FRB Stress Testing Symposium

FBO Perspective on the CCAR Exercise:

A panel discussion on the key insights and observations from FBOs about capital planning, the CCAR process and the firm’s capabilities.

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Agenda

- CSH USA CCAR Overview
- CSH USA CCAR Readiness
- Comparison of IHCs & BHCs in Capital Planning
- The Road Ahead ...
In April 2014, Credit Suisse established a CCAR Program to drive the development and enhancement of capital planning and stress testing capabilities and embedding processes within CS’s day-to-day operations.

In July 2016, Credit Suisse Holdings USA (CSH USA) was officially established as the IHC.

With commitment and engagement from across the organization, an effective end-to-end capital adequacy process has been implemented.

While CSH USA successfully completed the CCAR 2017 submission, the capital planning process continues to evolve towards target levels of maturity.
## CSH USA CCAR Readiness

- Ahead of CCAR 2017, CS conducted a series of readiness activities; including but not limited to:

  - **SR 15-18 Gap Assessment**
    - Conducted assessment of current state against SR 15-18 expectations
    - Track open gaps for ongoing progress against remediation plans and closed gaps for continued validity

  - **Capital Adequacy Self-Assessments**
    - Intended to measure the maturity of all components of the capital adequacy process aligned with the seven principles of an effective capital adequacy process
    - Increased awareness across institution of current and target state capabilities

  - **End to End “Dry Run” Cycles**
    - Scope included population of 14Q/A templates, production of a full Capital Plan and supporting documentation, and comprehensive Review and Challenge
    - Practice runs aided in the identification of weaknesses and controls gaps that could be remediated ahead of go-live submission

  - **Mock FRB Examinations**
    - Conducted mock FRB examinations with all functional areas, led by an independent third party
    - Assessed preparedness of individuals and conceptual soundness of methodologies and materials
    - Subsequently led coaching sessions to provide feedback to meeting participants

  - **Internal Communication and Education Campaign**
    - Provide an understanding of CCAR and Capital Planning process and drive awareness to the broader CS organization
    - All CSH USA employees required to complete CCAR training module
## Comparison of IHCs & BHCs in Capital Planning

### Similarities between IHCs and BHCs
- Foundational elements of sound risk management apply to IHCs and BHS alike in alignment with 15-18 expectations:
  - Risk Identification
  - Scenario Design
  - Model Risk Governance
  - Data Quality
  - Internal Audit
  - Forecasting

### Unique Challenges
- However, IHCs face a unique set of challenges across the capital planning process:

<table>
<thead>
<tr>
<th>Operational challenges of establishing a new entity</th>
<th>- Development of new capabilities and processes (e.g. model build, new governing bodies)</th>
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<tr>
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<td>- Enhancement of existing capabilities and processes (e.g. control framework)</td>
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<td>- Lack of existing historical data</td>
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<td>Interconnectedness with Parent company</td>
<td>- Transfer pricing</td>
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<td>- Consideration of affiliate exposure for counterparty loss estimates</td>
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<td>- Availability of potential capital actions</td>
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<td>- Differences in risk profile between IHC and aggregated exposures at Parent level</td>
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<td>Sustainability</td>
<td>- CCAR is Business-As-Usual (BAU), not a regulatory requirement</td>
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<td>- Development and enhancement of methodologies and process in the IHC that now need</td>
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<td>to be aligned with approaches at the Parent level</td>
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<td>- Senior Management and Board of Directors education</td>
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The Road Ahead ...