



## INSTITUTE OF INTERNATIONAL BANKERS

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Submitted via [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

Robert deV. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Re: Request for Comment on Proposed Revisions to the Banking Organization  
Systemic Risk Report (Form FR Y-15) (OMB Control Number 7100-0352)

Dear Mr. Frierson:

The Institute of International Bankers (“IIB”) appreciates the opportunity to comment on the revisions to the “Banking Organization Systemic Risk Report” (Form FR Y-15) proposed by the Board of Governors of the Federal Reserve System (the “Board”).<sup>1</sup> Currently, only U.S.-headquartered banking organizations that have been designated as global systemically important banks (“G-SIBs”) by the Basel Committee on Banking Supervision (the “Basel Committee”) are required to submit Form FR Y-15. Among other things, the Proposal establishes the requirements for Form FR Y-15 reporting by not only U.S. G-SIBs, but also other bank holding companies with total consolidated assets of \$50 billion or more, including those U.S. top-tier bank holding companies that are subsidiaries of foreign banking organizations (“FBOs”). Each such U.S. top-tier bank holding company (an “FBO-Affiliated BHC”) is a subsidiary of an FBO that is a member of the IIB.

The IIB appreciates both the Boards’ responsiveness to concerns we raised last year in connection with the original Form FR Y-15 proposal and its determination, pending the adoption of final rules implementing the requirements of Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “DFA”), to limit the proposed expansion of the revised Form FR Y-15 reporting requirement, as applied to FBOs, to FBO-Affiliated BHCs. At the same time, we believe it would be helpful to consider further the purposes of the FR Y-15 data collection as applied to FBO-Affiliated BHCs. In addition, we have concerns with the

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<sup>1</sup> See 78 Fed. Reg. 53759 (August 30, 2013) (together with the draft revised Form FR Y-15 and draft revised instructions thereto (the “Draft Revised Instructions”), each dated August 30, 2013, the “Proposal”).



Proposal relating principally to confidentiality, the timeframe for submitting the report, and the attestation requirement. More generally, we share the concerns and agree with the comments regarding certain technical aspects of the Proposal provided in Appendix I to the comment letter being submitted jointly by the American Bankers Association, The Financial Services Roundtable and The Clearing House Association L.L.C. (the “Joint Trades Letter”) as well as the clarifications to the Schedule C instructions suggested therein.

**For the reasons discussed below, we respectfully recommend that the Board, in finalizing the Proposal:**

- (i) undertake a more holistic review of the various data collections currently (and proposed to be) required of FBO-Affiliated BHCs with a view to reducing the burden of the FR Y-15 data collection in a manner that preserves and promotes the Board’s ongoing responsibilities under DFA Section 165;**
- (ii) continue to follow the approach regarding confidentiality it adopted in connection with the FR Y-15 2012 data collection;**
- (iii) with respect to the timeframe for filing FR Y-15 reports, maintain the current 90-day period; and**
- (iv) allow the submission of FR Y-15 reports on the basis of “best efforts” and “reasonable estimates” until such time as the components of the required data have been finalized in their entirety and reporting BHCs have had sufficient experience with reporting the complete set of final data.**

## **DISCUSSION**

### **The Purposes of the FR Y-15 Reporting Requirement As It Applies to FBO-Affiliated BHCs**

The FR Y-15 report derives from, and is largely based on, the global data collection developed by the Basel Committee to facilitate the identification of G-SIBs on an ongoing basis. As described in the Federal Register notice of the Proposal, the requirement is intended to serve a variety of purposes:

In addition to (i) facilitating the future implementation of the G-SIB surcharge through regulation, (ii) identifying institutions that may be D-SIBs [i.e., “Domestic Systemically Important Banks”] under a future framework and (iii) analyzing the systemic risk implications of proposed mergers and acquisitions, the Federal Reserve uses the FR Y-15





data to monitor, on an ongoing basis, the systemic risk profile of the institutions which are subject to enhanced prudential standards under section 165 of the DFA.<sup>2</sup>

Of these various purposes, we expect that in practice the ongoing monitoring of their systemic risk profile under Section 165 will be the primary purpose for which the FR Y-15 data will be used with respect to FBO-Affiliated BHCs.<sup>3</sup> Under the Basel Committee's G-SIB framework, the G-SIB surcharge is implemented at the parent FBO level, and thus considerations regarding G-SIB status are not relevant to FBO-Affiliated BHCs. Regarding use of the FR Y-15 data to help identify D-SIBs and analyze the systemic risk implications of proposed merger and acquisitions, as we discussed in our October 19, 2012 comment letter on the original FR Y-15 proposal the analytical framework for both of these aspects remains under development and neither has advanced to a stage that would provide a basis for determining the information that would facilitate their application.

With respect to the Board's ongoing monitoring under DFA Section 165, we acknowledge the Board's interest in having at hand a baseline, consistent set of metrics with which to compare systemic risk for these purposes, as well as the Board's concern that adjustments to the data requirements associated with those metrics could diminish its ability to perform such comparisons.<sup>4</sup> However, we question whether the entirety of the data collection designed specifically for G-SIB identification purposes, and applied by the Board in its regulation and ongoing monitoring of U.S. G-SIBs, is necessary to serve the purposes of DFA Section 165 as applied to FBO-Affiliated BHCs.<sup>5</sup> In addition, we note that the Board will be able to draw upon other sources of information relevant to its assessment of the potential systemic impact of FBO-Affiliated BHCs, including the information obtained through their participation in the Comprehensive Capital Analysis and Review and the proposed liquidity monitoring reports (the Form FR 2052 series).

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<sup>2</sup> Id. at 53760. In its OMB Supporting Statement for the Proposal, the Board observes that it "also submits data to the [Basel Committee] for use in determining whether an institution is a G-SIB and, if so, which G-SIB surcharge would be applicable to it."

<sup>3</sup> In its OMB Supporting Statement for the Proposal, the Board characterized use of the FR Y-15 data in connection with monitoring under DFA Section 165 in general as the purpose for which the data will be "primarily" used.

<sup>4</sup> See 77 Fed. Reg. 76484, 76485 (Dec. 28, 2012).

<sup>5</sup> There is a considerable disparity between the potential systemic impact of the FBO-Affiliated BHCs and the U.S. G-SIBs. For example, based on the information as of September 30, 2013 reported on the National Information Center web site, as a group the U.S. G-SIBs, measured on the basis of their total consolidated assets, are more than 8 times larger than the FBO-Affiliated BHCs.



Taking into account these considerations, we respectfully recommend that the Board undertake a more holistic review of the various data collections currently (and proposed to be) required of FBO-Affiliated BHCs with a view to reducing the burden of the FR Y-15 data collection in a manner that preserves and promotes the Board's ongoing responsibilities under DFA Section 165.

## **Confidentiality**

In light of the exclusively supervisory purposes discussed above for which the information required to be reported on Form FR Y-15 is used, we believe it is appropriate to treat such information as confidential supervisory information to the maximum extent possible. We note that public disclosure of the information reported by the U.S. G-SIBs in connection with the FR Y-15 2012 data collection was limited to aggregate line items and data retrieved from the public portions of the FR Y-9C reports, with virtually the entirety of the remaining reported data treated as confidential supervisory information.<sup>6</sup> We strongly urge the Board to continue this approach going forward. For the avoidance of doubt, we also urge the Board, in connection therewith, to conform the discussion of confidentiality in the final FR Y-15 Federal Register notice and instructions to eliminate the ambiguity resulting from the inconsistency between the discussion of confidentiality in the Federal Register notice of the Proposal and in the Draft Revised Instructions.<sup>7</sup>

We share the concerns expressed in the Joint Trades Letter regarding the prospect that disclosure of information based on standards that are not yet finalized (for example, the reporting required with respect to Level 1 and Level 2 assets under the Liquidity Coverage Ratio) may create significant market confusion and have unintended adverse consequences for reporting institutions. We respectfully submit that the negative impact of these aspects of the Proposal

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<sup>6</sup> As indicated on the homepage of the National Information Center, items on the FR Y-15 reports submitted by the U.S. G-SIBs for 2012 that were retrieved from non-public portions of the FR Y-9C for which the reporting institution requested and was accorded confidential treatment are exempt from disclosure as confidential commercial information. We note also that the aggregate data reported in Schedule E, item 1 of the 2012 FR Y-15 reports ("Total foreign claims on an ultimate risk basis") are taken from Form FFIEC 009. As reported on Form FFIEC 009, that data is given confidential treatment. In finalizing the Proposal, it also would be helpful if the Board would clarify why such confidential treatment should not extend to that data when incorporated into Form FR Y-15.

<sup>7</sup> The proposed new language in the first paragraph of the confidentiality section of the General Instructions to the Draft Revised Instructions repeats verbatim the language of the "notice of confidentiality of the FR Y-15 data" provided in the October 3, 2013 "What's New?" announcement of the availability of the 2012 FR Y-15 data appearing on the homepage of the National Information Center. By comparison, the Federal Register notice of the Proposal states that "data items on the FR Y-15 retrieved from the public portions of the FR Y-9C or that are published only in aggregate form on the FR Y-15 are not confidential" and that the confidentiality of the remaining items "will depend on a determination that considers the competitive harm resulting from the disclosure and the public purpose served by the disclosure." See 78 Fed. Reg. at 53760.





would be compounded for FBO-Affiliated BHCs inasmuch as, unlike U.S.-headquartered reporting BHCs, they are not the top-tier entity of their group, a difference in structure which precludes meaningful comparison and analysis by the market and counterparties of the information reported by them on Form FR Y-15. We respectfully submit that these concerns are most effectively addressed by treating that information as confidential supervisory information to the maximum extent possible

### **Timing**

The Proposal would reduce the time for filing the FR Y-15 from 90 days after the December 31<sup>st</sup> as-of date to 60 days, but provides no explanation for the change. At a minimum, it would be fundamentally unfair to require FBO-Affiliated BHCs (and other BHCs that will be submitting the FR Y-15 for the first time as part of the 2013 data collection) to file their initial reports on a shorter timeframe than the Board provided the U.S. G-SIBs in connection with their initial filings for the 2012 data collection. More generally, however, and for the reasons articulated therein, we share the view expressed in the Joint Trades Letter that such a shortened timeframe is problematic for *all* reporting BHCs. Accordingly, we respectfully recommend that the Board maintain the current 90-day timeframe. Going forward, the period for submitting FR Y-15 reports should not be shortened to less than 90-days without notice and opportunity for comment.

### **Attestation**

FBO-Affiliated BHCs have no prior experience with the FR Y-15 regulatory reporting regime. Moreover, the regime calls for reporting information that in some instances they have not previously been required to compile and report and in other instances is based on standards that remain in a proposed stage and have not been finalized. It is important that FBO-Affiliated BHCs (and all other reporting BHCs) be provided sufficient time and opportunity to develop, test and implement the systems, procedures and controls necessary to comply with these requirements and support the full attestation of the filing. In particular, the requirement that the reporting BHC's Chief Financial Officer (or the individual performing the equivalent function) attest that the reported information has been prepared in accordance with the instructions and is "true and correct" to the best of the attestor's knowledge is a serious undertaking and presents significant challenges, especially in light of the potential legal sanctions that can be imposed for non-compliance.

We share the significant concerns expressed in the Joint Trades Letter with respect to attestation and strongly urge the Board to allow the submission of FR Y-15 reports on the basis of "best efforts" and "reasonable estimates" until the components of the required data have been finalized in their entirety and reporting BHCs have had sufficient experience with reporting the complete set of final data – at the least, the submission of one such annual report. Further, we urge the Board to clarify these aspects in the General Instructions to the form.



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We note that the Proposal would retain without revision the statement in the General Instructions that institutions filing FR Y-15 for the first time may do so on the basis of “reasonable estimates” and that the attestation refers to the report’s preparation “in accordance with the instructions.” Given the importance of the considerations surrounding the attestation, we respectfully recommend that the Board, at a minimum, incorporate the reference to preparation on the basis of “reasonable estimates” directly into the attestation itself.

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We appreciate the Board’s consideration of our comments. Please contact the undersigned if we can provide any additional information or assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard Coffman", written over a horizontal line.

Richard Coffman  
General Counsel