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Secretary  
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Washington, D.C. 20551

I appreciate the opportunity to submit comments on the proposed data collection “Report of Institution -to-Aggregate Granular Data on Assets and Liabilities on an Immediate Counterparty Basis (FR2510;OMB No. 7100-to be assigned ”.<sup>1</sup> The OMB document states that the regulators and potential reporters have already discussed the details of this information collection in 2012-2015. To the best of my knowledge this is the first time comments have been solicited from the public.

On review of the Federal Register notice, report form and instructions, OMB document and Anchoring Document in the Board of Governors’ public site, it appears to me that the purported benefits of the FR2510 are unconvincing and the expected costs to both reporters and the Fed are understated.

As shown in the Anchoring Document, most data items in theFR2510 are equivalent to data reported in the FFIEC009 and FR Y-9C reports but with additional detail. The document also shows minor overlap with data collected in the semiannual FR2436. But neither this document nor the others mention the similarities between the FR2510 and other reports: triennial FR3036 and the Treasury International Capital (TIC) B forms (BL-1, BL-2, BL-3, BQ-1, BQ-2) for claims and liabilities by country and counterparty type, and D form for derivatives activity. The Anchoring Document correctly points out that FR Y-9C line items are not classified by currency and the FR2510 will fill this information gap. However, reporters’ exposure to specific currencies is captured by the FR2436 and the weekly, monthly and quarterly Treasury Foreign Currency (TFC) reports.

The TIC and TFC reports are not “regulatory reports” but data collected for Treasury on these reports can be shared with other Federal agencies as stated in the TFC form instructions.

Will the additional detail collected in the FR2510 provide significant benefits for supervision of the large financial institutions (G-SIB-s) that will report it? The Federal Register notice and OMB document claim that it will provide “valuable systemic information to supervisors and policymakers”. How valuable this information really is, is a judgment call. The case made for it in the documents is rather weak. It would be strengthened if there were one actual event in the past financial crisis where the lack of such

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<sup>1</sup> The writer is a former employee of the Federal Reserve Bank of New York. These comments are based solely on information obtained from public sources as listed in the Appendix to the comments. While the facts are from these sources, the opinions are solely my own.

information made it more difficult for governments and central bankers to respond to the crisis. Such an incident may very well have happened and escaped this writer's attention during those years. But unless described in the document, it is only hypothetical.

The OMB document estimates one-time and recurring cost to reporters by estimating the number of hours and multiplying by hourly wage rates collected by the Department of Labor. Footnote 5 gives these rates: \$69 for financial managers, \$68 for lawyers, and \$94 for chief executives. These are national averages but grossly understated for the FR2510 reporters located in labor markets such as New York City. Hourly rates for these professions at the FR2510 institutions are at least 10 times higher.

The one-time implementation is estimated at 1,000 hours, approximately 2/3 person-year, per reporter. Federal Reserve System estimates do not include hours, only dollars. Assuming a \$100 per hour billing rate – admittedly a blind guess! – \$142,860 one-time cost translates into slightly under one person-year. Are these estimates reasonable? There is a unique feature of the FR2510 report: Table 2 of the I-A Immediate Counterparty Schedule occurs anywhere from 1 to 35 times. No existing report listed in the Reporting Central public site contains an entire schedule with variable number of occurrences. One regulatory report, FR Y-10, has this feature but it is collected in an application of its own (Y10 Online). Based on the public sites it would appear that Reporting Central does not currently support this feature and enhancements will be necessary, or else a new application developed for FR2510. Either alternative will require extensive testing by both the Federal Reserve System and the reporters. Did the estimated hours take this into account?

Maybe none of this matters. The OMB document states that “this annual burden would represent less than 1 percent of total Federal Reserve System paperwork burden.” Correct. Even if the actual costs are much higher than estimated they will be insignificant in the larger scheme of things. So let me close by commenting on the bigger picture.

The potential FR2510 reporters are known as Globally Systemically Important Banks (“G-SIB-s”). That is the current politically correct term for Too Big To Fail. In the financial crisis that began a decade ago, governments the world over showed their inability to deal with the failure of a large financial institution. The bankruptcy of Lehman Brothers, a company far smaller than the G-SIB-s, severely disrupted the markets and the world economy. After the crisis receded, policymakers were faced with a choice: kill the TBTF monster by breaking up the big banks into units small enough that the failure of any one institution is not a world-threatening event, or tame the TBTF monster by imposing more regulation so that large banks take fewer risks and therefore cannot fail since their failure is unthinkable. Politicians chose the latter alternative as embodied in the Dodd-Frank Act and its equivalent in other countries.

Given this policy choice, the additional regulation and higher capital requirements for G-SIB-s were a step in the right direction. But many commenters including former regulators have suggested that they are not enough. G-SIB-s have to hold additional capital because of their status but the amounts are small: between 1 and 3.5 percent of assets. Are these surcharges large enough to guarantee that the G-SIB-s will weather the next round of risk events which at this time are still unknown? I will defer to the experts who devote hours to studying these matters.

The current policy trend is to roll back the regulations enacted during the financial crisis. That is typical in a recovering and seemingly healthy economy; this writer has observed several decades of a regulatory

cycle that lags the business cycle. It remains to be seen how this familiar sequence plays out in the next downturn.

Large banks submit mountains of data to their regulators. The proposed new data collection adds another small mound, a minor sideshow in the work-in-progress of how to regulate TBTF institutions.

Thank you again for the opportunity to comment on the FR2510.

Sincerely,

*Daniel Martin*

Daniel Martin

Appendix  
FR2510 Public sources for these comments

Federal Register notice:

<https://www.federalregister.gov/documents/2018/08/27/2018-18430/proposed-agency-information-collection-activities-comment-request>

OMB statement:

<https://www.federalreserve.gov/reportforms/formsreview/FR%202510%20OMB%20SS.pdf>

Draft form:

<https://www.federalreserve.gov/reportforms/formsreview/FR%202510%20Report%20Form%20Draft.pdf>

Draft instructions:

<https://www.federalreserve.gov/reportforms/formsreview/FR%202510 i draft.pdf>

Anchoring document:

<https://www.federalreserve.gov/reportforms/formsreview/FR%202510 anchoring%20document draft.pdf>

General information:

Federal Reserve reporting forms

<https://www.federalreserve.gov/apps/reportforms/default.aspx>

Reporting Central

<https://frbervices.org/central-bank/reporting-central/index.html>

FR Y10 (other report with variable number of schedules)

<https://y10online.federalreserve.gov/>

Treasury International Capital (TIC) forms

<https://www.treasury.gov/resource-center/data-chart-center/tic/Pages/forms.aspx>

OFR G-SIB capital surcharges

<https://www.financialresearch.gov/gsib-scores-chart/>