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August 8, 2017

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Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Proposed Amendments to the Scope of Supervisory Stress Testing for
Intermediate Holding Companies of Foreign Banking Organizations
Introduced through Revisions to the Forms FR Y-14A/Q/M
(FR Y-14A/Q/M; OMB Control No. 7100-0341)

Ladies and Gentlemen:

The Institute of International Bankers (“IIB”) appreciates the opportunity to provide comments on the recent information collection proposal (the “Proposal”) by the Board of Governors of the Federal Reserve System (the “Board”) to revise the mandatory capital assessment and stress testing information collection applicable to U.S.-headquartered bank holding companies (“BHCs”) with \$50 billion or more in total consolidated assets and the U.S. intermediate holding companies (“IHCs”) of foreign banking organizations (“FBOs”).¹ Specifically, our comments address the impact of the proposed changes to the threshold for application of the global market shock (“GMS”) component of the Board’s stress tests (the “GMS Threshold”). The proposed revisions to the GMS Threshold will have no impact on any BHC² but will require certain IHCs (the “Covered IHCs”), for the first time and with only limited formal notice, to begin almost immediately filing trading book stress information and to incorporate the GMS into their capital planning and stress testing for the 2018 cycle.

I. Introduction and Summary

The IIB and its members generally support the goals and process of capital stress testing. We have welcomed the Board’s recent initiatives in tailoring capital planning and stress testing standards and reducing the compliance burden associated with the Board’s Comprehensive Capital Analysis and Review (“CCAR”) for “large and noncomplex” firms.³

¹ 82 Fed. Reg. 26,793 (June 9, 2017).

² See id. at 26,795.

³ 82 Fed. Reg. 9308 (Feb. 3, 2017).

These initiatives enhance the effectiveness of the Board's capital planning and stress testing regulatory requirements by giving appropriate effect to differences in scale, complexity and risk among BHCs and IHCs. We have also been encouraged by Chair Yellen's and Governor Powell's recent statements that the Board is "committed to increasing the transparency of the stress testing and CCAR processes."⁴ We support this approach, which likewise will strengthen the effectiveness of the CCAR regime.

The Proposal, however, raises several concerns when considered from the perspectives of transparency and tailoring. The importance of these concerns is underscored by the impact the GMS is expected to have on Covered IHCs' effective regulatory capital requirements. Effecting such a consequential action by means of an information collection proposing modifications to a reporting form appears inconsistent with enhancing transparency. It is essential that any revisions to the CCAR/DFAST process are clearly communicated to both the Covered IHCs and to the market in a manner and through a process that ensures that the rationale for the revisions are robustly supported and the capital implications are fully understood well before implementation.

With respect to tailoring, we believe the Proposal does not address, and indeed understates, the important differences between Covered IHCs and the six BHCs currently required to incorporate the GMS component in their CCAR stress tests ("Covered BHCs") in terms of the size, risk profile and systemic importance of their trading activities. Exacerbating these concerns regarding transparency and tailoring, the compressed timeframe – key parts of the proposed new reporting requirements are scheduled to become effective less than two months after the end of the comment period – presents challenges for Covered IHCs given the extensive data collection and systems changes required to comply with the enhanced requirements presented by the GMS.

Based on the considerations discussed in Part II below, we respectfully request that the Board not adopt the proposed changes to the GMS Threshold. We believe it would be appropriate instead to undertake further review of how to calibrate the GMS Threshold in order to enhance the effectiveness of the GMS in determining the capital required to support trading activities of only those institutions that present systemic risk to the U.S. financial system. Additional analysis and support, through a more thorough notice-and-comment procedure on a proposed rulemaking, should be undertaken.

Should the Board nevertheless determine to proceed with the proposed changes to the GMS Threshold, we respectfully recommend that, as discussed in Part III below, the Board phase-in application of the GMS component to Covered IHCs to provide Covered IHCs with sufficient time to plan for the expected increase in capital and to undertake and continue the expansion of internal systems and processes that would be required to ensure compliance with

⁴ Quoting Governor Jerome H. Powell, Testimony on the Relationship between Regulation and Economic Growth, Senate Committee on Banking, Housing and Urban Affairs (June 22, 2017) ("Powell Testimony"). In her letter, dated June 16, 2017, to Hon. Blaine Luetkemeyer, Chairman, House Subcommittee on Financial Institutions and Consumer Credit, Chair Yellen stated that "the Federal Reserve strives for transparency and is committed to finding ways to safely enhance transparency and encourage feedback on [the Board's] modeling approaches."

not only the expanded GMS reporting requirements, but also the resultant increased qualitative capital planning requirements.

II. The Proposed changes to the GMS Threshold should not be adopted, and further consideration should be given to the calibration of the GMS Threshold

A. Transparency Concerns: Increasing the effective regulatory capital requirements for Covered IHCs by means of an information collection process

A central recommendation of the recent U.S. Treasury Report on Financial Regulatory Reform was a specific call for the Board to increase transparency in the CCAR process,⁵ and, as noted above, the Board has affirmed its commitment to this goal. We respectfully submit, however, that the Proposal falls short on this measure. The Proposal has significant implications for Covered IHCs' effective regulatory capital requirements, and it presents substantial operational compliance challenges. An information collection release concerning changes to a reporting form is an imperfect means to highlight the substantive impact of the Proposal and foster the deliberate and considered analysis of the Proposal's requirements and implications, especially where key aspects of the Proposal are intended to become effective less than two months after the end of the comment period.

Application of the GMS will, by definition, add to stress losses experienced by those firms subject to its requirements and, therefore, add to the ex ante capital necessary for the firms to maintain adequate capital throughout the 9-quarter stress horizon. The revision to the GMS Threshold thus involves substantially more than revisions to reporting requirements in support of capital planning and stress testing. More fundamentally, it raises the very real prospect of a de facto increase in the absolute capital levels an IHC must maintain in order to obtain Board approval to engage in planned capital distributions and present itself to the market as a stable institution.

Accordingly, it is important that any revision of the GMS Threshold be supported by a strong rationale and adopted only after a sufficient opportunity for careful scrutiny of its requirements and informed assessment of its impact. This consideration is of special concern to the IIB and its members because, as discussed in the Proposal, the revisions to the GMS Threshold currently will affect only Covered IHCs.

The Proposal provides limited discussion of the rationale for modifying the GMS Threshold—a discussion that is much less robust and much more limited than would otherwise be expected of a proposal that has significant implications for the levels of capital maintained by, and the investment in and quality of operations required of, Covered IHCs. The Proposal explains that applying the GMS to certain IHCs (i) “would help the Board more accurately identify the firms’ risks and capital needs”, and (ii) “would result in a more comparable treatment to large domestic bank holding companies with similar exposures and business

⁵ U.S. Department of the Treasury, A Financial System that Creates Economic Opportunities: Banks and Credit Unions, Report to President Donald J. Trump (June 2017) (the “U.S. Treasury Report”).

models.”⁶ First, application of the GMS would likely provide the Board with additional information about any CCAR firm to which it is applied, but that does not appear to serve as a sufficient rationale for the revised criteria for the GMS Threshold. Also, the revised GMS Threshold would be “more closely tailored to the market risk of firms,”⁷ in the sense that it eliminates the current \$500 billion total asset criterion, which definitively limits the GMS to the Covered BHCs, but it is unclear how the revised criteria, including the \$50 billion trading activity threshold would “better capture the market risk of the largest firms that are subject to CCAR,”⁸ especially inasmuch as those criteria as a practical matter extend the GMS only to the Covered IHCs.

The Proposal is intended to “capture cases where market risk is a key risk for a firm on a relative basis,”⁹ and thereby achieve greater comparability among firms with similar trading risk profiles. In our view, however, and as discussed in greater detail in Part II.B below, there are very meaningful differences between the trading exposures and trading risk profiles of the Covered IHCs as compared to the Covered BHCs. The Proposal appears to assume a degree of similarity between the two without taking into account these considerations.

There also is uncertainty whether the counterparty default shock (“CDS”) component also is intended to apply to Covered IHCs. Currently, the six Covered BHCs as well as the other two U.S. global systemically important banks are required to incorporate a counterparty default scenario component into their supervisory adverse and severely adverse stress scenarios – in a manner that is separate from and in addition to the GMS component.¹⁰ The 2017 CCAR Instructions indicate that the CDS component is applied to firms with “substantial trading or processing and custodian operations,”¹¹ which, under the logic expressed in the Proposal, could be read to imply that the Board intends also to apply the CDS component to Covered IHCs together with the GMS. We note further that the Proposal would require Covered IHCs to submit both the trading and counterparty schedules to the FR Y-14Q. Nevertheless, the Proposal discusses only the application of the GMS to Covered IHCs and does not refer to the CDS. Accordingly, we do not believe that the CDS is applicable to the Covered IHCs under the Proposal, and we do not believe it should apply at this time, but it would be helpful if the Board would clarify its intentions with respect to the CDS.

⁶ 82 Fed. Reg. at 26796.

⁷ Id.

⁸ Id.

⁹ Id.

¹⁰ Comprehensive Capital Analysis and Review 2017, Summary Instructions for LISCC and Large and Complex Firms (Fed. 2017) (the “2017 CCAR Instructions”), p. 7.

¹¹ Id.

B. Tailoring Concerns: The Proposal understates important differences between Covered IHCs and Covered BHCs in terms of the size, risk profile and systemic importance of their trading activities¹²

With the enhanced prudential standards framework under Section 165 of the Dodd-Frank substantially in place, there is a growing recognition of the importance of reassessing and undertaking a more “tailored” approach to implementation of these requirements, as acknowledged in the U.S. Treasury Report and recent statements by the Board.¹³ In particular, the U.S. Treasury Report highlights that “FBOs’ U.S. regulatory requirements should be proportional to the risks presented by such firms to the U.S. financial system”.¹⁴

The IIB and its members strongly support efforts to refine the calibration of enhanced prudential standards, including with respect to CCAR/DFAST requirements. The GMS is designed to apply to companies with “significant trading activities,”¹⁵ and the Proposal seeks to enhance the GMS by applying more discriminating criteria for determining its applicability. However, as discussed below, the Proposal understates important differences between Covered IHCs and Covered BHCs in terms of the size, risk profile and systemic importance of their trading assets and trading liabilities (collectively, “trading activities”). The order of magnitude of these differences raises significant questions regarding a key rationale of the Proposal – achieving more comparable treatment of companies with similar trading exposures and business models.

Size of Trading Activities. The combined trading activities of all the Covered IHCs are less than those of any single one of the Covered BHCs (other than Wells Fargo, which has significantly less trading activity than any of the other Covered BHCs but whose trading activities nevertheless are substantially greater than those of any individual Covered IHC). In addition, the combined total consolidated assets of the aggregated Covered IHCs are almost one-tenth the size of the combined total consolidated assets of the aggregated Covered BHCs, and less than all but two of any single one of the Covered BHCs. Chart A in the Appendix provides more detailed information illustrating the magnitude of the differences between the Covered IHCs and Covered BHCs in terms of the size of their trading activities and total assets.

¹² The discussion of the size and risk profile of Covered IHCs’ and Covered BHCs’ trading activities is based on the information provided in each firm’s Form FR Y-9C and Form FR Y-15 reports for the third and fourth quarters of 2016 and the first quarter of 2017, as publicly available through the National Information Center web site.

¹³ See U.S. Treasury Report at 48; Powell Testimony (“we should continue to tailor our requirements to the size, risk, and complexity of the firms subject to those requirements”). See also Statement of Steven T. Mnuchin, U.S. Treasury Secretary, before the Committee on Financial Services, United States House of Representatives (July 27, 2017) and responses to questions during that testimony.

¹⁴ U.S. Treasury Report at 70-71.

¹⁵ See Board’s Policy Statement on the Scenario Design Framework for Stress Testing, 12 C.F.R. part 252, Appendix A, Section 3.2 (market shock component) (emphasis added).

Risk Profile of Trading Activities. Important differences are apparent in the relative riskiness of the trading asset portfolios of Covered IHCs as compared to the Covered BHCs. For example, as illustrated in Chart B in the Appendix, on average U.S. Treasury and other U.S. government-guaranteed securities account for a significantly larger portion of the Covered IHC's trading assets than the Covered BHCs' trading assets. Therefore, not only is the size of each Covered IHC's trading activities considerably lower than those of the Covered BHCs, but the trading asset mix is skewed toward much safer assets.

Systemic Importance of Trading Activities. Likewise, important differences of magnitude exist with respect to the systemic risk profiles of the trading activities of the Covered IHCs, as compared to the Covered BHCs, as is evident, for example, from the Banking Organization Systemic Risk Reports (FR Y-15). The "total trading and AFS securities" segment of the FR Y-15's Complexity Indicators provides an instructive proxy for assessing trading activity risks of the Covered IHCs in comparison to the Covered BHCs. As illustrated in Chart C in the Appendix, when looking at the Board's own form for determining systemic risk of U.S. activities, the Covered IHCs' trading activities do not appear to present comparable risk to those of the Covered BHCs.

The discrepancies in size, risk profile and systemic importance of trading activities between the Covered IHCs and Covered BHCs should be addressed in a reconsideration, under a notice-and-comment substantive rulemaking, of the calibration of the GMS Threshold.

- C. *The Proposal's timeframe for adoption of the GMS is too truncated and does not provide adequate time for Covered IHCs to incorporate the impact of the GMS into their capital planning and develop the necessary internal systems and processes required to support the reporting that underlies the GMS*

The Proposal was released on June 9 and the comment period closes August 8, 2017. The Proposal would require Covered IHCs to fully incorporate the GMS into their 2018 CCAR and capital plan submissions and also begin producing, as of September 30, 2017 and for the first time, the trading and counterparty schedules to the FR Y-14Q. All Covered IHCs for the first time would be held accountable under the GMS in 2018, and, for most of the Covered IHCs, these new requirements would be put into effect at a time when the 2018 CCAR will be the first time their overall CCAR results are publicly disclosed.

The Proposal's compressed timeframe for implementation of the GMS exacerbates the transparency and tailoring concerns we have highlighted above, and therefore lends support to the need for a reconsideration of the calibration of the GMS Threshold. The timeframe significantly underestimates the challenges to Covered IHCs presented by having to take into account the impact of the GMS on their effective regulatory capital requirements and adjust their internal systems to collect the substantial additional data required and to produce and validate that information. To the extent the Proposal is informed by the view that Covered IHCs were aware, or should have been aware, of the intention to apply GMS to them in connection with the 2018 CCAR – and we strongly question whether this understanding was universally or equally held by the Covered IHCs – it too readily assumes that any preparatory measures a

Covered IHC may have taken in anticipation of such action would readily enable it to meet these requirements in the expedited timeframe proposed.

Covered IHCs need additional time to understand feedback provided by the Board – both on the 2017 non-public CCAR exercise and, as recognized in the Proposal, on the newly-required trading and counterparty schedules to the FR Y-14Q reports. Additional time would also be necessary to enable Covered IHCs to obtain input from Board staff on the incorporation of the GMS component generally into stress testing.

It is reasonable for Covered IHCs to have engaged in 2017-18 capital planning under the expectation that the current GMS Threshold of \$500 billion total assets would continue to apply. Accordingly, the GMS components have not been incorporated into Covered IHCs' capital planning or planned capital injections from their FBO parents. As a result, adoption of the Proposal would require recalibration of both U.S. and global capital plans within a short period of time, which requires additional coordination between the Covered IHCs and their FBO parents. Since incorporation of the GMS can reasonably be expected to increase effective capital requirements, Covered IHCs will need additional time to build capital through U.S. earnings or through revised global capital planning to ensure they would maintain adequate capital throughout the 9-quarter stress horizon.

The experience to date with implementation of IHC capital requirements suggests that the Proposal would incentivize FBOs to reduce their U.S. assets in order to meet the higher capital standards driven by the GMS. Accordingly, there is an important risk that adoption of the Proposal would restrict Covered IHCs from redeploying valuable resources where they are most needed, including by making additional credit available to customers and providing liquidity and services in the U.S. financial markets. Such an outcome would serve no beneficial purpose, and, contrary to one of the key goals of the U.S. Treasury Report, would discourage foreign investment in the U.S. banking system.¹⁶

III. If the Board determines not to adopt our request to recalibrate, tailor and make more transparent the GMS Threshold calculation, and to apply the GMS component to Covered IHCs, it should provide a more gradual phase-in of the GMS component and a transition period for any IHC that crosses the GMS Threshold after its modification

A. The Board should provide a more gradual phase-in of the GMS component for Covered IHCs

Rather than rushing to integrate what, in effect, is a capital multiplier into what will be the first public CCAR exercise for most of the Covered IHCs, the Board should provide Covered IHCs a runway into any heightened capital requirements under CCAR. A transition period is appropriate to allow the Covered IHCs to incorporate the impact of the GMS on their capital planning and develop appropriate infrastructure, and receive important feedback, for compliance and reporting.

¹⁶ See U.S. Treasury Report at 17.

The Board has recognized that building a robust CCAR program is an iterative process. As an extension of this principle, the Board indicated that, with respect to newly created IHCs' first capital planning and CCAR cycle beginning in January 2017, it "intends to conduct a more limited quantitative assessment of the [IHC's] capital plan based on the company's own stress scenario and any scenarios provided by the [Board] and a qualitative assessment of its capital planning processes and supporting practices."¹⁷ The Board also limited public disclosures for the 2017 CCAR cycle and did not disclose the results for newly-formed IHCs.¹⁸

Moreover, the Board's experience with implementing GMS argues strongly for a transition period. The Covered BHCs became subject to supervisory stress testing in 2009 with the introduction of the Supervisory Capital Assessment Program, but were not required to incorporate the GMS until the 2011 CCAR cycle, and were not subject to public disclosure of stress testing results reflecting the GMS until the 2012 CCAR cycle.¹⁹ The GMS itself has increased in complexity over time as well, and Covered BHCs have been able to evolve their systems incrementally. When the GMS was introduced, the FR Y-14Q trading schedule was 43 pages;²⁰ since that time, it has more than doubled in length to 94 pages.²¹

For these reasons, if the Board determines to implement the modified GMS Threshold, a phase-in of the Proposal's timeline and requirements is warranted.

2018 CCAR Cycle. In keeping with the logic of CCAR as a developing process (particularly for the new IHC construct), we respectfully propose that the 2018 CCAR cycle should not include the GMS component for any Covered IHC in the formal quantitative or qualitative review performed by the Board. While the appropriate information will have been submitted confidentially in March 2018 (see our proposal below), the Covered IHCs would expect to discuss the information provided and the impact of that information as a supervisory matter with Board examiners and staff. Based on that information, both the Covered IHC and the Board could produce "dry-run" information that would not be public and would be used solely to inform those confidential supervisory discussions. Covered IHCs would thus not be subject to a capital plan objection on grounds of quantitative or qualitative deficiencies related to

¹⁷ 79 Fed. Reg. 64026, 64037 (Oct. 27, 2014).

¹⁸ Id.

¹⁹ The GMS was first included in the 2011 CCAR exercise, but without publication of the results of the stress tests for any BHC. See Comprehensive Capital Analysis and Review: Objectives and Overview (Mar. 18, 2011) at 13, 18-19, available at <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20110318a1.pdf>.

The Covered BHCs did not become subject to the GMS as part of their public quantitative and qualitative review until the 2012 CCAR Cycle. See Comprehensive Capital Analysis and Review 2012: Methodology and Results for Stress Scenario Projections (Mar. 13, 2012).

²⁰ FR Y-14Q Instructions (June 2012).

²¹ FR Y-14Q Instructions (June 2017).

the GMS component in the 2018 CCAR cycle. The 2018 CCAR disclosures would still identify publicly the results of Covered IHCs, but without reflecting the GMS component. This phase-in approach would provide a vital transition period to facilitate feedback from and discussions with Board staff in order to understand supervisory expectations, appropriately tailor models and systems infrastructure, and generally progress compliance efforts at an appropriate and achievable pace.

2019 CCAR Cycle. Each Covered IHC would be subject to the GMS component in its publicly disclosed CCAR stress tests and the formal quantitative and qualitative review by the Board as part of the 2019 CCAR cycle.

2017 FR Y-14Q Submissions. The recently released Proposal would require Covered IHCs to begin almost immediate submission of the trading and counterparty schedules of the FR Y-14Q forms as of September 30, 2017, with the expectation that this data would be incorporated into the Covered IHCs' 2018 CCAR exercise. Additional time should be provided to Covered IHCs to establish the necessary infrastructure for such data collection.

Specifically, we respectfully request that Covered IHCs be permitted to submit the trading and counterparty schedules to their third quarter 2017 FR Y-14Q reports on or before December 29, 2017 (i.e., 90 days after the end of the September 30, 2017 as of date for those reports). With respect to the FR Y-14Q reports as of December 31, 2017, Covered IHCs should be permitted to submit the regular/unstressed trading and counterparty schedules in accordance with the maximum possible timeframe under the FR Y-14Q instructions – i.e., by March 15, 2018.²² These submissions would be in the format required by the form instructions. However, they would be treated as strictly confidential and used solely for supervisory purposes and would not be publicly disclosed by the Board or used for quantitative and qualitative inclusion in a Covered IHC's 2018 CCAR review.

FBOs and the Covered IHCs would benefit significantly from (a) being able to liaise with examiners and Board staff during successive iterations of GMS data submissions and (b) feedback on data and scenario development prior to being thrust into a final evaluation of the GMS in a public way. We expect that the Covered IHCs may exhibit a range of practices, and may need a range of development time, to collect and present the data in the manner required by the reporting forms. This feedback process would also be consistent with the Board's enunciated goals (as described above) of increasing transparency in the CCAR and DFAST processes.

Staggering implementation of the GMS in this way will create a lead-in period for Covered IHCs that is similar to the two-year lead-in period that the Board provided for U.S.

²² As per discussions between the Board and Form FR Y-14 filers in relation to the 2017 CCAR cycle, the LISCC IHCs respectfully request that, even though we request that the regular/unstressed schedules be submitted on March 15, the attestations in relation to the relevant FR Y-14M and Y-14Q forms and schedules be permitted to be submitted in April 2018 together with the attestations for the FR Y-14A and the stressed FR Y-14Q schedules.

BHCs newly subject to CCAR that had not been subject to the CCAR precursor²³ and the similar phase-in period provided to Covered BHCs with respect to the GMS.²⁴ Moreover, as discussed above, the GMS and its accompanying reporting schedules have become more complex as Board staff has developed and expanded the GMS over the last five CCAR cycles. The Covered BHCs have developed their internal models and data collection systems in tandem with this development and have thus had the opportunity to ease into compliance with, and full evaluation under, the current GMS requirements in a manner that is not possible for the Covered IHCs under the Proposal's suggested timing.

Furthermore, should the Board determine to apply the CDS, it should be applied only after Covered IHCs have implemented the GMS; requiring Covered IHCs to incorporate the CDS component at the same time as the GMS would further increase their effective capital requirements and would exacerbate the concerns discussed above. Accordingly, the same type of delayed approach discussed above with respect to the GMS, commencing after the GMS has been fully implemented, should apply with respect to implementation of the CDS, whether included in the Proposal or subsequent thereto.

B. The Board should provide a transition period for any BHC/IHC that crosses the GMS Threshold

The Board has consistently recognized that significant investments of time and resources would be necessary for a BHC or IHC new to the CCAR process. The same concerns apply to CCAR firms that subsequently cross any of the thresholds for application of the GMS component under the Proposal. However, the Proposal does not provide a transition period for such firms. To ensure that all such firms are allowed appropriate time to make the necessary relevant investments, operational enhancements and procedural preparations to effectively incorporate the GMS into their CCAR stress tests and regulatory reporting, we respectfully request that the Board include a transition period in the final rule for firms that become subject to the GMS similar to the phase-in for Covered IHCs proposed above.

IV. Conclusion

In the absence of a convincing rationale for its necessity, and in consideration of the concerns raised above with respect to transparency, tailoring and timing, we respectfully urge the Board not to adopt the Proposal's changes to the GMS Threshold. We believe it would be appropriate instead to undertake further review of how to calibrate the GMS Threshold in order to enhance the effectiveness of the GMS in determining the capital required to support trading activities of only those institutions that present systemic risk to the U.S. financial system. Such recalibration review should be considered under a more robust notice-and-comment rulemaking process. If, however, this expansion of the scope of the GMS component is finalized, then, consistent with the Board's stated objectives of safely enhancing transparency, encouraging

²³ The Board applied a more limited Capital Review Process to U.S. BHCs entering CCAR but that had not been previously subject to the Supervisory Capital Assessment Program, over a two-year transition period in 2012 and 2013. See 79 Fed. Reg. at 64037 and n.37.

²⁴ See footnote 19 above.

feedback on the Board's modeling approaches and tailoring the stress test process, we respectfully request that the Board delay its adoption until the 2019 CCAR cycle to provide Covered IHCs with the necessary time to adapt their capital planning, controls and systems with appropriate feedback from Board staff.

* * *

We appreciate your consideration of our comments. Please contact the undersigned (646-213-1147; smiller@iib.org) or our General Counsel, Richard Coffman (646-213-1149; rcoffman@iib.org), if we can provide any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarah A. Miller". The signature is fluid and cursive, with the first name "Sarah" being more prominent.

Sarah A. Miller
Chief Executive Officer

cc: Governor Jerome H. Powell
Michael S. Gibson
Mark E. Van Der Weide
Mary L. Aiken
Kwayne Jennings
(Board of Governors of the Federal Reserve System)

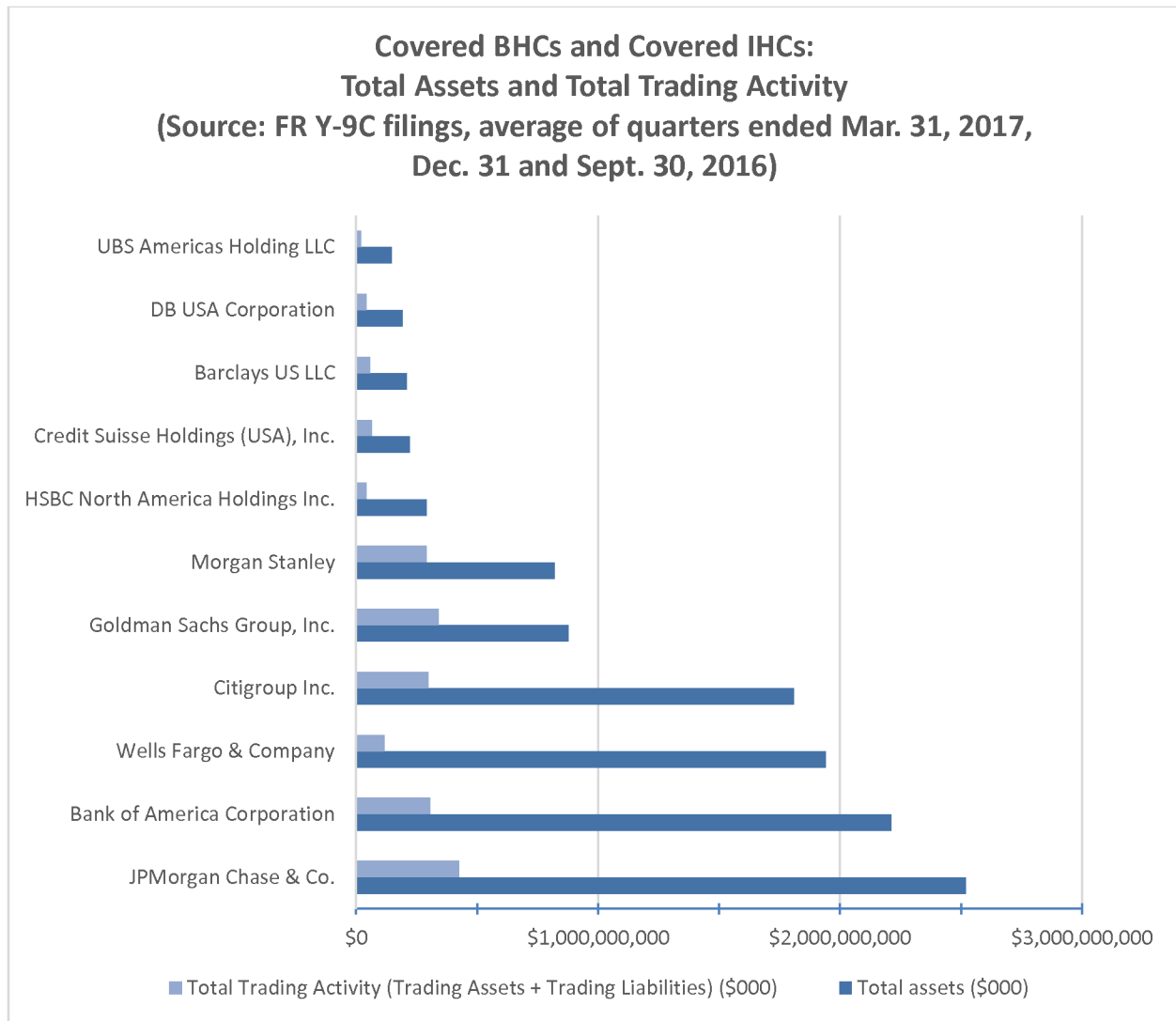
Nuha Elmaghrabi
(Office of Chief Data Officer, Board of Governors of the Federal Reserve System)

Shagufta Ahmed
(Office of Management and Budget)

APPENDIX

CHART A

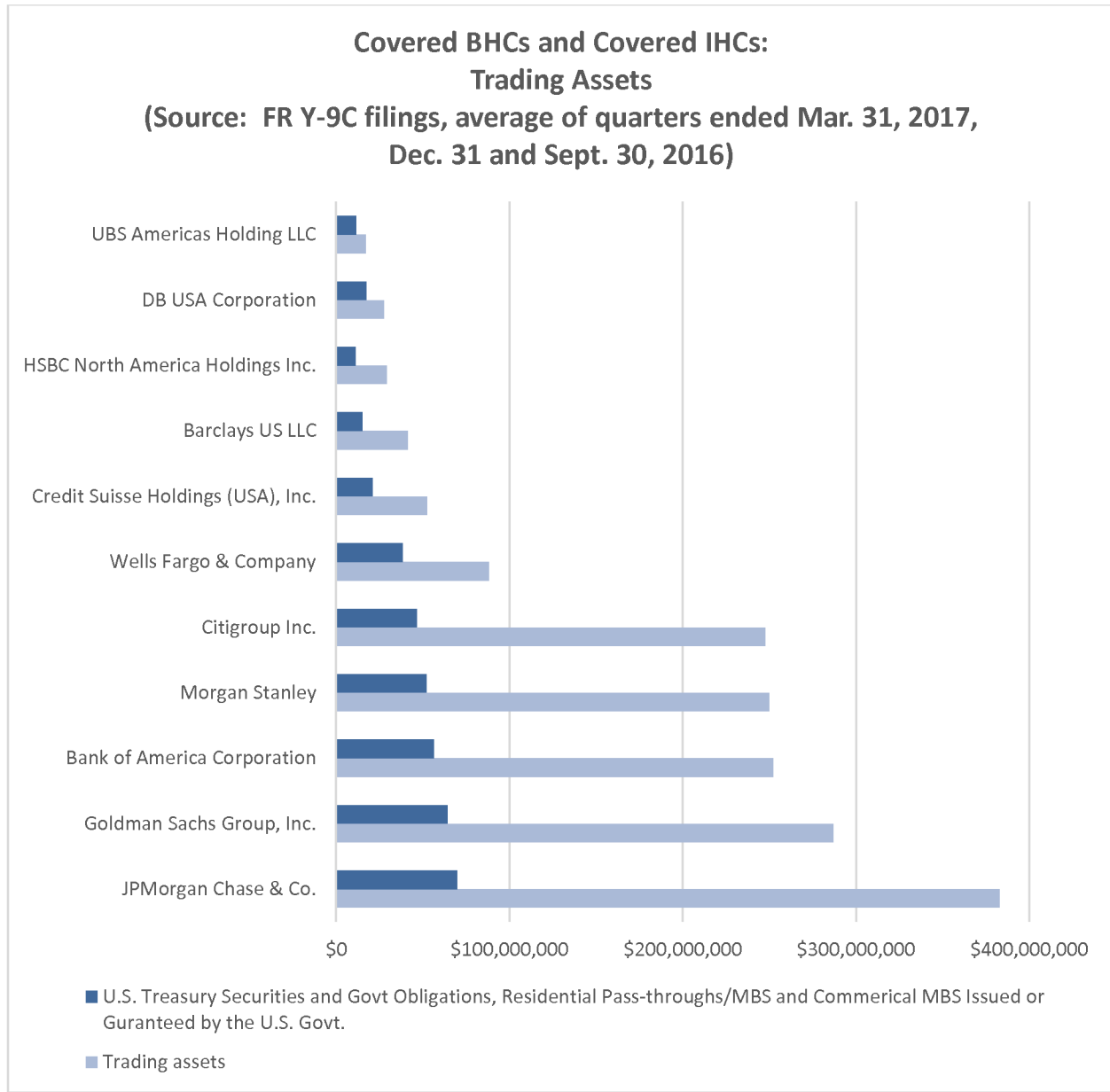
Chart A below illustrates the magnitude of differences between Covered IHCs' trading assets and liabilities and their total assets as compared to the Covered BHCs.



APPENDIX

CHART B

Chart B below illustrates the greater weighting of Covered IHCs' trading assets toward low-risk U.S. Treasury and government-guaranteed obligations as compared to the Covered BHCs.



APPENDIX

CHART C

Chart C below illustrates the significantly lower scores attributed to the Covered IHCs' "total trading and AFS securities" component of the FR Y-15's Complexity Indicators in comparison to those of the Covered BHCs.

