

FRB proposes to enhance transparency of the stress testing framework

Initial perspectives on the Federal Reserve Board of Governors' (FRB) proposal on supervisory stress test models and scenarios



On October 24, 2025, the FRB issued two proposals to enhance the transparency and public accountability of its annual stress testing.¹ The proposals seek comments by January 22, 2026, across: (i) the stress test models; (ii) changes to the framework guiding the design of the hypothetical scenarios; and (iii) the hypothetical scenarios for the upcoming 2026 stress test. The proposals request comment due December 1, 2025, on several other elements, including an enhanced disclosure process for future stress test cycles, adjustments to the annual timeline to accommodate a comment period for the scenarios, and enhanced reporting forms to reduce burden and improve risk capture.

5 insights you should know

Disclosing 2026 stress test models: The proposals would disclose and seek public comment on the models the FRB plans to use to conduct the **2026 supervisory stress test**, as well as proposed changes to these models relative to the 2025 supervisory stress test, including proposed changes to address the **sensitivity of pre-provision net revenue projections to recent firm performance**.² The documentation would include the equations, variables, and coefficients used in each model; assumptions and limitations of each model; rationale for modeling decisions; and discussions of alternative models.

Disclosing 2026 stress test scenarios: The proposals would invite **public comment on descriptions of the proposed 2026 stress test scenarios**. It would also disclose and seek public comment on the **macroeconomic model** used to provide the paths of variables not specified with guides, as well as the modeling approaches used to derive shock values in the **global market shock (GMS)**.

Enhanced disclosure process for future stress test models and scenarios: The proposals would codify an **enhanced disclosure process** which would require the FRB to **annually disclose the model documentation** and scenarios and invite **public comment on the scenarios and any material changes to the models before such changes are implemented** in the supervisory stress test. To accommodate the public comment process, the proposal would shift the jump-off date of the stress test from December 31 to September 30.

Amendments to the Scenario Design Policy Statement: The proposals seek comment on **proposed amendments to the FRB's Scenario Design Policy Statement**, including guides for seven additional domestic scenario variables and a detailed description of the approaches for producing the scenario variable paths. The revised Statement would also contain additional information about the framework and model components used to create the global market shock.

Reporting changes: The proposals also include **targeted changes to the FR Y-14A/M/Q reports** to remove data items no longer needed to conduct the supervisory stress test, as well as to collect additional data that would support the stress test models and improve risk capture.

5 considerations to evaluate

1 Evaluate FRB model methodologies and internal risk program: Banks should carefully evaluate the FRB's stress test model disclosures and evaluate how changes may impact the firm's evaluation year-over-year. Banks should also consider mapping their own risk management and scenario processes against the FRB's methodologies. Further, banks should continue to **experiment and develop internal models that are tailored to their idiosyncratic risks**, dynamic, and **avoid migrating towards adopting models that too closely mirror the systemic risk models**.

2 Strengthen scenario analysis capabilities: With heightened transparency around stress testing scenarios, banks should **evaluate opportunities to enhance their scenario analysis frameworks to simulate and incorporate the impacts of a broader set of disclosed macroeconomic paths**. Strengthening governance around **scenario evaluation** can help firms understand and respond to changing market dynamics and improve operational resiliency.

3 Adapt planning and timelines to the enhanced disclosure cycle: With the proposal to annually disclose stress test models and scenarios, together with a move of the "jump-off" date to September 30, banks will need to **update their internal planning and reporting calendars**. Management and key internal stakeholders should consider **updating procedures to integrate the public feedback process and new fall schedule to prepare for future stress test cycles**.

4 Evaluate potential impacts of new variables and global market shock revisions: Banks should conduct an **individualized assessment on how the new FRB domestic scenario variables** and, as applicable, **revisions to the global market shock** may affect the firm's stress testing performance. For those firms subject to the global market shock, close attention should be paid to the increased time horizon of the as-of date, reduced model variables, as well as the shortened liquidity horizons.

5 Analyze new data requirements and impacts to reporting timelines: Several **new data items and schedules added to the FR Y-14 reports** require analysis to source the new data fields. **Change in jump off date and GMS as-of-date** may require changes in processes, such as the CFO attestation and report reconciliations. Consider how to adjust change management processes if lead times are shortened by new comment periods. *(see slide 2)*

FR Y-14 reporting changes under the proposals

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Changes to stress test dates: The proposed changes to stress test timing and reporting would shift the FR Y-14A jump-off date to September 30, better aligning with firms' balance sheet finalization. The as-of date window for the global market shock scenario will be broadened to start on October 1 of two years prior to the stress test cycle. Correspondingly, Schedule F (Trading) and Schedule L (Counterparty) of the FR Y-14Q will be updated to reflect this revised as-of date. Additionally, the attestation deadline would move up from December to September. Finally, there is a proposed change to require new reporters to follow the September timing as well.



Proposed changes to private equity reporting: Proposed changes to Schedule F of the FR Y-14Q aim to enhance the reporting of private equity and related exposures. Under these revisions, private equity carry values will be reported net of goodwill and investments deducted from common equity tier 1 capital. In addition, hedges on private equity exposures will be reported separately to ensure alignment with macroeconomic scenarios. A new materiality threshold for reporting private equity will be introduced, consistent with thresholds used for banking book schedules. Firms subject to Category IV standards will also be required to submit Schedule F.24 (Private Equity) if they meet this materiality threshold (and report as immaterial on Schedule K (Supplemental) if under the threshold). Finally, Schedule A.4 (Trading) on the FR Y-14A will be updated to remove items related to private equity.



Enhancements to hedge reporting: Current FR Y-14Q does not comprehensively capture all types of hedges. Enhancements to FR Y-14Q are therefore being proposed to address current gaps. The planned revisions to Schedule B.2 (Securities) will expand its scope to include all qualified accounting hedges (including portfolio layer method) and improve the mapping of hedging relationships. Additionally, a new Schedule B.3 will be introduced specifically to map hedges to their hedged positions.



Clarification on exchange traded funds (ETFs): Currently, Schedule F instructs firms to decompose certain ETF exposures based on the fund's underlying assets, however, the instructions also provide that all other ETFs be reported in the equity worksheets. To address the current ambiguity that can result in the misclassification of non-equity ETFs, under this updated approach, all ETFs would be reported according to their underlying asset holdings and corresponding risk factors, providing more accurate and consistent classification.



Enhancements to revenue and loss share agreements: New Schedule D.3 is proposed on the FR Y-14M to collect more detailed information on revenue and loss sharing agreements (RLSAs) by capturing individual revenue components and the effective share rates associated with each agreement. The Board is proposing enhancements to the treatment of RLSAs within stress testing frameworks, aiming to address inconsistencies in how firms currently apply adjustments for these agreements. To improve comparability and accuracy, two modeling approaches are under consideration: one at the portfolio level and another at the agreement level.



Simplification/reduction of documentation: Eighteen attributes were proposed for removal from FR Y-14M Schedule B.1 (Home Equity Loan Level Table) as they were deemed unnecessary to assess home equity risk characteristics. Mailing address information was also proposed for removal from Schedule C (Address Matching). Additionally, the proposal includes removal of the Supporting Documentation requirement on FR Y-14A and a simplification of the Supporting Documentation requirement on FR Y-14Q Schedule L to include targeted questions vs. open-ended ones. Targeted questions are also introduced as a Supporting Documentation requirement for FR Y-14Q Schedule F.

Endnotes

¹ Federal Reserve Board of Governors (FRB), “[Federal Reserve Board requests comment on proposals to enhance the transparency and public accountability of its annual stress test](#),” October 24, 2025.

² FRB, “[Supervisory Stress Test Model Documentation Proposed Model Changes for 2026 Stress Test October 2025](#),” October 24, 2025. The stress test includes the following portfolios and component models: credit risk models (auto model, credit card model, first lien model, home equity model, other retail model, and corporate model). market risk models (commercial real estate model, securities model, fair value option model, US government model, private equity model, trading revenue model, trading profit and loss model, credit valuation adjustment model, and largest counterparty default model), net revenue models (operational risk model and pre-provision net revenue model), aggregation models (balance sheet model, retained earnings model, and provisions model); and capital models (capital model).

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