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Coming Attractions at the Federal Reserve



By **Daniel Meade**
Partner | Financial Regulation

In the last week, the Federal Reserve has announced two forthcoming dates when the Fed would be releasing two important announcements: (1) the results of its annual bank stress tests will be released on [June 23](#) at 4:30 p.m. EDT; and (2) a second tool to help community financial institutions implement the Current Expected Credit Losses (“CECL”) accounting standard will be released as part of a [June 16](#) “Ask the Fed” webinar.

For this year’s stress test, 34 large banks/bank holding companies were tested under a scenario where the U.S. unemployment rate rises 5.75 percentage points to a peak of 10% over two years. The stress test’s increase in unemployment is accompanied by a 40% decline in commercial real estate prices, widening corporate bond spreads, and a collapse in asset prices, including increased market volatility. In addition to that base hypothetical scenario, institutions with large trading operations were tested against a global market shock component, and institutions with substantial trading or custodial operations were tested against the default of their largest counterparty.

The CECL tool which the Fed announced that it will release this month, known as the Expected Losses Estimator (“ELE”), is a spreadsheet-based tool to assist community banks in calculating their CECL allowances. Federal Reserve Governor Miki Bowman stated in the press release that the release of these two CECL tools “continue our work to tailor supervisory approaches to fit the size, risk and business model of financial institutions. I am confident these tools will assist our smaller banks enabling them to prioritize serving the financial needs of their communities and customers.”
