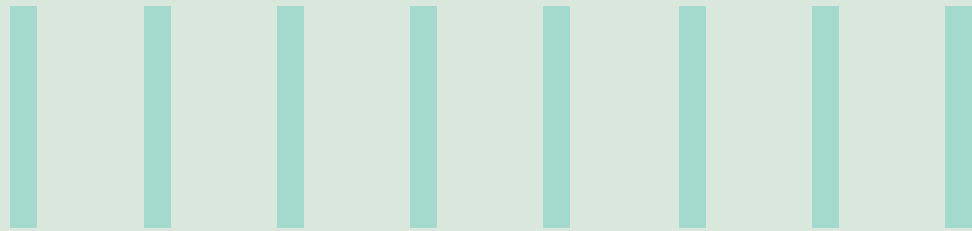




COMPREHENSIVE CAPITAL ANALYSIS AND REVIEW (CCAR) CFO ATTESTATION – RECOMMENDED APPROACH



The context

Comprehensive Capital Analysis and Review or CCAR as it is popularly known, is today a well-known term in the mainstream financial news media. CCAR is a regulatory framework that the Federal Reserve (Fed) introduced in 2011 to ensure that large financial institutions have robust capital planning processes and adequate capital.

In the last five years, the Fed has made significant progress in eliminating large bank failures by administering annual stress tests under the auspices of CCAR, adjusting the stress test scenarios from year to year, and making banks maintain a sufficient capital cushion in the face of adverse conditions.

However, the Fed observed that while Bank Holding Corporations (BHCs) generally reported in accordance with the instructions, material inaccuracies were identified in the reported information. This indicated internal control deficiencies that affected not only the accuracy of a BHC's reported data, but also the strength and credibility of the BHC's capital planning process.

As a consequence, the Fed has increased its focus on banks' data management and reporting capabilities and controls therein, as these are critical to the accuracy of data reported via CCAR and other regulatory reports. This is reinforced by the expectation that banks comply with 14 principles laid out in BCBS 239 (by the Basel Committee for Bank Supervision 239) for risk data aggregation and risk reporting. BCBS 239 seeks to improve the data management and decision-making process at banks by improving how each bank defines, collects, and manages risk and finance data and how it measures performance against its risk tolerance / appetite.



The CFO attestation rule

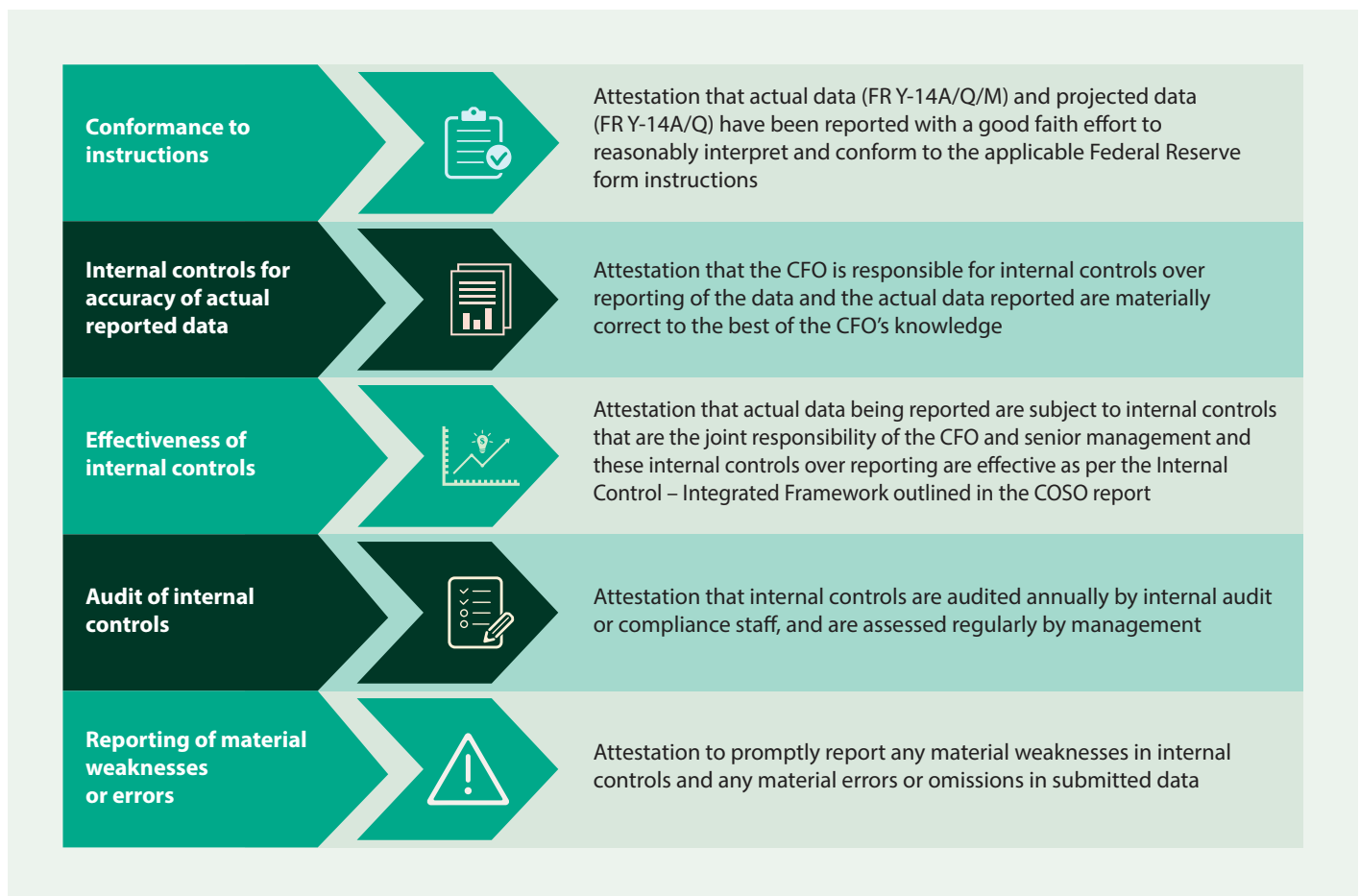
On January 21, 2016, the Fed issued the final version of a new rule that would require the chief financial officer (CFO) of BHCs that are overseen by the Federal Reserve's Large Institution Supervision Coordinating Committee and are required to report on Forms FR Y-14A, FR Y-14Q, and

FR Y-14M (collectively, the FR Y-14 Forms), to make certain attestations on those forms.

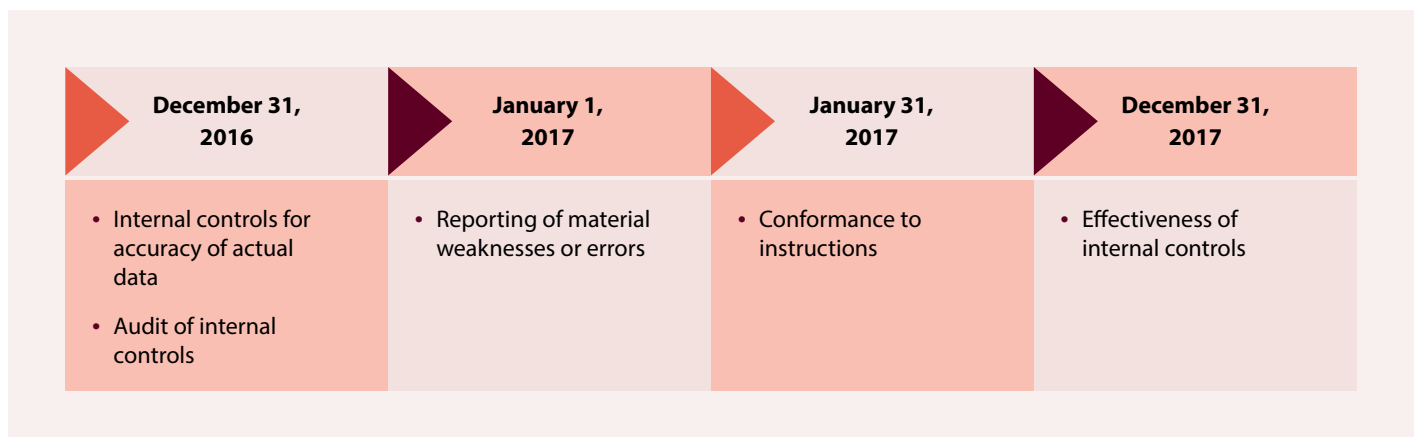
In keeping with the focus on risk data and reporting, this CFO-attestation rule sets a formal expectation about accuracy of the reported data and controls surrounding

it, with the bank's CFO and management held accountable for the same. The effective date which was initially set for June 30, 2016, has since been extended to December 31, 2016, giving banks more time to implement processes and systems to comply with this rule.

Key provisions of the final rule include the following attestations:



The timing of the various attestation requirements is staggered as follows:



234	113	215	876	234	113	215	876
34	216	745	345	34	216	745	345
657	410	465	890	312	906	321	145



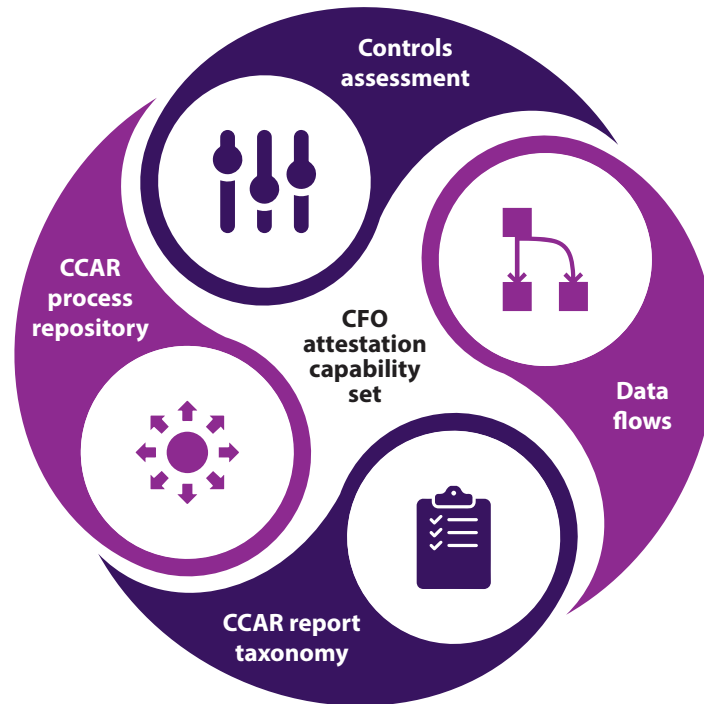
234	113	215	876	234	113	215	876
34	216	745	345	34	216	745	345
657	410	465	890	312	906	321	145
1233	432	412	523	412	234	753	1236
987	523	215	876	234	113	215	876
234	113	745	345	34	216	745	345
34	216	465	890	312	234	321	145
657	410	987	523	978	432	709	2315
1233	432	412	876	234	113	215	876
987	523	215	345	312	234	753	345
234	113	745	890	412	216	745	145
34	216	465	523	978	432	709	2315
657	410	987	234	234	113	215	876
1233	432	412	876	34	216	745	345
987	523	215	345	312	234	321	145
234	113	745	890	412	216	745	145
34	216	465	523	978	432	709	2315
657	410	987	234	234	113	215	876
1233	432	412	876	34	216	745	345
987	523	215	345	312	234	321	145
234	113	745	890	412	216	745	145
34	216	465	523	978	432	709	2315
657	410	987	234	234	113	215	876
1233	432	412	876	34	216	745	345
987	523	215	345	312	234	321	145

How should BHCs respond?

BHCs will need an integrated response that brings together multiple initiatives to effectively address all the attestation requirements. They should leverage

and extend existing infrastructure and capabilities where possible, and establish new processes and systems to plug the gaps. To tackle all the attestation

requirements cohesively, at a minimum, the following four initiatives are necessary:



1. Process repository: A process repository to capture all manual / automated process steps and associated controls across work-streams involved in the generation of CCAR reports. An enterprise process modeling tool / platform could be extended to host regulatory reporting processes. In addition to providing the evidence to the Fed, this initiative will also result in the identification of potential automation opportunities for manual steps in the CCAR process.

2. Controls assessment: An inventory of all internal controls with owner attestation, testing details, and corresponding issues / action plans. Existing GRC platforms used in SOX 404 certification for financial reporting could be leveraged here.

3. Data flow: An end-to-end record to MDRM view for each report that captures data sources, validations, transformations and enrichments, calculations and aggregations, and edit checks. Existing metadata and data lineage solutions could be extended. To accelerate this step, firms can deploy advanced BI visualization tools for discovery of the data flows.

4. Report taxonomy: A database of all regulatory reports / schedules / lines, linkages to Fed instructions, and processes that have the capability to record for each reporting cycle:

- Questions asked to Fed and clarifications received
- Certification of conformance to instructions for each report by report owners

- Attestation of correctness of data / reports by data / report owners
- Attestation of processes by process owners – process repository
- Attestation of data flows by data stewards / owners – data traceability
- Attestation of effectiveness of controls by control owners – controls assessment
- Audit of internal controls by internal audit owners – controls assessment
- Disclosures of material weaknesses and/or errors by report owners – DQ metrics in data traceability
- Covering attestations by CFO

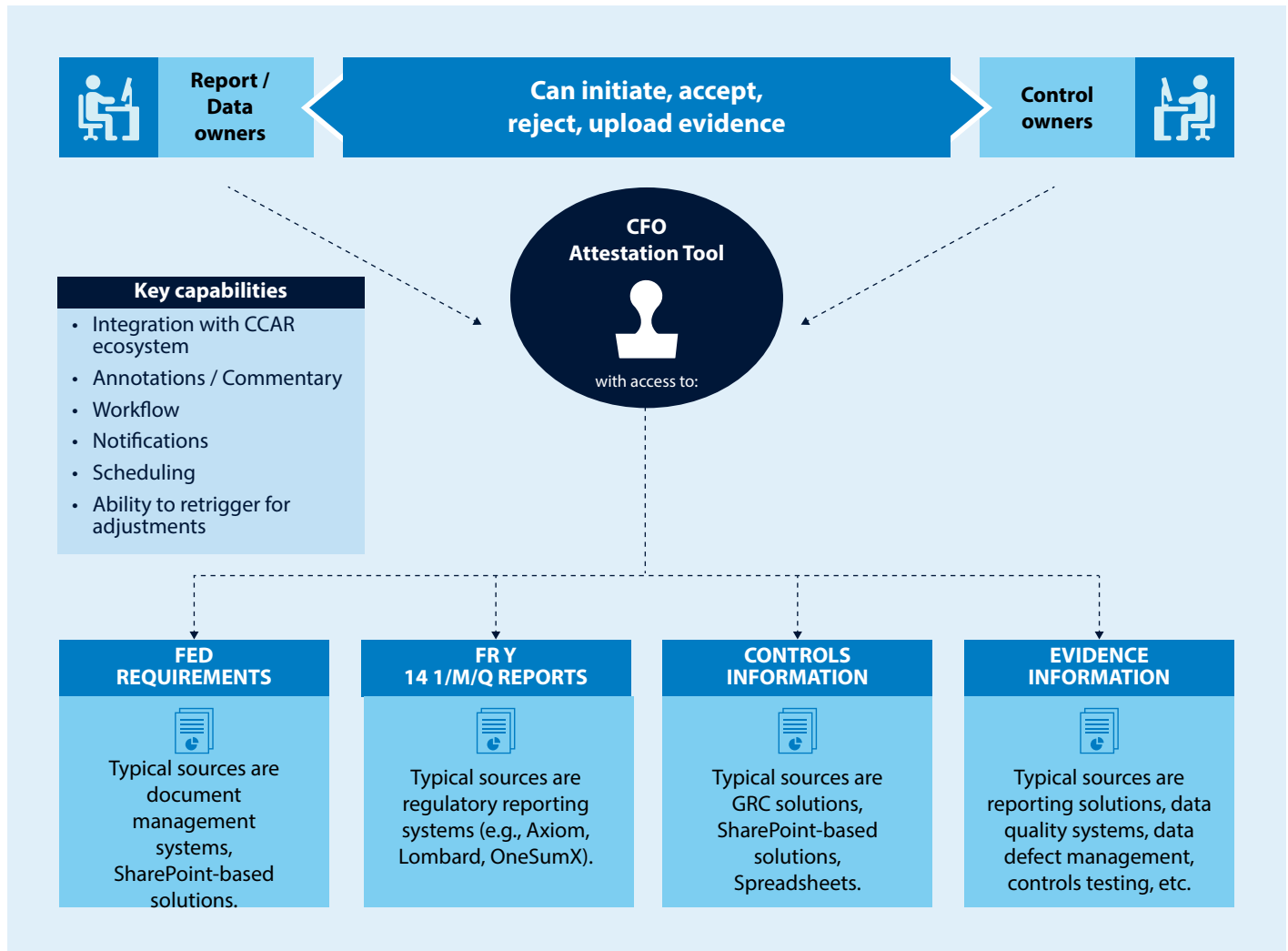
The way forward

To define a roadmap for compliance with the CFO attestation rule, BHCs need to assess the completeness and readiness of the organization across the four initiatives – process repository, controls assessment, data traceability, and report taxonomy

and maturity of existing platforms and capabilities.

Given tight deadlines, the game plan to an integrated and automated solution could involve early phases with manual

workarounds to meet the various deadlines established by the Fed with a clear roadmap to the end goal which should be a highly automated and integrated platform.



However, firms should invest in laying the foundation by defining an attestation framework and plan to leverage a strategic attestation tool.

While the first few cycles may require

significant bandwidth from specialized finance and risk subject matter experts (SMEs), moving towards a common platform with well-defined procedures will enable a fast transition to a shared

services operating model which can help reduce the recurring cost of compliance with this rule and afford opportunities to optimize the overall attestation process further.



About the Authors



Nikhil Bhingarde

Senior Principal, Infosys Consulting

Nikhil has over 17 years of professional and consulting experience focused on program management, business process improvement, and SDLC implementations. He has worked with both buy and sell side clients in the US and EMEA in implementing transformational projects in finance / books and records, regulatory remediation / compliance, and risk-finance integration.

He can be reached at Nikhil_Bhingarde@infosys.com



Amit Kumar

Senior Principal, Infosys Consulting

Amit has more than 14 years of business and IT consulting experience working with banking and asset management clients in the US, Japan, UK, and India. His expertise lies in IT strategy, business transformation, and program management especially in areas of finance transformation, regulatory reporting, and compliance.

He can be reached at Amit_Kumar152@infosys.com

For more information, contact askus@infosys.com



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