

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

November 21, 2012

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

Federal Reserve Board Releases Economic and Financial Market Scenarios That Will Be Used in Next Round of Stress Tests for Large Financial Institutions

The Federal Reserve Board on November 15, 2012, released the economic and financial market scenarios that will be used in the next round of stress tests for large financial institutions.

The scenarios include baseline, adverse, and severely adverse scenarios, as described in the Federal Reserve's final rules that implement stress test requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Each scenario includes 26 variables, including economic activity, unemployment, exchange rates, prices, incomes, and interest rates.

The adverse and severely adverse scenarios are not forecasts, but rather hypothetical scenarios designed to assess the strength and resilience of financial institutions and their ability to continue to meet the credit needs of households and businesses in stressful economic and financial environments. The baseline scenario represents expectations of private sector forecasters.

For the 19 firms that are part of the Federal Reserve's Comprehensive Capital Analysis and Review (CCAR), the three scenarios will be used in stress tests conducted under the Dodd-Frank Act stress test rules and for the CCAR, including company-run stress tests and supervisory stress tests conducted by the Federal Reserve. Large state member banks that are subsidiaries of the CCAR firms will also use all three scenarios to conduct their own stress tests to meet applicable stress testing requirements.

The 11 firms that are part of the Capital Plan Review (CapPR) and their state member bank subsidiaries are not required to conduct the Dodd-Frank Act stress tests this year. However, CapPR firms will use the baseline and the severely adverse scenarios to conduct stress tests to meet requirements in the CapPR, and are not required to use the adverse scenario.¹

The Federal Reserve developed the scenarios in consultation with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency. The FDIC and OCC will be using the same scenarios as the Federal Reserve during the upcoming stress testing cycle for their supervised institutions.

¹ The 19 bank holding companies participating in the 2013 CCAR are Ally Financial Inc.; American Express Company; Bank of America Corporation; The Bank of New York Mellon Corporation; BB&T Corporation; Capital One Financial Corporation; Citigroup Inc.; Fifth Third Bancorp; The Goldman Sachs Group, Inc.; JPMorgan Chase & Co.; Keycorp; MetLife, Inc.; Morgan Stanley; The PNC Financial Services Group, Inc.; Regions Financial Corporation; State Street Corporation; SunTrust Banks, Inc.; U.S. Bancorp; and Wells Fargo & Company. These 19 firms also participated in the 2012 and 2011 CCARs and the 2009 Supervisory Capital Assessment Program. The 11 holding companies participating in the CapPR, are BBVA USA Bancshares Inc.; BMO Financial Corp.; Citizens Financial Group Inc.; Comerica Inc.; Discover Financial Services; HSBC North America Holdings Inc.; Huntington Bancshares Inc.; M&T Bank Corporation; Northern Trust Corporation; UnionBanCal Corporation; and Zions Bancorporation. These 11 firms also participated in the CapPR 2012.

Also on November 15, 2012, the Federal Reserve released a proposed policy statement describing the processes it would use to develop its stress test scenarios in future years. Comments on the policy statement are welcome by February 15, 2013.

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
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Attachments: [2013 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and the Capital Plan Rule \(PDF\)](#)

[2013 Supervisory Scenarios \(Excel\)](#)

[Historical Data: 1976 through Third Quarter 2012 \(Excel\)](#)

[Policy Statement on the Scenario Design Framework for Stress Testing \(PDF\)](#)