



## FR Y-14 reporting changes

### Changes to FR Y-14A/Q/M: Capital Assessment and Stress Testing Reports

#### Overview

The Board of Governors of the Federal Reserve System (Board) has approved changes to the FR Y-14 reports to address the revised accounting for credit losses<sup>1</sup> and to implement the current expected credit loss (CECL). The changes to the FR Y-14 reports mirror the related changes to the Consolidated Financial Statements for Holding Companies (FR Y-9C) for CECL, as appropriate<sup>2</sup>.

In addition to these changes, the Board also finalized revisions to certain schedules of the FR Y-14A, FR Y-14Q, and FR Y-14M. The intent of these changes is to:

- reduce reporting burden,
- clarify reporting instructions and requirements,
- address inconsistencies between the FR Y-14 reports and other regulatory reports,
- conform the reports to implement new and/or revised rules, regulations and accounting standards,

The revisions to the FR Y-14 reporting forms consist of deleting and adding items, adding and expanding schedules or sub-schedules, and modifying or clarifying the instructions for existing data items.

The approved changes to the FR Y-14 reporting requirements, forms, and instructions are to be effective on dates ranging from December 31, 2019 to December 31, 2020 for different aspects of the changes.

#### Who reports?

Top-tier bank holding companies (BHCs) with total consolidated assets of \$100 billion or more and US intermediate holding companies (US IHCs) with \$100 billion<sup>3</sup> or more in total consolidated assets that are subsidiaries of foreign banking organizations (FBOs)<sup>4</sup>.

## Summary of notable changes

FR Y-14 Reports	Schedule	Definition change	New data addition	Removal of certain data Items	Alignment with other reports
14-A	A.1.a – Income statement				X
14-A	A.1.b – Balance sheet				X
14-A	A.1.c – Standardized RWA				X
14-A	A.1.d – Capital	X	X		X
14-A	A.2 – Retail		X	X	
14-A	A.3 – AFS/ HTM securities	X	X	X	
14-A	A.4 – Trading		X		
14-A	A.7 – Pre-Provision Net Revenue (PPNR)	X	X	X	X
14-A	E – Operational risk	X	X	X	
14-Q	A – Retail		X		X
14-Q	B – Securities	X	X	X	X
14-Q	C – Regulatory capital instruments	X	X	X	
14-Q	D – Regulatory capital	X	X	X	
14-Q	F – Trading	X	X		
14-Q	G – PPNR	X			X
14-Q	H – Wholesale	X	X	X	X
14-Q	I – MSR			X	
14-Q	L – Counterparty	X	X	X	
14-Q	M – Balances	X	X		
14-M	Schedules A, B & D	X	X	X	

## Timeline for changes

The Board has adopted the proposal to implement several revisions to the FR Y-14 reporting requirements, forms and instructions to be effective on dates ranging from December 31, 2019 to December 31, 2020 for different aspects of the changes. The implementation timeline for the changes is as follows:

- CECL revisions to FR Y-14 Reports:** As described in the final CECL rule and as outlined in the FR Y-14 CECL proposal, an institution may reflect the adoption of ASU 2016-13 on the FR Y-14 reports beginning with the 2020 stress test cycle. Therefore, all CECL related items need to be incorporated into the FR Y-14 reports for **December 31, 2019**.
- Non-CECL revisions to FR Y-14** are effective as follows:
  - FR Y-14A Schedule A.1.D, A.2.A, A.4 related revisions are effective from December 31, 2019
  - Revisions to FR Y-14Q Schedule D, F, and H will be effective for December 31, 2019
  - Revisions to FR Y-14M will be effective for March 31, 2020
  - Revisions to FR Y-14Q Schedule L will be effective for June 30, 2020
  - All other revisions are effective December 31, 2020.

The non-CECL related changes effective from December 31, 2019 are needed to support the CCAR process.

## CECL revisions to the FR Y-14 Reports

The Board has adopted the proposed revisions to the FR Y-14 reports in response to ASU 2016-13 to align the information reported with CECL. These revisions would address the broadening of the scope of financial assets for which an allowance for credit losses must be established and maintained, along with the elimination of the existing model for PCI assets.

Further, the Board had initially proposed to remove incurred loss model items and references from the FR Y-14 reports by March 31, 2022 at the latest, as that was the anticipated time by which all filers would have adopted CECL. However, given FASB's recent proposal to delay CECL<sup>5</sup> effective dates for certain institutions, the Board is delaying the removal of these items until March 31, 2023.

The revisions for the FR Y-14 reports are described below in detail on a schedule-by-schedule basis.

### CECL revisions to FR Y-14A reporting form

Reporting schedule FR Y-14A	High level view of adopted changes
<b>A.1.a: Income statement</b>	Revision to schedule to capture changes in ALLL calculation to accommodate broader scope of financial assets (all applicable financial products within the scope of CECL) for which a provision will be calculated under ASU 2016-13
<b>A.1.b: Balance sheet</b>	Revisions to the reporting form and instructions to specify which assets should be reported net of an allowance for credit losses
<b>A.1.d: Capital</b>	Revisions to the instruction to align with the FR Y-9C including institutional changes for the transition to CECL
<b>A.2.a: Retail balance and loss projections</b>	Changes to the reporting form and instructions to address the elimination of PCI assets under ASU 2016-13
<b>A.3: AFS/HTM securities</b>	Reflect the elimination of the concept of the OTTI Schedules
<b>A.7: PPNR</b>	Revision to the instructions to reflect the eliminations of OTTI and PCI concepts with the adoption of CECL
<b>F: Business plan changes</b>	Mirrors the changes from Schedule A- Summary

### CECL revisions to FR Y-14Q reporting form

Reporting schedule FR Y-14Q	High level view of adopted changes
<b>B: Securities</b>	<ul style="list-style-type: none"> <li>▪ Revision to the instructions to remove references for the concepts of OTTI and PCI</li> <li>▪ Footnote would be added to the general instructions for this schedule indicating the changes</li> </ul>
<b>D: Regulatory capital transitions</b>	Addition of guidance to the Instructions of the Schedule D, to indicate that schedule should not reflect any election of the CECL transition provision
<b>D.4: Risk Weighted Assets - Standardized RWA</b>	Addition of guidance in Schedule D.4 (RWA), indicating the reporting of adjusted allowances for credit losses by institutions that have adopted ASU 2016-13
<b>G: PPNR</b>	Changes to the FR Y-14Q, Schedule G (PPNR) that would mirror those outlined for the FR Y-14A, Schedule A.7 (Summary – PPNR), as applicable

Reporting schedule FR Y-14Q	High level view of adopted changes
<b>H: Wholesale</b>	Revising the instructions to align with ASU 2016-13 and the FR Y-9C
<b>K: Supplemental</b>	Addition of a footnote to the instructions and report form
<b>M.3: UPB of retail loans in domestic offices held for investment at amortized cost by PCI</b>	<ul style="list-style-type: none"> <li>Modification of schedule to collect the book value and UPB of loans by purchased credit deterioration from institutions that have adopted ASU 2016-13</li> <li>The existing guidance, schedule title, and column titles, would be updated to reflect PCD and non-PCD terminology and references to PCI would be eliminated</li> </ul>

#### CECL revisions to FR Y-14M reporting form<sup>6</sup>:

Reporting schedule FR Y-14M	High level view of adopted changes
<b>A: First lien B: Home equity D: Credit card</b>	Addition of guidance to the FR Y-14M data item captions and instructions. The data item captions and instructions would be updated to reflect the CECL terminology

#### Non-CECL revisions to FR Y-14 reports

The Board has introduced the changes to bring the reports in alignment with current accounting standards, rules, and other regulatory reports. This includes modifications to existing items and the addition of items to conform with:

- The Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-01 (Recognition and Measurement of Financial Assets and Financial Liabilities),
- ASU 2017-12 (Targeted Improvements to Accounting for Hedging Activities),
- Revisions made to the Consolidated Financial Statements for Holding Companies (FR Y-9C),
- Changes to the regulatory capital rules,
- The Tax Cuts and Jobs Act (TCJA),
- The new alternative to London Interbank Offered Rate (LIBOR)

These changes resolve issues raised by filing firms regarding the FR Y-14 of inconsistencies with other standards and reports. The Board has also made several changes that will reduce reporting burden. The proposal would also incorporate editorial or technical edits. Finally, the Board is proposing revisions in order to more accurately capture the data needed for running the stress tests and in support of DFAST and CCAR.

#### Non-CECL revisions to FR Y-14A

Reporting schedule FR Y-14A	High level view of adopted changes
<b>A: Income statement</b>	Addition of line item to capture unrealized holding gains/losses on non-trading equity securities (Item 8.b) to align reporting with ASU 2016-01 and the FR Y-9C
<b>A.1.b: Balance sheet</b>	<ul style="list-style-type: none"> <li>▪ Proposal to update applicable FR Y-9C references on the FR Y-14 reports so that they can remain in sync</li> <li>▪ Combine certain existing line items</li> </ul>
<b>A.1.d: Capital</b>	<ul style="list-style-type: none"> <li>▪ Revision of the schedule and associated instructions to reflect the Tax Cut and Job Act (TCJA)</li> <li>▪ Changes to certain line items</li> <li>▪ Addition of new line items to capture federal, state and local taxes for Recovered taxes, Valuation allowances for DTAs, DTAs net of DTLs</li> </ul>

Reporting schedule FR Y-14A	High level view of adopted changes
	<ul style="list-style-type: none"> <li>Clarification on how firms should reflect on effect of TJCA on capital for the global market shock scenario</li> </ul>
<b>A.2.a: Retail balance and loss projections</b>	Collect PCD balances and loan losses across the mortgage line items
<b>A.4: Trading</b>	Expanding the schedule to include detailed risk and product level data (Much of this data is already supplied through ad-hoc requests)
<b>A.7: PPNR</b>	<ul style="list-style-type: none"> <li>Elimination of the deposit threshold for reporting the Net Income schedule</li> <li>Revising the instructions to align the reporting of international loans to include revenue for loans for US territories (This will align the reporting of these loans across schedules and the FR Y-9C)</li> <li>Refer to the FR Y-9C for the definition of domestic and international loans</li> <li>Clarification on the reporting of dividend income for equity securities</li> <li>Additional documentation requirements to provide information on the impact of the transfer pricing on a line item basis and on the disaggregated impact on revenue and expense projection</li> </ul>
<b>B: Scenario</b>	Updates to technical instructions due to transition of submission of FR Y-14A schedule B to extensible markup language (XML) format
<b>E: Operational risk</b>	Clarifications to the schedule form and instructions

### Non-CECL revisions to FR Y-14Q

Reporting Schedule FR Y-14Q	High level view of adopted changes
<b>A: Retail</b>	<ul style="list-style-type: none"> <li>Revision to the instructions to align the reporting of international loans from US territories (This will align the reporting of these loans across schedules and with the FR Y-9C). Refer to the FR Y-9C for the definition of domestic and international loans</li> <li>Addition of the new data items</li> </ul>
<b>B: Securities</b>	<ul style="list-style-type: none"> <li>Revising the instructions to include the reporting guidance concerning ASU 2017-12</li> <li>Adding instructions on the proper use of CUSIP and CINS</li> </ul>
<b>C: Regulatory capital instruments</b>	Clarifications to the instructions, improve the quality of data collected and remove several variables which are not required
<b>D: Regulatory capital transitions</b>	Streamline data items on the schedule due to end of transition provisions for the non-advanced approaches firms
<b>F: Trading</b>	<ul style="list-style-type: none"> <li>Create new submission type dedicated to FVO loan hedges</li> <li>Delineate reporting of private equity investments between those reported at fair value and those reported using accounting methods other than fair value (non-fair value)</li> <li>Modifications to the forms and instructions</li> </ul>
<b>H: Wholesale</b>	<ul style="list-style-type: none"> <li>Clarifications for certain inconsistent, unclear and potentially burdensome language in the wholesale schedules</li> <li>Aligning several definitions with the FR Y-9C</li> <li>Addition of two sub-schedules - Schedule H.3, Line of Business and Schedule H.4, Internal Risk Rating Scale</li> </ul>

Reporting Schedule FR Y-14Q	High level view of adopted changes
<b>I: Mortgage servicing rights</b>	Eliminate schedule I
<b>L: Counterparty</b>	<ul style="list-style-type: none"> <li>▪ Increasing consistency across sub-schedules and submissions (stressed and unstressed) collecting counterparty exposures</li> <li>▪ Editorial and technical clarifications that would increase the use of consistent language and terminology and formatting across the counterparty instructions</li> </ul>

### Non-CECL revisions to FR Y-14M

Reporting Schedule FR Y-14M	High level view of adopted changes
<b>A.1 First lien, loan level</b>	<ul style="list-style-type: none"> <li>▪ Revision to the instructions to require involuntary terminations of the loans to be reported up to 24 months following the termination or sooner, if the data is available</li> <li>▪ Revision to the instructions to discontinue reporting of non-defaulted accounts that are closed and increase the reporting of recoveries to 24 months for accounting closures with balances or charge-offs</li> </ul>
<b>B.1 Home equity, loan level</b>	<ul style="list-style-type: none"> <li>▪ Revision to the instructions to require that involuntary terminations are reported up to 24 months following the termination or sooner, if the data is available</li> <li>▪ Revision to the instructions to discontinue reporting of non-defaulted accounts that are closed and increase the reporting of recoveries to 24 months for accounting closures with balances or charge-offs</li> </ul>
<b>D.1 Credit card, loan level</b>	<ul style="list-style-type: none"> <li>▪ If an account at the time of closure or charge-off had a positive unpaid balance that needed to be repaid or recovered, then information on that account should be reported up to 24 months after the closure or charge-off</li> <li>▪ Applicable only to loans that have experienced charge-off or termination within past 12 months of date of revision</li> </ul>

### Specific takeaways

The FR Y-14 changes cover a diverse set of reporting concepts and data requirements. This will present a challenge for change management functions, data preparers, and data owners. New data items need to be carefully reviewed to ensure data is available that meet the regulatory definitions and reconciliations are in place where appropriate to ensure consistency with existing reports.

The final Federal Register and reporting instructions include detailed clarifications and definitional changes. This will require careful review by subject matter experts, who in turn will be required to collaborate with data owners to ensure data are available to meet the revised requirements and the impact of the changes are assessed (this is especially important as it relates to capital adequacy requirements.) This analysis should occur as promptly as possible to obtain any additional clarifications from the Board before the report deadline.

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## **Endnotes**

1. These changes have been approved under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" (ASU 2016-13).
2. See 84 FR 11783 (March 28, 2019), and for final rule the incorporated CECL transition, See 84 FR 4222 (February 14, 2019).
3. On July 6, 2018, the Board issued a public statement regarding the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act. See <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20180706b1.pdf>. The Board announced that it will not take action to require BHCs with greater than or equal to \$50 billion but less than \$100 billion in total consolidated assets to file the FR Y-14 reports.
4. The Board has separately proposed to revise the respondent panel for the FR Y-14 reports in connection with the Board's proposed rule regarding Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies (the "Tailoring Proposal"). See 83 FR 61408 (November 29, 2018). Under the Tailoring Proposal, the respondent panel for the FR Y-14 reports would be BHCs with total consolidated assets of \$100 billion or more, IHCs with total consolidated assets of \$50 billion or more that are subsidiaries of an FBO, and covered savings and loan holding companies (SLHCs) with \$100 billion or more in total consolidated assets. See 12 CFR sections 217.2 (defining "covered savings and loan holding company"). If the Tailoring Proposal is finalized before this proposal, the respondent panel for the FR Y-14 reports would be updated to reflect the respondent panel adopted in the Tailoring Proposal.
5. FASB approved this proposal on October 17, 2019.
6. Board is allowing CECL-related FR Y-14M items to be reported on a best effort basis for the January and February 2020 submissions.

## **Abbreviations used in the document**

1. RWA - Risk Weighted Assets
2. AFS - Available for Sale
3. HTM - Held to Maturity
4. PPNR - Pre-Provision Net Revenue
5. MSR - Mortgage Servicing Rights
6. PCI - Purchased Credit Impaired
7. FASB - Financial Accounting Standards Board
8. CECL - Current Expected Credit Losses
9. ALLL - Allowance for Loans and Lease Losses
10. OTTI - Other than temporary impaired
11. UPB - Unpaid principal balance
12. PCD - Purchased Credit Deteriorated
13. DFAST -Dodd-Frank Act Stress Test
14. CCAR - Comprehensive Capital Analysis and Review
15. TCJA - Tax cuts and jobs act
16. CUSIP - Committee on Uniform Securities Identification Procedures
17. CINS - CUSIP International Numbering System
18. FVO - Fair Value Option
19. DTA - Deferred Tax Assets
20. DTL - Deferred Tax Liabilities

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