



Comprehensive Capital Analysis and Review 2019 Summary Instructions

March 2019



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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 of the practices that these firms use to assess their capital needs.¹ CCAR includes qualitative and quantitative assessments of firms’ capital plans. The quantitative assessment is based on the supervisory and company-run stress tests that are conducted under the Board’s rules implementing sections 165(i)(1) and (2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFRCA), as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).² The Federal Reserve expects the firms to have sufficient capital to withstand a severely adverse operating environment and continue to be able to lend to households and businesses, maintain operations and ready access to funding, and meet obligations to creditors and counterparties.

These instructions include information about the Federal Reserve’s qualitative and quantitative assessments of capital plans submitted in connection with this year’s CCAR exercise (CCAR 2019) by (1) firms subject to the Large Institution Supervision Coordination Committee framework (LISCC firms) and

(2) large and complex firms.³ As described more on page 3 below, large and noncomplex firms are no longer subject to the qualitative assessment, and for CCAR 2019, certain of those firms are not subject to the quantitative assessment.

About this Publication

These instructions provide information regarding requirements and expectations for CCAR 2019, the stress testing and capital planning cycle that began on January 1, 2019. Similar to the CCAR instructions in previous years, the instructions for CCAR 2019 provide information regarding:

- logistics for a firm’s capital plan submissions;
- expectations regarding the mandatory elements of a capital plan;
- the qualitative assessment of a firm’s capital plan;
- the quantitative assessment of a firm’s post-stress capital adequacy;
- the Federal Reserve’s response to a firm’s capital plan and planned capital actions;
- the limited adjustments that a firm may make to its planned capital actions; and
- public disclosures by the Federal Reserve at the end of the CCAR exercise.

¹ See 12 CFR 225.8 (capital plan rule), 12 CFR 252.153(e)(2)(ii) (stating that an IHC 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). As described below, the CCAR post-stress capital analysis uses the same data, models, and assumptions as supervisory stress testing conducted in accordance with the Dodd-Frank Act requirements, except that the CCAR analysis involves the firm’s planned capital actions in the BHC baseline scenario rather than the capital actions assumptions that are required in the stress testing rules.

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, 2018, (1) have \$250 billion or more in 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, www.federalreserve.gov/supervisionreg/srletters/sr1518.htm.

Differences between the CCAR 2019 Instructions and the Previous Year's Instructions

The CCAR 2019 instructions have been updated from the CCAR 2018 instructions to reflect changes to certain regulatory and reporting requirements.

- **Removal of CCAR's qualitative objection:** Concurrent with the publication of these instructions, the Board adopted a final rule to eliminate the Board's authority to object to capital plans on qualitative grounds for firms other than those recently subject to CCAR that continue to exhibit material deficiencies in capital planning.⁴ By January 1, 2021, the Board's authority to object to capital plans on qualitative grounds will be eliminated entirely, other than for firms receiving a qualitative objection in 2020.
- **Large and noncomplex firms exempted from CCAR's quantitative assessment in 2019:** Certain firms with between \$100 and \$250 billion in assets will not be subject to the company-run and supervisory stress testing requirements for 2019. Additionally, while these firms remain subject to capital planning requirements, they are not required to submit their capital plans to the Federal Reserve in 2019. These firms will be subject to supervisory stress testing and capital plan submission requirements in 2020.⁵
- **Certain IHCs become subject to the global market shock and counterparty default scenario:** In December 2017, the Board modified the scope of the global market shock component of the supervisory stress test to apply to a firm that has aggregate trading assets and liabilities of \$50 billion or more, or equal to or greater than 10 percent of total consolidated assets.⁶ As a result of this modification, IHCs that exceeded this threshold as of December 31, 2018, became subject to the global market shock for CCAR 2019. IHCs are also now subject to the counterparty default scenario. (See "**Coun-**

terparty Default Scenario Component" for more information.)

- **Reduced supporting documentation:** In an effort to reduce burden associated with the submission of supporting documentation, firms will only be required to submit documentation related to those elements in scope for this year's exercise, as reflected in a scoping letter sent to each firm in December 2018. (See "**Organizing Capital Plan Submissions**.")⁷

CCAR and Changes in Accounting Standards

The Financial Accounting Standards Board (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 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, 2020.⁷

As was the case last year, for CCAR 2019 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, 2018, that adoption should be reflected in the FR Y-14A report with December 31, 2018, as-of dates, and in the subsequent projected quarters.

With regard to Accounting Standards Update No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL), firms should exclude the potential effect of CECL from company-run stress testing projections for CCAR 2019, even if a

⁴ In CCAR 2019, Barclays US LLC, Credit Suisse Holdings (USA), DB USA Corporation, TD Group US Holdings LLC, and UBS Americas Holdings LLC are subject to the qualitative objection.

⁵ See Board of Governors of the Federal Reserve System, "Federal Reserve Board releases scenarios for 2019 Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act stress test exercises," press release, February 5, 2019, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20190205b.htm>.

⁶ See 82 FR 59608 (December 15, 2017).

⁷ The leases 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.

firm chooses to early adopt CECL for financial reporting purposes in 2019.⁸

Overview of CCAR Process

The Board's capital plan rule requires top-tier BHCs and IHCs subject to the capital plan rule to submit a capital plan to the Federal Reserve annually.⁹ 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 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. For CCAR 2019, capital plans should be submitted to the Federal Reserve no later than **April 5, 2019**.¹⁰

The Board conducts qualitative and quantitative 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

⁸ See Board of Governors of the Federal Reserve System, "Agencies allow three-year regulatory capital phase-in for new Current Expected Credit Losses (CECL) accounting standard," press release, December 21, 2018, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20181221a.htm>.

⁹ See the capital plan rule (12 CFR 225.8). Asset size is measured over the previous four calendar quarters as reported on the FR Y-9C regulatory report. If a firm has not filed the FR Y-9C for each of the four most recent quarters, average total consolidated assets means the average of the firm's total consolidated assets, as reported on the firm's FR Y-9C, for the most recent quarter or consecutive quarters. For the purposes of capital planning, IHCs must comply with section 12 CFR 225.8 and any successor regulation in the same manner as a BHC. See 12 CFR 252.153(e)(2)(ii).

¹⁰ A firm that meets the threshold must submit a capital plan, even if it does not intend to undertake any capital distributions over the planning horizon.

capital for its risks, and controls and governance supporting capital planning.¹¹ 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 of the firm's capital planning process that are undertaken throughout the year.

The Federal Reserve's quantitative assessment of a firm's capital plan is based on the supervisory and company-run stress tests that are conducted, in part, under the DFAST rules. The quantitative assessment of a firm's capital plan in CCAR includes a supervisory assessment of the firm's ability to maintain capital levels above each minimum regulatory capital ratio, after making the capital actions included in its capital plan, under baseline and stressful conditions throughout the nine-quarter planning horizon. See [table 1](#) for a list of the ratios that are applicable to firms participating in CCAR 2019 over the planning horizon.

The quantitative and qualitative assessments serve as the basis for the Federal Reserve's decision to object, where applicable, or not object to a firm's capital plan as a part of CCAR. The decisions for all firms participating in CCAR 2019, including the reasons for any objections to a firm's capital plan, will be published on or before June 30, 2019. In addition, the Board will separately publish the results of DFAST under the supervisory severely adverse and adverse scenarios. DFAST uses the same supervisory

¹¹ See 12 CFR 225.8(f).

Table 1. Required minimum capital ratios for CCAR 2019

Percent	
Regulatory ratio	Minimum ratio
Common equity tier 1 capital ratio	4.5
Tier 1 risk-based capital ratio	6.0
Total risk-based capital ratio	8.0
Tier 1 leverage ratio	4.0
Supplementary leverage ratio ¹	3.0

Note: All regulatory capital ratios are calculated using the definitions of capital, standardized risk-weighted assets, average assets (for the tier 1 leverage ratio), and total leverage exposure that are in effect during a particular quarter of the planning horizon. The advanced approaches are not used for purposes of these projections.

¹ Supplementary leverage ratio applies only to advanced approaches firms.

stress test as in the CCAR quantitative assessment but with different capital action assumptions.

Communications Related to CCAR and DFAST

The Federal Reserve uses a secure CCAR Communications mailbox to communicate with firms on topics related to CCAR and DFAST, send notifications about industry meetings and conference calls, and respond to firms' questions. Firms use the CCAR Communications mailbox to send questions to the Federal Reserve about CCAR, DFAST, the capital plan rule, and related requirements.

When a firm sends a question to the CCAR Communications mailbox, 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 CCAR and (2) on the Federal Reserve's public website.¹²

¹² See 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 5, 2019**, using a secure collaboration site.

The capital plan rule specifies the four mandatory elements of a capital plan:¹³

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 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.¹⁴

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.

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.¹⁵ For purposes of CCAR, firms are required to submit capital plans that are supported by their capital planning processes and that include post-stress results for each of the nine quarters under the required scenarios.

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 under the supervisory and firm-developed scenarios.

¹³ See 12 CFR 225.8(e)(2).

¹⁴ See 12 CFR 225.8(e)(3).

¹⁵ See 12 CFR 225.8(e)(2)(i).

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

For 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.¹⁶

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.¹⁷ Under the DFAST rules, a firm is required to conduct a company-run stress test using three supervisory scenarios provided by the Federal Reserve (supervisory baseline, supervisory adverse, and supervisory severely adverse scenarios).¹⁸ In addition, the capital plan rule requires a firm to use

at least one stressed scenario developed by the firm and a baseline scenario.¹⁹ All firms must include these five scenarios:

1. **Supervisory baseline:** a baseline scenario provided by the Federal Reserve under the DFAST rules;
2. **Supervisory adverse:** an adverse scenario provided by the Federal Reserve under the DFAST rules;
3. **Supervisory severely adverse:** a severely adverse scenario provided by the Federal Reserve under the DFAST rules;
4. **BHC baseline:** a firm-defined baseline scenario; and
5. **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 must use data as of December 31, 2018, begin in the first quarter of 2019 (January 1, 2019) and conclude at the end of the first quarter of 2021 (March 31, 2021).

The supervisory baseline, adverse, 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 DFAST 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.²⁰ 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.²¹ The Board provided a description of supervisory scenarios and additional scenario components on February 5, 2019.²²

¹⁶ See 80 FR 75419 (December 2, 2015).

¹⁷ See 12 CFR 225.8(e)(2).

¹⁸ See 12 CFR part 252, subpart F.

¹⁹ 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.

²⁰ See 12 CFR 252.44(b) and 12 CFR 252.54(b).

²¹ See 12 CFR 252.44(b).

²² See Board of Governors of the Federal Reserve System, "Federal Reserve Board releases scenarios for 2019 Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act stress test exercises," press release, February 5, 2019, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20190205b.htm>.

Global Market Shock

Firms with significant trading activity must include in their company-run stress tests under the supervisory adverse and supervisory severely adverse scenarios a component that assesses potential losses associated with trading positions, private equity positions, and counterparty exposures (global market shock). As noted, 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.²³ The BHCs that were subject to the global market shock in CCAR 2018 will remain subject to the global market shock in CCAR 2019.²⁴ In addition, the IHCs that exceeded the threshold as of December 31, 2018, are now subject to the global market shock for CCAR 2019.

Firms subject to the global market shock in CCAR 2019 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 November 5, 2018.

The global market shock is an add-on component of the supervisory stress scenarios that is exogenous to the macroeconomic and financial market environment specified in those scenarios. As a result, losses from the global market shock should be viewed as an addition to the estimates of losses under the macroeconomic scenario.²⁵ 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

BHCs and IHCs with substantial trading or processing and custodian operations are required to incorporate a counterparty default scenario component into their supervisory adverse and severely adverse stress scenarios.²⁶

Firms subject to the counterparty default scenario component in CCAR 2019 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 November 5, 2018, 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 adverse and severely adverse scenarios, and, therefore, losses associated with this component should be

²³ See 82 FR 59608 (December 15, 2017).

²⁴ See 12 CFR 252.44(b).

²⁵ Firms should not report changes in value of the mortgage-servicing rights (MSR) assets or hedges as trading losses resulting from the global market shock. Therefore, if derivative or other MSR hedges are placed in the trading book for FR Y-9C purposes, these hedges should not be stressed with the global market shock.

²⁶ See 12 CFR 252.44(b).

viewed as an addition to the estimates of losses under the macroeconomic scenarios.

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.²⁷

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, and relies on these descriptions of the planned capital actions as a basis for its decisions about the firm's capital plan. 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.²⁸ 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.²⁹

A firm that receives a non-objection to its capital plan generally must request approval from the Board to make capital distributions that exceed those included in its capital plan on a gross or net basis.³⁰ 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, and
- **DFAST capital actions:** capital action assumptions as required under the DFAST rules.³¹

Planned Capital Actions

As part of the CCAR 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. Similarly, the Federal Reserve will conduct its post-stress capital analysis using the firm's planned capital actions that are described in the BHC baseline scenario.

With respect to the planned capital actions that are described in the BHC baseline scenario:

- 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 2019), a firm's capital distributions should be consistent with those already included in the capital plan from the prior

²⁷ See SR letter 15-18.

²⁸ See 12 CFR 225.8(d)(4).

²⁹ See 12 CFR 225.8(d)(5).

³⁰ See 12 CFR 225.8(g).

³¹ See 12 CFR 252.56(b).

year and not objected to by the Federal Reserve for that quarter.³²

- 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:

- 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.

DFAST Capital Action Assumptions

For stressed projections under the DFAST rules, a firm must use the following assumptions regarding its capital actions over the planning horizon for the supervisory baseline scenario, the supervisory adverse scenario, and the supervisory severely adverse scenario:

- For the initial quarter of the planning horizon, the firm must take into account its actual capital actions taken throughout the quarter.

³² A firm may include a lower amount of capital distributions for the second quarter of the planning horizon if it intends to make a lower dollar amount of capital distributions than the amount included in the prior year's capital plan. If the firm includes a lower amount, the firm will be bound by that lower amount for purposes of 12 CFR 225.8(g). In no event should the firm include or execute a larger amount of capital distributions than included in its prior year's capital plan without the Federal Reserve's prior approval.

- For each of the second through ninth quarters of the planning horizon, the firm must include in the projections of capital

- common stock dividends equal to the quarterly average dollar amount of common stock dividends that the company paid in the previous year (i.e., the initial quarter of the planning horizon and the preceding three calendar quarters) plus common stock dividends attributable to issuances related to expensed employee compensation or in connection with a planned merger or acquisition to the extent that the merger or acquisition is reflected in the firm's pro forma balance sheet estimates;
- payments on any other instrument that is eligible for inclusion in the numerator of a regulatory capital ratio equal to the stated dividend, interest, or principal due on such instrument during the quarter;
- an assumption of no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and
- an assumption of no issuances of common stock or preferred stock, except for issuances related to expensed employee compensation or in connection with a planned merger or acquisition to the extent that the merger or acquisition is reflected in the firm's pro forma balance sheet estimates.³³

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.

Planned Capital Actions in the Final Three Quarters of the Planning Horizon

A firm should ensure that its projections of capital distributions in the three final quarters of the plan-

³³ See 12 CFR 252.56(b).

Table 2. Summary of planned capital actions, CCAR 2019

Item	2019:Q1	2019:Q2	2019:Q3	2019:Q4	2020:Q1	2020:Q2	2020:Q3	2020: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.										

ning horizon (i.e., the quarters that are not subject to objection in the current capital plan cycle, referred to as “out-quarters”) are based on realistic assumptions about the future and in a manner broadly consistent with previous quarters. A firm should reflect a reduction in planned capital distributions in these out-quarters only if the firm can justify the reduction, based on its planned business activities and prudent capital planning. Without explanation, the practice of suddenly reducing planned capital distributions in an out-quarter may be indicative of shortcomings in a firm’s capital planning processes and may indicate that the assumptions and analysis underlying the capital plan, or the firm’s methodologies for reviewing the robustness of its capital plan-

ning process, are not reasonable or appropriate.³⁴ Under the capital plan rule, the Board may object to a firm’s capital plan if the assumptions and analyses underlying the firm’s capital plan are not reasonable or appropriate.

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 capi-

³⁴ See 12 CFR 225.8(f)(2)(ii)(B).

tal 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 supervisory scenarios, a firm should include all planned mergers and acquisitions, reflecting the terms and conditions that would likely prevail under a given scenario, but only include divestitures that are completed or contractually committed to before the submission date of April 5, 2019. For projections under the BHC baseline scenario, a firm may include all planned mergers, acquisitions, and divestitures that represent the firm's current view of the most likely outlook over the planning horizon. For projections under the BHC stress scenario, the firm should include planned mergers, acquisitions, and divestitures, reflecting the terms and conditions that would likely prevail 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).³⁵ 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 additional information about the firm's business plan change.

Organizing Capital Plan Submissions

Appendix C 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 2018, the Federal Reserve issued a letter to firms notifying them of the planned scope of CCAR 2019. In an effort to reduce burden associated with the submission of supporting documentation, firms will only be required to submit documentation related to those 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,

³⁵ If a firm's December 31, 2018, 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.

FR Y-14Q, and FR Y-14M forms and should be able to evaluate the results of such procedures.³⁶

LISCC BHCs and IHCs must complete the attestation for FR Y-14A, FR Y-14Q, and FR Y-14M reports with December 31, 2018, as-of dates.³⁷ For these reports, LISCC BHCs and IHCs 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, all 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.³⁸ FR Y-14A schedules are due by April 5, 2019. For submissions with a December 31, 2018, 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 "Quantitative Assessments" 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 a basis for objection to a capital plan.³⁹ 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 qualitative

assessment of the internal risk-measurement and risk-management practices supporting a firm's capital planning process.

FR Y-14A Summary Schedule Capital Worksheets

LISCC BHCs and IHCs 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 five 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 Capital—CCAR worksheet (FR Y-14A Schedule A.1.d.1) using the firm's planned capital actions in the BHC or IHC 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 Dodd-Frank Act stress test rule.

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 adverse	Planned capital actions	DFA stress test capital actions
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.

³⁶ See SR letter 15-18, appendix E.

³⁷ See 82 FR 59608 (December 15, 2017).

³⁸ See www.federalreserve.gov/apps/reportforms/default.aspx.

³⁹ See 12 CFR 225.8(f)(2)(ii).

Federal Reserve's Assessment of a Firm's Capital Plan

The Federal Reserve will review a firm's capital plan, FR Y-14 filings, and supporting information to generate supervisory stress test estimates, using internally developed supervisory models and assumptions.⁴⁰

Qualitative Assessments

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 CCAR 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.

Firms that receive an objection generally have a critical deficiency in one or more material areas or have significant deficiencies in a number of areas that undermine the overall reliability of the firm's capital plan. The reasons for a qualitative objection include the following:

- The firm has material unresolved supervisory issues, including but not limited to issues associated with its capital adequacy process.
- 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.
- 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 gover-

⁴⁰ 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).

nance around those activities. Sound capital planning requires a strong foundation of risk management, internal controls, and governance.

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.⁴¹

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,

⁴¹ See 12 CFR 225.8(f)(2)(ii)(B)(2).

require the application of well-governed business judgment.⁴²

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.⁴³

Quantitative Assessments

The quantitative assessments that the Federal Reserve undertakes in CCAR are summarized in [figure 1](#).

Supervisory Post-Stress Capital Analysis

The Federal Reserve's supervisory post-stress capital analysis is based on the estimates of losses, revenues, balances, risk-weighted assets, and capital from the Federal Reserve's supervisory stress test conducted under the DFAST rules.⁴⁴ The supervisory projections are conducted using three hypothetical macroeconomic and financial market scenarios developed

⁴² See 12 CFR 225.8(f)(2)(ii)(B).

⁴³ See 12 CFR 225.8(f)(2)(ii)(B).

⁴⁴ For more details on the methodology of the Federal Reserve's supervisory stress test, see 2018 DFAST Methodology and Results.

Figure 1. Quantitative assessments of capital actions

Pro forma capital ratios	Common dividend payout ratio
Supervisory adverse Planned capital actions DFA stress test capital actions	BHC baseline ¹ Planned capital actions
Supervisory severely adverse Planned capital actions DFA stress test capital actions	Supervisory baseline ¹ Planned capital actions DFA stress test capital actions

Note: Each box indicates a distinct scenario that will be submitted by each firm. Planned capital actions are estimated by each firm using the firm baseline scenario, and the alternative capital actions are estimated under the firm's stress scenario in accordance with the firm's internal capital policies.

¹If a firm determines the supervisory baseline scenario to be appropriate for its own firm baseline, the firm may submit identical FR Y-14A Summary schedules with the exception of the capital worksheets noted above. All firms must complete two capital worksheets for the supervisory baseline and supervisory severely adverse scenario.

by the Federal Reserve: (1) the supervisory baseline, (2) supervisory adverse, and (3) supervisory severely adverse scenarios.

The CCAR post-stress capital analysis uses the same supervisory stress test conducted in accordance with the Dodd-Frank Act requirements, except that CCAR analysis involves the firm's planned capital actions in the firm baseline scenario rather than the capital actions assumptions that are required in the stress testing rules. The CCAR analysis helps the Federal Reserve to assess whether a firm would be capable of continuing to meet minimum capital requirements (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) throughout the planning horizon, even if adverse or severely adverse stress conditions emerged and the firm did not reduce planned capital distributions.⁴⁵

In connection with DFAST and the CCAR exercise, the Federal Reserve will use the data and information provided in the FR Y-14 regulatory reports with December 31, 2018, as-of dates (except for trading and counterparty data). Firms should review the 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.

⁴⁵ The Board will not consider the capital conservation buffer distribution limitations in the CCAR 2019 planning horizon when calculating its post-stress capital ratios. Similarly, a firm should not assume the operation of distribution limitations of the capital conservation buffer when conducting its stress tests.

- 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.
- Assets and liabilities acquired in material business plan changes:** The Federal Reserve does not apply the missing data treatment, described above, to assets and liabilities that are expected to be acquired in a material business plan change during the planning horizon. Rather, the Federal Reserve will apply loss and PPNR estimates appropriate to the acquired assets, liabilities, and business activities based on the Federal Reserve's assessment of all business plan change-related information submitted by the firm.

Common Dividend Payouts

The appropriateness of planned capital actions also will be evaluated based on the common dividend payout ratio (common dividends relative to net income available to common shareholders) in the baseline scenario.

The Federal Reserve expects that capital plans will reflect conservative common dividend payout ratios. Specifically, requests that imply common dividend payout ratios above 30 percent of projected after-tax net income available to common shareholders in either the BHC baseline or supervisory baseline will receive particularly close scrutiny. In reviewing such requests, one consideration will be the firm's ability to meet its baseline earnings projections over the planning horizon, including the demonstrated strength of core earnings, effectiveness of baseline earnings projections, and earnings volatility over time.

Limited Adjustments to Planned Capital Actions

Upon completion of the supervisory stress test but before the disclosure of the final CCAR results, the Federal Reserve will provide each firm with the results of its post-stress capital analysis, and each firm will have an opportunity to make a one-time adjustment to its planned capital actions. Only certain adjustments to planned capital actions will be considered. A firm may reduce its planned capital distributions (i.e., common stock dividends or repurchases or redemptions of common stock, preferred stock, or other instruments eligible for inclusion in regulatory capital) relative to those initially submitted in the firm's original capital plan. If a firm has fully reduced its planned capital distributions to zero in the second through ninth quarters of the planning horizon, the firm may increase its planned issuance of common stock in the third quarter of the planning horizon.

The Board's final decision to object or not object to the capital plan will be based on the firm's adjusted capital actions, if any. Provided there are no other grounds for objecting to a firm's capital plan, the Board expects in most cases to provide a conditional non-objection to any firm that increases its planned issuance of common stock in the third quarter, pending the issuance of the common stock. If the firm does not issue common stock in the third quarter,

the Board expects that it would object to the capital plan.

Further, the Federal Reserve has observed a practice whereby some firms have adjusted only the distributions in the "out-quarters" of the planning horizon (i.e., those quarters that are not subject to objection in the current CCAR exercise). For CCAR 2019, those would be the projected third and fourth quarters of 2020 and first quarter of 2021. In the absence of supporting actions, such as a firm actually cutting distributions in these quarters, this practice may undermine the credibility of a firm's capital plan. Accordingly, to support the credibility of its capital plan, a firm that makes a one-time adjustment to its planned capital distributions should avoid concentrating the adjustment in the quarters not subject to objection in CCAR 2019 without providing an explanation.

Federal Reserve's Responses to Planned Capital Actions

Based on the results of the qualitative and quantitative assessment, as applicable, the Federal Reserve will determine whether or not to object to a firm's capital plan.

For purposes of CCAR 2019, if a firm receives a non-objection to its capital plan, the firm generally may make the capital distributions included in its capital plan submission beginning on July 1, 2019, through June 30, 2020, without seeking prior approval from or providing prior notice to the Federal Reserve. (See "[Execution of Capital Plan and Requests for Additional Distributions](#)" below.)

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 object to capital distributions in future quarters, or 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 macro-

economic outlook that could have a material impact on the firm's risk profile and financial condition require the use of updated scenarios.⁴⁶

Disclosure of Supervisory Assessments

At the completion of the CCAR process, the Federal Reserve will publicly disclose its decision to object or not object to a firm's capital plan.

The Federal Reserve will include in its CCAR disclosure the results of its post-stress capital analysis for each firm, including firm-specific post-stress regulatory capital ratios (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) estimated in the adverse and severely adverse scenarios. The disclosed information will include minimum values of these ratios over the planning horizon, using the originally submitted planned capital actions under the baseline scenario and any adjusted capital distributions in the final capital plans, as applicable. (See [appendix A](#) for the format that will be used to publish these data.) In addition to disclosing a summary of its quantitative assessment of the firm's capital plans, the Federal Reserve will disclose the reasons for any objections to a firm's capital plans on qualitative grounds. This will include information about weaknesses in firm's practices that led to an objection to the firm's capital plan for qualitative reasons.

In a separate document, the Federal Reserve will disclose the detailed results of supervisory stress tests for each firm under both the adverse and the severely adverse supervisory scenarios, including stressed losses and revenues, and the post-stress capital ratios based on the capital action assumptions required under DFAST rules, along with an overview of methodologies used for supervisory stress tests. (See [appendix B](#) for the format that will be used to publish these data.)

The Federal Reserve will publish the CCAR and DFAST results documents by June 30, 2019. Firms are required to disclose the results of their company-run stress tests within 15 days of the date the Federal Reserve discloses the DFAST results.

⁴⁶ See 12 CFR 225.8(e)(4).

Resubmissions

If a firm receives an objection to its capital plan, it may choose to resubmit its plan in advance of the next CCAR exercise.

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.⁴⁷ 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.⁴⁸

Submissions that are incomplete or contain material weaknesses could result in an objection to the resubmitted 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. Any of these may also result in the delay of evaluation of capital actions until a subsequent calendar quarter.

Execution of Capital Plan and Requests for Additional Distributions

Subject to certain exceptions, the capital plan rule provides that a firm must request prior approval of the Board for capital distributions if the dollar amount of such capital distributions will exceed the amount described in the non-objected to capital plan.⁴⁹

However, a firm that is well capitalized may make additional capital distributions not to exceed

⁴⁷ See 12 CFR 225.8(e)(4)(i)(A).

⁴⁸ See 12 CFR 225.8(e)(4)(i)(B).

⁴⁹ Firms are not required to provide prior notice and seek approval for distributions involving issuances of instruments that would qualify for inclusion in the numerator of regulatory capital ratios that were not included in the firm's capital plan. See 12 CFR 225.8(g)(1).

0.25 percent of the firm's tier 1 capital without seeking the Board's prior approval if certain conditions are met.⁵⁰ A firm seeking to avail itself of this de minimis exception must provide the Board with prior written notice that it is doing so. The Board generally expects a firm to obtain approval from its board of directors before it provides notice of a proposed de minimis transaction.⁵¹

In addition, a firm generally must request the Board's non-objection for capital distributions included in the firm's capital plan if the firm has issued less capital of a given class of regulatory capital instrument (net of distributions) than the firm had included in its capital plan, measured cumulatively, beginning with the third quarter of the planning horizon.⁵²

A firm should notify the Board as early as possible before redeeming any capital instrument that counts

⁵⁰ See 12 CFR 225.8(g)(2).

⁵¹ The capital plan rule includes a one-quarter blackout period while the Board is conducting CCAR, during which firms may not submit a notice to use the de minimis exception. The blackout period is also applicable to capital distribution requests that do not qualify for the de minimis exception and require prior approval.

⁵² The classes of regulatory capital instruments are common equity tier 1, additional tier 1, and tier 2 capital instruments, as defined in 12 CFR 217.2. Firms are not required to provide prior notice and seek approval for distributions included in their capital plans that are scheduled payments on additional tier 1 or tier 2 capital. Additionally, firms are not required to provide prior notice and seek approval where the shortfall in capital issuance (net of distributions) is due to employee-directed capital issuances related to an employee stock ownership plan; a planned merger or acquisition that is no longer expected to be consummated or for which the consideration paid is lower than the projected price in the capital plan; or if aggregate excess net distributions is less than 0.25 percent of the firm's tier 1 capital. See 12 CFR 225.8(g)(3)(iii).

as regulatory capital and that was not included in its capital plan, or if it has excess net distributions.⁵³ As with all formal communications on CCAR-related issues, a firm should use the CCAR Communications mailbox to submit any requests for capital distributions (gross or net) not included in its capital plan.

Any such requests should include the change in the firm's planned capital issuances and any other relevant changes in the capital plan. The firm may be required to submit additional supporting information, including a revised capital plan, the firm's forward-looking assessment of its capital adequacy under revised scenarios, any supporting information, and a description of any quantitative methods used that are different than those used in its original capital plan.⁵⁴ In acting on the request, the Federal Reserve will examine the firm's performance relative to the initial projections and the rationale for the request.⁵⁵ A firm's consistent failure to execute planned capital issuances may be indicative of shortcomings in its capital planning processes and may indicate that the assumptions and analysis underlying the firm's capital plan or the firm's methodologies and practices that support its capital planning process are not reasonable or appropriate. Accordingly, a consistent failure to execute capital issuances as indicated in its capital plan may form the basis for objection if the firm is unable to explain the discrepancies between its planned and executed capital issuances.

⁵³ See 12 CFR 225.8(g) for circumstances under which approval would be required where a firm had received a non-objection to its capital plan.

⁵⁴ See 12 CFR 225.8(g)(4).

⁵⁵ See 12 CFR 225.8(f)(2)(ii).

Appendix A: Templates for Comprehensive Capital Analysis and Review Results 2019

This appendix provides the format that the Federal Reserve will use to disclose the results of the supervisory stress test under the Comprehensive Capital Analysis and Review.

Tables begin on next page.

Table A.1. Projected minimum common equity tier 1 ratio in the severely adverse scenario, 2019:Q1–2021:Q1

Firm	Stressed ratio with original planned capital actions	Stressed ratio with adjusted planned capital actions
BHC XYZ, Inc.		
IHC ABC, Inc.		
BHC ABC, Inc.		

Note: These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The tables include the minimum ratios assuming the capital actions originally submitted in April 2019 by the firms in their annual capital plans and the minimum ratios incorporating any adjustments to capital distributions made by firms after reviewing the Federal Reserve’s stress test projections and original planned capital distributions for those firms that did not make adjustments. The minimum capital ratios are for the period 2019:Q1 to 2021:Q1 and do not necessarily occur in the same quarter.
 Source: Federal Reserve estimates in the severely adverse scenario.

Table A.2. Projected minimum common equity tier 1 ratio in the adverse scenario, 2019:Q1–2021:Q1

Firm	Stressed ratio with original planned capital actions	Stressed ratio with adjusted planned capital actions
BHC XYZ, Inc.		
IHC ABC, Inc.		
BHC ABC, Inc.		

Note: These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The tables include the minimum ratios assuming the capital actions originally submitted in April 2019 by the firms in their annual capital plans and the minimum ratios incorporating any adjustments to capital distributions made by firms after reviewing the Federal Reserve’s stress test projections and original planned capital distributions for those firms that did not make adjustments. The minimum capital ratios are for the period 2019:Q1 to 2021:Q1 and do not necessarily occur in the same quarter.
 Source: Federal Reserve estimates in the adverse scenario.

Table A.3. BHC XYZ, Inc.

Actual and minimum projected regulatory capital ratios, actual 2018:Q4 and projected 2019:Q1–2021:Q1

Federal Reserve estimates: Severely adverse scenario

Actual 2018:Q4 and projected capital ratios through 2021:Q1			
Percent			
Regulatory ratio	Actual 2018:Q4	Minimum stressed ratios	
		Original planned capital actions	Adjusted planned capital actions
Common equity tier 1 capital ratio			
Tier 1 risk-based capital ratio			
Total risk-based capital ratio			
Tier 1 leverage ratio			
Supplementary leverage ratio ¹	n/a		
<p>Note: These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The tables include the minimum ratios assuming the capital actions originally submitted in April 2018 by the firms in their annual capital plans and the minimum ratios incorporating any adjustments to capital distributions made by firms after reviewing the Federal Reserve's stress test projections and original planned capital distributions for those firms that did not make adjustments. The minimum capital ratios are for the period 2018:Q1 to 2020:Q1 and do not necessarily occur in the same quarter.</p> <p>¹ Supplementary leverage ratio applies only to advanced approaches firms.</p> <p>n/a Not applicable.</p>			

Required minimum capital ratios for firms subject to the advanced approaches capital framework in CCAR 2019	
Percent	
Regulatory ratio	Minimum ratio 2019–2021
Common equity tier 1 capital ratio	4.5
Tier 1 risk-based capital ratio	6.0
Total risk-based capital ratio	8.0
Tier 1 leverage ratio	4.0
Supplementary leverage ratio	3.0
<p>Note: All ratios are calculated in accordance with the transition arrangements provided in the Board's revised capital framework, issued in July 2013 and as amended in November 2017. For the purposes of CCAR, firms are not required to calculate regulatory ratios under the advanced approaches framework.</p>	

Required minimum capital ratios for firms not subject to the advanced approaches capital framework in CCAR 2019	
Percent	
Regulatory ratio	Minimum ratio 2019–2021
Common equity tier 1 capital ratio	4.5
Tier 1 risk-based capital ratio	6.0
Total risk-based capital ratio	8.0
Tier 1 leverage ratio	4.0
<p>Note: All ratios are calculated in accordance with the transition arrangements provided in the Board's revised capital framework, issued in July 2013 and as amended in November 2017.</p>	

Table A.4. BHC XYZ, Inc.

Actual and minimum projected regulatory capital ratios, actual 2018:Q4 and projected 2019:Q1–2021:Q1

Federal Reserve estimates: Adverse scenario

Actual 2018:Q4 and projected capital ratios through 2021:Q1			
Percent			
Regulatory ratio	Actual 2018:Q4	Minimum stressed ratios	
		Original planned capital actions	Adjusted planned capital actions
Common equity tier 1 capital ratio			
Tier 1 risk-based capital ratio			
Total risk-based capital ratio			
Tier 1 leverage ratio			
Supplementary leverage ratio ¹	n/a		

Note: These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The tables include the minimum ratios assuming the capital actions originally submitted in April 2019 by the firms in their annual capital plans and the minimum ratios incorporating any adjustments to capital distributions made by firms after reviewing the Federal Reserve's stress test projections and original planned capital distributions for those firms that did not make adjustments. The minimum capital ratios are for the period 2019:Q1 to 2021:Q1 and do not necessarily occur in the same quarter.

¹ Supplementary leverage ratio applies only to advanced approaches firms.

n/a Not applicable.

Required minimum capital ratios for firms subject to the advanced approaches capital framework in CCAR 2019	
Percent	
Regulatory ratio	Minimum ratio 2019–2021
Common equity tier 1 capital ratio	4.5
Tier 1 risk-based capital ratio	6.0
Total risk-based capital ratio	8.0
Tier 1 leverage ratio	4.0
Supplementary leverage ratio	3.0

Note: All regulatory capital ratios are calculated using the definitions of capital, standardized risk-weighted assets, average assets (for the tier 1 leverage ratio), and total leverage exposure that are in effect during a particular quarter of the planning horizon. For the purposes of CCAR, firms are not required to calculate regulatory ratios under the advanced approaches framework.

Required minimum capital ratios for firms not subject to the advanced approaches capital framework in CCAR 2019	
Percent	
Regulatory ratio	Minimum ratio 2019–2021
Common equity tier 1 capital ratio	4.5
Tier 1 risk-based capital ratio	6.0
Total risk-based capital ratio	8.0
Tier 1 leverage ratio	4.0

Note: All regulatory capital ratios are calculated using the definitions of capital, standardized risk-weighted assets, average assets (for the tier 1 leverage ratio), and total leverage exposure that are in effect during a particular quarter of the planning horizon.

Appendix B: Templates for Dodd-Frank Act Stress Testing Results 2019

This appendix provides the format that the Federal Reserve will use to disclose the results of the supervisory stress test in accordance with the Dodd-Frank Act stress test rules.

Tables begin on next page.

Table B.1. Projected minimum common equity tier 1 ratio in the severely adverse scenario, 2019:Q1–2021:Q1: All Firms

Firm	Stressed ratios with DFA stress testing capital action assumptions
BHC XYZ, Inc.	
IHC ABC, Inc.	
BHC ABC, Inc.	
<p>Note: The common equity tier 1 ratio is calculated using the definitions of capital and risk-weighted assets that are in effect during a particular planning horizon quarter. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The minimum stressed ratios (%) are the lowest quarterly ratios from 2019:Q1 to 2021:Q1 under the severely adverse scenario.</p> <p>Source: Federal Reserve estimates in the severely adverse scenario. Stressed ratios with Dodd-Frank Act capital action assumptions through 2021:Q1.</p>	

Table B.2. Projected minimum common equity tier 1 ratio in the adverse scenario, 2019:Q1–2021:Q1: All firms

Firm	Stressed ratios with DFA stress testing capital action assumptions
BHC XYZ, Inc.	
IHC ABC, Inc.	
BHC ABC, Inc.	
<p>Note: The common equity tier 1 ratio is calculated using the definitions of capital and risk-weighted assets that are in effect during a particular planning horizon quarter. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of capital ratios. The minimum stressed ratios (%) are the lowest quarterly ratios from 2019:Q1 to 2021:Q1 under the adverse scenario.</p> <p>Source: Federal Reserve estimates in the adverse scenario. Stressed ratios with Dodd-Frank Act capital action assumptions through 2021:Q1.</p>	

Table B.3. BHC XYZ, Inc.

Projected stressed capital ratios, risk-weighted assets, losses, revenues, net income before taxes, and loan losses

Federal Reserve estimates: Severely adverse scenario

Capital ratios, actual 2018:Q4 and projected 2019:Q1–2021:Q1			
Percent			
Regulatory ratio	Actual 2018:Q4	Projected stressed capital ratios ¹	
		Ending	Minimum
Common equity tier 1 capital ratio			
Tier 1 risk-based capital ratio			
Total risk-based capital ratio			
Tier 1 leverage ratio			
Supplementary leverage ratio ²	n/a		

¹ The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period 2019:Q1 to 2021:Q1.

² Supplementary leverage ratio applies only to advanced approaches firms.

n/a Not applicable.

Projected loan losses, by type of loan, 2019:Q1–2021:Q1		
Loan type	Billions of dollars	Portfolio loss rates (percent) ¹
First-lien mortgages, domestic		
Junior liens and HELOCs, domestic		
Commercial and industrial ²		
Commercial real estate, domestic		
Credit cards		
Other consumer ³		
Other loans ⁴		
Total projected loan losses		

¹ Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.

² Commercial and industrial loans include small- and medium-enterprise loans and corporate cards.

³ Other consumer loans include student loans and automobile loans.

⁴ Other loans include international real estate loans.

Risk-weighted assets, actual 2018:Q4 and projected 2021:Q1		
Billions of dollars		
Item	Actual 2018:Q4	Projected 2021:Q1
Risk-weighted assets ¹		

¹ Risk-weighted assets are calculated under the Basel III standardized capital risk-based approach.

Projected losses, revenue, and net income before taxes through 2021:Q1		
Item	Billions of dollars	Percent of average assets ¹
Pre-provision net revenue ²		
Other revenue ³		
<i>less</i>		
Provisions		
Realized losses/gains on securities (AFS/HTM)		
Trading and counterparty losses ⁴		
Other losses/gains ⁵		
<i>equals</i>		
Net income before taxes		
Memo items		
Other comprehensive income ⁶		
<i>Other effects on capital</i>	<i>Actual 2018:Q4</i>	<i>2021:Q1</i>
AOCI included in capital (billions of dollars)		

¹ Average assets is the nine-quarter average of total assets.

² Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses, and other real estate owned (OREO) costs.

³ Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.

⁴ Trading and counterparty losses include mark-to-market and credit valuation adjustment (CVA) losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.

⁵ Other losses/gains includes projected change in fair value of loans held for sale and loans held for investment measured under the fair-value option, and goodwill impairment losses.

⁶ Other comprehensive income is only calculated for advanced approaches firms.

Table B.4. BHC XYZ, Inc

Projected stressed capital ratios, risk-weighted assets, losses, revenues, net income before taxes, and loan losses

Federal Reserve estimates: Adverse scenario

Capital ratios, actual 2018:Q4 and projected 2019:Q1–2021:Q1			
Percent			
Regulatory ratio	Actual 2018:Q4	Projected stressed capital ratios ¹	
		Ending	Minimum
Common equity tier 1 capital ratio			
Tier 1 risk-based capital ratio			
Total risk-based capital ratio			
Tier 1 leverage ratio			
Supplementary leverage ratio ²	n/a		

¹ The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period 2019:Q1 to 2021:Q1.

² Supplementary leverage ratio applies only to advanced approaches firms. n/a Not applicable.

Projected loan losses, by type of loan, 2019:Q1–2021:Q1		
Loan type	Billions of dollars	Portfolio loss rates (percent) ¹
First-lien mortgages, domestic		
Junior liens and HELOCs, domestic		
Commercial and industrial ²		
Commercial real estate, domestic		
Credit cards		
Other consumer ³		
Other loans ⁴		
Total projected loan losses		

¹ Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.

² Commercial and industrial loans include small- and medium-enterprise loans and corporate cards.

³ Other consumer loans include student loans and automobile loans.

⁴ Other loans include international real estate loans.

Risk-weighted assets, actual 2018:Q4 and projected 2021:Q1			
Billions of dollars			
Item	Actual 2018:Q4	Projected 2021:Q1	
Risk-weighted assets ¹			

¹ Risk-weighted assets are calculated under the Basel III standardized capital risk-based approach.

Projected losses, revenue, and net income before taxes through 2021:Q1			
Item	Billions of dollars	Percent of average assets ¹	
Pre-provision net revenue ²			
Other revenue ³			
<i>less</i>			
Provisions			
Realized losses/gains on securities (AFS/HTM)			
Trading and counterparty losses ⁴			
Other losses/gains ⁵			
<i>equals</i>			
Net income before taxes			
Memo items			
Other comprehensive income ⁶			
<i>Other effects on capital</i>	<i>Actual 2018:Q4</i>	<i>2021:Q1</i>	
AOCI included in capital (billions of dollars)			

¹ Average assets is the nine-quarter average of total assets.

² Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses, and other real estate owned (OREO) costs.

³ Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.

⁴ Trading and counterparty losses include mark-to-market and credit valuation adjustment (CVA) losses and losses arising from the counterparty default scenario component applied to derivatives, securities lending, and repurchase agreement activities.

⁵ Other losses/gains includes projected change in fair value of loans held for sale and loans held for investment measured under the fair-value option, and goodwill impairment losses.

⁶ Other comprehensive income is only calculated for advanced approaches firms.

Appendix C: 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 C.1](#) shows the categorization system that may be used for submissions to the secure collaboration site.

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, 2018, except for the FR Y-14Q, Schedule I (MSR valuation). Supporting documentation should continue to be submitted in Intralinks.

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 the section "[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—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:⁵⁶

- 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 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.

⁵⁶ See appendix A of Capital Assessment and Stress testing information collection (FR Y-14A) (OMB No. 7100-0341).

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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