The Federal Deposit Insurance Corporation is requesting comments on a proposed rule that would revise the FDIC's requirements for stress testing by FDIC-supervised institutions to change the minimum threshold for applicability from $10 billion to $250 billion, revise the frequency of required stress tests by most FDIC-supervised institutions from annual to biannual, and reduce the number of required stress testing scenarios from three to two. The proposal is consistent with changes made by section 401 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Comments on the proposal are due by Feb. 19, 2019.

Covered banks. Section 401 of the EGRRCPA amended section 165 of the Dodd-Frank Act by raising the minimum asset threshold for banks required to conduct stress tests from $10 billion to $250 billion. The proposed rule would implement the change by eliminating the two existing subcategories of "covered bank"—"$10 to $50 billion covered bank" and "over $50 billion covered bank"—and revising the term to mean a state nonmember bank or state savings association with average total consolidated assets that are greater than $250 billion. The proposal would also make certain technical and conforming changes to its regulations in 12 CFR Part 325 (Stress Testing) to consolidate requirements that are currently referenced separately with respect to $10 billion to $50 billion covered banks and over $50 billion covered banks.

New reporting cycles. Section 401 of EGRRCPA also revised the requirement under section 165 of the Dodd-Frank Act to reduce the frequency of stress tests from "annual" to "periodic." Consistent with proposals by the other federal banking agencies, the FDIC proposes that, in general, an FDIC-supervised institution that is a covered bank as of Dec. 31, 2019, would be required to conduct, report, and publish a stress test once every two years, beginning on Jan. 1, 2020, and continuing every even-numbered year thereafter. The proposed rule would also add a new defined term, "reporting year," to the definitions at 12 CFR § 325.2. A covered bank's reporting year would be the year in which a covered bank must conduct, report, and publish its stress test.

However, under the proposed rule, certain covered banks will still be required to conduct annual stress tests. Covered banks that are subsidiaries of global systemically important bank holding companies or bank holding companies that have $700 billion or more in total assets or cross-jurisdictional activity of $75 billion or more would be required to conduct, report, and publish stress test results on the same schedule as their bank holding companies, which would be annually under rules proposed by the Federal Reserve Board.

Reduced scenarios. The EGRRCPA also amended section 165 to no longer require the FDIC to include an "adverse" stress-testing scenario and to reduce the minimum number of required stress test scenarios from three to two. Accordingly, the proposed rule would remove the "adverse" scenario in the FDIC's stress testing rule, maintaining the requirement to conduct stress tests under the "baseline" and "severely adverse" stress testing scenarios. The rule would also amend the definition of "severely adverse scenario" so that the term is defined relative to the "baseline scenario," rather than the "adverse scenario".

Comments. While the FDIC welcomes comments on all aspects of the proposed rule, the notice also requests responses to the following:

1. The proposal would require a covered bank that is consolidated under a holding company that is required to conduct a stress test at least once every calendar year to treat every calendar year as a reporting year, unless otherwise determined by the FDIC. Is this the appropriate frequency for this group
of banks? What are the advantages and disadvantages of requiring a covered bank to conduct a stress test at the same frequency as, or at a different frequency than, its holding company?

2. As an alternative to the requirement that a covered bank be required to stress test annually based on the stress testing requirements of its holding company, should the FDIC establish separate criteria to capture certain large banks (e.g., banks above a specified asset threshold), regardless of whether they are consolidated under a holding company?

3. All other covered banks that are not required to stress test annually would be required to stress test biennially. Is this the appropriate frequency for this category of banks? Should the FDIC further subdivide covered banks into additional categories that would be subject to different frequency requirements?

4. Is the length of the transition period for new covered banks appropriate? Should the proposal establish a transition period for covered banks that are already required to stress test and that move from a biennial stress testing requirement to an annual stress testing requirement?

Comments can be submitted on the agency's website, by emailing Comments@FDIC.gov (include RIN 3064-AE84 on the subject line of the message), or by mail to: Robert E. Feldman, Executive Secretary, Attention: Comments, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, D.C. 20429. Commenters are encouraged to use the title "Company-Run Stress Testing Requirements for FDIC-supervised State Nonmember Banks and State Savings Associations".

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