

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