

Metrics Reporting During the Conformance Period

8. Appendix A of the final rule provides that certain of the metrics required to be reported by banking entities under the final rule should include the limits set out in §§ 351.4 and 351.5 of the final rule. Since the limits required by §§ 351.4 and 351.5 of the final rule are not required to be established prior to the end of the conformance period, when would a banking entity need to report metrics that include these limits?

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A banking entity must conform its activities and investments to the prohibitions and restrictions of the final rule implementing section 13 of the Bank Holding Company Act no later than the end of the conformance period.¹ During this conformance period, some banking entities are nonetheless required to report certain quantitative measurements to the appropriate Agency under Appendix A of the final rule.² Appendix A provides that Risk and Position Limits and Usage should include the limits set out in §§ 351.4 and 351.5 of the final rule and explains that a number of metrics such as Risk Factor Sensitivities, Value-at-Risk, and Stress Value-at-Risk relate to a trading desk's risk and position limits and are useful in evaluating and setting these limits in the broader context of the trading desk's overall activities, particularly for the market-making-related activities under § 351.4(b) and the risk-mitigating hedging activities under § 351.5.³

The limits required under the underwriting, market-making, and risk-mitigating hedging sections of the final rule must be in place by the end of the conformance period. A banking entity that reports metrics under Appendix A prior to the end of the conformance period need not report the limits required by §§ 351.4(a)(2)(iii), 351.4(b)(2)(iii), and 351.5(b)(1)(i) until the end of the conformance period. However, if such a banking entity already has in place or develops limits of the type described in §§ 351.4 and 351.5 prior to the end of the conformance period, the banking entity is urged to report such limits as part of its reporting of quantitative measurements to the appropriate Agency.

¹ See Federal Reserve System, Order Approving Extension of Conformance Period (Dec. 10, 2013), available at: <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20131210b1.pdf>.

² See 12 CFR 351.20(d).

³ See Appendix A, 79 FR 5536 at 5798.