



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429-9990

Financial Institution Letter

FIL-47-2011
June 16, 2011

Guidance

Proposed Guidance on Stress Testing for Banking Organizations with More Than \$10 Billion in Total Consolidated Assets

Summary: The federal banking regulatory agencies have jointly issued the attached proposed guidance on stress testing for banking organizations with more than \$10 billion in total consolidated assets. The proposed guidance highlights the importance of stress testing as an ongoing risk management practice that supports a banking organization's forward-looking assessment of its risks.

Statement of Applicability to Institutions under \$1 Billion: The proposed guidance does not apply to institutions with total assets under \$1 billion.

Distribution:

FDIC-Supervised Banks
(Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Related Topics:

Risk-Based Capital Rules
12 CFR Part 325
Basel II
Market Risk

Attachment:

Proposed Guidance on Stress Testing for Banking Organizations with More Than \$10 Billion in Total Consolidated Assets - PDF (PDF Help)

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Note:

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Highlights:

The proposed guidance:

- Applies to banking organizations with consolidated total assets equal to or greater than \$10 billion.
- Highlights four principles that should be part of a banking organization's stress testing framework. The framework should (1) include activities and exercises that are tailored to the activities of the organization; (2) employ multiple conceptually sound activities and approaches; (3) be forward-looking and flexible; and (4) be clear, actionable, well-supported, and used in the decision-making process.
- Emphasizes the importance of stress testing as a tool for assessing risk and addressing a range of potential adverse outcomes.
- Discusses four types of stress tests: scenario analysis; sensitivity analysis; enterprise-wide stress testing; and reverse stress testing.
- Notes that stress testing should be commensurate with an organization's size, complexity, and business profile.
- Discusses the importance of stress testing in capital and liquidity planning.