



SINCE 1902

CONFERENCE OF STATE BANK SUPERVISORS

April 4, 2012

Office of the Comptroller of the Currency
250 E Street, SW., Mail Stop 2—3
Washington, DC 20219
Docket Number OCC—2011—0029

Dear Sir or Madame,

The Conference of State Bank Supervisors (CSBS) appreciates the opportunity to comment on the Office of the Comptroller of the Currency's (OCC's) Notice of Proposed Rulemaking (NPR) on Annual Stress Tests for banking organizations above \$10 billion in assets (covered banking organizations), as required by section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). All federal banking regulators are required to issue rules to implement the stress testing aspects of Dodd-Frank. This letter focuses on the differences in the OCC's proposal and the Federal Deposit Insurance Corporation's and the Federal Reserve Board's ("FDIC and FRB" or "other federal banking agencies" or "other FBAs" for these purposes) proposals on the matter. We strongly believe the most important aspect of implementing the stress testing requirement lies in effective consistency and comparability across the proposals. Dodd-Frank requires each federal banking agency to "issue consistent and comparable regulations" to implement the stress testing requirements¹. The FDIC's and FRB's proposals for stress testing are essentially identical. The OCC's proposal, while substantially similar to the other FBAs' proposals, nevertheless contains some key differences, which could result in adverse inconsistencies in the implementation of these requirements across the industry.

Above all, the OCC's proposal states: "The OCC also may designate an institution as a covered institution or exempt an otherwise covered institution from certain, or all, of the Dodd-Frank stress testing requirements based on the institution's level of complexity, risk profile, or scope of operations²." This provision is not contained in either the FDIC's or the FRB's proposals. It also does not appear the law allows for such an exemption. It is critical that the OCC and the other FBAs work toward an identical policy position on this matter. Secondly, the OCC's proposal asks whether it should permit a covered institution to develop and use its own scenarios for the annual stress tests. Once again, the FDIC's and FRB's proposals do not inquire about such flexibility. This would represent a significant difference in policies, which would greatly confuse the process across the industry. With regard to the definition of stress testing, the FDIC and FRB define a stress test as, "a process to assess the potential impact on a covered bank of economic and financial conditions on the consolidated earnings, losses and capital of the covered bank over a set planning horizon, taking into account the current condition of the covered bank and its risks, exposures, strategies, and activities." The OCC's proposal only includes "capital" in

¹ Dodd-Frank Wall Street Reform and Consumer Protection Act: 165(i)(2)(C)

² <http://www.gpo.gov/fdsys/pkg/FR-2012-01-24/pdf/2012-1274.pdf>

the underlined portion of the above definition. To the extent the differences in these definitions of stress testing result in reporting differences, we propose the agencies work together to resolve any such differences.

From a process perspective, the OCC proposes to release scenarios to institutions by mid-October in a given year. The other FBAs propose mid-November for scenario publication. We urge the regulators to develop a reasonable and consistent time period for scenario publication. The federal banking regulators should release scenarios as early as possible. If the OCC's proposed time period is feasible for all regulators, we endorse that time period.

We strongly encourage the OCC to work with the other FBAs to reconcile any inconsistencies in the stress testing proposals that could diminish the consistency of the tests and results.

Thank you for the opportunity to comment.

John Ryan

A handwritten signature in black ink, appearing to read "John W. Ryan". The signature is fluid and cursive, with a long horizontal stroke at the end.

President and CEO