Proposed Rules

Federal Register
Vol. 80, No. 141
Thursday, July 23, 2015

This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

FEDERAL RESERVE SYSTEM

12 CFR Parts 225 and 252

[Regulations Y and YY; Docket No. R–1517]

RIN 7100 AE 33

Amendments to the Capital Plan and Stress Test Rules

AGENCY: Board of Governors of the Federal Reserve System (Board).

ACTION: Notice of proposed rulemaking with request for comment.

SUMMARY: The Board invites comment on a notice of proposed rulemaking to revise the capital plan and stress test rules for large bank holding companies and certain banking organizations with total consolidated assets of more than $10 billion. The proposed changes would apply beginning with the 2016 capital plan and stress test cycles. For all banking organizations, the proposal would remove the tier 1 common capital ratio requirement. For large bank holding companies, the proposal would modify the stress test capital action assumptions. For banking organizations subject to the advanced approaches, the proposal would delay the incorporation of the supplementary leverage ratio for one year and indefinitely defer the use of the advanced approaches risk-based capital framework in the capital plan and stress test rules. For bank holding companies with total consolidated assets of more than $10 billion but less than $50 billion and savings and loan holding companies with total consolidated assets of more than $10 billion, the proposal would eliminate the fixed assumptions regarding dividend payments for company-run stress tests and delay the application of stress testing for these savings and loan holding companies for one year. The proposal would also make certain technical amendments to the capital plan and stress test rules to incorporate changes related to other rulemakings.

DATES: Comments must be received on or before September 24, 2015.

ADDRESSES: When submitting comments, please consider submitting your comments by email or fax because paper mail in the Washington, DC area and at the Board may be subject to delay. You may submit comments, identified by Docket No. R–1517, by any of the following methods:

- *Agency Web site: http://www.federalreserve.gov.* Follow the instructions for submitting comments at *http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm.*
- *Federal eRulemaking Portal: http://www.regulations.gov.* Follow the instructions for submitting comments.
- *Email: regs.comments@federalreserve.gov.* Include docket number in the subject line of the message.
- *Fax:* (202) 452–3819 or (202) 452–3102.
- *Mail:* Robert de V. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW., Washington, DC 20551.

All public comments are available from the Board's Web site at *http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm* as submitted, unless modified for technical reasons. Accordingly, comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street NW. (between 18th and 19th Street NW.), Washington, DC 20006 between 9:00 a.m. and 5:00 p.m. on weekdays.

FOR FURTHER INFORMATION CONTACT: Lisa Ryu, Associate Director, (202) 263–4833, Constance Horsley, Assistant Director, (202) 452–5239, Mona Touma Elliot, Manager, (202) 912–4688, Page Conkling, Senior Supervisory Financial Analyst, (202) 912–4647, Joseph Cox, Senior Financial Analyst, (202) 452–3216, or Hillel Kipnis, Financial Analyst, (202) 452–2924, Division of Banking Supervision and Regulation; Laurie Schaffer, Associate General Counsel, (202) 452–2272, Christine Graham, Counsel, (202) 452–3005, or Julie Anthony, Senior Attorney, (202) 475–6682, Legal Division, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW., Washington, DC 20551. Users of Telecommunication Device for Deaf (TDD) only, call (202) 263–4869.

SUPPLEMENTARY INFORMATION:

I. Background

The Board's capital planning and stress testing regime is an annual assessment of a banking organization's capital planning and capital adequacy on a post-stress basis and a cornerstone of the Board's supervisory program for bank holding companies with total consolidated assets of $50 billion or more (large bank holding companies).[1] The Board's capital planning and stress testing regime consists of two related programs: The Comprehensive Capital Analysis and Review (CCAR), which is conducted pursuant to the Board's capital plan rule (12 CFR 225.8), and Dodd-Frank Act stress testing, which is conducted pursuant to the Board's stress test rules (subparts B, E, and F of Regulation YY). In CCAR, the Board assesses the internal capital planning processes of large bank holding companies and their ability to maintain sufficient capital to continue their operations under expected and stressful conditions. Large bank holding companies must submit annual capital plans to the Board, which the Board may object to on either quantitative or qualitative grounds. If the Board objects to a large bank holding company's capital plan, the large bank holding company may not make any capital distributions unless the Board indicates in writing that it does not object to such distributions.

Dodd-Frank Act stress testing is a forward-looking quantitative evaluation of the impact of stressful economic and financial market conditions on the capital adequacy of banking organizations.[2] As part of Dodd-Frank Act stress testing, the Board conducts supervisory stress tests of large bank holding companies, and these bank holding companies also must conduct annual and mid-cycle company-run stress tests. In addition, bank holding

[1] 12 CFR 225.8. The changes in this proposed rulemaking would also apply to nonbank financial companies supervised by the Board that become subject to the capital planning and stress test requirements as well as to U.S. intermediate holding companies of foreign banking organizations in accordance with the transition provisions of the final rule incorporating enhanced prudential standards for U.S. bank holding companies and foreign banking organizations with total consolidated assets of $50 billion or more. (79 FR 17240 (March 27, 2014)). For simplicity, this preamble discussion of proposed amendments generally refers only to large bank holding companies.

[2] *See* 12 U.S.C. 5365(i)(1) and 12 CFR part 252.

companies with total consolidated assets of more than $10 billion but less than $50 billion, savings and loan holding companies with total consolidated assets of more than $10 billion, and state member banks with total consolidated assets of more than $10 billion must conduct annual company-run stress tests.[3]

This proposal invites comment on targeted adjustments to the Board's capital plan and stress test framework that would apply for the 2016 capital plan and stress test cycles. The Board notes that is considering a broad range of issues relating to the capital plan and stress test rules, including how the rules interact with other elements of the regulatory capital rules and whether any modification may be appropriate. However, the Board does not anticipate proposing another rulemaking that would affect the 2016 capital plan and stress test cycle beyond what is contained in this proposal. The Board would propose any changes resulting from the considerations described above through a separate rulemaking. Any such changes would take effect no earlier than the 2017 capital plan and stress test cycle.

For all banking organizations, the proposal would remove the tier 1 common capital ratio requirement in the capital plan and stress test rules. For large bank holding companies, the proposal would modify the stress test capital action assumptions under the stress test rules. For banking organizations subject to the advanced approaches, the proposal would delay the incorporation of the supplementary leverage ratio for one year and indefinitely defer the use of advanced approaches in the capital plan and stress test rules.[4] For the company-run stress test rules, the proposal would eliminate the fixed dividend payment assumptions for bank holding companies with total consolidated assets of more than $10 billion but less than $50 billion and savings and loan holding companies with total consolidated assets of more than $10 billion, and would delay the application of the company-run stress test requirements to these savings and loan holding companies for one stress test cycle. The proposal would also make certain technical amendments to the capital plan and stress test rules to incorporate changes related to other rulemakings.

II. Proposed Revisions to the Capital Plan and Stress Test Rules for All Banking Organizations

The proposal would remove the requirement that a banking organization demonstrate its ability to maintain a pro forma tier 1 common capital ratio of five percent of risk-weighted assets under expected and stressed scenarios. When the Board adopted the tier 1 common requirement as part of the capital plan and stress test rules, the Board noted that it expected the tier 1 common ratio to remain in force until the Board adopted a minimum common equity capital requirement. In 2013, the Board revised its regulatory capital rules to strengthen the quantity and quality of regulatory capital held by banking organizations. These revisions included a new minimum common equity tier 1 capital requirement of 4.5 percent of risk-weighted assets, which was fully phased-in on January 1, 2015.[5]

The 2016 capital plan and stress test cycle is the first cycle in which banking organizations will be subject to the 4.5 percent common equity tier 1 capital ratio for each quarter of the planning horizon. The common equity tier 1 capital ratio generally is expected to be more binding than the tier 1 common ratio under the severely adverse scenario because of the regulatory capital rule's stringent capital deductions, most of which will be fully phased-in by the end of the next planning horizon. Removing the tier 1 common ratio requirement will further reduce the burden of maintaining legacy systems and processes necessary for calculating the tier 1 common ratio.

III. Proposed Revisions to the Capital Plan and Stress Test Rules for Large Bank Holding Companies

The proposal would modify capital action assumptions in the stress test rules to allow large banking holding companies to reflect dividends associated with expensed employee compensation and issuances to fund acquisitions. The stress test rules require large bank holding companies to assume that they do not issue capital or redeem capital instruments in the second through ninth quarters of the planning horizon. The October 2014 revisions to the capital plan and stress test rules (October 2014 revisions) provided an exception to this assumption for issuances related to expensed employee compensation.[6] The proposal would make a related technical change to require a firm to assume that it pays dividends equal to the quarterly average dollar amount of common stock dividends that the company paid in the previous year on any issuance of stock related to expensed employee compensation.

In addition, the proposal would permit a large bank holding company to assume that it issues capital associated with funding a planned acquisition. This proposed revision would align the capital action assumptions with the assumptions relating to business plan changes, which require a large bank holding company to project the effects of any planned mergers or acquisitions. Under the proposal, to the extent that a large bank holding company is required to include an acquisition in its balance sheet projections, the bank holding company could include any stock issuance associated with funding the acquisition in its stress test.

IV. Proposed Revisions to the Capital Plan and Stress Test Rules for Banking Organizations Subject to the Advanced Approaches

A. Delay of Inclusion of the Supplementary Leverage Ratio

The supplementary leverage ratio requirement applies only to banking organizations that use the advanced approaches to calculate their minimum regulatory capital requirements. For these banking organizations, the proposal would delay the incorporation of the supplementary leverage ratio in the capital plan and stress test rules for one year. Under the proposal, these banking organizations would not be required to include an estimate of the supplementary leverage ratio for the capital plan and stress test cycles

[3] 77 FR 62378 (October 12, 2012) (codified at 12 CFR part 252, subparts E and F). The stress test requirements apply to savings and loan holding companies that are subject to the minimum regulatory capital requirements in 12 CFR part 217. The Board has not applied capital requirements to savings and loan holding companies that are substantially engaged in commercial activities or insurance underwriting activities to date. The Board is currently working on developing an appropriate capital regime for those institutions.

[4] The supplementary leverage ratio requirement applies only to banking organizations subject to the advanced approaches. A banking organization is subject to the advanced approaches if it has consolidated assets of at least $250 billion or if it has total consolidated on-balance sheet foreign exposures of at least $10 billion. The proposed amendments to the company-run stress test rules apply to large bank holding companies, bank holding companies with total consolidated assets of more than $10 billion but less than $50 billion, savings and loan holding companies with total consolidated assets of more than $10 billion, and state member banks with total consolidated assets of more than $10 billion; however, the capital plan and supervisory stress test rules only apply to large bank holding companies at this time.

[5] Banking organizations subject to the advanced approaches became subject to a minimum common equity tier 1 requirement of 4.0 percent on January 1, 2014.

[6] 79 FR 64026 (October 27, 2014).

beginning on January 1, 2016. This proposed change is appropriate in light of the October 2014 revisions, which changed the commencement date of the capital plan and stress test cycles. Prior to the timing change in the October 2014 revisions, these banking organizations would have been required to incorporate the supplementary leverage ratio into the stress test cycle beginning on October 1, 2016 (*i.e.,* in the sixth quarter of the 2017 stress testing and capital planning cycle). As a result of the timing change, however, these banking organizations would be required to incorporate the supplementary leverage ratio into the upcoming stress test cycle beginning January 1, 2016 (*i.e.,* in the ninth quarter of the 2016 stress testing and capital planning cycle).

To provide adequate time to develop the required systems necessary to project the supplementary leverage ratio, the proposal would not require these banking organizations to demonstrate compliance with the supplementary leverage ratio for purposes of the 2016 capital plan and stress test cycles.

B. Deferral of the Introduction of the Advanced Approaches

Under the current capital plan and stress test rules, banking organizations that use the advanced approaches to calculate their minimum regulatory capital requirements must project their risk-weighted assets using both the standardized and the advanced approaches. Several banking organizations have noted that the use of advanced approaches in the capital plan and stress test rules would require significant resources and would introduce complexity and opacity. In light of the concerns raised by these banking organizations, and pending a broader review of how the capital plan and stress test rules interact with the regulatory capital rules as described above, the proposal would delay until further notice the use of the advanced approaches for calculating risk-based capital requirements for purposes of the capital plan and stress test rules.

V. Proposed Revisions to Stress Test Rules for Certain Bank Holding Companies and Savings and Loan Holding Companies With Total Consolidated Assets of $10 Billion or More

For bank holding companies with total consolidated assets of more than $10 billion but less than $50 billion and savings and loan holding companies with total consolidated assets of more than $10 billion, the proposal would eliminate the fixed dividend assumptions for company-run stress tests and would delay the application of the company-run stress testing requirements to these savings and loan holding companies for one stress test cycle.

A. Elimination of Fixed Dividend Assumptions

The proposal would eliminate the requirement that bank holding companies with total consolidated assets of more than $10 billion but less than $50 billion and savings and loan holding companies with total consolidated assets of more than $10 billion incorporate fixed assumptions regarding dividends in their stress tests. These bank holding companies and savings and loan holding companies would instead be required to incorporate their own dividend payment assumptions consistent with internal capital needs and projections.

Currently, the stress test rules require these bank holding companies and savings and loan holding companies to make the same capital action assumptions in their stress tests that apply to large bank holding companies. These capital action assumptions require these bank holding companies and savings and loan holding companies to assume they maintain their common stock dividend at a steady rate over the planning horizon, continue payments on other regulatory capital instruments at their stated dividend rate, and assume no repurchases or issuance of shares for each of the second through ninth quarters of the planning horizon. The proposal would maintain the assumptions of no repurchases, redemptions, or issuance of regulatory capital instruments in the stress tests.

This proposed change is responsive to concerns raised by banking organizations that dividends made at the holding company level are often funded directly through a subsidiary bank's distributions to its holding company, but that subsidiary banks may be subject to dividend restrictions that would not permit the bank to upstream capital to its holding company. The proposed change would also better align the stress test rules with the rules applicable to state member banks and the rules of the other banking agencies.

B. Company Run Stress Test Transition Provisions for Certain Savings and Loan Holding Companies

The proposal would delay for one stress test cycle the application of the company-run stress test rules to saving and loan holding companies with total consolidated assets of more than $10 billion, such that these savings and loan holding companies would become subject to the stress test rules for the first time beginning on January 1, 2017.

Savings and loan holding companies with total consolidated assets of more than $10 billion must conduct annual company-run stress tests.[7] The original stress test rules provided a two-year transition period for these savings and loan holding companies to comply with the stress test requirements once they became subject to regulatory capital requirements on January 1, 2015. However, the October 2014 revisions to the stress test rules resulted in a shortening of this initial transition period to one year. The proposal would reinstate the previous transition period, such that these savings and loan holding companies would become subject to the company-run stress tests on January 1, 2017. Accordingly, savings and loan holding companies with total consolidated assets of more than $50 billion would report results by April 5, 2017, and those with total consolidated assets of less than $50 billion would report results by July 31, 2017.

VI. Proposed Technical Amendments to the Capital Plan and Stress Test Rules

The proposal would also make certain technical amendments to the capital plan and stress test rules to incorporate changes related to other rulemakings. On January 1, 2015, the risk-based capital rules under 12 CFR part 217 became effective, and the proposal would remove references to the risk-based capital rules in 12 CFR part 225 that are no longer operative as of that date.

In addition, the Board is proposing to amend the definition of minimum regulatory capital ratio in 12 CFR 225.8(d)(8), and the definition of regulatory capital ratio in 12 CFR 252.12(n), 12 CFR 252.42(m), and 12 CFR 252.52(n) to incorporate the deductions required under 12 CFR 248.12(d) (the Volcker Rule). The Volcker Rule requires a banking organization to deduct from tier 1 capital its aggregate investments in covered funds (as defined in 12 CFR. 248.10(b)). These required deductions are not, however, reflected in the regulatory text of 12 CFR part 217. Accordingly, the proposal would revise the regulatory text of the above-referenced definitions to include the required deductions under the Volcker Rule in the definition of regulatory capital ratio and minimum regulatory

[7] Currently, savings and loan holding companies are not subject to the Board's capital plan rule or supervisory stress tests, regardless of size.

capital ratio. The amended language will ensure that the definitions referenced above will incorporate not only the deductions required under 12 CFR part 217 but also the deductions required under the Volcker Rule.

Administrative Law Matters

a. Paperwork Reduction Act

In accordance with the requirements of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501–3521), the Board may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Board reviewed this proposed rule under the authority delegated to the Board by the OMB and determined that it contains no collections of information. As the Board considers the public comments received and finalizes the rulemaking, the Board will reevaluate this PRA determination.

b. Regulatory Flexibility Act Analysis

The Board is providing an initial regulatory flexibility analysis with respect to this proposed rule. The Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.* (RFA), generally requires that an agency prepare and make available an initial regulatory flexibility analysis in connection with a notice of proposed rulemaking.

Under regulations issued by the Small Business Administration (''SBA''), a small entity includes a depository institution, bank holding company, or savings and loan holding company with total assets of $550 million or less (a small banking organization).[8] As of March 31, 2015, there were approximately 631 small state member banks. As of December 31, 2014, there were approximately 3,833 small bank holding companies and 271 small savings and loan holding companies. The proposed rule would apply to bank holding companies, savings and loan holding companies, and state member banks with total consolidated asset of $10 billion or more and nonbank financial companies supervised by the Board. Companies that would be subject to the proposed rule therefore substantially exceed the $550 million total asset threshold at which a company is considered a small company under SBA regulations. Therefore, there are no significant alternatives to the proposed rule that would have less economic impact on small banking organizations. As discussed above, the projected reporting, recordkeeping, and other compliance requirements of the rule are expected to be small. The Board does not believe that the rule duplicates, overlaps, or conflicts with any other Federal rules. In light of the foregoing, the Board does not believe that the final rule would have a significant economic impact on a substantial number of small entities.

The Board welcomes comment on all aspects of its analysis. A final regulatory flexibility analysis will be conducted after consideration of comments received during the public comment period.

c. Solicitation of Comments on Use of Plain Language

Section 722 of the Gramm-Leach-Bliley Act (Pub. L. 106–102, 113 Stat. 1338, 1471, 12 U.S.C. 4809) requires the federal banking agencies to use plain language in all proposed and final rules published after January 1, 2000. The Board has sought to present the proposed rule in a simple and straightforward manner, and invites comment on the use of plain language.

For example:

- Have we organized the material to suit your needs? If not, how could the rule be more clearly stated?
- Are the requirements in the rule clearly stated? If not, how could the rule be more clearly stated?
- Do the regulations contain technical language or jargon that is not clear? If so, which language requires clarification?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the regulation easier to understand? If so, what changes would make the regulation easier to understand?
- Would more, but shorter, sections be better? If so, which sections should be changed?
- What else could we do to make the regulation easier to understand?

List of Subjects

12 CFR Part 225

Administrative practice and procedure, Banks, Banking, Capital planning, Holding companies, Reporting and recordkeeping requirements, Securities, Stress testing.

12 CFR Part 252

Administrative practice and procedure, Banks, Banking, Capital planning, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities, Stress testing.

Authority and Issuance

For the reasons stated in the Supplementary Information, the Board of Governors of the Federal Reserve System proposes to amend 12 CFR chapter II as follows:

PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)

■ 1. The authority citation for part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p–1, 1843(c)(8), 1844(b), 1972(1), 3106, 3108, 3310, 3331–3351, 3906, 3907, and 3909; 15 U.S.C. 1681s, 1681w, 6801 and 6805.

Subpart A—General Provisions

■ 2. Section 225.8 is amended by:
■ a. Revising paragraphs (c)(3), (d)(8), and (d)(11);
■ b. Removing paragraphs (d)(12) and (d)(13);
■ c. Redesignating paragraph (d)(14) as paragraph (d)(12);
■ d. Removing and reserving paragraph (e)(2)(i)(B); and
■ e. Revising paragraphs (e)(2)(ii)(A), (f)(1)(i)(C), (f)(2)(ii)(C), and (g)(1)(i).

The revisions to read as follows:

§ 225.8 Capital planning.

* * * * *

(c) * * *

(3) *Transition periods for bank holding companies subject to the supplementary leverage ratio.* Notwithstanding paragraph (d)(8) of this section, only for purposes of the capital plan cycle beginning on January 1, 2016, a bank holding company shall not include an estimate of its supplementary leverage ratio.

(d) * * *

(8) *Minimum regulatory capital ratio* means any minimum regulatory capital ratio that the Federal Reserve may require of a bank holding company, by regulation or order, including, the bank holding company's tier 1 and supplementary leverage ratios as calculated under 12 CFR 217, including the deductions required under 12 CFR 248.12, as applicable, and the bank holding company's common equity tier 1, tier 1, and total risk-based capital ratios as calculated under 12 CFR part 217, including the deductions required under 12 CFR 248.12 and the transition provisions at 12 CFR 217.1(f)(4) and 12 CFR 217.300, or any successor regulation; except that, the bank holding company shall not use the advanced approaches to calculate its regulatory capital ratios.

* * * * *

[8] *See* 13 CFR 121.201. Effective July 14, 2014, the Small Business Administration revised the size standards for banking organizations to $550 million in assets from $500 million in assets. 79 FR 33647 (June 12, 2014).

(11) *Tier 1 capital* has the same meaning as under 12 CFR part 217 or any successor regulation.

* * * * *

(e) * * *

(2)(i) * * *

(B) [Reserved]

* * * * *

(ii) * * *

(A) A discussion of how the bank holding company will, under expected and stressful conditions, maintain capital commensurate with its risks, maintain capital above the minimum regulatory capital ratios, and serve as a source of strength to its subsidiary depository institutions;

* * * * *

(f) * * *

(1)(i) * * *

(C) The bank holding company's ability to maintain capital above each minimum regulatory capital ratio on a pro forma basis under expected and stressful conditions throughout the planning horizon, including but not limited to any scenarios required under paragraphs (e)(2)(i)(A) and (e)(2)(ii) of this section.

* * * * *

(2)(ii) * * *

(C) The bank holding company has not demonstrated an ability to maintain capital above each minimum regulatory capital ratio on a pro forma basis under expected and stressful conditions throughout the planning horizon; or

* * * * *

(g) * * *

(1) * * *

(i) After giving effect to the capital distribution, the bank holding company would not meet a minimum regulatory capital ratio;

* * * * *

PART 252—ENHANCED PRUDENTIAL STANDARDS (Regulation YY).

■ 3. The authority citation for part 252 continues to read as follows:

Authority: 12 U.S.C. 321–338a, 1467a(g), 1818, 1831p–1, 1844(b), 1844(c), 5361, 5365, 5366.

■ 4. Section 252.12 is amended by revising paragraph (n) to read as follows:

§ 252.12 Definitions.

* * * * *

(n) *Regulatory capital ratio* means a capital ratio for which the Board established minimum requirements for the company by regulation or order, including a company's tier 1 and supplementary leverage ratio as calculated under 12 CFR 217, including the deductions required under 12 CFR 248.12, as applicable, and the company's common equity tier 1, tier 1, and total risk-based capital ratios as calculated under 12 CFR part 217, including the deductions required under 12 CFR 248.12 and the transition provisions at 12 CFR 217.1(f)(4) and 12 CFR 217.300, or any successor regulation; except that, the company shall not use the advanced approaches to calculate its regulatory capital ratios.

* * * * *

■ 5. Section 252.13 is amended by revising paragraphs (b)(2) and (b)(3) to read as follows:

§ 252.13 Applicability.

* * * * *

(b) * * *

(2) *Transition period for savings and loan holding companies.* (i) A savings and loan holding company that is subject to minimum regulatory capital requirements and exceeds the asset threshold for the first time on or before March 31 of a given year, must comply with the requirements of this subpart beginning on January 1 of the following year, unless that time is extended by the Board in writing;

(ii) A savings and loan holding company that is subject to minimum regulatory capital requirements and exceeds the asset threshold for the first time after March 31 of a given year must comply with the requirements of this subpart beginning on January 1 of the second year following that given year, unless that time is extended by the Board in writing; and

(iii) Notwithstanding paragraph (b)(2)(i) of this section, a savings and loan holding company that is subject to minimum regulatory capital requirements and exceeded the asset threshold for the first time on or before March 31, 2015, must comply with the requirements of this subpart beginning on January 1, 2017, unless that time is extended by the Board in writing.

(3) *Transition periods for companies subject to the supplementary leverage ratio.*

Notwithstanding § 252.12(n) of this subpart, for purposes of the stress test cycle beginning on January 1, 2016, a company shall not include an estimate of its supplementary leverage ratio.

* * * * *

■ 6. Section 252.15 is amended by revising paragraph (b)(2) to read as follows:

§ 252.15 Methodologies and practices.

* * * * *

(b) * * *

(2) For each of the second through ninth quarters of the planning horizon, the bank holding company or savings and loan holding company must:

(i) Assume no redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio;

(ii) Assume no issuances of common stock or preferred stock, except for issuances related to expensed employee compensation or in connection with a planned merger or acquisition to the extent that the merger or acquisition is reflected in the company's pro forma balance sheet estimates; and

(iii) Make reasonable assumptions regarding payments of dividends consistent with internal capital needs and projections.

* * * * *

■ 7. Section 252.42 is amended by:

■ a. Revising paragraph (m); and

■ b. Removing paragraph (r).

The revision to read as follows:

§ 252.42 Definitions.

* * * * *

(m) *Regulatory capital ratio* means a capital ratio for which the Board established minimum requirements for the company by regulation or order, including the company's tier 1 and supplementary leverage ratios as calculated under 12 CFR part 217, including the deductions required under 12 CFR 248.12, as applicable, and the company's common equity tier 1, tier 1, and total risk-based capital ratios as calculated under 12 CFR part 217, including the deductions required under 12 CFR 248.12 and the transition provisions at 12 CFR 217.1(f)(4) and 12 CFR 217.300, or any successor regulation; except that, the company shall not use the advanced approaches to calculate its regulatory capital ratios.

* * * * *

■ 8. Section 252.43 is amended by revising paragraph (c) to read as follows:

§ 252.43 Applicability.

* * * * *

(c) *Transition periods for covered companies subject to the supplementary leverage ratio.* Notwithstanding § 252.42(m) of this subpart, only for purposes of the stress test cycle beginning on January 1, 2016, the Board will not include an estimate a covered company's supplementary leverage ratio.

* * * * *

■ 9. Section 252.44 is amended by revising paragraph (a)(2) to read as follows:

§ 252.44 Annual analysis conducted by the Board.

(a) * * *

(2) The analysis will include an assessment of the projected losses, net income, and pro forma capital levels and regulatory capital ratios and other capital ratios for the covered company and use such analytical techniques that the Board determines are appropriate to identify, measure, and monitor risks of the covered company that may affect the financial stability of the United States.

* * * * *

■ 10. Section 252.45 is amended by revising paragraph (b)(2) to read as follows:

§ 252.45 Data and information required to be submitted in support of the Board's analyses.

* * * * *

(b) * * *

(2) Project a company's pre-provision net revenue, losses, provision for loan and lease losses, and net income; and, pro forma capital levels, regulatory capital ratios, and any other capital ratio specified by the Board under the scenarios described in § 252.44(b).

* * * * *

■ 11. Section 252.52 is amended by:
■ a. Revising paragraph (n); and
■ b. removing paragraph (t).

The revision to read as follows:

§ 252.52 Definitions.

* * * * *

(n) *Regulatory capital ratio* means a capital ratio for which the Board established minimum requirements for the company by regulation or order, including the company's tier 1 and supplementary leverage ratios as calculated under 12 CFR part 217, including the deductions required under 12 CFR 248.12, as applicable, and the company's common equity tier 1, tier 1, and total risk-based capital ratios as calculated under 12 CFR part 217, including the deductions required under 12 CFR 248.12 and the transition provisions at 12 CFR 217.1(f)(4) and 12 CFR 217.300, or any successor regulation; except that, the company shall not use the advanced approaches to calculate its regulatory capital ratios.

* * * * *

■ 12. Section 252.53 is amended by revising paragraph (b)(3) to read as follows:

§ 252.53 Applicability.

* * * * *

(b) * * *

(3) *Transition periods for covered companies subject to the supplementary leverage ratio.* Notwithstanding § 252.52(n) of this subpart, only for purposes of the stress test cycle beginning on January 1, 2016, a bank holding company shall not include an estimate of its supplementary leverage ratio.

* * * * *

■ 13. Section 252.56 is amended by revising paragraphs (a)(2), (b)(2)(i), and (b)(2)(iv) to read as follows:

§ 252.56 Methodologies and practices.

(a) * * *

(2) The potential impact on pro forma regulatory capital levels and pro forma capital ratios (including regulatory capital ratios and any other capital ratios specified by the Board), incorporating the effects of any capital actions over the planning horizon and maintenance of an allowance for loan losses appropriate for credit exposures throughout the planning horizon.

(b) * * *

(2) * * *

(i) Common stock dividends equal to the quarterly average dollar amount of common stock dividends that the company paid in the previous year (that is, the first quarter of the planning horizon and the preceding three calendar quarters) plus common stock dividends attributable to issuances related to expensed employee compensation;

* * * * *

(iv) An assumption of no issuances of common stock or preferred stock, except for issuances related to expensed employee compensation or in connection with a planned merger or acquisition to the extent that the merger or acquisition is reflected in the covered company's pro forma balance sheet estimates.

* * * * *

■ 14. Section 252.58 is amended by revising paragraphs (b)(3)(v), (b)(4), and (c)(2) to read as follows:

§ 252.58 Disclosure of stress test results.

* * * * *

(b) * * *

(3) * * *

(v) Pro forma regulatory capital ratios and any other capital ratios specified by the Board;

(4) An explanation of the most significant causes for the changes in regulatory capital ratios; and

* * * * *

(c) * * *

(2) The disclosure of pro forma regulatory capital ratios and any other capital ratios specified by the Board that is required under paragraph (b) of this section must include the beginning value, ending value, and minimum value of each ratio over the planning horizon.

* * * * *

By order of the Board of Governors of the Federal Reserve System, July 17, 2015.

Margaret McCloskey Shanks,

Deputy Secretary of the Board.

[FR Doc. 2015–18038 Filed 7–22–15; 8:45 am]

BILLING CODE P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2015–2958; Directorate Identifier 2014–NM–248–AD]

RIN 2120–AA64

Airworthiness Directives; The Boeing Company Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: We propose to adopt a new airworthiness directive (AD) for all The Boeing Company Model 787 airplanes. This proposed AD was prompted by the disclosure that the inner diameters of some batches of landing gear pins were not shot peened in accordance with design specifications and need to be replaced. This proposed AD would require inspection for improperly manufactured landing gear pins, and replacement if necessary. We are proposing this AD to detect and correct insufficient shot peening that could lead to stress corrosion cracking and failure of the landing gear pin, and cause landing gear collapse and inability to control the airplane at high speeds on the ground.

DATES: We must receive comments on this proposed AD by September 8, 2015.

ADDRESSES: You may send comments, using the procedures found in 14 CFR 11.43 and 11.45, by any of the following methods:

- *Federal eRulemaking Portal:* Go to *http://www.regulations.gov.* Follow the instructions for submitting comments.
- *Fax:* 202–493–2251.
- *Mail:* U.S. Department of Transportation, Docket Operations, M–30, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue SE., Washington, DC 20590.
- *Hand Delivery:* Deliver to Mail address above between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

For service information identified in this proposed AD, contact Boeing Commercial Airplanes, Attention: Data & Services Management, P. O. Box 3707, MC 2H–65, Seattle, WA 98124–2207;