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Institute of International Bankers

April 5, 2016

Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Proposed Agency Information Collection Activities; Comment Request: Intermediate Holding Company Reporting Requirements (81 Fed. Reg. 6265 February 5, 2016)

Mr. Frierson:

The Clearing House Association L.L.C. and the Institute of International Bankers (collectively, the "**Associations**")[1] appreciate the opportunity to comment on the proposal by the Board of Governors of the Federal Reserve System (the "**Federal Reserve**") to collect financial information for U.S. Intermediate Holding Companies of foreign banking organizations through the implementation of a range of regulatory reports. While the Associations support most elements of the Proposal, we have several concerns regarding the proposed implementation of certain reports, including concerns with (i) the historical information that would be required for the Capital Assessments and Stress Testing information collections ("**FR Y-14**"), (ii) the potential timing of the requirement that the chief financial officer of certain IHCs attest to the FR Y-14, (iii) the implementation of the Banking Organization Systemic Risk Report ("**FR Y-15**") and (iv) the purpose and presentation of the Risk-Based Capital Standards: Advanced Capital Adequacy Framework (FR 4200) and Risk-Based Capital Guidelines: Market Risk (FR 4201). Additionally, included in Appendix A of this letter is a list of clarification questions regarding specific items within several of the reports included in the Proposal.

I. The proposed requirement that historical data be reconstructed for certain parts of the FR Y-14 should be revised such that (i) any historical reconstruction is required only over a seven-quarter lookback period on a best estimates basis and (ii) certain historical industry information is not required.

[1] Descriptions of the Associations are provided in Appendix B of this letter.

The Proposal would require all IHCs to begin reporting the FR Y-14 series (i.e., the annual, quarterly and monthly reports) on December 31, 2016, and includes a requirement that newly-created IHCs "must submit the FR Y-14Q PPNR new reports template with data starting as-of 2009 on the first quarter that they are subject to reporting."[2] For the reasons set forth below, we recommend that the submission of any historical IHC-specific data be allowed to be submitted on a best estimates basis with a look-back period limited to the prior seven quarters, rather than the as-of first quarter 2009 lookback period currently proposed. Additionally, the submission of any historical industry market size information is unnecessary and should not be required.

Providing a consolidated historical IHC-specific view for PPNR for the seven years prior to the creation of the IHC is particularly challenging in view of the fact that the IHC consolidated structure only will come into existence as of July 1, 2016 for all FBOs. Further, for many FBOs there will be numerous additional entities with substantial balance sheets and activities to be included in the consolidated IHC structure that were not included as part of any consolidated filing previously. Schedules G.1, G.2 and G.3 of the FR Y-14Q require granular information with respect to (i) net interest income and noninterest income on a business segment view, (ii) average asset and liability balances and average yields and (iii) information on certain metrics relevant for the assessment of various components of PPNR, respectively. Locating and compiling such granular information for these three schedules that contain "historical IHC-specific PPNR data" would require significant manual effort since asset and liability transfers and intercompany transfers of entire business lines between entities will need to be recreated for the past seven years. Further exacerbating this recreation is the requirement to then ensure all data conforms to regulatory standards that were in effect at a given time. Reconciling historical data to a given periods' standards is not only a difficult, manual, burdensome process, but it can also potentially create data quality and consistency issues. Additionally, documentation and data retention policies were not standardized among all the entities and assets and liabilities that will be consolidated under the IHC. In some instances, certain entities to be included as part of the consolidated IHC structure were previously consolidated into the foreign parent office, which in turn means that historical data would not necessarily conform to U.S. generally accepted accounting principles and will need to be converted from international financial reporting standards to U.S. GAAP, taking into account all changes in IFRS and U.S. GAAP standards for the past seven years. Finally, the FBOs are not generally able to avail themselves of prior FR Y-9C filings to reconcile to historical data (as the instructions to Schedule G of the FR Y-14Q suggest) since there was no prior FR Y-9C filing for the newly-created IHCs.

For all of these reasons, we respectfully suggest that the submission of this data be allowed on a best efforts basis and only be required to be submitted for the last seven quarters

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2 See, Instructions for the Capital Assessments and Stress Testing information collection, page 5, available at http://www.federalreserve.gov/reportforms/forms/FR_Y-14Q20151231_i.pdf.

rather than as of 2009 as the FR Y-14 instructions would require. Requiring a best estimates, seven quarter historical recreation would address many of the concerns discussed above and would also align with the implementation plans all IHCs submitted in January 2015 (i.e., historical data will only be required for quarters after IHC plans had been submitted). If the Federal Reserve is of the belief that more than seven quarters of historical data is needed, by no means should IHCs be required to submit more than a fourteen quarter historical lookback on a best estimates basis, which would align with the length of the lookback period which applied to the initial group of U.S. first-time filers under the FR Y-14.

We also believe that historical "industry market size information" should not be required for IHCs filing the FR Y-14 series for the first time. The instructions provide that third-party data may be used and that bank holding companies "are not required to independently derive these metrics."[3] Examples of such data include global fees earned by all relevant industry participants in this area, global dollar volume of completed deals for all relevant industry participants and fee and volume data for equity capital markets, debt capital markets and syndicated lending. We believe that this data collection largely replicates what other BHCs have already obtained from third parties and submitted to the Federal Reserve in prior filings and therefore we view the requirement for IHCs to submit this information again as unnecessary.

II. Any CFO attestation requirement applicable to IHCs of LISCC FBOs should apply no sooner than December 31, 2017 with the same transition allowances and timing provided in the final rule.

On September 16, 2015, the Federal Reserve published a proposal to implement changes to the FR Y-14 that would have, amongst other things, required a CFO-level attestation for LISCC respondents beginning June 30, 2016 (the "**FR Y-14 Proposal**").[4] The Clearing House, IIB and other trade associations in November, 2015 filed a comment letter in response to the FR Y-14 Proposal requesting the attestation requirements applicable to the IHC subsidiaries of LISCC FBOs begin no earlier than April 2018 (the "**Joint Trade November 2015 Letter**"). Earlier this year, the Federal Reserve finalized revisions to the FR Y-14,[5] including a CFO-level attestation for LISCC respondents. In the preamble to the FR Y-14 final rule, the Federal Reserve stated that they have not yet proposed reporting requirements for IHCs and further noted that when such rules are proposed, "the Federal Reserve expects to invite comment through a notice and comment process, and would evaluate the particular circumstances and challenges

3 See, FR Y-14Q Instructions, at p. 166, available at http://www.federalreserve.gov/reportforms/forms/FR_Y-14Q20151231_i.pdf.

4 80 Fed. Reg. 55621.

5 81 Fed. Reg. 3412 (January 21, 2016).

surrounding IHC formation vis-a-vis the full spectrum of Board regulatory reporting requirements." Although the current Proposal is silent with respect to attestation requirements for IHC subsidiaries of LISCC FBOs, we strongly believe that any such requirement should only be applied no sooner than December 31, 2017 with the same transition period and allowances set forth in the final rule[6] (i.e., the same provisions provided in the final rule with all dates moved back one year).

Consistent with the practice of the Federal Reserve with bank holding companies participating in the prior CapPR process, we believe that IHCs that are participating in CCAR for the first time during the 2017 planning cycle (with data as of December 31, 2016) should not be subject to the supervisory models, nor should the CCAR results be publicly disclosed.[7] Additionally, the IHCs of LISCC FBOs will only commence filing the FR Y-14A/Q/M reports as of December 31, 2016 and will not have the two years' experience noted by the Federal Reserve in the FR Y-14 Proposal as one justification for an attestation requirement for other LISCC firms at that time. As stated in the Joint Trade November 2015 Letter, the potential requirement of CFO attestation on FR Y-14 submissions before December 2017 would be particularly challenging to FBOs which are currently devoting substantial resources to the restructurings required to complete their respective IHC structures and buildout of reporting systems and processes to accommodate these new IHC structures, including with respect to the apparently accelerated implementation of FR Y-15 reporting requirements (discussed in Section III below). An additional significant incremental investment of time and resources will be required to design, develop and implement the internal processes and procedures necessary to fully implement the proposed attestations in accordance with regulatory expectations.[8] Unlike their U.S. LISCC counterparts, IHCs do not have the benefit of being able to leverage existing reporting infrastructure required by the Sarbanes-Oxley Act of 2002 at an IHC level. By allowing LISCC FBOs to first complete the restructurings required to establish their respective IHC structures and submit their first 2017 CCAR submission, these FBOs will thereafter be better able to dedicate necessary resources to establish the framework required to support the FR Y-14 final rule's attestations. For all of these reasons, we strongly believe that a CFO-level

6 The Preamble to the Final FR Y-14 rule provides in relevant part: "the initial attestation will relate solely to the effectiveness of internal controls over submissions as of December 31, 2016, rather than with respect to submissions throughout the year. Effective for the monthly, quarterly, and semi-annual FR Y-14 reports submitted as of January 31, 2017, and thereafter, respondents will attest to conformance with the FR Y-14 instructions and to the material correctness of data to the best of the respondent's knowledge, and agree to report material weaknesses and any material errors in the data as they are identified starting January 1, 2017. Effective December 31, 2017, and for all future reporting periods, a respondent's attestation as to the effectiveness of internal controls will be with regard to FR Y-14 submissions filed throughout the year."

7 See also 79 Fed. Reg. 64037 (October 27, 2014).

8 See, the Joint Trade November 2015 Letter for additional discussion on CFO attestation implementation concern, available at: http://www.federalreserve.gov/SECRS/2016/February/20160217/ICP-201524/ICP-201524_111615_130040_410378132540_1.pdf.

attestation for IHCs of LISCC FBOs should apply no sooner than December 31, 2017 and relate solely to the effectiveness of internal controls over submissions as of this date (i.e., not with respect to submissions throughout the year – such attestations would commence no sooner than December 31, 2018), with an attestation requirement for conformance with the FR Y-14 instructions and to the material correctness of data to the best of the respondent's knowledge, together with an agreement to report material weaknesses and any material errors in the data as they are identified, being required no sooner than January 31, 2018.

III. The Federal Reserve should clarify that all IHCs will be treated as first time filers, regardless of whether the FBO controls a bank holding company that is currently subject to the FR Y-15, with the initial September 30, 2016 submissions due on a reasonable estimates basis.

When FBOs submitted their IHC implementation plans in January 2015, the FR Y-15 instructions in effect at that time[9] required only an annual submission and stated in part that only U.S. bank holding companies "that have total consolidated assets of $50 billion or more as of the June 30th prior to the December 31st as-of date … must file the FR Y-15 for that year." The application of FR Y-15 reporting requirements to IHCs coincides with, and is an integral part of, the application of the enhanced prudential standards prescribed in Subpart O of Regulation YY.[10] Since compliance with these requirements is required beginning July 1, 2016, it was reasonable to view the language of the instructions as indicating that the first FR Y-15 report would be due for the period ending December 31, 2017 for all IHCs. However, the Proposal, in conformance with the current FR Y-15 instructions,[11] would require IHCs to file the FR Y-15 beginning September 30, 2016, five quarters earlier than what was reasonably anticipated when FBOs submitted their implementation plans.

9 See, December 2013 FR Y-15 Instructions, available at http://www.federalreserve.gov/reportforms/forms/FR_Y-1520131231_i.pdf.

10 79 Fed. Reg. 17326 (March 27, 2014).

11 On July 8, 2015, the Federal Reserve published a proposal to implement changes to the FR Y-15 that would inter alia, increase the frequency of the FR Y-15 from annually to quarterly. On December 11, 2015, the Federal Reserve published a final rule confirming revisions to frequency of reporting of the FR Y-15, adding a quarterly report, beginning June 30, 2016, due 50 days after quarter-end. TCH and IIB each submitted comment letters in response to the FR Y-15 proposal in which we requested that the Federal Reserve delay IHC implementation of the FR Y-15 until June 30, 2017. In finalizing the revisions, the Board indicated they would invite comments to address FBO-specific issues at a later date.

Consistent with the approach that has been taken since the onset of FR Y-15 reporting requirements,[12] we believe it is appropriate for purposes of the Proposal that all IHCs be considered as first time filers, regardless of whether the FBO controls a bank holding company that is currently subject to FR Y-15 reporting, and accordingly permitted to rely on the language in the instructions allowing "reasonable estimates" for the initial IHC submission of the FR Y-15. The IHC is a new legal structure mandated by regulation for the purpose of consolidating into a single entity virtually the entirety of an FBO's U.S. non-branch operations. The consolidated IHC in most cases includes entities that are not currently subject to, or otherwise included in, FR Y-15 reporting. With the complexities involved in the restructuring(s) necessary to form the IHC entity for each FBO, many of the businesses and entities emerging from the IHC formation process may well undergo a significant transformation in their balance sheets, operations, management information systems, etc. To further compound this issue, the resources and personnel involved in the restructurings to implement the IHC are substantially the same as the resources and personnel required to implement the FR Y-15.

For the reasons stated above and consistent with the requirements that were in place prior to the most recent revisions, IHCs should be allowed 65 days following the as-of date for the initial filing on a reasonable estimates basis. We believe that this approach would allow all IHCs to meet the September 30, 2016 effective date and obviate the need for any request for additional time, which in turn would require coordination of the onset of FR Y-15 reporting by IHCs with the requirements that would be applicable in the interim to FBO bank holding company subsidiaries that are currently subject to FR Y-15 reporting.

IV. The Federal Reserve should clarify the purpose and frequency of the FR 4200 and FR 4201 requirements.

The Proposal would implement the FR 4200 on July 1, 2016 and the FR 4201 on September 30, 2016 with both reporting frequencies listed as "on occasion." Before we can meaningfully provide comments, we ask that the Federal Reserve clarify what is intended to be reported, what the anticipated frequency would be, how it would be reported, and how much time would be allowed for these reporting requirements to be completed. At this time, there is not much information on presentation and timing of these reporting requirements available on the Federal Reserve's website. We would be happy to provide supplemental comments regarding these two reporting requirements following discussion from the Federal Reserve.

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12 Part F of the "How to Prepare the Report" section of the FR Y-15 instructions states that reasonable estimates are permitted for "institutions filing this report for the first time."

We appreciate the opportunity to provide comments on the Proposal. We greatly appreciate your consideration of our comments and would welcome the opportunity to discuss them further with you at your convenience. If we can facilitate arranging for those discussions, or if you have any questions or need further information, please contact David Wagner at (212) 613-9883 (email: david.wagner@theclearinghouse.org) or Richard Coffman at (646) 213-1149 (email: rcoffman@iib.org).

Respectfully Submitted,

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APPENDIX A

1. FR Y-9C
    a. For the initial FR Y-9C filing, should the issuance of the stock be treated as a "sale" on schedule HI-A Changes in Holding Company Equity Capital?
    b. If yes, how should net income be reported for the first 6 months of the year for a U.S. entity that will become part of the IHC on July 1, 2016? Would it just be included in HI?

2. FR Y-11
    a. How should the IS-A Changes of equity capital be reported? Would the balances in Line 1. Equity Capital most recently reported for the end of the previous calendar year be consistent with what has been reported on the 2Q16 FR Y-7N?

3. FFIEC 009, 009a, FR Y-10
    a. Footnote 3 in the "Supporting Statement for the Reporting Requirements for U.S. Intermediate Holding Companies of Foreign Banking Organizations Established under the Board's Regulation YY" states that "The FFIEC 009, FFIEC 009a, and the FR Y-10 approvals will be handled under separate efforts." Please advise on the current status of these other reporting initiatives.

4. FFIEC 102
    a. Will this report be required from an IHC?

APPENDIX B

The Clearing House. The Clearing House is a banking association and payments company that is owned by the largest commercial banks and dates back to 1853. The Clearing House Association L.L.C is a nonpartisan organization that engages in research, analysis, advocacy and litigation focused on financial regulation that supports a safe, sound and competitive banking system. Its affiliate, The Clearing House Payments Company L.L.C., owns and operates core payments system infrastructure in the United States and is currently working to modernize that infrastructure by building a new, ubiquitous, real-time payment system. The Payments Company is the only private-sector ACH and wire operator in the United States, clearing and settling nearly $2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume.

The Institute of International Bankers. IIB is the only national association devoted exclusively to representing and advancing the interests of the international banking community in the United States. Its membership is comprised of internationally headquartered banking and financial institutions from over 35 countries around the world doing business in the United States. The IIB's mission is to help resolve the many special legislative, regulatory, tax and compliance issues confronting internationally headquartered institutions that engage in banking, securities and other financial activities in the United States. Through its advocacy efforts the IIB seeks results that are consistent with the U.S. policy of national treatment and appropriately limit the extraterritorial application of U.S. laws to the global operations of its member institutions. Further information is available at www.iib.org.