

# FR Y-7 changes (US risk committee, home country stress testing)

On January 18, 2018, the Federal Reserve Board (FRB) finalized revisions to reporting form FR Y-7 (Annual Report of Foreign Banking Organizations)

## US risk committee certification

- Requires each FBO with total assets between \$10 billion and \$50 billion—or total assets of more than \$50 billion but US assets of less than \$50 billion—must **file an annual certification with the FR Y-7 report** that it has a risk committee overseeing the risk management practices of its combined US operations (including branches and agencies), and has at least one member with appropriate risk experience
  - Clarifies that:
    - An FBO is **not required to form a special US risk committee comprised of members of the FBO's board** of directors, but must ensure that the FBO's board (or a committee of the board) has "primary responsibility for oversight of the risks of the combined US operations"
    - With respect to how the requirement would apply to an FBO with a **two-tier board structure**, a committee of either the supervisory board or the management/executive board (Or a combination thereof) could be considered a committee of the FBO board for purposes of compliance with the requirement
- Does not require **FBOs with more than \$50 billion in total assets and US assets** to file the certification, as they are subject to more prescriptive risk committee requirements

## Effective date

- The changes are effective beginning with the reports submitted on or after March 1, 2018

## Home country stress testing compliance certification

- Requires each FBO to **certify that it meets, or does not meet, or is not subject to** the relevant home-country stress testing requirement
  - Clarifies that:
    - If an ICAAP satisfies the underlying requirements for a capital stress test, including those under Regulation YY, **satisfactory completion of an ICAAP would be sufficient to satisfy** the home country stress test requirements
    - Regulation YY requires an FBO to be subject to a stress testing regime that includes an **annual supervisory test** (i.e., a biannual stress test, for example, would not satisfy the requirement)
    - Completion of the quarterly **FR Y-7Q would satisfy the requirement to report and certify compliance with Basel capital adequacy**