

**Supporting Statement for the
Banking Organization Systemic Risk Report
(FR Y-15; OMB No. 7100-0352)**

Summary

The Board of Governors of the Federal Reserve System (Federal Reserve), under delegated authority from the Office of Management and Budget (OMB), proposes to revise, without extension, the mandatory Banking Organization Systemic Risk Report (FR Y-15; OMB No. 7100-0352). The FR Y-15 annual report collects systemic risk data from U.S. Bank Holding Companies (BHCs) with total consolidated assets of \$50 billion or more, and any U.S.-based organizations identified as global systemically important banks (GSIBs)¹ that do not otherwise meet the consolidated assets threshold for BHCs.² The Federal Reserve uses the FR Y-15 data primarily 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 Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA).³

The Federal Reserve proposes to revise the FR Y-15 by: (1) adding five new line items consistent with revisions to international standards concerning the calculation of total exposures, securities outstanding, and trading and available-for-sale (AFS) securities; (2) deleting nine current line items that are no longer needed; (3) revising the definitions for six specific line items to be consistent with international standards; (4) revising the definition of financial institution used in Schedule B; (5) using total consolidated assets as of the June 30th prior to the December 31st as-of date to determine the reporting panel; (6) temporarily delaying disclosure of certain items on Schedules A, C, and D; (7) extending the submission window to 65 days after the as-of date; and (8) incorporating instructional clarifications.⁴

The proposed changes would be effective December 31, 2013. The annual burden for the FR Y-15 report is estimated to be 9,900 hours. The proposed revisions would result in a net decrease in burden of 165 hours.

¹ See *Update of group of global systemically important banks (G-SIBs)*, available at www.financialstabilityboard.org/publications/r_121031ac.pdf.

² To allow additional time for compliance, the Federal Reserve limited the FR Y-15 reporting panel for the December 31, 2012, as-of date to the eight U.S. top-tier BHCs that were designated as GSIBs by the Financial Stability Board on November 1, 2012 (77 FR 76484).

³ See 12 U.S.C. 5365.

⁴ In addition, certain derived data items that had to be reported previously would be calculated for the reporting institutions automatically once the data are submitted.

Background and Justification

In response to the financial crisis, the Basel Committee on Banking Supervision (BCBS) adopted a series of reforms to improve the resilience of banks and banking systems. Among those reforms is a capital surcharge (GSIB surcharge) that increases for GSIBs the “capital conservation buffer” the BCBS included in the revised international standards it published in 2010, *Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems* (Basel III).⁵ Under the standard, a GSIB must hold tier 1 common equity capital sufficient to meet the capital conservation buffer, as increased by the GSIB surcharge, in order to avoid restrictions on capital distributions and discretionary bonus payments to executive officers. The standards established in Basel III, as modified by the GSIB surcharge (the Basel capital framework), are designed to fortify the capital positions of GSIBs so that they can absorb losses and remain going concerns even under stressed financial conditions.

The BCBS developed an indicator-based approach for determining the GSIB surcharge that focuses on those aspects of a GSIB’s operations that are likely to generate negative externalities in the case of its failure. The methodology assesses five components of a bank’s systemic footprint: size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity. The surcharge, which may be influenced by supervisory judgment, is based on a banking organization’s results relative to other banking organizations that are also calculating the systemic risk measures.

Initially, GSIBs will be assigned to one of four surcharges, which range from 1 percent to 2.5 percent of risk-weighted assets. Going forward, a GSIB’s surcharge could be raised if a GSIB sufficiently increases its systemic footprint. The GSIB surcharge is phased into the Basel framework beginning in January 2016 and becomes fully effective in January 2019.

The FR Y-15, which was derived from a Basel data collection aimed at measuring systemic importance, was implemented on December 31, 2012.⁶ In addition to (i) facilitating the future implementation of the GSIB surcharge through regulation, (ii) identifying institutions that may be DSIBs 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 DFA. The Federal Reserve also submits data to the BCBS for use in determining whether an institution is a GSIB and, if so, which GSIB surcharge would be applicable to it.⁷

⁵ The Basel III framework is available at www.bis.org/publ/bcbs189.htm.

⁶ The final *Federal Register* notice was published on December 28, 2012 (77 FR 76484).

⁷ Data for BHCs with total exposures in excess of 100 billion euros are submitted to the BCBS for potential inclusion in the GSIB assessment methodology.

Filing of year-end 2012 data was limited to the eight U.S. BHCs that the Financial Stability Board designated as GSIBs on November 1, 2012.⁸ Other BHCs subject to the reporting requirement are not required to file under the FR Y-15 until year-end 2013.

Description of Information Collection

The data items collected in this report mirror those that were developed by the BCBS to assess the global systemic importance of banking organizations. The report consists of the following schedules, which are each discussed in detail below:

- Schedule A – Size Indicator;
- Schedule B – Interconnectedness Indicators;
- Schedule C – Substitutability Indicators;
- Schedule D – Complexity Indicators;
- Schedule E – Cross-Jurisdictional Activity Indicators; and,
- Schedule F – Ancillary Indicators.

Each schedule consists of one or more systemic risk indicators. The rationale for using each type of indicator in determining systemic importance has been outlined by the BCBS.⁹

It is important to note that some of the reporting requirements overlap with data already collected in the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128) and the Country Exposure Report (FFIEC 009; OMB No. 7100-0035). Where relevant data are already being reported on the FR Y-9C or the FFIEC 009, the FR Y-15 automatically retrieves those amounts. Automatically-retrieved items are listed in the general instructions of the FR Y-15 under section H, titled “Data Items Automatically Retrieved from Other Reports.”

Schedule A - Size Indicator

The size indicator (total exposures) is calculated using both on- and off-balance-sheet data. On-balance-sheet items include total assets, net and gross securities financing transactions (SFTs), securities received as collateral in securities lending, cash collateral received in conduit securities lending transactions, derivative exposures with a net positive fair value, and cash collateral netted against net positive derivative exposures. Off-balance-sheet items include potential future exposure of derivative contracts, the notional amount of credit derivatives sold,

⁸ See *Update of group of global systemically important banks (G-SIBs)*, available at http://www.financialstabilityboard.org/publications/r_121031ac.pdf.

⁹ See *Global systemically important banks: updated assessment methodology and the additional loss absorbency requirement*, July 2013, available at <http://www.bis.org/publ/bcbs255.htm>.

credit derivatives sold net of related credit protection bought, the notional amount of off-balance-sheet items with a 0 percent credit conversion factor (CCF) under the standardized approach to risk-based capital, unconditionally cancellable credit card commitments, other unconditionally cancellable commitments, the notional amount of off-balance-sheet items with a 20 percent CCF, the notional amount of off-balance-sheet items with a 50 percent CCF, and the notional amount of off-balance-sheet items with a 100 percent CCF. Certain regulatory adjustments to tier 1 capital are also collected.

Schedule B - Interconnectedness Indicators

The Interconnectedness Indicators Schedule is comprised of three subcategories: intra-financial system assets, intra-financial system liabilities, and securities issued. Intra-financial system assets are comprised of funds deposited with or lent to unaffiliated financial institutions, undrawn committed lines extended to unaffiliated financial institutions, holdings of securities issued by unaffiliated financial institutions (including secured debt securities, senior unsecured debt securities, subordinated debt securities, commercial paper, certificates of deposit, and stock (including par and surplus of common and preferred shares)), offsetting short positions in relation to specific stock holdings, net positive current exposure of SFTs with unaffiliated financial institutions, and information about over-the-counter (OTC) derivatives with unaffiliated financial institutions that have a net positive fair value (including the fair value of the derivatives, the potential future exposure, and the fair value of collateral that is held outside of master netting agreements).

Intra-financial system liabilities include deposits due to depository institutions, deposits due to non-depository financial institutions, undrawn committed lines obtained from unaffiliated financial institutions, net negative current exposure of SFTs with unaffiliated financial institutions, and information about OTC derivatives with unaffiliated financial institutions that have a net negative fair value (including the fair value of the derivatives, the potential future exposure, and the fair value of collateral that is provided outside of the master netting agreements).

Securities issued include secured debt securities, senior unsecured debt securities, subordinated debt securities, commercial paper, certificates of deposit, and equity market capitalization.

Schedule C - Substitutability Indicators

The Substitutability Indicators Schedule includes the value of payments sent by the bank over the reporting year via large value payment systems or through an agent. These payments are reported by currency (Australian dollars, Brazilian real, Canadian dollars, Swiss francs, Chinese yuan, euros, Pound sterling, Hong Kong dollars, Indian rupees, Japanese yen, Swedish krona,

United States dollars, and all other currencies not specifically listed). The schedule also includes assets held as a custodian on behalf of customers, equity underwriting activity, and debt underwriting activity.

Schedule D - Complexity Indicators

The Complexity Indicators Schedule includes the notional amount of OTC derivatives cleared through a central counterparty, the notional amount of OTC derivatives settled bilaterally, trading securities, trading securities for which the fair value option is elected, AFS securities, level 1 assets, level 1 assets that are trading or AFS securities, level 2 assets, level 2 assets that are trading or AFS securities, adjustment to high quality liquid assets (HQLA) due to cap on level 2 assets, held-to-maturity securities, and assets valued using Level 3 measurement inputs.¹⁰

Schedule E - Cross-Jurisdictional Activity Indicators

The Cross-Jurisdictional Activity Indicators Schedule includes foreign claims on an ultimate-risk basis, foreign liabilities (excluding local liabilities in local currency), any foreign liabilities to related offices included in the reported foreign liabilities total, and local liabilities in local currency.

Schedule F - Ancillary Indicators

The Ancillary Indicators Schedule includes total liabilities, retail funding, total net revenue, foreign net revenue, total gross revenue, peak equity market capitalization, gross value of cash lent and gross fair value of securities lent in SFTs, gross value of cash borrowed and gross fair value of securities borrowed in SFTs, gross positive fair value of OTC derivatives transactions, gross negative fair value of OTC derivatives transactions, unsecured settlement/clearing lines provided, and number of jurisdictions.

¹⁰ For definitions of level 1 and level 2 assets, see *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* (Jan. 2013), available at <http://www.bis.org/publ/bcbs238.pdf>. For a definition of Level 3 measurement inputs see FASB ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, Fair Value Measurements).

Description of Proposed Revisions

Schedule A

To reflect the current definition of the Basel III leverage ratio, the Federal Reserve proposes to collect counterparty exposure of SFTs and credit derivatives sold net of related credit protection bought after adjusting for maturity.

Schedule B

The current version of the FR Y-15 does not capture all types of possible outstanding securities. For completeness in assessing the systemic risk associated with the securities outstanding indicator, the Federal Reserve proposes to collect preferred shares and other forms of subordinated funding. The Federal Reserve also proposes to delete the fair value of collateral that is held outside of the master netting agreements from both the intra-financial system assets and intra-financial system liabilities sections as they are not required for the calculation of the two indicators. The Federal Reserve also proposes to revise the definition of financial institution to match the definition used in the BCBS GSIB methodology. This change would affect the values reported in data items 1 through 10. Also, undrawn committed lines extended to unaffiliated financial institutions will no longer be able to be pulled from the FR Y-9C and thus would need to be reported. The Federal Reserve also proposes to revise the definition for equity market capitalization. This line item would be retitled common equity. For clarity, the Federal Reserve proposes renaming securities issued to securities outstanding. Finally, the Federal Reserve proposes to move certificates of deposit so that it is a subcomponent of funds deposited with or lent to unaffiliated financial institutions.

Schedule C

To reflect the latest definitions adopted in the BCBS GSIB methodology, the Federal Reserve proposes to revise the reporting instructions for payments made in the reporting year and assets held as a custodian on behalf of customers.

Schedule D

To capture an alternative method for calculating the HQLA adjustment to trading and AFS securities, the Federal Reserve proposes to collect trading and AFS securities that meet the definition of level 1 assets and trading and AFS securities that meet the definition of level 2 assets after applying haircuts. After the U.S. rule implementing the liquidity coverage ratio

(LCR) is finalized, the Federal Reserve will consider aligning the definitions of level 1 and level 2 assets used in these two items of the FR Y-15 with the definitions in the U.S. rule.¹¹

The Federal Reserve also proposes to delete the following items from Schedule D that are no longer being used in the BCBS GSIB methodology: trading securities for which the fair value option is elected, level 1 assets, level 1 assets that are trading or AFS securities, level 2 assets, level 2 assets that are trading or AFS securities, adjustment to HQLA due to cap on level 2 assets, adjustment to HQLA attributable to trading and AFS securities. Finally, the Federal Reserve proposes to move held-to-maturity securities to Schedule F.

Schedule F

To correct an instructional typo that resulted in the reporting of overstated figures, the Federal Reserve proposes to revise the reporting instructions for retail funding.

Change to Reporting Criteria

Currently the reporting panel is determined based on total consolidated assets as of December 31st. The Federal Reserve proposes to determine the reporting panel using total consolidated assets as of the June 30th prior to the December 31st as-of date. This would afford new reporters lead time to update their systems to capture the FR Y-15 data.

Considering the fact that several regulatory reports are due 60 days after the December 31 as-of date, the Federal Reserve proposes extending the submission window to 65 days after the as-of date. This should ease potential resource constraints while simultaneously ensuring timely availability of the systemic risk data.

Confidentiality

The Federal Reserve proposes to delay, until the 2014 reporting period, the public release of non-aggregate Schedule A (size indicator) items that are not derived from public portions of the FR Y-9C. This information is correspondent or related to the information that U.S. BHCs subject to the Federal Reserve's advanced approaches framework (advanced approaches BHCs) will report beginning in 2015 on the revised FR Y-9C and the revised Risk-Based Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101; OMB No. 7100-0319). This reported information is related to the international (supplementary) leverage ratio requirement and other requirements in the Federal Reserve's revised capital rule (12 CFR part 217), adopted in 2013 (capital rule).¹² Since advanced approaches BHCs will be

¹¹ See 78 FR 71818 (November 29, 2013).

¹² 78 FR 62018 (October 11, 2013).

reporting this information quarterly on the FR Y-9C and FFIEC 101 in 2015, delaying the release of the associated information on the FR Y-15 until the 2014 reporting period would better align the public disclosure of the information across the multiple reports. In addition, this would provide additional time for respondents to ensure that consistent and comparable data is provided across reports. The Federal Reserve further proposes that the delayed disclosure also apply to BHCs that are not advanced approaches BHCs. As with the advanced approaches BHCs, the delay would allow these institutions to fully develop their systems and refine the accuracy of the data associated with the FR Y-15 and the 2015 capital-related reporting requirements. Thus, the aggregated total exposures figure and those items derived from public portions of the FR Y-9C would be the only Schedule A items released for the 2013 reporting period.

The two new Schedule D items would identify a subset of trading and AFS securities as level 1 or level 2 assets under the BCBS standard. These items are necessary to calculate consistently across jurisdictions the systemic importance of a reporting institution's trading and AFS portfolio. The Federal Reserve observes that these items are not equivalent to an institution's liquidity buffer as calculated under the BCBS LCR, or under the U.S. proposed implementation of the LCR which was released as a notice of proposed rulemaking earlier in 2013.¹³ To avoid potential market confusion with respect to these line items while the rulemaking to implement the LCR is ongoing, the Federal Reserve proposes to delay disclosure of those two line items until the U.S. rulemaking is finalized.

The Federal Reserve proposes to also delay the disclosure of items on Schedule C that specify payments activity in individual currencies until the 2014 reporting period. The Federal Reserve has observed that these items have been among the most difficult for institutions to collect and believes it is reasonable to keep this information confidential for an additional year while reporting institutions continue to develop and enhance their reporting capabilities for these items. By adopting this delay, the two aggregated payments figures would be the only payments data released for the 2013 reporting period.

To address concerns about potential misinterpretation of the data, the Federal Reserve proposes giving respondents the opportunity to provide an optional narrative as part of their FR Y-15 submission. This would allow respondents to include brief explanatory comments about any data disclosure within the report which they feel may be subject to misinterpretation or otherwise cause confusion among investors. These statements would be made available to the public.

¹³ See 78 FR 71818 (November 29, 2013).

Instructional Clarifications

The Federal Reserve also proposes to incorporate instructional clarifications in response to feedback and questions received from banking organizations that filed the FR Y-15 for year-end 2012.

Respondent Panel

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 DFA. Given the threshold for enhanced prudential standards provided under DFA, the reporting requirements would apply to U.S. BHCs that have total consolidated assets of \$50 billion or more as of the June 30th prior to the December 31st as-of date, and any U.S.-based organizations designated as GSIBs that do not otherwise meet the consolidated assets threshold.

Based on data as of June 2013, the FR Y-15 would be filed by approximately 33 domestic BHCs.

Time Schedule for Information Collection and Publication

The Federal Reserve approved an initial submission window of 90 days for those institutions submitting the FR Y-15 for the December 31, 2012, as-of date.¹⁴ This was done to allow extra time for the eight initial respondents to develop and test the systems required to collect the FR Y-15 data. An ongoing window of 60 days after the as-of date for FR Y-15 submissions, beginning with the December 31, 2013, as-of date, was approved by the Federal Reserve last year.¹⁵ This is 15 days beyond the deadline associated with the FR Y-9C and 10 days beyond the deadline associated with the FFIEC 009, which are both source documents for the FR Y-15. This staggered submission schedule made it easier for banks to ensure that the forms properly reconciled. The 60 day window was chosen, in part, based on the recommendations of several commenters on the first FR Y-15 proposal in 2012.

Considering the fact that several regulatory reports are due 60 days after the December 31 as-of date,¹⁶ the Federal Reserve proposes to extend the submission window to 65 days. This would ease potential resource constraints while simultaneously ensuring the timely availability of the systemic risk data.

¹⁴ See 77 FR 76486 (December 28, 2012).

¹⁵ *Id.*

¹⁶ Examples of reports due 60 days after December 31 include the FFIEC 101 and Form 10-K (10-K; OMB No. 3235-0063).

Respondents are required to submit the report electronically using one of the Federal Reserve's standard electronic submission applications. The Federal Reserve believes this to be the most efficient and least burdensome method of submission. The application validates the report data for mathematical and logical consistency and provides the reporting institution with a confirmation of receipt of its submission. The application also allows institutions to provide written comments, if needed.

In the interest of transparency, the public portions of the FR Y-15 are made available on the FFIEC website (www.ffiec.gov/nicpubweb/nicweb/nichome.aspx).

Legal Status

The FR Y-15 is mandatory pursuant to section 5 of the BHC Act (12 U.S.C. 1844(c)). Except for those items subject to a delayed release, the individual data items collected on the FR Y-15 will be made available to the public for report dates beginning December 31, 2013.

Though confidential treatment will not be routinely given to the financial data collected on the FR Y-15, respondents may request such treatment for any information that they believe is subject to an exemption from disclosure pursuant to sections (b)(4) or (b)(8) of the Freedom of Information Act (FOIA) (5 U.S.C. 522(b)(4) and (b)(8)).

Consultation Outside of Agency

The FR Y-15 was derived directly from a data collection developed by the BCBS to assess the global systemic importance of banks. This data collection was created in consultation with representatives from numerous national supervisory authorities, including the Federal Reserve.

On August 30, 2013, the Federal Reserve published a notice in the *Federal Register* (78 FR 53759) requesting public comment for 60 days on the proposed revisions to the FR Y-15. The comment period for this notice expired on October 29, 2013.

Public Comments

The Federal Reserve received three comment letters on the proposed revisions to the FR Y-15: a joint comment letter from three trade associations, another comment letter from a different trade association, and a comment letter from a banking organization. The comments focused on the confidential treatment of data submitted on the FR Y-15 (partially with respect to items based on the Basel LCR) and the submission deadline. Several commenters suggested that the Federal Reserve rely on other existing data collections in order to reduce reporting burden. Other comments expressed concern about using Basel II CCF definitions for off-balance-sheet

items. Commenters requested delayed implementation of the requirements, elimination of the attestation requirement, and continued confidential treatment of certain FR Y-15 data.

For a detailed discussion of the comments received and the Federal Reserve’s responses, please refer to the “Detailed Discussion of Public Comments and Federal Reserve Responses” section of the final *Federal Register* (78 FR 77128) notice for the FR Y-15.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Respondent Burden

The total annual burden for the report is estimated to be 9,900 hours, and would decrease to 9,735 hours with the proposed revisions, as shown in the following table. The decrease is due to the elimination of existing data items, which is partially offset by the introduction of new data items. The Federal Reserve estimates that, with the proposed revisions, each respondent would take 295 hours annually to complete the FR Y-15. These reporting requirements represent less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Number of respondents¹⁷</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<i>Current</i>	33	1	300	9,900
<i>Proposed</i>	33	1	295	9,735
			<i>Change</i>	-165

The current annual cost to the public for this report is estimated to be \$494,010, and would decrease to \$485,777, with the proposed changes.¹⁸

¹⁷ Of the 33 respondents required to comply with this information collection, none are small entities as defined by the Small Business Administration (i.e., entities with less than \$500 million in total assets).

¹⁸ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support at \$18, 45% Financial Managers at \$59, 15% Lawyers at \$63, and 10% Chief Executives at \$85). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2012, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing this report is \$28,820.