

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

June 10, 2011

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

Agencies Seek Comment on Stress Testing Guidance

The Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation are seeking comment on proposed supervisory guidance regarding stress-testing practices at banking organizations with total consolidated assets of more than \$10 billion.

The agencies are issuing the proposed guidance to emphasize the importance of stress testing in equipping banking organizations to assess the risks they face and address a range of potential adverse outcomes. The recent financial crisis underscored the need for banking organizations to conduct stress tests to help prepare for events and circumstances that can threaten their financial condition and viability.

Building on previously issued supervisory guidance that discusses the uses and merits of stress testing in specific areas of risk management, the proposed guidance provides an overview of how an organization should develop a structure for stress testing. The guidance outlines general principles for a satisfactory stress testing framework and describes how stress testing should be used at various levels within an organization. The guidance also discusses the importance of stress testing in capital and liquidity planning, and the importance of strong internal governance and controls in an effective stress-testing framework.

While the guidance does not explicitly address the stress testing requirements outlined in the Dodd-Frank Wall Street Reform and Consumer Protection Act, the agencies anticipate that rulemakings implementing these requirements would be consistent with the principles in the proposed guidance. The agencies also expect the guidance to be consistent with other supervisory initiatives, including those related to capital and liquidity planning. The agencies believe that it is important to establish the principles of stress testing as a background for these future rulemaking activities and supervisory initiatives.

The agencies request comment on the proposed supervisory guidance, which is expected to be published soon in the *Federal Register*, by July 29. The agencies will consider carefully feedback from commenters when making changes to the proposed guidance.

Media Contacts:

Federal Reserve	Barbara Hagenbaugh	202-452-2955
FDIC	David Barr	202-898-6992
OCC	Dean DeBuck	202-874-5770

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
(415) 974-2136

Attachment: [Proposed Guidance \(110 KB PDF\)](#)