American Bankers Association
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Submitted Electronically
Mr. Robert deV. Frierson,
Secretary
Board of Governors of the Board System
20th Street and Constitution Avenue N.W.
Washington, DC 20551

Re: FR Y-15, *Banking Organization Systemic Risk Report;* OMB No. 7100–0352

Dear Sir:

The American Bankers Association[1] (ABA) appreciates the opportunity to comment on the proposed changes to reporting form FR Y-15, *Banking Organization Systemic Risk Report* (Proposal or Report), which 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 (GSIB). The Federal Reserve Board (Board) uses the FR Y-15 data to monitor the systemic risk profile of the BHCs subject to enhanced prudential standards under Section 165 of the Dodd-Frank Act. The FR Y-15 is also the basis for GSIB designation under the Basel Committee on Banking Supervision's (BCBS) GSIB assessment methodology, and the GSIB surcharge.[2] The Board proposes modifications to align the Report better with the Supplemental Leverage Ratio (SLR) and the GSIB surcharge requirements, both of which were finalized since the last iteration of the Report. The Proposal would also require savings and loan holding companies (SLHCs) to complete the Report and require covered BHCs to file the Report on a quarterly basis instead of an annual basis.

We appreciate the Board's efforts to align the FR Y-15 with other U.S. reporting forms and provide clarifications on the instructions for many of the Report's line items. We remain very concerned, however, about the appropriateness of the scope of the Report and the lack of standardization the Proposal would introduce to the GSIB designation process. Additionally, we believe the proposed timing of implementation is unrealistic. We strongly urge the Board to consider requiring smaller institutions to report only those items they already collect, increase the implementation period, and look to BCBS concepts and definitions in order to align better the resulting data with those of other jurisdictions.

An overview of our concerns regarding the Proposal is provided below, many of which we, and others, have raised in previous letters on the Report. Technical comments and questions are listed in an Appendix.

[1] The American Bankers Association is the voice of the nation's $15 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard $12 trillion in deposits and extend more than $8 trillion in loans.
[2] 12 CFR Part 217

Scope of Application

ABA continues to believe that the FR Y-15's scope of application is neither appropriate nor practical.[3] As a general policy matter, ABA believes that asset and other single-indicator thresholds are too blunt a tool to be used in determining which BHCs should be covered under reporting or regulatory regimes. The perils of a purely asset-threshold-based approach are highlighted by the FR Y-15. Inasmuch as the Report is based on the Financial Stability Board's (FSB) global GSIB identification framework, it necessarily reflects the activities of global BHCs. Only a handful of BHCs covered by the FR Y-15 materially engage in the activities covered by the report or have to comply with the rules on which the FR Y-15 is based. We understand the Board's need to monitor systemic risk domestically and identify U.S. GSIBs for international purposes. However, the Board must balance its desire for data with a reporting regime that does not impose unnecessary costs on a significant portion of the reporting panel. We strongly urge the Board either to limit the FR Y-15 to those BHCs covered under the GSIB assessment methodology or to require smaller BHCs to submit only an annual report based on relevant data filed through other regulatory reporting mechanisms (e.g. the Y9C or Form 101).

Timing of Implementation

The Board proposes to add almost 50 line items to the FR Y-15, including the addition of a full schedule, Schedule G. These proposed changes are, from a systems standpoint, significant and will require more time to implement than the Proposal allows. Additionally, the implementation of changes to cash and payments flows data at any time other than the beginning of a reporting year creates significant challenges. By incorporating changes to flows data at the beginning of the reporting year rather than in a later period, a BHC would have the ability to provide consistent reporting throughout the year, eliminating the need to restate or modify prior period results. Given these issues, we strongly urge the Board to reschedule the implementation period to December 2016, at the earliest. This will give covered BHCs proper time to implement the changes, avoid unnecessary complications regarding mid-year flows data reporting, and allow the Federal Financial Institutions Examination Council (FFIEC) to complete updates to reports from which FR Y-15 data are sourced.

Typically, BHCs need at least 6-9 months after a final notice is published to re-configure their systems and perform necessary testing and validation. Under the Proposal, however, BHCs would be required to implement the changes in less than 2 months, which is simply not feasible. Moreover, as the Board is aware, a year-end implementation date would require covered BHCs to make changes in the midst of major year-end reporting (e.g. 10 Ks, Call Reports, and Y9s) and year-end system freezes. These concerns are amplified for firms recently subject to the FR 2052a and those starting daily LCR reporting, where many of the same employees and resources are being devoted to those high priority efforts.

Schedule A: SLR

The Board proposes to add numerous line items to Schedule A to align the Report with the revised definition of "total leverage exposure." ABA appreciates the proposed changes and

[3] ABA Joint Comment Letter October 2012; ABA Joint Comment Letter October 2013

believes that for BHCs covered by the SLR, better alignment will ultimately make the FR Y-15 data more consistent and easier for investors and other users of the report to understand. As the Board is aware, however, the FFIEC is currently in the process of updating the Call Reports and Form 101[4] to accommodate the final SLR definitions. We also understand that the Board is considering changes to the Y9C so that it aligns with the proposed changes to the Call Report. The Y9C and Form 101 provide source data for many FR Y-15 line items. Front-running the FFIEC will add unnecessary inefficiency, complication, and regulatory burden, as covered BHCs will likely have to make several iterations of systems changes. These burdens are particularly acute for the majority of BHCs covered by the FR Y-15 but not by the SLR. As we have noted previously, these BHCs calculate the required SLR data solely for purposes of FR Y-15.

To ensure consistency and mitigate the need for multiple systems changes, we urge the Board to wait until the FFIEC has completed its process. In addition to reducing inefficiencies and burden on covered BHCs, waiting until the FFIEC has finalized definitional and other changes to its reports will also reduce confusion among report users, who otherwise would have to understand multiple, and potentially conflicting, iterations of the same line item.

Consistency of Data Inputs for GSIB Designation

To promote international consistency where appropriate, ABA strongly recommends that the Board look to the BCBS definitions contained in the GSIB assessment methodology.[5] The GSIB assessment methodology is an indicator based approach for assessing the global systemic importance of individual banking organizations, relative to other BHCs in the sample. The assessment methodology produces a score derived from a BHC's attributes in five categories: size, interconnectedness, complexity, cross jurisdictional activity, and substitutability.

The FR Y-15 report incorporates these indicators and provides the source data used by the BCBS to determine whether or not a BHC is designated as a GSIB, and thus subject to higher capital charges.[6] It is imperative, then, that the FR Y-15 be consistent with data submitted by BHCs in other jurisdictions.

The inconsistency of the definitions in the Proposal with those used in the GSIB assessment methodology will unnecessarily exaggerate the size of U.S. banks' positions and activities, relative to their international peers. For example, because of differences in the U.S. banking regulators' implementation of Basel III capital and liquidity standards in the U.S., the data as reported on the FR Y-15 will not be comparable to those of non-U.S. BHCs. Similarly, the instructions in the proposed FR Y-15 seem to expand the scope of included transactions from OTC derivatives to both OTC and exchange traded derivatives ETD, in certain instances. The inclusion of ETDs would be inconsistent with the international G-SIB rules that require only OTC derivatives to be included, creating a competitive disadvantage for the U.S. banks. (Further discussion on this issue is provided in the Appendix).

[4] Proposed Agency Information Collection Activities; Comment Request, 80 Fed. Reg. 56539 (Sep. 18, 2015).
[5] BCBS GSIB framework: Global systemically important banks: Assessment methodology and the additional loss absorbency requirement
[6] We reiterate our concern about the lack of transparency in the GSIB designation process. ABA Comment Letter, April 2015.

Frequency of Reporting

The Board proposes to increase the frequency of FR Y-15 reporting from an annual to a quarterly basis. It is unclear why the Board is making this change, given that a BHC's systemic footprint does not typically change on a quarterly basis. Moreover, ABA respectfully notes that the Board has a multitude of mechanisms outside of the FR Y-15 to monitor changes to a BHC's systemic importance. Other mechanisms that suit this purpose include comprehensive stress testing (CCAR), resolution planning, and other regulatory reports (e.g., Call Report and FR Y-9C). The reporting burden contemplated by a more frequent collection is compounded by the volume of upcoming reporting obligations for which banks are preparing, including—

- FR Y-14
- FR 2052
- FFIEC 031 and 041 reports
- FSB Data Gap Proposal
- GSIB Surcharge, Capital Conservation Buffer, and Countercyclical Capital Buffer—Phase-in begins 1Q 2016
- Revised Pillar 3 Disclosures

Further, the FR Y-15 is strongly tied to international supervisory efforts, yet no other jurisdictions are requiring their BHCs to disclose data on more than an annual basis. Accordingly, requiring U.S. BHCs to publicly disclose the FR Y-15 on a quarterly basis will create opportunities for non – U.S. BHCs to gain competitive insight into the positions and activities of U.S. BHCs.

We strongly urge the Board to maintain the annual filing requirement. Going to a quarterly filing requirement could perhaps be ameliorated to some degree by maintaining the 65 day submission date, but that would not solve the problems that could be avoided by a more workable and appropriate annual filing requirement instead. Since the FR Y-15 is sourced from other reports, sufficient time is needed after quarter end to ensure that the underlying data will be automatically available. In addition, ABA would strongly recommend the Board keep reported non-year-end quarterly data confidential, as the publication of these reports could potentially put U.S. banks at disadvantage relative to their non-US peers who file FR Y-15 equivalent reports on a less frequent basis.

Confidentiality

As currently written, it is unclear which line-items will remain confidential. ABA urges the Board to maintain the confidentiality of Schedule G, which contains sensitive information related to a covered BHCs' liquidity positions. The data to be reported in Schedule G of the FR Y-15 are sourced from the 2052A report, which is and will continue to be treated as confidential and non-public supervisory information. Confidential supervisory data should be afforded the same treatment no matter the form on which they are reported. Similarly, Schedule D, Lines 7 and 8 are sourced from FR 2052a and should be treated as confidential and non-public information.

Conclusion

ABA recognizes and supports the efforts by the Board to align various reporting forms and provide line item clarifications. We urge the Board, in finalizing the Report, to consider carefully the appropriateness of the data collection for each of the BHCs proposed to be covered by the Report, to evaluate and address the international competiveness issues surrounding the Report, and to make the operational adjustments necessary consistent with the overall systems and resource constraints the Proposal creates.

ABA appreciates the opportunity to comment on the Board's proposed changes to reporting form FR Y-15, *Banking Organization Systemic Risk Report*. If you have any questions about these comments, please contact the undersigned at (202) 663-5147 or email: atouhey@aba.com.

Sincerely,

Alison Touhey
Senior Regulatory Advisor

Appendix: Technical Issues

General Comments:

1. **Use of Averages.** Under the Proposal, BHCs would be required to calculate daily or monthly averages for certain derivative and repurchase agreement line items. While we understand the purpose of these changes, many BHCs do not currently collect these data on a daily basis. For example, the FR Y-15 would require on-balance-sheet data (e.g., fair value of derivatives) on a quarter-to-date average basis. Currently, many BHCs calculate on-balance sheet derivative data on a monthly basis when completing bilateral netting adjustments and do not have the systems in place to calculate daily balances. Additionally, off-balance sheet derivative data (e.g., potential future exposure) are currently calculated for reporting purposes on a quarterly basis. The FR Y-15, however, would require reporting these data based on the average of the three-month end balances within the quarter. We encourage the Board to extend the implementation time for these items.

2. **Central Counterparty ("CCP") Facing Legs.** The proposed Instructions require banks to include the CCP facing legs where they act as a financial intermediary for the Size, Interconnectedness and Complexity indicators (Schedules A, B and D). The term "financial intermediary" is not defined; however, we assume that it is intended to refer to cleared transaction flows in which the bank, acting as clearing member, guarantees the performance of the CCP, and would thus have a payment obligation to the clearing member client in the event of a CCP default. This would be consistent with the U.S. Agencies' supplementary leverage ratio rule, which excludes CCP-facing legs where banks do not have default risk to the CCP, given "requiring the clearing member banking organization to include an exposure to the CCP in its total leverage exposure would generally result in an overstatement of total leverage exposure," while penalizing central clearing.[7] We ask that the Proposal confirm this understanding; i.e., that the term "financial intermediary" refers to when a clearing member guarantees the performance of the CCP.

Schedule A

1. Line item 1(d) pulls from the Y-9C's Schedule HC-L, which is a point in time number. The instructions however require the use of averages.

2. Line item 1(e): Cash variation margin included as an on-balance sheet receivable. Should the sentence read "…posted **by** a counterparty" instead of "…**to a** counterparty…?"

3. Line 2(a): The FR Y-15's methodology for measuring exposures to securities financing transactions (SFTs) is inconsistent with the SLR. While the SLR permits the netting of on-balance sheet SFTs subject to certain specified criteria, Schedules A and F require the

[7] 79 Fed. Reg. 57735, available at, http://www.gpo.gov/fdsys/pkg/FR-2014-09-26/pdf/2014-22083.pdf.

reporting of SFTs on a gross basis without the benefit of on-balance sheet netting.[8] We encourage the Board to clarify that SFTs should be reported on a net basis throughout the Report, provided that the underlying transactions meet the criteria specified in the SLR.

4. Line 3(b) is a point in time number, which is inconsistent with the Schedule's use of averages.

5. Line M2: This lines appears to correlate with FR-Y 9C, Schedule L line item 6.a-securities lent. However, the FR-Y 9C instructs BHCs to report securities lent balances for customers who have been indemnified against losses. However, the added clarifications to the FR-Y 15 refer to "riskless intermediary". Is a customer indemnification a factor in the reporting of FR-Y 15? Could the Board clarify what is meant by "riskless intermediary"?

Schedule B

6. **Treatment of Cleared Derivatives**. The instructions in the proposed Y-15 for the Interconnectedness Indicator, Line Item 5 appear to expand the scope of included transactions from OTC derivatives to both OTC and Exchange Traded Derivatives ("ETDs"). This would be inconsistent with the requirements of the Complexity Indicator Line Items 1 and 2 which explicitly carve out ETDs. Exclusion of ETDs in the Complexity schedule is consistent with the regulators' objective of encouraging cleared[1] activity and we assume the same exclusion was intended to apply to the Interconnectedness schedule. The inclusion of ETDs in Interconnectedness would also be inconsistent with the international G-SIB rules[2] that require only over-the-counter derivatives to be included. This additional requirement in the U.S. rules creates a level playing field issue internationally, and penalizes clearing for the U.S. banks. Interconnectedness Line Item 5 should be conformed to the Complexity Indicator as well as international rules to exclude ETDs by (i) re-inserting the term "OTC" where relevant, and (ii) replacing the reference to 12 CFR 217.2 with references to ASC Topic 815, Derivatives and Hedging, and the FR Y-9C Glossary entry for "derivative contracts." .

7. Equity securities: The instructions tie to the HC-B, which only reports held to maturity and available for sale (AFS) assets. We request clarification regarding whether trading securities should be included as well.

Schedule D

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[8] Schedule F, Lines 6 and 7.

[1] "The greatest focus, as mandated under Titles VII and VIII of Dodd-Frank, has been on making derivatives markets safer through requiring central clearing for derivatives that can be standardized and creating margin requirements for derivatives that continue to be written and traded outside of central clearing facilities" (Governor Tarullo's remark at the Peterson Institute for International Economics on May 3, 2013)

[2] See Item 3.e in the "Instructions for the end-2014 G-SIB assessment exercise". https://www.bis.org/bcbs/gsib/instr_end14_gsib.pdf

8. We note that lines 7 and 8 are linked to the U.S. LCR and thus will not be comparable with non-US institutions. For example, under the U.S. rule, the definition of high quality liquid assets (HQLA) is much narrower than that of other jurisdictions. The U.S. definition of HQLA excludes RMBS and Municipal securities, which meet the HQLA definition of other jurisdictions. Lines 7 and 8 are netted against total trading and AFS securities, leaving U.S. GSIBs with a seemingly higher measure of "total adjusted trading and AFS securities."

Schedule F

9. The instructions direct institutions to provide a brief explanation of any "unusual changes" to the appropriate Federal Reserve Bank. The instructions do not define "unusual changes" nor the process to submit such explanation. Allowing these changes to be submitted through Reporting Central would reduce administrative burden.

Schedule G

10. The GSIB surcharge final rule defines risk weighted assets as the "four-quarter average of the measure of total risk-weighted assets associated with the lower of the bank holding company's common equity tier 1 risk-based capital ratios, as reported on the bank holding company's FR Y–9C for each quarter of the previous calendar year."[1] The proposed general instructions to Schedule G, however, would require certain BHCs to report all items on Schedule G as "the average value over the last twelve months using daily data", and all other respondents must "report the average value using monthly data." We request clarification that the average risk-weighted assets should be based on average value using quarterly data for the previous four quarters in accordance with the GSIB Surcharge final rule.

11. Line 1(b) requires reporting the value of brokered deposits and sweeps provided by retail customers or counterparties. This would introduce retail funding into a schedule for wholesale funding.

[1] 80 Fed. Reg. 49081 §217.401(c)