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Regulatory reporting changes 2022–2023 implementation plans

The federal banking agencies—Board of Governors of the Federal Reserve System (FRB), Office of the Comptroller Currency (OCC), and Federal Deposit Insurance Corporation (FDIC)—have issued proposals that significantly impact several regulatory reports. These changes were proposed at different times and were scheduled to take effect during 2022 with several as-of dates. The proposals cover regulatory reporting for regulatory capital, cross-border exposure, and legal entity organizational structure.

Reports where the proposals have been finalized and implementation dates are near include:

- Capital Assessment and Stress Test Reports (FR Y-14A/Q/M)[1]
- Country Exposure Report (Federal Financial Institution Examination Council [FFIEC] 009/009a)[2]
- Aggregate Holdings, Purchases, Sales, and Holdings of Long-Term Securities by U.S. and Foreign Residents (TIC SLT)[3]
- Consolidated Financial Statements for Holding Companies (FR Y-9C)[4]

There are also proposals that are pending the review of public comments. These proposals include revisions to:

- The family of banking legal entity organizational structure reports:
  - Annual Report of Holding Companies (FR Y-6)[5]
  - Annual Report of Foreign Banking Organizations (FR Y-7)[6]
  - Report of Changes in Organizational Structure (FR Y-10)[7]
  - The Capital and Asset Report for Foreign Banking Organizations (FR Y-7Q)[8]

These changes largely follow the trend to improve data quality and increase the usefulness of the data with an eye on reducing reporting burden. In many cases, the new and revised data requirements may result in significant effort to gather the data and develop sustainable processes to implement the reporting changes as prescribed.

In addition, recent accounting rules related to accounting and disclosure for Troubled Debt Restructurings (TDRs) and Crypto-related assets and liabilities will require changes to regulatory reports in 2023.[9] Until these changes are made in 2023, the supplemental instructions for FR Y-9C provide interim guidance on how to apply these accounting changes to regulatory reports.

Summary of FR Y-14 changes

Overview of reporting changes

The FR Y-14 changes affect several schedules in the FR Y-14A, FR Y-14Q, and FR Y-14M. The revisions were made to (1) improve stress test results by refining and clarifying data definitions, (2) incorporate several of the "Frequently Asked Questions" (FAQs) into the instructions, (3) add data elements and refine data definitions to enhance cross-schedule and cross-report reconciliation, and (4) increase data on loan modifications and accommodations.

Public comments received on the proposal included the following suggestions:

- Further revising definitions and instructions to align across FR Y-14 schedules, other reports, and capital rules.
- Not adopting several proposed items on the FR Y-14M and the FR Y-14Q because of the lack of data availability, lack of comparability across firms, or significant operational burden.
- Improving the reporting instructions and several data definitions.
- Extending the implementation to six months from the final notice.

Largely, the revisions were adopted as proposed. Several comments were incorporated, while others will be considered as part of future changes. Revisions to the FR Y-14A were adopted as proposed for the December 2022 as-of date. The implementation date for many changes to the FR Y-14Q and FR Y-14M reports remained the September 2022 as-of date; however, several changes to these reports were delayed to the September 2023 as-of date.

Summary of FR Y-14A changes

The changes to the FR Y-14A were proposed to improve the stress testing results supported by the FR Y-14A. The proposed changes include:

- Incorporating FAQ responses to provide definitions and assumptions of capital planned actions and alternative capital actions. The revisions were adopted with several changes made to address comments on assumptions.

- Revising the planned business plan changes (BPCs) and capital action assumptions of the summary Comprehensive Capital Adequacy Review (CCAR) submission under the supervisory severely adverse (SSA) scenario to match those of internal stress scenario. These revisions were adopted as proposed.
- Revising the instructions to give firms the option to include on the summary schedule the effects of planned immaterial BPCs. The revisions were adopted as proposed.
- Clarifying the reporting of cash dividends (Schedule A.1.d, item 12 and Schedule HC-G, item 17) are reported on a quarter-to-date basis. The changes were adopted as proposed.

These revisions will be effective with the December 31, 2022, report date.

Summary of the FR Y-14Q changes

The reporting schedules most affected by the revisions include:

- Schedule A-Retail
- Schedule F-Trading
- Schedule H-Wholesale Risk
- Schedule L-Counterparty

Schedule A-Retail

The changes to Schedule A require firms to map internal ratings used to underwrite loans to industry standard credit scores. This revision was adopted as proposed with an implementation date of September 2022.

Schedule F-Trading

The proposed revisions and disposition of the final revisions are described in Table 1.

Table 1

General (as-of date)	As-of date for fourth-quarter submission may be the same as the date for the firm's internal weekly risk cycle, provided that it falls in the same calendar week as the stress test date.	Adopted as proposed. Effective September 2022
For Valuation Only (FVO) Hedges	Clarification on FVO hedge reporting treatment.	Adopted with clarification. Effective September 2022
F.7—Rates Vega	Vega values are now only allowed to be based on normal volatility (previously lognormal also allowed).	Adopted as proposed. Effective September 2022
F.24—Private Equity	New row added to report Affordable Housing PWI.	Adopted with clarification. Effective September 2022
F.6—Rates DV01 Other Asia Ex Japan	Removed text stating that listed currencies that fall below threshold values should be incorporated in this row.	Adopted as proposed. Effective September 2022
F.6—Rates DV01 Basis Risk	Clarification on basis-risk mapping and updated examples.	Adopted as proposed. Effective September 2022

Schedule H-Wholesale

The proposed changes to Schedule H include new items related to internal risk rating and several clarifications to the instructions. The proposed revisions and disposition of the final revisions are described in Table 2.

Table 2

Property Type	Allowable values have been updated/added.	Adopted as proposed. Effective September 2022
Interest Rate (applies to H.1 and H.2)	Description has been updated/added for credit facilities that are fully undrawn.	Adopted as proposed. Effective September 2022
Advised Lines exclusion clarification	Modify the language to clarify that only lines of credit that are unknown to the customer must be excluded from Schedule H.1.	Not adopted. Further clarification was made to the instructions. Effective June 2023
Internal Risk Rating	Add three items related to Internal Risk Ratings: minimum probability of default, maximum probability of default, and calculation method of probability of default (i.e., calculated through the cycle or as a point-in-time value).	Adopted as proposed with technical changes. Effective September 2022

Schedule L-Counterparty

The proposed changes to Schedule L include revisions to data definitions, instruction clarifications, and new data elements. In response to public comment, several of the revisions were delayed until the September 2023 as-of date. Table 3 outlines the disposition of the final revisions.

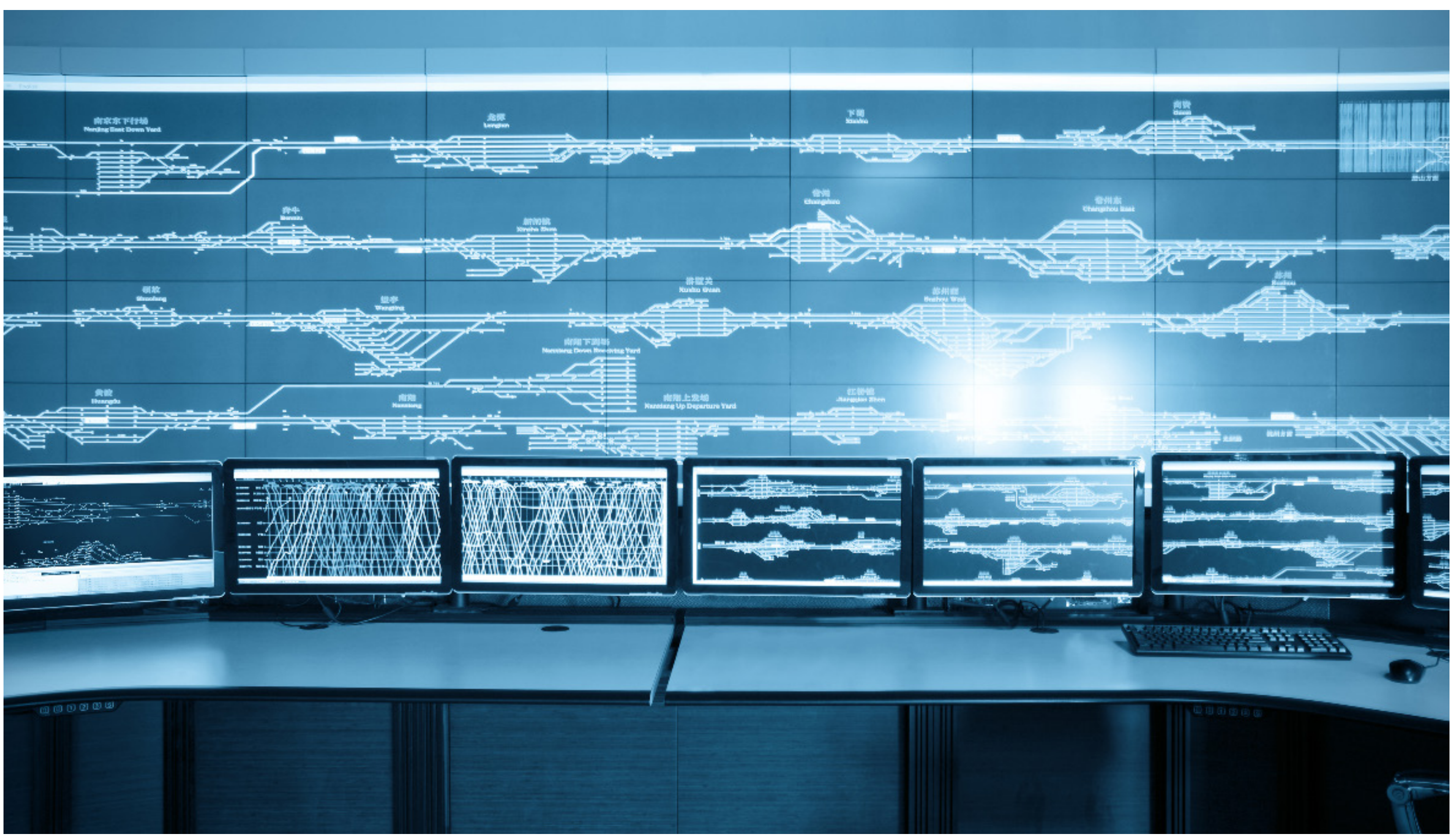


Table 3

General (as-of date)	As-of date for fourth-quarter submission may be the same as the date for the firm's internal weekly risk cycle, provided that it falls in the same calendar week as the stress test date.	Adopted as proposed. Effective September 2022
Non-Cash Collateral Type	Reporting updated to only require collateral actually received or posted, and not all allowable collateral.	Adopted with clarification. Effective June 2023
Credit Support Annexes (CSA) Contractual Features (non-vanilla)	More prescriptive guidance on the types of features to be reported.	Adopted as proposed. Effective September 2022
Total Mark-to-Market Collateral (Derivatives)	Update that only eligible collateral as per Basel rules should be reported.	Adopted as proposed. Effective September 2022
Statement of Financial Transactions (SFT) Reporting	Clarification on SFT reporting on L1-L4 and clarification that SFT exposures that eliminate upon default of the counterparty should not be reported.	Adopted with clarification. Effective June 2023
Parent Details	New rows added to report global Legal Entity Identifier (LEI), Country, Industry Code, Internal Rating, and External Rating for parents as well as counterparty entities.	Not adopted.
Consolidation	Clarification that entities should be reported at a consolidated level for L1-L3 reporting (inclusive of all subsidiaries).	Adopted as proposed. Effective June 2023
Agency transactions	Clarification on when agent transactions should be reported (now includes credit guarantees as well as indemnity).	Adopted as proposed. Effective September 2022
Unstressed reporting in Q4	Clarification that schedule L.1.e needs to be reported in both stressed and unstressed submissions.	Adopted as proposed. Effective September 2022
LE	Update stating that Entity ID should be the Global LEI (rather than an internal ID).	Adopted as proposed. Effective September 2022
Consistency	Clarification that fields should be reported consistently between the schedules.	Adopted as proposed. Effective September 2022
Field Applicability	Update to state that Gross CE is only required for derivatives, while Net CE should be reported for both derivatives and SFTs. Field instructions updated to clarify that field is only applicable for derivatives. Impacted fields: net collateral, weighted average maturity, new notional, position mark-to-market, total net collateral.	Adopted as proposed. Effective September 2022
Sub-Netting Set	Updated phrasing indicating optionality for firms in choosing to report at a netting set or sub-netting set level.	Adopted as proposed. Effective September 2022
Offline Credit Valuation Adjustment (CVA) Reserves	Updated the instructions to clarify that Offline CVA reserves should be broken out by internal ratings.	Adopted as proposed. Effective September 2022
Top 25 Methodology	Additional ranking methodology for bank's exposure to top 25 client clearing exposures.	Adopted with clarification. Effective June 2023
No Legal Agreement	Removed text that clarified how transactions not covered under a legal agreement should be reported.	Adopted as proposed. Effective September 2022
Collateral Wrong-Way Risk	Clarification that no collateral benefit should be assumed when there is wrong-way risk in collateral.	Adopted as proposed. Effective September 2022
Minimum Transfer Amount	Clarification that non-USD values should be reported in USD-equivalent amounts.	Adopted as proposed. Effective September 2022
Mark-to-Market Posted/ Received	Clarification that values should be reported as a positive number, and that received collateral should not be reported when close-out netting is not permitted.	Adopted as proposed. Effective September 2022

Summary of FR Y-14M changes

The FR Y-14M changes largely focus on enhancing the reporting of loan modifications, deferrals, and write-downs. Table 4 outlines the disposition of the final revisions.

Table 4

Modification fields **(Schedules A & B)**	Explanations on the attributes and valid values are being enhanced. For loans under loss mitigation efforts, differentiation between “Completed workout activities” and “In process workout activities” was included.	Adopted with clarification. Effective September 2022
Principal deferred amount and the principal write-down amount **(Schedules A & B)**	In order to capture all principal deferrals and write-downs regardless of loan modification status, the instructions were revised to remove the requirement that these items only be reported if loans are modified. The proposal renames “Principal Deferred Amount” to “Deferred Amount” to capture all deferred amounts, not just those related to the loan principal.	Adopted with clarification. Effective September 2022
New fields added related to loan modification **(Schedules A & B)**	Workout Type Started – Report the workout type started. This line item should be coded for any loan where a loss mitigation effort has started or is in progress for the current month. Actual Payment Amount – Report the actual dollar amount of the principal and interest payment received in the reporting month. Do not include fee payments.	Adopted as proposed. Effective September 2022
Fair Value Amount **(Schedules A)**	New field added to Schedule A to capture the fair value amount of HFS loans and HFI loans measured under the FVO.	Adopted as proposed. Effective September 2022
Deleted Fields **(Schedules A)**	Capitalization (item 81) Duration of Modification (item 83) Interest Rate Reduced (item 98) Term Extended” (item 100) “P&I Amount Before Modification” (item 101) P&I Amount After Modification” (item 102) Remaining Term Before Modification” (item 105) Remaining Term After Modification” (item 106)	Adopted as proposed. Effective September 2022
Origination Credit Bureau Score for the primary account holder Refreshed Credit Bureau Score **(Schedule C)**	Revisions to map an internal score mapped to an industry standard credit score.	Adopted as proposed. Effective September 2022

Summary of FFIEC 009 and FFIEC 009a changes

The FFIEC has approved revisions to the FFIEC 009 and FFIEC 009a. These revisions will increase the clarity and disclosures of banks' cross-border exposure. The revisions to FFIEC 009 include:

- Changing the term "Ultimate Risk" to "Guarantor Basis." This revision does **not** change the reporting requirement; rather, it clarifies the description of the reporting concept.
- Adding two new columns to Schedule C (Claims) for secured financing transactions (SFTs). The addition of these columns does not change the "risk shifting" on the FFIEC 009. The country of exposure for SFTs is determined by the country of counterparty. The underlying collateral does not affect the reporting of SFTs. The new columns collect information on collateral issued by US residents and country of issuer, providing further insights into country risk of SFTs. In response to public comments, further clarification was added to the instructions for the reporting of SFTs.
- Reaffirming the netting of securities by CUSIP. That is, CUSIP netting is limited to the same issuer and asset class.
- Adding several clarifications to the instructions.

The FFIEC 009a revisions include:

- Changing the reporting threshold to include any foreign country exceeding the lesser of 0.75% of total assets or 15% of total capital. With this change, Part B of the FFIEC 009a is no longer needed.
- To improve usefulness of the FFIEC 009a public disclosure, six columns were added to the FFIEC 009a to capture exposure on an immediate counterparty basis as follows:
  - Cross-border claims
  - Foreign office local claims
  - Four sector columns

The revisions to the FFIEC 009 and FFIEC 009a go into effect with the December 31, 2022, report date.

Summary of TIC SLT report changes

The TIC SLT report revisions include:

- Adding columns to collect purchased and sales of securities during the current period.
- Adding columns to collect changes in the fair value of securities during the reporting period.

The additions to the TIC SLT report will increase the quality of the data for holdings of "long term" securities. The new TIC SLT report is effective with the November 2022 report date. Since the TIC SLT changes are substantive changes, to ensure data quality during a short transition period, the "Report of Purchases and Sales of Long-Term Securities" (TIC S) will continue to be required until May 2023, when the TIC S will be discontinued.

Summary of FR Y-9 changes

Since regulatory reporting follows US generally accepted accounting principles (GAAP) changes to the FR Y-9C, FR Y-9SP, and bank Call Reports (FFIEC 031/041/051) were approved for the Last Layer of Hedging under Accounting Standards Update (ASU) 2017-12, Derivative and Hedging (Topic 815). This accounting change affects Schedule HC-C (Loans) and Schedule HC-B (Securities). The changes are effective for fiscal years beginning after December 15, 2022, for public companies, and for fiscal years starting after December 15, 2023, for all other companies. Early adoption is permitted.

Summary of proposed changes to FR Y-6/7/10 reports

The FRB proposed changes to the suite of banking organizational structure reports. Many of the changes were proposed to streamline the reporting process and to reduce reporting burden. The revisions include:

- Not requiring a FR Y-6 submission if there were no reporting changes from the prior year. This will reduce the reporting burden on small bank holding companies.
- Creating a standard template for several items on the FR Y-6. This will allow the FR Y-6 submission process to be further automated.

- Eliminating the requirement for hard-copy organizational charts. Instead, firms will use an automated system to access the firm's organizational information stored on the FRB's National Information Center to reconcile this data with the firm's internal data. Likewise, reporting of domestic branch data would follow the same process. Details on the actual system and processes will be provided at a later date.

- Requiring top-tier foreign banking organizations (FBOs) to file FR Y-7 reports for their subsidiary FBOs. Industry comments requested this requirement not be adopted.

- Eliminating the requirement for FBOs to submit shareholder reports in English.

- Aligning the definition of control in the reporting instructions with the revised definition of control in the Bank Holding Company Act.

- Revising the instructions for saving associations to be consistent with other sections of the instructions.

- Making several clarifications for the reporting of "head offices" and "state of incorporation."

- Requiring signed copies of all banking organizational structure reports be kept in the firm's files.

The proposed implementation dates range over several years. The comment period is closed on this proposal. After conducting outreach with firms through trade groups, the FRB is reviewing the comments and working to finalize the proposal.

FR Y-7Q revisions

The FRB proposed several significant revisions to the FR Y-7Q. These revisions include:

- Adding a new item "Total Combined Assets of U.S. Operations. Net of Intercompany Balances and Transactions Between U.S. Domiciled Affiliates, Branches and Agencies, Average Total Assets." Adding this item aligns with the data reported on the Banking Systemic Risk report (FR Y-15).

- Changing reporting from a fiscal year to a calendar year, making the data comparable across firms.

- Accelerating the filing date from 90 days to 30 days for quarterly filers and 45 days for all other filers.

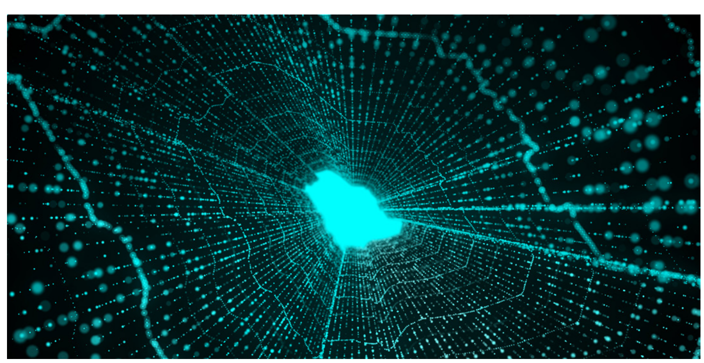
The comment period closed for this proposal. Significant industry concerns were expressed over the accelerated deadline and the reporting burden and data availability for the shift to calendar year reporting and the new item for total assets. The FRB is reviewing the comments and working to finalize the proposal.

Supplemental reporting instructions

The supplemental instructions for the FR Y-9C and the Call Report have provided guidance for the adoption of two recent accounting pronouncements. First, the supplemental instructions provide reporting guidance for early adopters of ASU 2022-02 (Financial Instruments-Credit Losses [Topic 326] Troubled Debt Restructuring [TDRs] and Vintage Disclosures). Under ASU 2022-02, the accounting for recognition and measurement for TDRs would be replaced with an evaluation by the reporting institution whether a modification to a borrower experiencing financial difficulties is a new loan or a continuation of an existing loan. The accounting standard is effective with the fiscal years beginning after December 31, 2022, and report changes are expected to accommodate the new accounting standard. Since early adoption is permitted, the supplemental instructions states "all loans modified since adoption of the new standard to borrowers experiencing financial difficulty as defined by ASU 2022-02 that are performing in accordance with their modified terms would be reported on Schedule RC-C, Part I, Memorandum items 1.a. through 1.g. If a loan is not performing in accordance with its modified terms, it would be reported on Schedule RC-N, Memorandum items 1.a through 1.g."

Second, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin 121 (SAB 121). Under SAB 121, assets and liabilities related to the safeguarding of crypto-assets should be recognize on the balance sheet. The supplemental instructions require that SAB 121 be applied to regulatory reports, if SAB 121 is applied to public financial statements. The supplemental instructions suggest that firms speak with their primary federal regulators with any questions concerning SAB 121, which would include the treatment for regulatory capital.

Report changes for 2022 require significant resources to understand and implement. It is likely that an increasing volume and complexity of changes will continue, heightening regulatory expectations by regulators for data quality and effective change management.



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Endnotes

1. Federal Register, "87 FR 52560," August 26, 2022.
2. Federal Register, "87 FR 49647," August 11, 2022.
3. US Department of the Treasury, "TIC SLT Form and Instructions," August 15, 2022.
4. Federal Register, "87 FR 55005," September 8, 2022.
5. Federal Register, "87 FR 27639," May 9, 2022.
6. Ibid.
7. Ibid.
8. Ibid.
9. Federal Register, "87 FR 45023," July 27, 2022; Securities and Exchange Commission, "Staff Accounting Bulletin No. 121," April 11, 2022.

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