To State Member Banks,
Bank Holding Companies,
Savings and Loan Holding Companies and
Domestic Financial Holding Companies
in the Twelfth Federal Reserve District

Federal Reserve Board Publishes Two Final Rules with Stress Testing Requirements for Certain Bank Holding Companies, State Member Banks, and Savings and Loan Holding Companies

The Federal Reserve Board on October 9, 2012, published two final rules with stress testing requirements for certain bank holding companies, state member banks, and savings and loan holding companies. The final rules implement sections 165(i)(1) and (i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act that require supervisory and company-run stress tests. Nonbank financial companies designated by the Financial Stability Oversight Council will also be subject to certain stress testing requirements contained in the rules.

"Implementation of the Dodd-Frank stress test requirement is an important step in the Federal Reserve's efforts to promote the health of the financial sector," Governor Daniel K. Tarullo said. "Stress testing is a key tool to ensure that financial companies have enough capital to weather a severe economic downturn without posing a risk to their communities, other financial institutions, or to the general economy."

The Federal Reserve will begin conducting supervisory stress tests under the final rules this fall for the 19 bank holding companies that participated in the 2009 Supervisory Capital Assessment Program and subsequent Comprehensive Capital Analysis and Reviews. The final rules also require these companies and their state-member bank subsidiaries to conduct their own Dodd-Frank company-run stress tests this fall, with the results to be publicly disclosed in March 2013.

In general, other companies subject to the Board's final rules for Dodd-Frank stress testing will be required to comply with the final rule beginning in October 2013. Companies with between $10 billion and $50 billion in total assets that begin conducting their first company-run stress test in the fall of 2013 will not have to publicly disclose the results of that first stress test.

The Board's two final rules revise portions of the Federal Reserve's notice of proposed rulemaking to implement the enhanced prudential standards and early remediation requirements established under the Dodd-Frank Act. The Board coordinated closely with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation to ensure that final stress testing rules issued by the agencies are consistent and comparable. The Board also coordinated with the Federal Insurance Office as required by the Dodd-Frank Act.

The Federal Reserve will release the scenarios for this year's supervisory and company-run stress tests no later than November 15, 2012. As required by the Dodd-Frank Act, the scenarios will describe hypothetical baseline, adverse, and severely adverse conditions, with paths for key macroeconomic and financial variables. To help firms prepare to estimate their losses and revenues under the scenarios, the Federal Reserve on Tuesday released historical data for variables likely to be used in the scenarios. A revised version of these historical data, reflecting the latest information, will be published along with the scenarios.
Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco’s website, at http://www.frbsf.org/banking/letters.

For additional information, please contact:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
Large Bank Organizations
(415) 974-3206

Attachment:  Annual Company-Run Stress Test Requirements - Final Rule

Supervisory and Company-Run Stress Test Requirements - Final Rule

Historical Data