BACKGROUNDER

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Transparency Still An Important Concern with Dodd–Frank

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Abstract

Every year, the Federal Reserve tests the financial stability of financial institutions in the United States. The Federal Reserve conducts these tests, known as the Dodd–Frank Act Stress Test and Comprehensive Capital Analysis and Review, with little meaningful transparency or outside review. As it stands, the Federal Reserve has failed to meet many recommendations from the Government Accountability Office, and has not met others with satisfaction. It continues to be important for the Federal Reserve to explain its process, so that the value of the stress tests can actually be determined.

Each year, the Federal Reserve Board conducts two related supervisory tests, as required by the 2010 Dodd–Frank Wall Street Reform and Consumer Protection Act. These tests, the Dodd–Frank Act Stress Test (DFAST) and the Comprehensive Capital Analysis and Review (CCAR) are quantitative and qualitative assessments of large banks' ability to cope with financial turmoil.[1] In 2016, the Government Accountability Office (GAO) evaluated these tests and found that there were several ways to improve their effectiveness.[2] Many of the 17 recommendations related in some way to transparency of these stress tests. While the Federal Reserve has acknowledged and attempted to make improvements over the past two years, the level of transparency and explanation is still lacking. Many GAO recommendations are still open. Others have been implemented but need improvement.

Federal Reserve Stress Testing

The Federal Reserve assesses whether large bank holding companies and U.S. intermediate holding companies are sufficiently capi-

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Key Points

- To this day, the Federal Reserve's supervisory stress tests mandated by the 2010 Dodd–Frank Act suffer from a lack of public disclosure.
- Without transparency for the world outside the Federal Reserve, the public cannot evaluate whether Dodd–Frank stress testing is necessary—or even beneficial.
- The Federal Reserve should implement the Government Accountability Office's 17 recommendations for transparency.
- While implementation of these recommendations is a good first step, the Federal Reserve should strive to have the maximum amount of transparency in relation to the models used in stress tests.
- In addition to the GAO recommendations, the Federal Reserve should begin to address public transparency when employing private models and consulting. Currently, much of the stress test process is hidden from public consumption and review.

talized to absorb losses during "stressful conditions," while being able to continue normal daily function.[3] This annual assessment includes two evaluations. First, "Dodd–Frank Act supervisory stress testing" is a quantitative evaluation of the impact of stressful economic and financial market conditions on firms' capital. This evaluation is derived and performed under statute of the Dodd–Frank Act and under extra direction from the Federal Reserve Board.[4] The DFAST is then utilized during the CCAR. This second assessment consists of a quantitative and qualitative component. Ultimately, the CCAR assesses whether firms have sufficient capital to continue making loans through tough economic times. Additionally, the Federal Reserve qualitatively assesses each firm's capital planning processes. These evaluations are then used to determine if a firm's capital plan is acceptable to the Federal Reserve.

The Federal Reserve claims that these assessments are important for ensuring the stability of U.S. financial markets. However, the scenarios and models employed throughout the DFAST are still unclear. First, the Federal Reserve Board still needs to provide more justification for the specification of supervisory scenarios. Second, while the DFAST models are generally described, there is only one specific model, listed in the *Federal Register*, for which there exists more detailed information.[5] Even that model could provide more information and understanding to the public, as it is still quite a general explanation. Something as basic as the exact number and specification of models used throughout the DFAST is not readily available. Additionally, the links between the DFAST and CCAR's qualitative evaluations still lack clarity. It is important for transparency to exist around the DFAST and CCAR so that their effect and the incentives they create for banks can be openly evaluated, not only by the Federal Reserve internally, but by independent researchers as well. There is no doubt that financial firms can perform various types of sensitivity analyses on their own, so transparency is needed to evaluate the true benefit of the Federal Reserve's testing.

Understanding the Supervisory Scenarios

The Dodd–Frank Act requires the Federal Reserve Board to conduct a stress test of larger financial institutions each year.[6] The first step of this stress test is building the scenarios the board will use to assess the strength of banking organizations and how well they can manage adverse economic conditions. The three scenarios are "baseline," "adverse," and "severely adverse." The baseline scenario is an average of leading economic projections and is not a projection by the board. Each scenario contains 28 variables—16 variables describing the U.S. economy, and 12 describing four international country blocks[7] (three variables for each country block).

- **The baseline scenario** has moderate economic growth in the U.S., as well as growth across all four country blocks.
- **The adverse scenario** weakens all economic activity. Long-term rates and yield curves decline rapidly. In this scenario, the U.S. experiences what the Federal Reserve calls a "moderate recession." Real GDP falls two and one-quarter percent, while unemployment rises from under 4 percent to 7 percent. Outside the U.S., the Federal Reserve assumes a moderate recession in the euro area, a more pronounced recession in Japan, and slower growth in developing regions of Asia.

1. Board of Governors of the Federal Reserve System. "Dodd–Frank Act Stress Test 2018: Supervisory Stress Test Methodology and Results," June 2018, https://www.federalreserve.gov/publications/files/2018-dfast-methodology-results-20180621.pdf (accessed January 31, 2019).
2. U.S. Government Accountability Office, "Federal Reserve: Additional Actions Could Help Ensure the Achievement of Stress Test Goals," GAO–17–48, November 15, 2016, https://www.gao.gov/products/GAO-17-48 (accessed January 31, 2019).
3. Board of Governors of the Federal Reserve System, "Dodd-Frank Act Stress Test 2018: Supervisory Stress Test Methodology and Results," p. 3.
4. 12 C.F.R., part 252, Appendix B.
5. Federal Reserve System, "Stress Testing Policy Statement," *Federal Register*, Vol. 82, No. 240 (December 15, 2017), p. 59528, https://www.govinfo.gov/app/details/FR-2017-12-15/2017-26857 (accessed February 12, 2019).
6. Stress tests are conducted by banking organizations that hold more than $10 billion in assets. Additional test requirements exist for bank holding companies with total consolidated assets of $50 billion or more.
7. These four country blocks are: (1) the euro area (the 19 European Union member states that have adopted the euro as their common currency), (2) the United Kingdom, (3) developing Asia, and (4) Japan.

- **The severely adverse scenario** assumes a severe global recession and global aversion to long-term fixed-income assets. This hypothetical scenario induces large corrections in asset prices. This includes corporate bond and real estate markets.[8]

In addition to the three scenarios, the Federal Reserve also requires the largest firms to include in their stress scenarios a "largest counterparty default" scenario. This component is intended to capture the largest potential losses and effects on capital of an unexpected counterparty default.[9] Another add-on, starting in 2018, requires six firms to be subject to market risk components in "adverse" and "severely adverse" scenarios. This is another component to ensure that firms incorporate a forward-looking strategy in addressing market risk. Ultimately, these add-ons to the supervisory scenarios attempt to capture the dynamic and interconnected nature of financial firms in the U.S., but it is unclear whether these evaluations actually contribute to the analysis of the strength of the U.S. financial system.

The DFAST Models: Described, But Not Specific

In order to conduct the DFAST, the Federal Reserve employs several models to project stressed capital ratios and other necessary components for the firms subject to the supervisory testing. The Federal Reserve describes the general components they are modeling, with some brief discussion of the methods. Figuring out where each model is utilized is next to impossible, and, even more troubling, even making a specific count of models employed is not possible with the available information.[10] One model, projecting the losses from corporate loan default, has a more detailed description in a rule proposed in 2017, but this standard is still in the comment period. The detailed description in the rule gives some formulas in the model, but still is not a full disclosure. After acknowledging that data and privacy concerns will force researchers to often seek or create useable, public data sets, this model specification is still not complete or replicable. However, an illustrative description of the models employed by the Federal Reserve might be the most telling when it comes to transparency:

> In connection with DFAST 2018, and in addition to the models developed and data collected by federal banking regulators, the Federal Reserve used proprietary models or data licensed from the following providers: Andrew Davidson & Co., Inc.; ICE Data Services; Bloomberg L.P.; CB Richard Ellis, Inc.; CoreLogic Inc.; CoStar Group, Inc.; Equifax Information Services LLC; Fitch Ratings, Inc.; Haver Analytics; Kenneth French; IDC Financial Publishing, Inc.; Intex Solutions, Inc.; Black Knight McDash Data from Black Knight IP Holding Company, LLC; Markit Group; Moody's Analytics, Inc.; Moody's Investors Service, Inc.; Mergent, Inc.; Morningstar, Inc.; MSCI, Inc.; Municipal Securities Rulemaking Board; SNL Financial; StataCorp LP; S&P Global Market Intelligence: S&P Capital IQ Estimates; Standard & Poor's Financial Services LLC; and World Bank Group. In addition, with respect to the global market shock component of the adverse and severely adverse scenarios, the Federal Reserve used proprietary data licensed from the following providers: Bloomberg L.P.; Intercontinental Exchange; JPMorgan Chase & Co.; Markit Group; and MSCI, Inc.[11]

There are likely dozens of models utilized in the DFAST and dozens of sources of data.[12] General descriptions of the purpose categories of these models are not sufficient for transparency and public accountability. The Federal Reserve states that it has an internal independent validation team for its models, but this process should be open to the pub-

8. Board of Governors of the Federal Reserve System, "Dodd-Frank Act Stress Test 2018: Supervisory Stress Test Methodology and Results," p. 5.
9. 12 C.F.R., part 252, Appendix B.
10. Board of Governors of the Federal Reserve System, "Dodd-Frank Act Stress Test 2018: Supervisory Stress Test Methodology and Results," pp. 12 and 63.
11. This text is footnote 40 in Board of Governors of the Federal Reserve System, "Dodd-Frank Act Stress Test 2018: Supervisory Stress Test Methodology and Results," p. 63. No further description of private corporations' involvement exists in the document.
12. There is no specific count of models listed for the DFAST. There are more than a dozen claimed by the Federal Reserve when describing the general purposes of the models in five categories.
13. U.S. Government Accountability Office, "Federal Reserve: Additional Actions Could Help Ensure the Achievement of Stress Test Goals."

lic. As it stands currently, the DFAST is an obscure collection of unknown size of nondisclosed models and corporate contributions. It appears that the board is attempting to make this clearer to the public through its proposed rule, but even that description lacks important detail to facilitate public discourse of the models.

If the board were interested in full transparency, it would publish an exhaustive list of the models used. Up to the point of not violating privacy concerns or releasing proprietary models, there would be descriptions of the models that include all formulas. Data used as inputs would be made publicly available when possible. In the case of proprietary models and data, the specific uses of these resources would be published.

The GAO's Recommendations for Transparency and How the Federal Reserve Has Performed thus Far

On November 15, 2016, the GAO evaluated the goals of the Dodd–Frank Act's supervisory stress tests.[13] The GAO found "[l]imitations in the Federal Reserve's stress test programs that could hinder their effectiveness." The GAO found limitations described loosely under three themes. The themes include scenario design, issues with transparency surrounding the more qualitative portions of the CCAR, and the lack of model risk assessment from the Federal Reserve. If the component models produce incorrect output, model risk is the possible adverse effect. The GAO goes on to make 17 recommendations for making the stress test process more effective. The GAO report includes the 17 recommendations, a description of their status (open or closed), what the Federal Reserve has done (if closed), and an evaluation of these actions.

The current status of the DFAST and CCAR, according to the GAO, could be described as mixed. The board has managed to improve internal standards of practice with increased meetings and communication across the entire process. One important change has been the Federal Reserve's move to not solely use qualitative assessments to object to firms' capital plans. Additionally, the Federal Reserve has increased communications with firms in regard to determinations around CCAR. These are welcome improvements. As noted, the board has also begun acknowledging transparency issues, but there is still room for vast improvement.

The areas where recommendations from the GAO have yet to be met are perhaps the most important. First, the GAO makes several recommendations about how the Federal Reserve forms supervisory scenarios. These range from questions of whether a single "adverse" scenario is sufficient, to deeper questions about the types of behavior the specific scenarios could induce as firms attempt to comply with Federal Reserve testing and decisions. In the case of the scenarios, the GAO fears that they are encouraging more intense business cycles, which could ultimately lead to greater turmoil.

Where Transparency and Policy Meet: Model Risk

One of the main issues with the current state of the DFAST and CCAR is the fact that the Federal Reserve still lacks a grip on model risk and how much this would affect the results of the stress tests. This technical point means that firms could be making decisions and presenting results that are skewed precisely because of the design of the stress test. In other words, attempts to comply and traverse regulations could, in fact, lead to unforeseen consequences. Currently, the Federal Reserve does not account for any of this behavior in their modelling, according to the GAO. This has been an open issue since January 2017 and seems to still be ongoing. Ultimately, this model risk issue is important because it implies that the Federal Reserve currently does not have the tools to determine the effectiveness and validity of the DFAST and the CCAR. Implementing the recommendations from the GAO on the issue of model risk is an important step as it is necessary for the Federal Reserve to consider the impact of its work. However, it is still unacceptable if the Federal Reserve continues to conduct all of this business internally. Creating a public release of all the models utilized in the DFAST would help the public and other interested parties to understand the purpose of stress testing and also bring to light any adverse incentives that could be created.

Conclusion

To this day, the supervisory stress tests created by the Dodd–Frank Act suffer from a lack disclosure. Without knowing the description of models employed, the subjective criteria under which the board occasionally operates, or whether the models themselves are the right models for the job, it is hard to know whether the DFAST is truly effective. The

Federal Reserve should continue to implement the GAO's 17 recommendations for transparency, but in a meaningful fashion. Models should be reviewable by the public, and general methodologies should be made specific. Without transparency for the world outside the Federal Reserve, the public cannot evaluate whether the Dodd–Frank Act stress testing is necessary—or even beneficial.

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APPENDIX TABLE 1

GAO Stress Test Recommendations (Page 1 of 4)

Status: C–Closed O–Open

IMPROVING FEDERAL RESERVE TRANSPARENCY

This recommendation calls for a better internal discussion and dialogue throughout the Federal Reserve. Requiring the Federal Reserve to provide more detailed public disclosures could force better integration and communication across the institution—first through process, then through increased public scrutiny.

GAO Recommendations	Status	GAO Comments
To help improve the consistency of federal banking regulators' stress test requirements and help ensure that institutions overseen by different regulators receive consistent regulatory treatment, the heads of the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency should harmonize their agencies' approach to granting extensions and exemptions from stress test requirements.	C	According to FDIC, Federal Reserve, and OCC staff, the agencies have agreed to meet annually to coordinate planned exemptions and extensions of stress test requirements prior to agency action. The agencies held the first annual meeting in January 2017 to review the extensions and exemptions from stress testing requirements.
	C	According to FDIC, Federal Reserve, and OCC staff, the agencies have committed to meeting at least annually to coordinate planned exemptions and extensions of stress test requirements prior to agency action. In January 2017, the agencies held a first annual meeting to review extension and exemption requests. In addition, in December 2016, staff participated in an interagency coordination meeting to discuss a firm-specific exemption request.
	C	According to FDIC, Federal Reserve, and OCC staff, the agencies have established a process to meet at least annually to coordinate planned extensions and exemptions from stress test requirements prior to agency action. In January 2017, the agencies held a first annual meeting to review extension and exemption requests. In addition, in December 2016, staff participated in an interagency coordination meeting to discuss a firm-specific exemption request.

IMPROVING TRANSPARENCY AND COMMUNICATION

These five recommendations attempt to address issues with transparency and communication regarding the Comprehensive Capital Analysis and Review. This is important as firms face hardships in complying with the tests and planning for them if the tests are conducted subjectively or with poor communication.

GAO Recommendations	Status	GAO Comments
To help provide stronger incentives for companies to perform company-run stress tests in a manner consistent with Federal Reserve goals, the Federal Reserve should remove company-run stress tests from the CCAR quantitative assessment.	O	On April 10, 2018, the Federal Reserve published a notice of proposed rulemaking that removes the quantitative objection in CCAR and replaces it with a stress capital buffer based on supervisory stress test results and not on the results of company-run stress tests. The proposal aligns the use of the company-run stress test with the qualitative portion of CCAR by using the company-run tests to evaluate how a firm develops its own stress scenarios to reflect its idiosyncratic risks. As a result, the proposal should provide stronger incentives for firms to perform company-run stress tests in a manner consistent with Federal Reserve goals. We will continue to monitor the Federal Reserve's adoption of the proposed rulemaking as a final rule, and will take corresponding action when a final rule containing the responsive actions has been issued.

APPENDIX TABLE 1

GAO Stress Test Recommendations (Page 2 of 4)

Status: C–Closed O–Open

IMPROVING TRANSPARENCY AND COMMUNICATION (CONT.)

GAO Recommendations	Status	GAO Comments
To increase transparency and improve CCAR effectiveness, the Federal Reserve should publicly disclose additional information that would allow better understanding of the methodology for completing qualitative assessments, such as the role of ratings and rankings and the extent to which they affect final determination decisions.	C	In June 2017, the Federal Reserve publicly released its stress test assessment framework and results report. The 2017 report significantly expands the disclosure of information about the qualitative assessment methodology compared to earlier reports. For example, the 2017 report describes the role of ratings and rankings in the assessment framework including in relation to final determination decisions. The report also discusses the use of supervisory and horizontal evaluation teams to help assess firms' capital plan submissions and the role of senior staff committees in the decision-making process.
To increase transparency and improve CCAR effectiveness, the Federal Reserve should, for future determinations to object or conditionally not object to a company's capital plan on qualitative grounds, disclose additional information about the reasons for the determinations.	C	In June 2017, the Federal Reserve publicly released its stress test assessment framework and results report. The 2017 report disclosed the Federal Reserve's decision to conditionally not object to one company's capital plan on qualitative grounds. The report disclosed more specific information about the Federal Reserve's reasons for the determination. For example, in addition to describing the capital planning areas in which deficiencies were found, the report disclosed information about the nature of the deficiencies in capital planning areas leading to its determination. Specifically, the report noted that the firm's capital plan did not appropriately take into account the potential impact of the risks in one of its most material businesses and that the firm's internal control functions, including independent risk management, did not identify these material weaknesses in the firm's capital planning practices.
To increase transparency and improve CCAR effectiveness, the Federal Reserve should publicly disclose, on a periodic basis, information on capital planning practices observed during CCAR qualitative assessments, including practices the Federal Reserve considers stronger or leading practices.	O	As of January 2019, the Federal Reserve had not disclosed new information on the current range of capital planning practices. Federal Reserve staff indicated that recent public statements by the Federal Reserve Vice Chairman for Supervision raised the possibility of changes to the CCAR qualitative assessment that could make our recommendation no longer applicable. We will continue to monitor any Federal Reserve actions in this area and will take corresponding action to update the status of our recommendation as appropriate.
To increase transparency and improve CCAR effectiveness, the Federal Reserve should improve policies for official responses to CCAR companies by establishing procedures for notifying companies about time frames relating to Federal Reserve responses to company inquiries.	C	In August 2017, the Federal Reserve implemented revised procedures for responding to inquiries received from companies through its CCAR communications mailbox. The changes include sending a confirmation email to companies submitting questions that acknowledges receipt and provides an expected timeline for a response.

APPENDIX TABLE 1

GAO Stress Test Recommendations (Page 3 of 4)

Status: C–Closed O–Open

ASSURING THAT THE PROCESS PRODUCES MEANINGFUL RESULTS

These three recommendations attempt to bring more inquiry and robustness to the scenarios employed by the Federal Reserve. Confirming that the correct questions are being asked is imperative to the function of the stress tests.

GAO Recommendations	Status	GAO Comments
To strengthen the scenario design process, the Federal Reserve should assess—and adjust as necessary—the overall level of severity of its severely adverse scenario by establishing a process to facilitate proactive consideration of levels of severity that may fall outside U.S. postwar historical experience.	O	In January 2019, Federal Reserve staff stated that the Federal Reserve generates and considers scenarios with severity that falls outside of post-war U.S. history according to its Policy Statement on the Scenario Design Framework for Stress Testing. While the framework may produce scenarios that in some ways exceed levels of postwar severity, it does not indicate a process has been established to facilitate proactive consideration of such severity levels. We will continue to monitor the Federal Reserve's implementation of its scenario design framework for actions that may be responsive to our recommendation.
To strengthen the scenario design process, the Federal Reserve should assess—and adjust as necessary—the overall level of severity of its severely adverse scenario by expanding consideration of the trade-offs associated with different degrees of severity.	O	In January 2019, the Federal Reserve said it had initiated two projects that would allow a more efficient evaluation of multiple scenarios, including assessing trade-offs associated with different levels of scenario severity. We will continue to monitor the Federal Reserve's completion and implementation of these projects and any additional actions it takes that may be responsive to our recommendation.
To improve understanding of the range of potential crises against which the banking system would be resilient and the outcomes that might result from different scenarios, the Federal Reserve should assess whether a single severe supervisory scenario is sufficient to inform CCAR decisions and promote the resilience of the banking system. Such an assessment could include conducting sensitivity analysis involving multiple severe supervisory scenarios—potentially using CCAR data for a cycle that is already complete, to avoid concerns about tailoring the scenario to achieve a particular outcome.	O	In January 2019, the Federal Reserve said it had initiated two projects that would allow a more efficient evaluation of multiple scenarios. We will continue to monitor the Federal Reserve's completion and implementation of these projects and any additional actions it takes that may be responsive to our recommendation.

EXAMINE THE UNCERTAINTY AND UNINTENDED EFFECTS OF MODEL SPECIFICATIONS AND TESTS

The next six recommendations urge the Federal Reserve to examine the uncertainty and unintended effects of their model specifications and tests. Addressing these problems internally, without transparency, will not accomplish the purpose, but it is clear the Federal Reserve is attempting to get a grasp of the issue at least on the inside.

GAO Recommendations	Status	GAO Comments
To help ensure that Federal Reserve stress tests do not amplify future economic cycles, the Federal Reserve should develop a process to test its proposed severely adverse scenario for procyclicality annually before finalizing and publicly releasing the supervisory scenarios.	C	On February 5, 2019, the Federal Reserve finalized amendments to its Policy Statement on Scenario Design intended to make the unemployment rates and house prices used in its scenarios more predictable and less procyclical. The adjustments to the way these variables are set in the scenario address key potential drivers of procyclicality.

APPENDIX TABLE 1

GAO Stress Test Recommendations (Page 4 of 4)

Status: C–Closed O–Open

EXAMINE THE UNCERTAINTY AND UNINTENDED EFFECTS OF MODEL SPECIFICATIONS AND TESTS (CONT.)

GAO Recommendations	Status	GAO Comments
To improve the Federal Reserve's ability to manage model risk and ensure that decisions based on supervisory stress test results are informed by an understanding of model risk, the Federal Reserve should apply its model development principles to the combined system of models used in the supervisory stress tests.	O	In 2017, the Federal Reserve took actions to address the incorporation of a combined system of models into execution of its supervisory stress tests, including amending guiding principles and policies governing supervisory stress test model development. In January 2019, the Federal Reserve indicated that it was nearing completion of model-system documentation and had initiated a longer-term project to test the system of models. Once we receive documentation demonstrating the Federal Reserve's application of model development principles to the combined system of models--including the completion of these projects--we will take corresponding action.
To improve the Federal Reserve's ability to manage model risk and ensure that decisions based on supervisory stress test results are informed by an understanding of model risk, the Federal Reserve should create an appropriate set of system-level model documentation, including an overview of how component models interact and key assumptions made in the design of model interactions.	O	In January 2019, the Federal Reserve indicated that it was nearing completion of a project to develop model-system documentation. Once we receive documentation demonstrating the completion of model-system documentation, we will update the status of this recommendation.
To improve the Federal Reserve's ability to manage model risk and ensure that decisions based on supervisory stress test results are informed by an understanding of model risk, the Federal Reserve should design and implement a process to test and document the sensitivity and uncertainty of the model system's output—the post-stress capital ratios used to make CCAR quantitative assessment determinations—including, at a minimum, the cumulative uncertainty surrounding the capital ratios and their sensitivity to key model parameters, specifications, and assumptions from across the system of models.	O	In January 2019, the Federal Reserve said it had previously initiated multiple projects to fully respond to our recommendation, several of which were now complete. We will continue to monitor the Federal Reserve's completion and implementation of these projects and, once we receive documentation demonstrating the completion of responsive actions, we will update the status of this recommendation.
To improve the Federal Reserve's ability to manage model risk and ensure that decisions based on supervisory stress test results are informed by an understanding of model risk, the Federal Reserve should design and implement a process to communicate information about the range and sources of uncertainty surrounding the post-stress capital ratio estimates to the Board during CCAR deliberations.	O	In January 2019, the Federal Reserve said it had previously initiated a project to fully respond to our recommendation. We will continue to monitor the Federal Reserve's completion and implementation of this project and, once we receive documentation demonstrating the completion of responsive actions, we will update the status of this recommendation.
To improve the Federal Reserve's ability to manage model risk and ensure that decisions based on supervisory stress test results are informed by an understanding of model risk, the Federal Reserve should design and implement a process for the Board and senior staff to articulate tolerance levels for key risks identified through sensitivity testing and for the degree of uncertainty in the projected capital ratios.	O	In January 2019, the Federal Reserve said it had previously initiated a project to fully respond to our recommendation. We will continue to monitor the Federal Reserve's completion and implementation of this project and, once we receive documentation demonstrating the completion of responsive actions, we will update the status of this recommendation.

NOTE: All GAO Recommendations and GAO Comments are direct quotations.
SOURCE: Government Accountability Office, "Additional Actions Could Help Ensure the Achievement of Stress Test Goals," GAO-17-48, November 15, 2016, https://www.gao.gov/products/GAO-17-48 (accessed April 22, 2019).

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