

**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, with 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 organization identified as a global systemically important bank (G-SIB) based on their most recent method 1 score calculation<sup>1</sup> that does not otherwise meet the consolidated assets threshold for BHCs. 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).<sup>2</sup>

The Federal Reserve proposes to revise the FR Y-15 by (1) adding eight new line items concerning the calculation of total exposures and intra-financial system liabilities in accordance with international standards; (2) adding four new line items in order to capture additional dimensions of a firm's systemic footprint; (3) deleting five line items that are no longer needed; (4) revising the definitions for specific line items in accordance with international standards; (5) allowing respondents to construct their own exchange rates for converting payments data; (6) changing the total exposures metric so that it reflects average values over the previous three months; (7) introducing a new schedule to capture short-term wholesale funding; (8) including savings and loan holding companies (SLHCs) in the respondent panel; (9) moving from annual to quarterly reporting; and, (10) incorporating instructional clarifications.

The proposed changes would be effective December 31, 2015. The annual burden for the FR Y-15 report is estimated to be 9,735 hours. The proposed revisions would result in a net increase in burden of 45,801 hours.

**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 (G-SIB surcharge) that increases for G-SIBs 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*

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<sup>1</sup> See 12 CFR 217.402. For the current list of G-SIBs, see 2015 update of list of global systemically important banks (G-SIBs), 3 November 2015, available at [www.financialstabilityboard.org/2015/11/2015-update-of-list-of-global-systemically-important-banks-g-sibs/](http://www.financialstabilityboard.org/2015/11/2015-update-of-list-of-global-systemically-important-banks-g-sibs/).

<sup>2</sup> 12 U.S.C. § 5365.

(Basel III).<sup>3</sup> Under the standard, a G-SIB must hold common equity tier 1 capital sufficient to meet the capital conservation buffer, as increased by the G-SIB 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 G-SIB surcharge (the Basel capital framework), are designed to fortify the capital positions of G-SIBs so that they can absorb losses and remain going concerns even under stressed financial conditions.

In August 2015, the Federal Reserve published a final rule establishing a G-SIB surcharge on the largest, most interconnected U.S. BHCs.<sup>4</sup> The G-SIB identification methodology uses an indicator-based approach that focuses on those aspects of a G-SIB'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 is based on a banking organization's results relevant to other banking organizations that are also calculating the systemic risk measures.

The associated G-SIB surcharges, which start at 1 percent of risk-weighted assets, increase in proportion with the firm's systemic footprint. The G-SIB surcharge is to be phased in along with the capital conservation buffer (i.e., between January 2016 and December 2018), so that it is fully effective starting in January 2019.

The FR Y-15, which was implemented on December 31, 2012,<sup>5</sup> was derived from a data collection developed by the BCBS to assess the global systemic importance of banks. In addition to (1) facilitating the implementation of the G-SIB surcharge, (2) identifying institutions which may be designated as domestic systemically important institutions (D-SIBs) under a future framework, and (3) 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.

In 2013 the Federal Reserve revised the FR Y-15 by adding and removing line items, revising several definitions, updating the reporting criteria to reflect assets as of June 30 instead of December 31, and incorporating instructional clarifications.<sup>6</sup>

## **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 banks. The report consists of the following schedules, which are each discussed in detail below:

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<sup>3</sup> The Basel III framework is available at [www.bis.org/publ/bcbs189.htm](http://www.bis.org/publ/bcbs189.htm).

<sup>4</sup> See 80 FR 49082 (August 14, 2015).

<sup>5</sup> The final *Federal Register* notice was published on December 28, 2012 (77 FR 76484).

<sup>6</sup> See 78 FR 77128 (December 20, 2013).

- 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 of the indicators to determine systemic importance has been outlined by the BCBS.<sup>7</sup>

It is important to note that some of the reporting requirements overlap with data already collected in the Consolidated Financial Statements for 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 measures total exposures 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 counterparty exposure of SFTs, potential future exposure of derivative contracts, notional amount of credit derivatives sold, credit derivatives sold net of related credit protection bought, credit derivatives sold net of related credit protection bought and adjusted for maturity, 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 outstanding. Intra-financial system assets are comprised of funds deposited with or lent to unaffiliated financial institutions, certificates of deposit, 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,

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<sup>7</sup> See *Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement*, July 2013, available at [www.bis.org/publ/bcbs255.htm](http://www.bis.org/publ/bcbs255.htm).

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 net positive fair value and the potential future exposure).

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 net negative fair value and the potential future exposure).

Securities outstanding include secured debt securities, senior unsecured debt securities, subordinated debt securities, commercial paper, certificates of deposit, common equity, and preferred shares and other subordinated funding.

### **Schedule C - Substitutability Indicators**

The Substitutability Indicators Schedule includes the value of payments sent by the banking organization 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, British pounds, 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, available-for-sale (AFS) securities, trading and AFS securities that meet the definition of level 1 liquid assets, trading and AFS securities that meet the definition of level 2 liquid assets after haircuts, and assets valued for accounting purposes using Level 3 measurement inputs.<sup>8</sup>

### **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.

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<sup>8</sup> For definitions of level 1 and level 2 liquid assets, see *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* (Jan. 2013), available at [www.bis.org/publ/bcb238.pdf](http://www.bis.org/publ/bcb238.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).

## **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, held-to-maturity securities, and number of jurisdictions.

## **Proposed Revisions**

### **Schedule A - Size Indicator**

In September 2014, the Federal Reserve, together with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, revised the definition of “total leverage exposure” used to calculate a BHC’s supplementary leverage ratio.<sup>9</sup> To reflect the revised leverage ratio standard and accompanying disclosure table, the Federal Reserve proposes to collect 10 new items: gross-up for derivatives collateral (new item 1(c)), cash variation margin included as an on-balance sheet receivable (new item 1(e)), exempted central counterparty legs of client-cleared transactions included in on-balance sheet assets (new item 1(f)), effective notional amount offsets and potential future exposure (PFE) adjustments for sold credit protection (new item 1(g)), total derivative exposures (new item 1(h)), SFT indemnification and other agent-related exposures (new item 2(c)), gross value of offsetting cash payables (new item 2(d)), total SFT exposures (new item 2(e)), other on-balance sheet assets (new item 3(a)), and the credit exposure equivalent of other off-balance sheet items (new item 4(e)). To maintain consistency with the exposures definition used in the international G-SIB methodology, the Federal Reserve proposes to also collect total exposures prior to regulatory deductions (new item 5).

The Federal Reserve proposes to remove nine line items that are not used in the calculation. Four of these are provided by respondents [cash collateral netted against the derivative exposures in item 1(c)(1) (item 1(c)(2)); credit derivatives sold net of related credit protection bought, adjusted for maturity (item 2(b)(3)); unconditionally cancellable credit card commitments (item 2(c)(1)); and other unconditionally cancellable commitments (item 2(c)(2))], two are automatically retrieved from the FR Y-9C [total assets (item 1(a)) and net value of SFTs (item 1(b)(1))], and three are automatically calculated on behalf of the respondent [total on-balance sheet items (item 1(d)), total off-balance sheet items (item 2(g)), and total exposures (item 4)].

The Federal Reserve proposes to adjust the position and names of the remaining items to conform to the revised presentation of the data. This includes moving three of the remaining items which are not required for the exposures calculation to a new memoranda section.

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<sup>9</sup> See 79 FR 57725 (September 26, 2014).

Consistent with the supplementary leverage ratio adopted in September 2014, the Federal Reserve proposes to collect average values over the reporting period from advanced approaches banking organizations.<sup>10</sup> For on-balance sheet items, the Federal Reserve proposes collecting averages using daily data. For off-balance sheet items, the Federal Reserve proposes collecting averages using monthly data. This would affect the definitions for all items in Schedule A except for regulatory adjustments (item 3(b)), which would continue to be collected as a point-in-time value. The Federal Reserve proposes providing respondents not subject to the advanced approaches banking capital framework the option to continue submitting Schedule A using point-in-time data. To allow data users to easily distinguish whether the provided information represents point-in-time or average data, the Federal Reserve proposes adding a new “Yes/No” item to Schedule A (item 6) that asks whether or not the holding company has reported the subcomponents of item 5 using average values over the reporting period.

### **Schedule B - Interconnectedness Indicators**

The intra-financial system assets (IFSA) indicator captures the amount of funds deposited with and lent to other financial institutions (item 1), while intra-financial system liabilities (IFSL) only captures deposits. In accordance with the international standard that will be adopted starting with the end-2015 collection,<sup>11</sup> the Federal Reserve proposes to correct this asymmetry by adding a new item, borrowings obtained from other financial institutions (new item 8), to the IFSL total.

Under the current definitions, certificates of deposit are included in both the IFSL and securities outstanding indicators. To eliminate this double counting, the Federal Reserve proposes to remove certificates of deposit from deposits due to depository institutions (item 7(a)) and deposits due to non-depository institutions (item 7(b)). This change is also scheduled to be adopted in the international standard starting with the end-2015 collection.<sup>12</sup>

To capture a more holistic measure of securities holdings, the Federal Reserve proposes to update the definition of holdings of securities issued by other financial institutions (item 3) to include the historical cost of equity securities without readily determinable fair values (see FR Y-9C, Schedule HC-F, item 4). To mirror the instructions used in the international G-SIB methodology, the Federal Reserve also proposes to update the definitions for net positive current exposure of SFTs with unaffiliated financial institutions (item 4) and net negative current exposure of SFTs with unaffiliated financial institutions (item 10).

IFSA includes the unused portion of committed lines extended to other financial institutions (item 2). The indicator does not, however, include financial and performance standby letters of credit, which may represent an important source of intra-financial connectivity. To capture this value without affecting the IFSA calculation, the Federal Reserve proposes to

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<sup>10</sup> See 79 FR 57726 (September 26, 2014).

<sup>11</sup> See Appendix 6 of the *Instructions for the end-2014 G-SIB assessment exercise*, January 2015, available at [www.bis.org/bcbs/gsib/instr\\_end14\\_gsib.pdf](http://www.bis.org/bcbs/gsib/instr_end14_gsib.pdf).

<sup>12</sup> Ibid.

collect standby letters of credit extended to other financial institutions as a memorandum item (new item M.1).

### **Schedule C - Substitutability Indicators**

Starting with the end-2015 assessment, the international G-SIB methodology will no longer use a fixed set of exchange rates in converting the payments totals to the reporting currency.<sup>13</sup> In accordance with this change, the Federal Reserve proposes allowing FR Y-15 respondents to construct their own exchange rates using a consistent series of exchange rate quotations. This is the method already employed for payments data involving currencies that are outside the scope of the international assessment.

Furthermore, the BCBS has identified three additional currencies that may be important in measuring the overall substitutability of a firm: Mexican pesos, New Zealand dollars, and Russian rubles. The Federal Reserve proposes capturing payments made in these currencies over the last four quarters as memoranda items. For readability, the Federal Reserve also recommends moving all currencies not listed above (from item 1(m) to item M.4) and unsecured settlement/clearing lines provided (from Schedule F, item 11 to item M.5).

### **Schedule D - Complexity Indicators**

Two of the items in Schedule D rely on the definitions for level 1 and level 2 liquid assets. In finalizing the previous revisions to the FR Y-15, the Federal Reserve stated that, “after the U.S. rule implementing the LCR is finalized, the Federal Reserve will consider aligning the definitions of level 1 and level 2 assets used in the two items of the FR Y-15 with the definitions in the U.S. rule.”<sup>14</sup> Now that the rule implementing the liquidity coverage ratio (LCR) has been finalized, the Federal Reserve proposes adopting the level 1, level 2A, and level 2B liquid asset definitions used in the U.S. rule for the purpose of reporting trading and AFS securities that meet the definition of level 1 assets (item 7) and trading and AFS securities that meet the definition of level 2 assets with haircuts (item 8).<sup>15</sup> While this revision aligns level 1 and level 2 liquid assets with the definition of high-quality liquid assets in the U.S. LCR rule, this could, in turn, result in a more stringent measure of the trading and AFS securities indicator relative to the international standard.

To enhance readability, the Federal Reserve also proposes to change held-to-maturity securities to a memoranda item.

### **Schedule E - Cross-Jurisdictional Activity Indicators**

The Federal Reserve proposes no changes to this schedule.

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<sup>13</sup> Ibid.

<sup>14</sup> See 78 FR 77130 (December 20, 2013).

<sup>15</sup> See 79 FR 61440 (October, 10, 2014).

## **Schedule F - Ancillary Indicators**

The Federal Reserve proposes adopting a more logical ordering of the revenue-related items (items 3, 4, and 5). As peak equity market capitalization (item 6) is no longer being captured in the international collection, the Federal Reserve proposes removing the item from the FR Y-15. To help prevent potential misinterpretations, the Federal Reserve proposes to revise the instructions for the gross value of cash provided and gross fair value of securities provided in SFTs (renumbered item 6) and the gross value of cash received and gross fair value of securities received in SFTs (renumbered item 7). The Federal Reserve proposes to move unsecured settlement/clearing lines provided (item 11) and held-to-maturity securities (item 12) to other schedules.

## **Schedule G – Short-Term Wholesale Funding Indicator**

As explained in a recent notice of proposed rulemaking regarding implementation of a capital requirement for G-SIBs,<sup>16</sup> the financial crisis revealed dangers that can emerge as a result of a firm's reliance on short-term wholesale funding. During periods of stress, this reliance can leave firms vulnerable to runs that undermine financial stability. When short-term creditors lose confidence in a firm or believe other short-term creditors may lose confidence in that firm, those creditors have a strong incentive to withdraw funding quickly before withdrawals by other creditors drain the firm of its liquid assets. To meet its obligations, the borrowing firm may be required to rapidly sell less liquid assets, which it may be able to do only at fire sale prices that deplete the seller's capital and drive down asset prices across the market. In a post-default scenario, fire sale externalities could result if the defaulted firm's creditors seize and rapidly liquidate assets the defaulted firm has posted as collateral. Financial distress can spread among firms as a result of counterparty relationships or because of perceived similarities among firms, forcing firms to rapidly liquidate assets in a manner that places the financial system as a whole under significant strain.

Consistent with the view that short-term wholesale funding is a critical component of a firm's systemic footprint, the Federal Reserve proposes adding a new schedule (Schedule G) that captures a firm's level of short-term wholesale funding. The new schedule would be reported starting with the December 31, 2016, as-of date and would capture funding secured by level 1 liquid assets (item 1(a)), retail brokered deposits and sweeps (item 1(b)), unsecured wholesale funding obtained outside of the financial sector (item 1(c)), firm short positions involving level 2B liquid assets or non-HQLA (item 1(d)), total first tier short-term wholesale funding (item 1(e)), funding secured by level 2A liquid assets (item 2(a)), , covered asset exchanges from level 1 to level 2A liquid assets (item 2(b)), total second tier short-term wholesale funding (item 2(c)), funding secured by level 2B liquid assets (item 3(a)), other covered asset exchanges (item 3(b)), unsecured wholesale funding obtained within the financial sector (item 3(c)), total third tier short-term wholesale funding (item 3(d)), all other components of short-term wholesale funding (item 4), and total short-term wholesale funding, by maturity, after applying the associated weighting (item 5). Each of these items would be divided into four maturity buckets: funding with a remaining maturity of 30 days or less (along with funding with no maturity date), funding

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<sup>16</sup> See 79 FR 75477 (December 18, 2014).



with a remaining maturity of 31 to 90 days, funding with a remaining maturity of 91 to 180 days, and, funding with a remaining maturity of 181 to 365 days. Finally, the new schedule would also capture total short-term wholesale funding (item 6) calculated as the sum of the subcomponents in item 5, average risk-weighted assets (item 7), and the short-term wholesale funding metric (item 8).

### **Changes to the Reporting Panel**

While the original FR Y-15 proposal included SLHCs as respondents, the Federal Reserve decided to provide an exemption and “publish a separate proposal for comment ... after the regulatory capital rules for SLHCs are finalized.”<sup>17</sup> Now that these capital requirements are in place, the Federal Reserve proposes to add covered SLHCs (i.e., those which are not substantially engaged in insurance or commercial activities) to the FR Y-15 reporting panel.

### **Reporting Frequency**

To improve the Federal Reserve’s ability to monitor the systemic risk profile of domestic banking organizations throughout the year, the Federal Reserve proposes to switch from annual to quarterly reporting starting June 30, 2016. Currently, the Federal Reserve assesses the overall systemic importance of a firm using a single yearly observation. This snapshot may not adequately represent the true systemic footprint of the firm throughout the year. Moreover, should a firm’s systemic footprint change significantly during the year (e.g., due to a fundamental change in business strategy), this move would not be fully assessed until the next year-end. More frequent reporting would allow the Federal Reserve to better monitor the systemic footprint of individual firms as well as the collective systemic footprint of the largest banking organizations.

The increased frequency would simultaneously provide the market with additional data on the overall systemic footprint of an institution, allowing market participants to better project the potential future capital requirements for U.S. G-SIBs. The current international G-SIB standard involves a relative methodology, where the values of all of the firms are needed in order to calculate the scores. Thus, firms only have complete information about their surcharge once a year. This makes it difficult for firms to see the benefits of incremental improvements in their overall footprint throughout the year. By collecting the required data more frequently, firms would have additional information about their own systemic footprint vis-à-vis other respondents, and would be better positioned to predict individual assessment scores under the BCBS methodology.<sup>18</sup>

One consequence of moving to quarterly reporting is that the items which measure total activity over the reporting year would need to be reported over the previous four quarters.

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<sup>17</sup> See 77 FR 76485 (December 28, 2012).

<sup>18</sup> See *Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement*, July 2013, available at [www.bis.org/publ/bcbs255.htm](http://www.bis.org/publ/bcbs255.htm).

## **Glossary of Terms**

Many items are unique to the FR Y-15 (e.g., payments and assets under custody). As such, there are certain terms that may have a different meaning in the context of the FR Y-15 or otherwise may not be found in other regulatory reports. To help ensure uniform interpretation of the instructions, the Federal Reserve proposes to introduce a new glossary of terms that would contain definitions relevant to the completion of the FR Y-15 report.

## **Memoranda Items**

To improve the readability of the report, the Federal Reserve proposes relabeling certain items which are not included in the indicator calculations as memoranda items. This would allow related metrics to be grouped together on the same schedule.

## **Confidentiality**

To better align the timing of the disclosure of LCR-related liquidity data in the FR Y-15, the revised FR Y-15 delays the release of certain data items until related LCR disclosure requirements are in place. In particular, the revised FR Y-15 delays disclosing the more granular short-term funding data (Schedule G, items 1 through 4) until the first reporting date after the LCR disclosure standard has been implemented.<sup>19</sup> However, items 5 through 8, which represent highly aggregated data, will be publicly available starting with the December 31, 2016 reporting date.

## **Instructional Clarifications**

The Federal Reserve proposes to incorporate instructional clarifications in response to comments and questions received from banking organizations over the last two reporting periods. The Federal Reserve also proposes to integrate relevant definitional adjustments and clarifications that have been incorporated into the instructions for the international G-SIB assessment.<sup>20</sup>

## **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 the DFA. Given the threshold for enhanced prudential standards provided under DFA, the reporting requirements 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 G-SIBs that do not otherwise meet the consolidated assets threshold. Under the current proposal, the respondent panel would be widened to include SLHCs with total

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<sup>19</sup> Under this approach, should the standard be implemented in 2016, all data in Schedule G would be made available to the public starting with the December 31, 2016 as-of date.

<sup>20</sup> See *Instructions for the end-2014 G-SIB assessment exercise*, January 2015, available at [www.bis.org/bcbs/gsib/instr\\_end14\\_gsib.pdf](http://www.bis.org/bcbs/gsib/instr_end14_gsib.pdf).

consolidated assets of \$50 billion or more as of the June 30th prior to the December 31st as-of date.

Based on data as of June 2015, the FR Y-15 would be filed by approximately 33 domestic BHCs and one SLHC.

### **Time Schedule for Information Collection and Publication**

The FR Y-15 is required to be submitted as of December 31. The submission date for banking organizations is 65 calendar days after the December 31 as-of-date. Under the current proposal, banking organizations would also be required to submit data as of March 31, June 30, and September 30. The submission date for these three quarters would be 50 calendar days after the as-of date.

To allow extra time to implement and validate the revised calculations, the Federal Reserve proposes to extend the submission date to 90 calendar days after the December 31, 2015, as-of date. The submission date for subsequent year-end reports will remain 65 days from the December 31 as-of date. Recognizing the challenges inherent in updating the definitions of flow variables in the middle of the observation period, the Federal Reserve further proposes allowing known overestimates when precise totals are unavailable for Schedule C, items 4 and 5, for the December 31, 2015, as-of date. The Federal Reserve also proposes allowing reasonable estimates for the newly added memorandum items (Schedule B, item M.1, and Schedule C, items M.1, M.2, and M.3) for the December 31, 2015, as-of date.

Respondents are required to submit the report electronically using the Federal Reserve's standard electronic submission application. 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 FR Y-15 data are made available to the public on the FFIEC website ([www.ffiec.gov/nicpubweb/nicweb/nichome.aspx](http://www.ffiec.gov/nicpubweb/nicweb/nichome.aspx)).

### **Legal Status**

The Federal Reserve Board's Legal Division determined that the mandatory FR Y-15 is authorized by the Dodd-Frank Act (sections 163, 165, and 604), the International Banking Act, the Bank Holding Company Act, and the Home Owners' Loan Act (12 U.S.C. sections 1467a, 1844, 3106, and 3108).

The Federal Reserve Board's Legal Division also determined that data collected on the FR Y-15 includes public information and confidential information. In this respect, data items on the FR Y-15 that are retrieved from the public portions of the FR Y-9C, that are published only in aggregate form on the FR Y-15, and other items the release of which has not been determined to cause competitive harm are not confidential. However, items on the FR Y-15 that are

retrieved from non-public portions of the FR Y-9C for which the respondent requested and has been accorded confidential treatment are exempt from disclosure under Exemption 4 of the Freedom of Information Act (FOIA) (5 U.S.C. § 552(b)(4)) as confidential commercial information. The same would be true for any items retrieved from the FFIEC 009 for which the respondent has requested confidential treatment. To the extent confidential data collected under the FR Y-15 will be used for supervisory purposes, it may be exempt from disclosure under Exemption 8 of FOIA (5 U.S.C. § 552(b)(8)). Confidential supervisory information may be disclosed only to “proper persons” as set forth in 12 U.S.C. § 326 and consistent with the Board’s Rules Regarding the Availability of Information (12 CFR 261, subpart C). The Board’s Legal Division will review all requests for disclosure under 12 U.S.C. § 326.

### **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. The revisions included in the January 2015 version of the international collection, which form the basis for many of the recommendations made herein, were adopted after consultation with representatives from numerous national supervisory authorities, including the Federal Reserve.<sup>21</sup>

On July 9, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 39433) requesting public comment for 60 days on the proposed revisions to the FR Y-15. On August 20, 2015, the Federal Reserve published a notice in the *Federal Register* (80 FR 50623) that included changes to the proposed Schedule G of the FR Y-15 and extended the comment period for the July 9 notice. The comment period for the FR Y-15 revisions that were proposed in the two notices expired on October 19, 2015.

### **Public Comments**

The Federal Reserve received four comment letters on the proposed revisions to the FR Y-15: three letters from trade associations and one letter from a banking organization. The comments focused on the implementation of the proposed changes, the confidentiality of liquidity-related items, the move from annual to quarterly reporting, and the scope of application. Commenters requested delayed implementation of the new definitions, confidential treatment of liquidity data and quarterly reports, a phase-in of the quarterly reporting requirement, and an increased reporting threshold.

A detailed discussion of the comments received and the Federal Reserve’s responses are included below as well as in the “Detailed Discussion of Public Comments and the Federal Reserve Responses” section of the final *Federal Register* notice for the FR Y-15 revisions (80 FR 77344).

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<sup>21</sup> See *Instructions for the end-2014 G-SIB assessment exercise*, January 2015, available at [www.bis.org/bcbs/gsib/instr\\_end14\\_gsib.pdf](http://www.bis.org/bcbs/gsib/instr_end14_gsib.pdf).

## **Detailed Discussion of Public Comments:**

### **A. Implementation of the Proposed Changes**

Commenters expressed concern about the December 31, 2015, implementation date for the proposed changes. One commenter argued that respondents need six-to-nine months after a final notice is published to revise and validate their reporting systems, and that changes to items which measure total activity over the reporting period are particularly difficult to implement mid-year. Two of the commenters requested that the implementation date be delayed by six months (to June 30, 2016), with initial submissions being semiannual and on a reasonable estimates basis, while the other two commenters requested that the implementation date be delayed by a full year (to December 31, 2016). One commenter suggested that delaying the implementation date would better allow respondents to incorporate the changes into their capital planning processes.

In response to the comment that respondents need six or more months to revise and validate their reporting systems, the vast majority of the proposed changes either align definitions with other existing regulatory requirements, such as the supplementary leverage ratio (SLR) and the liquidity coverage ratio (LCR), or provide instructional clarifications that better ensure uniform reporting. The harmonization of definitions across different regulatory requirements should facilitate implementation as firms already are working with the definitions and not pose the implementation challenges associated with reporting new data items. For example, firms subject to the SLR have been publicly disclosing total leverage exposures quarterly since March 31, 2015. Thus, these firms should already have the basic systems in place for calculating the revised Schedule A, which captures the subcomponents of the total exposures value. Furthermore, all of the data captured on the proposed new Schedule G is an aggregation of information that respondents will already be collecting in connection with the LCR<sup>22</sup> or on the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128).

Delaying the implementation date of the proposed changes would cause data collected in the United States to be inconsistent with the global data used for G-SIB identification and calculation of the G-SIB surcharge.<sup>23</sup> Using the revised indicators in the U.S. implementation of the G-SIB surcharge, including, for example, the adoption of the SLR definition in Schedule A, is essential for consistent G-SIB identification. Using indicator values under the old definitions would undermine the G-SIB assessment, which relies on uniform reporting in order to measure each institution's activity on a relative basis.

Considering the number and type of changes being made, along with the need to remain consistent with the international standard, the Board is maintaining an effective date of

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<sup>22</sup> See 80 FR 71795 (November 17, 2015).

<sup>23</sup> The Basel Committee on Banking Supervision published in January a list of indicator changes that will take effect starting with the end-2015 G-SIB assessment. See Appendix 6 of *Instructions for the end-2014 G-SIB assessment exercise*, Basel Committee on Banking Supervision, January 2015, available at [www.bis.org/bcbs/gsib/instr\\_end14\\_gsib.pdf](http://www.bis.org/bcbs/gsib/instr_end14_gsib.pdf).

December 31, 2015, as proposed. However, to allow extra time to implement and validate the revised calculations, the Board is extending the submission date for the end-2015 report from 65 calendar days to 90 calendar days after the December 31, 2015, as-of date. The submission date for subsequent year-end reports is 65 days from the December 31 as-of date.

According to the proposal, the new schedule designed to capture short-term wholesale funding (Schedule G) would be reported starting with the June 30, 2016, as-of date. This date was chosen in coordination with the proposed July 1, 2015, implementation of the Complex Institution Liquidity Monitoring Report (FR 2052a; OMB No. 7100-0361), as Schedule G relies on observations made in this report over the previous four quarters. In the proposal, the Board noted that “the effective date for banking organizations to report Schedule G may be delayed pending the implementation of the requirement for such organizations to report data on the FR 2052a”.<sup>24</sup> With the liquidity reports now being implemented in December 2015,<sup>25</sup> the effective date of Schedule G needs to be adjusted accordingly. To reflect the final implementation date of the FR 2052a, the Board is extending forward the effective date of Schedule G (from June 30, 2016) to December 31, 2016.

According to the proposal, respondents with total assets of \$700 billion or more or with \$10 trillion or more in assets under custody would be required to report average values on Schedule G using daily data, with all other respondents reporting averages using monthly data. The proposal further stated that respondents with \$250 billion or more in on-balance sheet assets or \$10 billion or more in foreign exposures would begin reporting average values using daily data starting with the end-June 2017 as-of date. These dates were chosen to correspond with the proposed submission frequency of the FR 2052a, so that respondents would be reporting averages commensurate with the availability of the underlying data.

The finalized FR 2052a reporting requirement no longer includes a transition from monthly to daily data for firms with \$250 billion or more in on-balance sheet assets or \$10 billion or more in foreign exposures.<sup>26</sup> Moreover, foreign banking organizations (FBOs) identified as LISCC firms are required to provide FR 2052a data daily.<sup>27</sup> To align the reporting requirement for Schedule G with the availability of the FR 2052a data, the Board is requiring respondents that have reported the FR 2052a data daily for the twelve months up to and including the as-of date, to report average short-term wholesale funding values using daily data, rather than monthly data. All other respondents would report average values using monthly data. Importantly, this approach would ensure that the Schedule G reporting criteria matches data availability even when a firm changes their FR 2052a reporting frequency.

Several commenters requested that the first submission after the effective date be made on a reasonable-estimates basis. It would be inappropriate to allow respondents that have

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<sup>24</sup> See 80 FR 39435 (July 9, 2015).

<sup>25</sup> See 80 FR 71795 (November 17, 2015).

<sup>26</sup> Ibid.

<sup>27</sup> A list of the LISCC firms can be found at [www.federalreserve.gov/bankinfo/large-institution-supervision.htm](http://www.federalreserve.gov/bankinfo/large-institution-supervision.htm).

previously submitted data used in the G-SIB score calculations (i.e., method 1 and method 2 of the U.S. G-SIB rule)<sup>28</sup> to instead submit estimates for these items, unless such estimates are explicitly permitted in the reporting instructions. However, the Board does recognize the challenges inherent in updating the definitions of items which measure total activity over the reporting period in the middle of the observation window. As known overestimates are already permitted for the payments activity items (see instructions for Schedule C, item 1), the revised FR Y-15 instructions temporarily extend this treatment to the underwriting data. Accordingly, the Board is allowing firms to include known overestimates when precise totals are unavailable for Schedule C, items 4 and 5, for the December 31, 2015, as-of date.

The revised FR Y-15 allows the newly added memorandum items to be submitted on a reasonable-estimates basis, as they do not currently influence the G-SIB score calculation. Specifically, reasonable estimates are allowed for Schedule B, item M.1, and Schedule C, items M.1, M.2, and M.3, for the December 31, 2015, as-of date.

Under the proposal, the exposures data in Schedule A would have been calculated using average values over the reporting period. This was done to align the FR Y-15 reporting requirements with the SLR, as advanced approached institutions are already required to calculate the related exposures metric using averages.<sup>29</sup> One commenter noted that BHCs not subject to the SLR requirement would only be calculating the SLR data for the purposes of the FR Y-15.

The shift from point-in-time measures to quarterly averages would represent a notable increase in the reporting burden for these institutions. To mitigate the burden associated with the total exposures calculation, the revised FR Y-15 provides respondents not subject to the advanced approaches capital framework the option to continue submitting Schedule A using point-in-time data. To allow data users to easily distinguish whether the provided information represents point-in-time or average data, the revised FR Y-15 adds a new “Yes/No” item to Schedule A (item 6) that asks whether or not the holding company has reported the subcomponents of item 5 using average values over the reporting period.

One commenter argued that it would be difficult to calculate securities received as collateral in securities lending (item M.1) as an average of daily data, and suggested that quarter-end values may be sufficiently informative for monitoring systemic risk. To mitigate the burden associated with the memoranda items, the revised FR Y-15 requires respondents to provide Schedule A, items M.1, M.2, and M.3 as point-in-time values rather than averages.

### *IHC Reporting*

On February 18, 2014, the Board adopted a final rule implementing enhanced prudential standards for foreign banking organizations (FBOs),<sup>30</sup> which, among other things, requires an FBO with U.S. non-branch assets of greater than \$50 billion to establish a U.S. intermediate

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<sup>28</sup> See 80 FR 49082 (August 14, 2015).

<sup>29</sup> See 12 CFR 217.10.

<sup>30</sup> See 79 FR 17239 (March 27, 2014).



holding company (IHC) by July 1, 2016, to which it must transfer its entire ownership interest in all U.S. BHCs, U.S. insured depository institutions, and U.S. subsidiaries.<sup>31</sup> Currently, the Board has not proposed reporting requirements for IHCs, which, as noted in the preamble to the final rule implementing enhanced prudential standards for FBOs, would be addressed at a later date.<sup>32</sup> Nonetheless, two commenters argued that additional consideration should be given to an FBO that is required to establish an IHC, but which will not be designating an existing U.S. BHC subsidiary as its IHC. They noted that U.S. non-bank subsidiaries of FBOs not currently subject to the FR Y-15 reporting requirements will need to be integrated into the consolidated figures once the IHC is formed. The commenters requested that the implementation date for these IHCs be delayed until June 30, 2017, with initial submissions being semiannual and on a reasonable estimates basis.

At such time that the Board proposes reporting requirements for IHCs, it would invite comment through the *Federal Register* notice and comment process, and would evaluate the particular circumstances and challenges surrounding IHC formation vis-à-vis the full spectrum of Board regulatory reporting requirements.

## **B. Confidentiality**

Two commenters argued that Schedule G, which would collect data related to a firm's use of short-term wholesale funding, contains sensitive liquidity information. All of the commenters noted that certain information in the schedule is expected to be added in the future to a different regulatory reporting form, the FR 2052a, which is a confidential report. The commenters requested that Schedule G be kept confidential, arguing that the confidentiality of similar data elements should match across different regulatory reports. Alternatively, one commenter suggested using a materiality threshold to determine when the data in Schedule G would be publically disclosed. Two commenters requested that Schedule D, items 7 and 8 also be kept confidential, as these items, under their revised definitions, would likewise be sourced from the FR 2052a.

In contrast to the FR 2052a, which collects raw, daily liquidity and funding data that are reported with a two-day delay, Schedule G collects aggregate funding data that are averaged over a twelve-month period and reported with a 50-day delay for quarterly submissions and a 65-day delays for annual submissions. For these reasons, the data reported in Schedule G is fundamentally different from the related items that are reported in the FR 2052a. Disclosing the data in Schedule G therefore does not present the same confidentiality concerns as would disclosing the data in the FR 2052a, because the data in Schedule G are aggregate rather than granular data, averaged over a 12-month period rather than not averaged, and reported with a 50-day or 65-day delay rather than with a two-day delay.

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<sup>31</sup> See 12 CFR 252.153.

<sup>32</sup> Under the current FR Y-15 reporting requirements, IHCs with a U.S. bank subsidiary and \$50 billion or more in total consolidated assets would be required to file the FR Y-15 starting with the first as of date after the IHC is established.



Moreover, releasing the data reported in the FR Y-15, including the information captured in Schedule G, serves the important policy goal of providing valuable insight into the domestic systemic risk landscape. This data could be used by the U.S. financial markets to evaluate the systemic footprint of individual firms. In particular, disclosing the short-term wholesale funding data in Schedule G provides public insight into how the Board is evaluating the systemic footprint of organizations subject to section 165 of DFA, including how enhanced prudential standards are applied to these organizations in accordance with their relative systemic importance. In addition to increasing transparency, providing this type of data to the public encourages market discipline regarding incremental changes in systemic risk.

To better align the timing of the disclosure of LCR-related liquidity data in the FR Y-15, the revised FR Y-15 maintains the confidentiality of certain data items (and delays the public release of certain data items) until related LCR disclosure requirements are in place. In particular, the revised FR Y-15 delays disclosing the more granular short-term funding data (Schedule G, items 1 through 4) until the first reporting date after the LCR disclosure standard has been implemented.<sup>33</sup> However, for the reasons stated above, items 5 through 8 in Schedule G, which represent highly aggregated data, will be publicly available starting with the December 31, 2016 reporting date.

The items in Schedule D related to the LCR are essential components of the trading and available-for-sale (AFS) securities indicator that are already disclosed publicly as part of the FR Y-15. The proposed revisions to the FR Y-15 would have harmonized certain definitions in Schedule D with the definitions used in the U.S. LCR to reduce reporting burden and enhance regulatory consistency.<sup>34</sup> Such harmonization should not significantly alter the sensitivity of the information being collected. The data under the revised definitions are similar in nature to the data captured currently, and the current data are already being publically disclosed. Moreover, the submission deadlines allow for a 65-day and a 50-day reporting lag from the observation date for annual and quarterly reporting, respectively. Thus, any potential insight into the liquidity position of the respondent is generally very stale by the time the information is released to the public, and the information therefore does not appear to represent a trade secret or confidential business information at the time that it is made public. With these considerations, items 7 and 8 of Schedule D in the revised FR Y-15 will continue to be made available to the public.

### **C. Reporting Frequency**

Under the proposal, the reporting frequency of the FR Y-15 would have been modified from annual to quarterly starting with the reporting period ending March 31, 2016. Two commenters argued that the increased frequency is unnecessary because the systemic footprint of a BHC is unlikely to change significantly on a quarterly basis and that other supervisory mechanisms exist that could be leveraged to assess the systemic risk profile of BHCs. One

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<sup>33</sup> Under this approach, should the standard be implemented in 2016, all data in Schedule G would be made available to the public starting with the December 31, 2016 as-of date.

<sup>34</sup> As noted in the initial *Federal Register* notice, “[w]hile this revision aligns level 1 and level 2 liquid assets with the definition of high-quality liquid assets in the U.S. LCR rule, this could, in turn, result in a more stringent measure of the trading and AFS securities indicator relative to the international standard” (80 FR 39433, July 9, 2015). This is due to the more narrow scope of the U.S. LCR definitions.

commenter further suggested that a large merger is the most likely source of a major short-term change to the systemic risk profile of a non-G-SIB and that such changes will receive separate scrutiny regarding systemic risk. The commenters requested that the annual reporting frequency be maintained. To further alleviate reporting burden, one of the commenters suggested staggering the due dates of the various schedules so that the report is collected in stages throughout the year.

An institution's systemic profile is not necessarily static throughout the year, especially to the extent that a firm takes active steps to reduce their systemic footprint. Large year-over-year changes have been observed in the past and may continue to be observed in the future as firms react to the implementation of the G-SIB framework. Under the current reporting regime, any large changes in systemic footprint are only observed at year-end.

The supervisory mechanisms suggested by commenters such as the Comprehensive Capital Analysis and Review (CCAR), the Dodd-Frank Act Stress Tests (DFAST), and resolution planning, are not adequate substitutes for the FR Y-15 as they were not designed to capture the systemic footprint of an institution. The FR Y-15 report provides consistent and comparable measures of systemic risk that, unless otherwise noted, are unavailable from other sources.<sup>35</sup> Furthermore, the Board's review of risks to financial stability for proposed mergers and acquisitions relies, in part, on the data provided in the FR Y-15 report.

Staggering the due dates of the schedules would increase the collection frequency without increasing the number of observations made in a single year. Thus, this approach would not allow for the monitoring of changes in an institution's systemic footprint throughout the year.

Finally, the year-end values currently being reported may not be indicative of an institution's systemic footprint throughout the year. Quarterly reporting would allow for a more robust assessment of a firm's overall systemic footprint. For all these reasons, the revised FR Y-15 requires quarterly reporting, as proposed.

A number of commenters requested that non-year-end data be kept confidential. One commenter noted that other jurisdictions do not require quarterly disclosures of the G-SIB data and argued that releasing the quarterly information could put U.S. BHCs at a competitive disadvantage compared to their foreign competitors who disclose the data on a less frequent basis.

Releasing the data reported on the FR Y-15 helps promote important policy goals, such as transparency and market discipline. As previously stated, the FR Y-15 currently provides valuable information about the domestic systemic risk landscape that can be used by the market to evaluate the systemic importance of individual institutions on a national level.<sup>36</sup> An increased disclosure frequency would provide the public with the ability to better monitor how firm actions

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<sup>35</sup> Items on the FR Y-15 that are available on other reports submitted to the Federal Reserve are populated automatically (see General Instructions, Section H).

<sup>36</sup> See 78 FR 77128 (December 20, 2013).

affect the systemic footprint of an institution throughout the year. Moreover, firms would be better positioned to evaluate how changes in their systemic activities compare with those of other respondents. This comparison is important as the G-SIB determination process relies on a relative methodology.<sup>37</sup> Furthermore, there are numerous examples where U.S. disclosure requirements have extended beyond the requirements of other countries. U.S. institutions have remained very competitive in international markets despite the more comprehensive disclosure regime. Consistent with the current treatment of the annual data and considering the public purposes that would be served by additional disclosure, the revised FR Y-15 requires that the quarterly reports be made publicly available.

One commenter noted that the technical challenges associated with switching to a more frequent data collection are compounded by the number of additional reporting requirements that will be implemented in the coming year (e.g., the FR 2052a). Two commenters requested that the quarterly reporting requirement be phased in, with semi-annual reporting in 2016 and quarterly reporting beginning in 2017.

In light of the technical challenges associated with the shift to more frequent reporting, including implementing and testing quarterly reporting systems, the revised FR Y-15 delays implementation of the quarterly reporting requirement for three months, to June 30, 2016.

Two commenters requested that the submission deadline for quarterly reports be extended to 65 calendar days after the quarter-end to avoid overlap with other reports that contain source data for the FR Y-15. One commenter noted that such an extension would align the quarter-end and year-end filing requirements.

Staff supports the use of staggered submission dates, where feasible, in order to ease potential resource constraints. The proposed 50-day submission deadline was chosen after considering the due dates of other major quarterly reports, including those which contain source data for the FR Y-15.<sup>38</sup> Extending the submission date an additional 15 days would make the deadline substantially later than the deadline for other quarterly reports. To ensure the timely availability of systemic risk data, the revised FR Y-15 maintains the proposed submission deadline of 50 calendar days after the quarter-end.

There may be instances in the future where data is sourced from another report that is not yet due to be submitted at the time the FR Y-15 is due.<sup>39</sup> In these cases, the Board will allow respondents to submit the FR Y-15 with the data items from the other report left blank. Respondents will then need to resubmit the report after the source form has been filed so that the missing data is automatically populated.

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<sup>37</sup> See 80 FR 49082 (August 14, 2015).

<sup>38</sup> Certain items on the FR Y-15 are populated based on data reported on the FR Y-9C and the Country Exposure Report (FFIEC 009; OMB No. 7100-0035). The FR Y-9C must be submitted within 40 calendar days after quarter-end and the FFIEC 009 must be filed 45 days after quarter-end.

<sup>39</sup> For example, should the leverage exposures data become available on a revised version of the Risk-Based Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101; OMB No. 7100-0319), the quarterly data would not be available until 60 days after the quarter-end for institutions in parallel run.

## **D. Reporting Criteria**

The FR Y-15 is collected from BHCs with total consolidated assets of \$50 billion or more. One commenter argued that this threshold may not be appropriate as it scopes in many BHCs that do not materially engage in the activities covered in the report. The commenter further noted that these BHCs are not subject to the G-SIB capital rule, which relies on the data captured in the FR Y-15 to inform G-SIB designation. The commenter requested that the respondent panel be limited to only those institutions covered by the G-SIB rule (i.e., advanced approaches banking organizations that are not subsidiaries of FBOs) or that smaller institutions be permitted to only submit annually based on information already available in other regulatory reports.

A second commenter argued that it may not be appropriate to include regional banking organizations in the reporting panel as they have systemic scores that are significantly smaller than those of the G-SIBs. To alleviate the reporting burden on smaller institutions, the commenter suggested raising the reporting threshold to \$300 billion so that only G-SIBs are subject to the reporting requirement. A third commenter questioned the necessity of collecting Schedule G data from BHC subsidiaries of FBOs, as these institutions are not subject to the U.S. G-SIB rule.

While the data on the FR Y-15 is indeed used to inform G-SIB designation,<sup>40</sup> the information being captured has a broader purpose. The report was primarily designed to monitor, on an ongoing basis, the systemic risk profile of institutions subject to enhanced prudential standards under section 165 of DFA.<sup>41</sup> This monitoring includes BHC subsidiaries of FBOs, which can have substantial systemic footprints within the United States. The information is also used to analyze the systemic risk implications of proposed mergers and acquisitions, and to identify depository institutions that present potential systemic risks.

To maintain an informed view of the macroprudential risks associated with banking organizations, it is important to look beyond the footprints of the eight U.S. G-SIBs. This principal applies, for example, in the G-SIB designation process, where all U.S. top-tier bank holding companies that are advanced approaches institutions must calculate a measure of systemic importance.<sup>42</sup> To identify institutions that may pose systemic risks at the domestic level, it is essential to look at an even wider group.

Institutions not subject to the G-SIB capital rule can have material systemic footprints. While systemic risk can arise due to the solitary actions of a very large firm, it may also arise due to the interactions between firms. Through their interconnectedness, complexity, and facilitation of critical banking activities, institutions which have not been designated as G-SIBs may still play a systemically-important role in the U.S. banking system.

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<sup>40</sup> See 80 FR 49082 (August 14, 2015).

<sup>41</sup> See 78 FR 77128 (December 20, 2013).

<sup>42</sup> 80 FR 49082 (August 14, 2015).

Moreover, reducing the reporting scope to only those institutions subject to the G-SIB rule would dramatically limit the number of respondents. Adopting a more restricted reporting requirement could incentivize non-respondents to pursue additional systemic activities, especially those which would not affect their reporting status. Any increases in systemic footprint that result may then go unobserved.

For the reasons outlined above, the revised FR Y-15 applies to all bank holding companies with total consolidated assets of \$50 billion or more, which is consistent with the asset threshold in section 165 of DFA. Moreover, as short-term wholesale funding is a critical component of the systemic risk profile that the FR Y-15 was designed to assess, Schedule G applies to all respondents, including subsidiaries of FBOs.

## **E. Specific Data Items**

### *General Instructions*

The FR Y-15 instructions direct respondents to provide a brief explanation of any unusual changes from the previous report. One commenter noted that unusual changes is not explicitly defined. The commenter also suggested that it would reduce administrative burden if explanations were submitted electronically.

The revised FR Y-15 instructions state that unusual changes are differences that are not attributable to general organic growth and/or standard fluctuations in the business cycle. The FR Y-15 is not the only report with the unusual changes provision (e.g., the FR Y-9C also contains this concept).

One commenter requested that mapping information be made available for data elements derived from other sources, such as a mapping between Schedule A and the SLR disclosures, and a mapping between Schedule G and the FR 2052a.

Mapping information for data items automatically retrieved from other reports is already provided in Section H of the General Instructions of the FR Y-15. Should additional items become available in other regulatory reports, the instructions would be updated such that these items are automatically retrieved and no additional reporting is required. To ease reporting burden and ensure data comparability, the revised FR Y-15 includes additional information in the reporting instructions regarding the connection between the items in Schedule A and the SLR disclosure tables. The Board will provide information regarding the connection between Schedule G and the FR 2052a prior to the Schedule G effective date.

### *Schedule A*

Two commenters noted that the SLR rule permits the netting of certain on-balance sheet securities financing transactions (SFTs), but that SFT items in the FR Y-15 require gross reporting. They requested that SFTs be reported on a net basis throughout the report where the underlying transaction meets the netting criteria specified in the SLR.

Schedule A, item 2(a) is intended to mirror the requirements under the SLR and the revised reporting instructions clarify this point. However, Schedule F, item 6 and 7 are not intended to mirror the requirements under the SLR. Therefore, the revised FR Y-15 maintains the current reporting definitions for the SFT items in Schedule F, as they mirror the international standard and thus promote comparability.

Under the proposal, regulatory adjustments (Schedule A, item 3(b)) would be reported as a quarterly average of daily data. One commenter argued that this treatment diverges from the method used for the purposes of the SLR and that the calculation would be challenging to implement. The commenter requested that respondents be permitted to report regulatory adjustments as point-in-time data. In response, the revised FR Y-15 collects regulatory adjustments using point-in-time data, consistent with the requirement in the SLR.

#### *Schedule B*

One commenter noted that the instructions for Schedule B, item 3(f) appear to exclude the short legs of derivatives used to hedge the equity securities reported in Schedule B, item 3(e). The commenter requested that the instructions be amended to explicitly include these derivatives, as doing so would be consistent with the international standard. In response, the instructions to the FR Y-15 have been revised to include these derivatives.

Two commenters noted that the proposed revisions appear to expand the scope of items capturing over-the-counter (OTC) derivatives to also include exchange-traded derivatives. The commenters expressed concern that the derivative items under an expanded scope would be inconsistent with the international standard.

The revisions in question were not intended to alter the scope of the OTC derivatives items. In response, the revised FR Y-15 reverts to the original line names for the OTC derivative items throughout the report to make it clear that exchange-traded derivatives should not be reported.

One commenter argued that including in Schedule B special purpose entities (SPEs) that are a part of a consolidated financial institution would be very difficult to operationalize, as the consolidation status of such entities is not generally public information. Considering this operational challenges, the revised FR Y-15 removes this requirement. The Board may revisit reporting requirements for SPEs in the future.

#### *Schedule D*

One commenter noted that Level 3 trading assets are being counted both in the trading and AFS securities indicator and in the Level 3 assets indicator. The commenter expressed concern that this results in counting the same assets twice within a single indicator.

The trading and AFS securities indicator is a separate and distinct indicator from the one capturing Level 3 assets. Thus, Level 3 trading assets are not being double counted within the

same indicator. Accordingly, the revised FR Y-15 maintains the current treatment of Level 3 assets in the trading and AFS securities indicator.

### *Technical Clarifications*

Commenters asked for a number of technical clarifications regarding specific data items on the FR Y-15 form. The revised FR Y-15 instructions address these questions and others that have been received.

### **Estimate of Respondent Burden**

As shown in the following table, the current annual burden for the report is estimated to be 9,735 hours and would increase to 55,536 hours with the proposed revisions. This change is due primarily to the increased reporting frequency. The revised estimate is also influenced by an increased average response time (attributable to the new data items) and an increase in the size of the respondent panel by one respondent. The Federal Reserve estimates that, with the proposed revisions, each respondent would require 401 hours to complete the FR Y-15. The total annual burden for the FR Y-15 represents less than one percent of the total Federal Reserve System paperwork burden.

<b>FR Y-15</b>	<i>Number of respondents<sup>43</sup></i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<b>Current</b>				
BHCs	33	1	295	9,735
<b>Proposed</b>				
<u>Implementation Burden:</u>				
SLHCs	1	1	1,000	1,000
<u>Ongoing Burden:</u>				
BHCs and SLHCs	34	4	401	54,536
<i>Change</i>				45,801

The current annual cost to the public for this report is estimated to be \$503,786 and would increase to \$2,873,988 with the proposed changes.<sup>44</sup>

<sup>43</sup> Of the 34 respondents required to comply with this information collection, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than \$550 million in total assets).

<sup>44</sup> Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$17, 45% Financial Managers at \$63, 15% Lawyers at \$64, and 10% Chief Executives at \$87). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2014*, published March 25, 2015, [www.bls.gov/news.release/ocwage.nr0.htm](http://www.bls.gov/news.release/ocwage.nr0.htm). Occupations are defined using the BLS Occupational Classification System, [www.bls.gov/soc/](http://www.bls.gov/soc/).

**Sensitive Questions**

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

**Estimate of Cost to the Federal Reserve System**

The estimated cost to the Federal Reserve System for collecting and processing this report are \$7,500 for one-time costs and \$130,200 for ongoing costs.