Press Release

March 14, 2013

Federal Reserve announces results of Comprehensive Capital Analysis and Review (CCAR)

For immediate release

Share

The Federal Reserve on Thursday announced it has approved the capital plans of 14 financial institutions in the Comprehensive Capital Analysis and Review (CCAR). Two other institutions received conditional approval, while the Federal Reserve objected to the plans of two firms.

Strong capital levels help ensure that banking organizations have the ability to lend to households and businesses and to continue to meet their financial obligations, even in times of economic difficulty. The Federal Reserve in CCAR evaluates the capital planning processes and capital adequacy of the largest bank holding companies, including the firms' proposed capital actions such as dividend payments and share buybacks and issuances.

When considering an institution's capital plan, the Federal Reserve considers both qualitative and quantitative factors. These include a firm's capital ratios under severe economic and financial market stress, the strength of the firm's capital planning process, and the institution's plans to meet new Basel 3 capital requirements as they would be implemented in the United States. After the Federal Reserve objects to a capital plan, the institution may only make capital distributions with prior written approval from the Federal Reserve.

"Now in its third year, the Federal Reserve's review of capital plans provides a regular, structured, and comparative way to promote and assess the capacity of large bank holding companies to understand and manage their capital positions, with particular emphasis on risk-measurement practices," Federal Reserve Gov. Daniel Tarullo said. "The financial crisis showed not only that regulators needed to increase capital requirements and conduct regular stress tests, but also that firms need strong internal processes to evaluate their own capital needs based on their individual risks and circumstances."

The Federal Reserve can object to a capital plan based on qualitative or quantitative concerns, or both. The Federal Reserve can require new capital plans from an institution at any time to require improvements in the capital planning process, or if there is a change in condition of an individual institution or in the economy that could potentially lead to a change in a firm's capital position.

The Federal Reserve did not object to the capital plans for American Express Company; Bank of America Corporation; The Bank of New York Mellon Corporation; Capital One Financial Corporation; Citigroup, Inc.; Fifth Third Bancorp; KeyCorp; Morgan Stanley; The PNC Financial Services Group, Inc.; Regions Financial Corporation; State Street Corporation; SunTrust Banks, Inc.; U.S. Bancorp; and Wells Fargo & Company.

The Federal Reserve did not object to the capital plans for The Goldman Sachs Group, Inc., and JP Morgan Chase & Co., but required the two institutions to submit new capital plans by the end of the third quarter to address weaknesses in their capital planning processes. The Federal Reserve objected to the capital plans of Ally Financial, Inc., and BB&T Corporation.

U.S. firms have substantially increased their capital since the first set of government stress tests in 2009. The weighted tier 1 common equity ratio, which compares high-quality capital to risk-weighted assets, of the 18 bank holding companies in the 2013 CCAR has more than doubled from 5.6 percent at the end of 2008 to 11.3 percent in the fourth quarter of 2012, reflecting an increase in tier 1 common equity from $393 billion to $792 billion during the same period. The 18 institutions hold more than 70 percent of the total assets of all U.S. bank holding company assets.

The stronger capital position is due in part to substantially lower capital distributions by bank holding companies than before the financial crisis. The 18 institutions paid out 19 percent of net income in common dividends in 2012, half of what they paid out as a percentage of net income before the financial crisis in 2006.

For media inquiries, call 202-452-2955.

Comprehensive Capital Analysis and Review 2013: Assessment Framework and Results: HTML | PDF

Attachment

Attachment

Last Update: March 14, 2013