United States

09/09/2022

Reporting

FR Y9C – Consolidated Financial Statements for Holding Companies

On September 8, the Federal Reserve posted a notice outlining the changes that will be effective September 30, 2022, FR Y9C report.

"On March 28, 2022, the FASB issued ASU 2022–01, to implement last-of-layer hedging. The ASU is considered to be a modification of U.S. GAAP. This ASU expands the current single-layer method and allows for multiple hedged layers of a single closed portfolio, as anticipated by the October 2020 notice. Additionally, ASU 2022–01:

- Expands the scope of the portfolio layer method from prepayable assets to also include on prepayable assets;
- Specifies eligible hedging instruments in a single-layer hedge;
- Provides additional guidance on the accounting for and disclosure of FVHBA under the portfolio layer method; and
- Specifies how hedge basis adjustments should be considered when determining credit losses for the assets included in the closed portfolio.

The ASU 2022–01 applies to all entities that elect to apply the portfolio layer method of hedge accounting. For public business entities, this ASU is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, the ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted. In light of the issuance of ASU 2022– 01 by the FASB, the FRB has adopted the revisions to the FR Y9C related to the expansion of last-of-layer hedging proposed in October 2020, with certain modifications to account for the specific content of ASU 2022–01. Specifically, the FRB has renamed HC–B, line item 7 to ''Unallocated portfolio layer fair value hedge basis adjustments'' instead of '' Unallocated last-of-layer fair value hedge basis adjustments'' to align with the scope of ASU 2022–01. Additionally, the FRB is updating the FR Y9C instructions for Schedules HC– B, Securities, and HC–C, Loans and Leases, to fully align with U.S. GAAP as detailed in ASU 2022–01."

FR Y14 Series – Capital Assessments and Stress Test Reports

On August 26, the FRB posted its final approval with additional revisions of the March 1 proposal. Based on the commenters' input the instructions further clarified. The FR Y14Q report's effective dates are now September 30, 2022, and June 30, 2023. The FR Y14A changes remain effective December 31, 2022, and FR Y14M remain effective September 30, 2022. Updated draft materials have been posted.

FR Y14A - Draft Instructions
FR Y14M - Draft Instructions
FR Y14Q - Draft Instructions
FR Y14Q – Draft Trading Template
FR Y14Q – Draft Counterparty Template
FR Y14Q – Draft Capital Instruments
FR Y14Q - Draft Balances

News

Federal Bank Agencies Re-Affirm Commitment to Basel III Standards

On September 9, the federal bank regulatory agencies reaffirmed their "commitment to implementing enhanced regulatory capital requirements that align with the final set of Basel III standards issued by the Basel Committee on Banking Supervision in December 2017. The implementation of these standards for large banking organizations would strengthen the resilience of the domestic banking system and is a priority for the agencies.

Strong capital requirements have proven to be a critical element of the bank regulatory framework, allowing the banking industry during times of economic stress to serve as a source of strength for the U.S. economy and to lend to creditworthy households and businesses.

The agencies plan to seek public input on the new capital standards for large banking organizations and are currently developing a joint proposed rule for issuance as soon as possible. Community banking organizations, which are subject to different capital requirements, would not be impacted by the proposal."
OCC - NR 2022-109
FDIC - PR 65-2022
FRB - Press Release 2022 09 09

FRB Vice Chairman Barr Speaks at the Brookings Institution

On September 7, the, Michael Barr, as the new FRB Vice Chair of Supervision, made his first public speech at a Brookings Institution event. He commented on a variety of topics:

Capital
Barr outlined three principles to the capital framework:

- It must evolve through a continuous process of incorporating new risks that may emerge. history is a guide to identifying the range of stresses that a bank may face, capital policy must also be forward-looking and responsive to changes in macroeconomic conditions, market structure, and financial activities.
- The capital framework should be risk focused. (At the same time, simpler, non-risk-based approaches can serve as important backstops.)
- The requirements should be tiered. "This means that firms face higher costs through more stringent regulations as they grow in complexity, size, and interconnectedness. And rightly, that community banks face simpler regulations."

Barr stated the FRB is taking a holistic review of its capital tools and are considering possible adjustments to supplementary leverage ratio, countercyclical capital buffer, and stress testing. "Within this context, I am also committed to implementing enhanced regulatory capital requirements that align with the final set of Basel III standards or the so-called the Basel endgame." He expects to solicit public comments later this fall and will be discussing with the other banking agencies.

Climate
"In the near-term, we intend to work with the Office of the Comptroller of the Currency (OCC) and the FDIC to provide guidance to large banks on how we expect them to identify, measure, monitor, and manage the financial risks of climate change. In addition, we are considering how to develop and implement climate risk scenario analyses. In that regard, next year we plan to launch a pilot micro-prudential scenario analysis exercise to better assess the long-term, climate-related financial risks facing the largest institutions."

Bank Merger Policy
Barr stated that another priority is to evaluate the FRB's approach to reviewing banks' proposed acquisitions. He is working with Federal Reserve staff to assess how we are performing merger analysis and where we can do better. He did not mention what would happen after the review such as seeking public comment.

Stablecoins/Crypto Activities
Stablecoins, like other unregulated private money, could pose financial stability risks. Barr believes "Congress should work expeditiously to pass much-needed legislation to bring stablecoins, particularly those designed to serve as a means of payment, inside the prudential regulatory perimeter. I look forward to continued partnership with other regulatory agencies and Congress to address the risks of stablecoins."

He added that the FRB will work with the other banking agencies to ensure in-bank crypto activities are well regulated. Safeguards will be implemented for FRB supervised banks.

Resolution
The FRB will continue to work with the FDIC "to rigorously review firms' plans, making clear when firms do not meet our expectations and when remediation is necessary. In addition, beyond globally systemically important banks, or G-SIBs, we will be looking at the resolvability of some of the other largest banks as they grow and as their significance in the financial system increases. As we consider future policy actions in this area, the Fed will work with our colleagues at other banking regulatory agencies and seek public comment."

Community Reinvestment
CRA was created to "encourage insured depository institutions to meet the credit needs of the communities in which they are chartered, including LMI neighborhoods, consistent with the safe and sound operation of such institutions. The CRA was designed to address past abuses of financial institutions, such as redlining. The CRA sends the unequivocal message that there is no place for discrimination in the financial system, and that every community and every borrower deserve to be treated fairly. Earlier this year the OCC, the FRB, and the FDIC jointly invited comment on a proposal designed to strengthen and modernize CRA regulations to achieve the objectives of the law."

Innovation, Access, and Consumer Protection

"These are a few of my near-term priorities to help make the financial system safer. Barr will have more to say about these, and other priorities for safety and soundness, in the coming weeks and months. In the past, Barr described the three essential elements of fairness in the financial system as a three-legged stool because all three are necessary for any aspect of fairness to work. The three are: (1) financial capability, (2) financial access, and (3) consumer protection."

"We need to focus on access to fast, efficient digital payments. This is a matter both of efficiency and of fairness. Low-income households can ill afford to wait days for their income checks to clear, nor can small businesses. A three-day payment delay is an annoyance to someone with savings and ample credit, but it is a costly burden, and sometimes a serious problem for others. And overdraft and insufficient funds fees hit LMI households hard. Barr has been working on issues of financial inclusion for a significant portion of my career as a public official and as an academic. He is pleased with the progress made toward instant payments under the leadership of Vice Chair Brainard and Chair Powell and is looking forward to doing whatever he can to support this work, including the launch of the FedNow Service. The Federal Reserve has a responsibility to facilitate payments that work well for everyone, and we are committed to doing so."

Canada

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No Update