August 8, 2017

Via electronic mail: regs.comments@federalreserve.gov

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

Re: Proposed Agency Information Collection Activities; Comment Request (FR Y-14A/Q/M; OMB No. 7100-0341)

Dear Ms. Misback:

Barclays US LLC, on behalf of itself and its ultimate parent company, Barclays PLC and its subsidiaries (collectively, "Barclays"), appreciates the opportunity to comment on the recent proposal (the "Proposed Changes") by the Board of Governors of the Federal Reserve System (the "Board") that would apply the global market shock ("GMS") stress testing component to any domestic bank holding company ("BHC") or U.S. intermediate holding company ("IHC") established by a foreign banking organization ("FBO") that is subject to supervisory stress tests and that (i) has aggregate trading assets and liabilities of $50 billion or more, or aggregate trading assets and liabilities equal to 10 percent or more of total consolidated assets, and (ii) is not a "large and noncomplex firm" as defined in the Board's capital plan rule[1] (hereinafter, the "Scoping"), among other changes to the FR Y-14 reporting instructions.[2]

During the comment period, Barclays reviewed the Proposed Changes in coordination with the Institute of International Bankers and The Clearing House Association LLC. We generally support the recommendations included in their letters with the additional clarifications made herein.

EXECUTIVE SUMMARY

Barclays acknowledges the important role that stress testing serves in ensuring that a firm[3] maintains capital commensurate with its risks and above regulatory minimums, meets its obligations as they come due, and continues to serve as a credit intermediary through expected as well as stressful conditions. Furthermore, we believe an effective and consistent methodology for stressing the market risk exposures of a firm's trading book is a fundamental component of sound capital stress testing.

With that objective in mind, we recommend that prior to expanding the GMS component to additional firms, the Board should conduct further assessment of the application of the GMS component so that its implementation (i) would not introduce uncertainty to the public's perception of the capital adequacy of new GMS firms through a rushed implementation timeline, (ii) would apply regulatory capital requirements in proportion to the risks presented by firms to the U.S. financial system, (iii) would not result in disparate and counter-intuitive capital requirements across Board-regulated firms, and (iv) would be responsive to

[1] 12 C.F.R. 225.8(d)(9).

[2] 82 Fed. Reg. 26794 (June 9, 2017).

[3] The term "firm" is used herein to refer to a top-tier U.S. BHC or IHC that is supervised by the Board.

calls and commitments to increase the transparency of the Comprehensive Capital Analysis and Review ("CCAR") and stress testing processes.[4,5]

Furthermore, the way in which the Proposed Changes are being implemented does not provide affected firms the notice appropriate for a new prudential standard that significantly increases the amount of regulatory capital required for firms to which it applies. Specifically, rather than being introduced through notice of proposed rulemaking, the GMS component is embedded in amendments to the instructions for the FR Y-14 series of data submissions. These instructions are neither a rule nor supervisory guidance. There does not appear to be a public record of a Board vote on the matter, and the Board did not issue a press release when the Proposed Changes were published in the Federal Register, or otherwise.

In consideration of these concerns, Barclays respectfully requests that the Board forgo applying the GMS component to additional firms until the Board completes a more comprehensive assessment of its approach to market risk capital management, inclusive of the GMS component, with the opportunity for notice and comment through the rulemaking process.

Barclays recommends that the following principles, as elaborated in the sections that follow, be included in the Board's assessment of the application of the GMS framework to additional firms:

I. **Reasonable timelines for implementation**
II. **Tailored requirements based on risk presented to the U.S. financial system**
III. **Consistent application of risk-based trading book capital requirements**
IV. **Opportunity for notice and comment on counterparty default scenario requirements**

If the Board nonetheless decides to proceed with these Proposed Changes in advance of the 2018 capital planning cycle, Barclays requests that the Board elect to not publically disclose the financial results of supervisory stress tests for firms incorporating the GMS component for the first time in 2018 and, likewise, not require those firms to disclose the financial results of their internal stress tests. This approach would be consistent with the Board's precedent of not requiring public disclosures in the first year that firms include the GMS component in stress tests for CCAR.[6] Furthermore, this approach would facilitate the Board's fulfillment of its Regulation YY mandates[7] while providing new GMS firms a comparable timeframe to that provided to the current GMS firms to implement the prudential and reporting requirements and respond to the results of the Board's first supervisory stress tests in a confidential setting.

This approach would also provide new GMS firms with reasonable time to implement, test, and provide assurance of new regulatory reporting infrastructure and procedures required as a result of the Proposed Changes. It would also provide the Board time to analyze the trading and counterparty data it would receive

---

4 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").

5 Board Governor Jerome H. Powell, Testimony on the Relationship between Regulation and Economic Growth, Senate Committee on Banking, Housing and Urban Affairs (June 22, 2017) and Board Chair Janet Yellen, Letter to Hon. Blaine Luetkemeyer, Chairman, House Subcommittee on Financial Institutions and Consumer Credit (June 16, 2017).

6 The GMS component was first required for CCAR in 2011, the results of which were not publically disclosed. 2018 is the first year that the Board will conduct supervisory stress tests of four of the five IHCs named in the Proposed Changes, and if the Proposed Changes are adopted, it will be the first year that all five of the IHCs would be required to include the GMS component in their company-run stress tests.

7 Should the Board be required to disclose a summary of the results of its supervisory stress tests for all firms under 12 C.F.R. §252.46(b) "(Regulation YY" at 79 Fed. Reg. 64051, Oct. 27, 2014), the "summary of the results" could consist of summary information such as disclosing only whether or not a new GMS firm maintained capital ratios above regulatory minimums rather than disclosing detailed numerical results of supervisory stress tests. Likewise, the Board has authority under §252.58(a)(i) of Regulation YY to defer the disclosure of 2018 internal stress test results by new GMS firms to a later date.

for the first time from new GMS firms, calibrate its supervisory models accordingly, and incorporate into its stress testing assumptions the unique aspects of IHCs[8] that the Board would not have modeled previously, prior to the first public disclosure of detailed trading and counterparty loss results. Moreover, contrary to the extremely compressed timeframe of the existing proposal, new GMS firms would have sufficient opportunity to incorporate feedback from the Board based on application of its models for the first time. The public credibility of both the firms' and the Board's stress testing capabilities is dependent on each taking a measured and prudent approach to both incorporating new requirements and disclosing the results.

INTRODUCTION

The concept of a severe and instantaneous market shock used to estimate capital required to absorb potential losses stemming from trading activities, private equity investments, and counterparty credit risk exposures was formally introduced in the 2009 Supervisory Capital Assessment Program ("SCAP"), the precursor to CCAR. The Board added the market shock component in part due to the challenge of incorporating mark-to-market losses into the nine-quarter projections of pre-provision net revenue ("PPNR") used in supervisory stress tests. The first scoping mechanism for the market shock component, introduced in the 2009 SCAP instructions, applied to firms with trading assets of $100 billion or more.[9] In September 2012, the scoping definition was revised to apply to BHCs with "significant trading activity," defined as BHCs with greater than $500 billion in total consolidated assets and that were subject to the amended market risk rule.[10] That scoping has been used for the GMS scenario to date, and since the 2011 CCAR, the GMS component has been applied to the six firms listed in Exhibit 1.

Exhibit 1. Current GMS firms' trading and counterparty losses

As at December 31, 2016	Total consolidated assets $bn	Aggregate trading assets and liabilities $bn	Aggregate trading assets and liabilities / total assets	2017 DFAST trading and counterparty losses[11] $bn	Losses / aggregate trading assets and liabilities	Losses / common equity tier 1 capital
JPMorgan Chase & Co.	2,491.0	508.2	20.4%	27.4	5.4%	15.0%
Bank of America Corporation	2,189.3	341.4	15.6%	14.3	4.2%	8.5%
Citigroup Inc.	1,792.1	382.9	21.4%	8.3	2.2%	5.0%
Goldman Sachs Group, Inc.	860.2	398.1	46.3%	22.5	5.7%	31.2%
Morgan Stanley	814.9	345.4	42.4%	9.8	2.8%	16.2%
Wells Fargo & Company	1,930.1	116.0	6.0%	7.7	6.6%	5.2%
Average	1,679.6	348.7	25.3%	15.0	4.5%	13.5%

Sources: Federal Reserve FR Y-9C data, BHC DFAST disclosures, Barclays analysis of public data

For comparison, the aggregate trading assets and liabilities of Barclays' IHC at December 31, 2016 were $54.8 billion, which equaled 26.8% of total consolidated assets. Excluding U.S. Treasuries and Agencies, which Barclays holds for liquidity management and primary dealer market making, Barclays would have had less than $50 billion in aggregate trading book exposures.

---

8 For example, sub-consolidated business and financial profiles, cross-jurisdictional booking models, revenue transfer arrangements between U.S. and non-U.S. affiliates, and foreign parent support for subsidiary operating capital.

9 Board, The Supervisory Capital Assessment Program: Overview of Results (May 7, 2009).

10 Board, General Instructions for the Reporting of the Capital Assessments and Stress Testing information collection (FR Y-14A) (September 2012). Firms are subject to the amended market risk capital rule if they have aggregate trading assets and liabilities equal to 10 percent or more of total assets or $1 billion or more, see 12 C.F.R. §208 and §225.

11 Reported trading and counterparty losses include losses resulting from the Counterparty Default Scenario component, which is assumed to be outside the scope of the Proposed Changes, but is reported by the Board and by BHCs in aggregate with losses resulting from the GMS component.

Trading and counterparty losses are deducted directly from regulatory capital for GMS firms; therefore, each dollar of estimated loss represents an additional dollar of capital the firm must hold incremental to other risk-based capital requirements to maintain capital ratios above regulatory minima. In the 2017 CCAR cycle, trading and counterparty losses represented over 40% of the average total stressed capital losses estimated by the six current GMS firms.[12] On average, the current GMS firms are required to hold additional capital equal to 4.5% of their aggregate trading assets and liabilities (ranging from 2.2% to 6.6%),[13] which equates to a 13.5% average depletion of the firms' common equity tier 1 capital ("CET1"). Thus, the additional capital resulting from the GMS component represents a materially significant portion of the total regulatory capital that a GMS firm is required to hold to meet supervisory expectations and receive permission for planned capital distributions.

RECOMMENDED GMS COMPONENT POLICY PRINCIPLES

Given the significant impact the GMS component would have on regulatory capital requirements, Barclays respectfully requests that the Board re-propose a GMS framework that includes the following four principles:

I. Reasonable timelines for implementation

The effective date of the Proposed Changes provides neither sufficient nor reasonable time for new GMS firms to implement appropriate infrastructure, governance, processes, controls, testing, and assurance to provide trading and counterparty data to the Board in the form and quality required. If the Board adopts the FR Y-14 instructions as currently proposed, we believe the short implementation timeline would present serious challenges to the ability of the new GMS firms (notably all IHCs) to pass the qualitative component of the 2018 CCAR assessment.

Prior to the publication of the Proposed Changes on June 9, 2017, the Board provided no formal advance notice that additional firms would be required to include the GMS component in the 2018 CCAR cycle or be required to submit the FR Y-14 trading and counterparty schedules as of Q3 2017 or beyond. Firms cannot be expected (or implicitly required) to expend considerable resources to anticipate what requirements the Board may impose and when compliance may be required before the Board has provided clear notice and opportunity to comment.

As illustrated in the timeline in Exhibit 2, the Board's proposed timeline suggests that the IHCs named in the Proposed Changes could implement the significant new requirements in a period of approximately 30 days. Barclays believes this to be an unreasonable expectation. Even if the IHCs accepted the risk that the Proposed Changes would be finalized as proposed and began work immediately following the notice, they would have less than four months to build and test all reporting capabilities prior to the first reporting date. Note that this proposed timeline stands in stark contrast to the Board's own estimate that the proposed GMS changes will result in an increase in the annual reporting requirements of approximately 48,800 hours for just the five new GMS firms, an estimate that likely underestimates the incremental burden.[14]

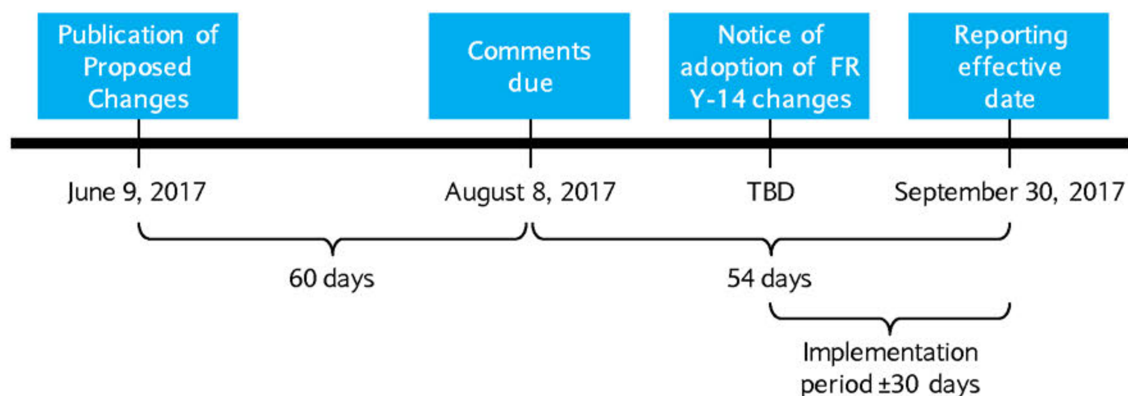
---

[12] Board, Comprehensive Capital Analysis and Review 2017: Assessment Framework and Results (June 2017).

[13] Beginning with SCAP 2009 data, trading and counterparty losses as a percentage of aggregate trading assets and liabilities have been relatively stable, averaging 4.8% and ranging between 2.2% and 8.8%.

[14] 82 Fed. Reg. at 26795.

Exhibit 2. Notification and implementation timeline of the Proposed Changes



Notwithstanding the fact that Barclays currently has in place appropriate capital risk management and internal management reporting capabilities for trading book exposures, the incremental burden to comply with the regulatory reporting requirements of the Proposed Changes is substantial. Moreover, the Board has had the opportunity to provide notification of its intention to apply the GMS stress testing component and trading and counterparty reporting requirements to additional firms, including IHCs, since the publication of the final rule for Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations[15] in 2014. Regardless of the reason that the Board published the Proposed Changes with less than 60 days between the end of the comment period and the effective date, the firms that would become new GMS firms should not be penalized by the proposed implementation timeline for this significant new requirement.

Barclays would welcome the opportunity to discuss with the Board the actual timeframes required to build and test the infrastructure and processes required to convert internal financial and risk data into the numerous regulatory reporting schedules and line items required for the FR Y-14 series of reports.

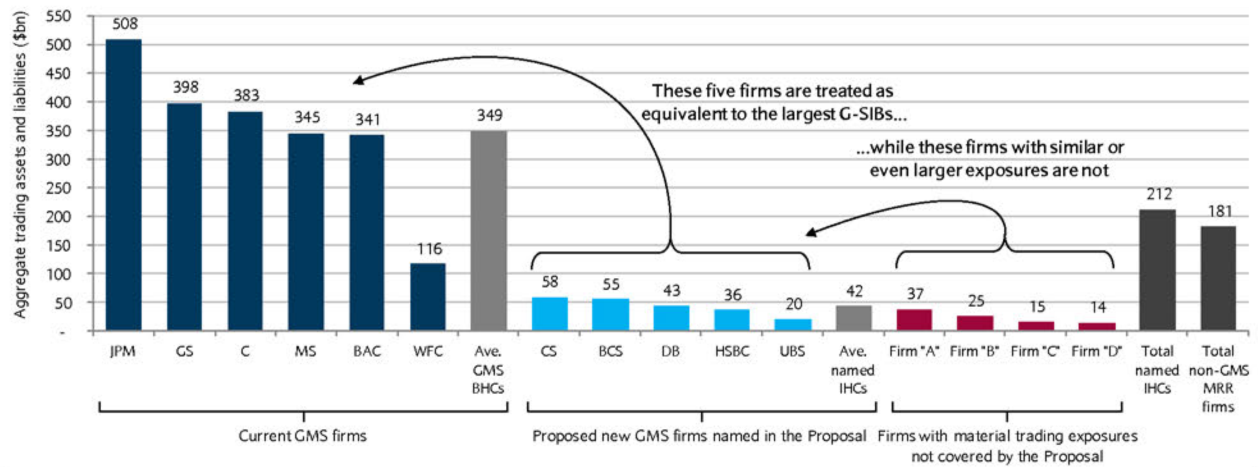
II. Tailored requirements based on risk presented to the U.S. financial system

A key tenet of the Dodd-Frank Act is the requirement that the Board take into account differences among firms covered by the rule, including size, capital structure, riskiness, complexity, financial activities, and other risk-related factors as deemed appropriate by the Board.[16] Despite a substantial difference in the magnitude of the trading book exposures of the current GMS firms as compared to the expected new GMS firms named in the proposal, as illustrated in Exhibit 3, there is no corresponding tailoring of the requirements in the Proposed Changes.

[15] 12 C.F.R. 252 ("Regulation YY").

[16] See 12 U.S.C. 5365(b)(3) and (a)(2)(A) and 77 Fed. Reg. at 594.

Exhibit 3. Lack of tailoring and disparate impact introduced through the Proposed Changes



Source: Federal Reserve FR Y-9C data (as of December 31, 2016)

The preamble to the Proposed Changes asserts that large FBOs operating in the U.S. pose a similar threat to financial stability as the largest U.S. financial companies, and that applying the market shock to IHCs would result in more "comparable treatment" to large domestic BHCs with "similar exposures and business models." The Board has not provided, however, an explanation of why the trading activities of the IHCs targeted by the Proposed Changes are of a sufficiently comparable level to those of the six BHCs currently required to include the GMS component.

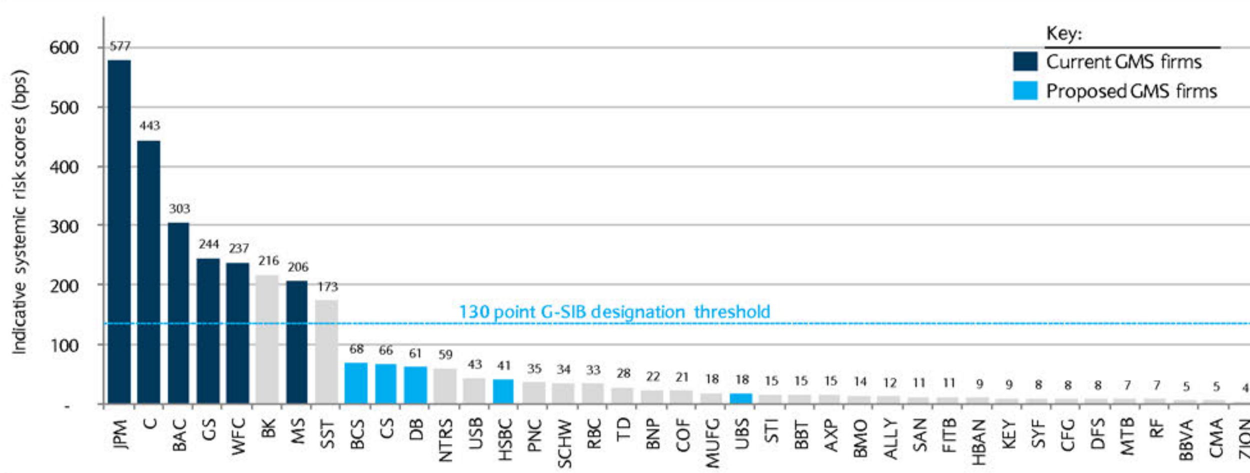
Data in Exhibit 3 demonstrate that the six firms to which the GMS component has historically been applied are a cohort in terms of the scale of their trading exposures. The five additional firms to which the GMS component would be applied through the Proposed Changes are also similar to each other in terms of the scale of their trading exposures. There is a vast difference, however, when comparing the average trading book exposures of the six largest BHCs to the five IHCs proposed to be in scope for the GMS component—on the order of nearly a 10 times difference in the size of their average aggregate trading assets and liabilities. Furthermore, the total trading book exposures ($212 billion) of the proposed new GMS firms is comparable to the total ($181 billion) of firms that would not be subject to the GMS component but are subject to the market risk capital rule[17] ("MRR"), yet none of those market risk exposures would be capitalized equivalently to the GMS firms under the Proposed Changes.

A comparison of systemic risk indicator scores, depicted in Exhibit 4, further demonstrates that the five IHCs named in the Proposed Changes do not, by many orders of magnitude, pose the same level of risk to the U.S. financial system as the six current GMS firms. Rather, they are more similar in systemic risk profile to the broader set of mid-tier firms. The combined U.S. assets of those IHCs, as well as their aggregate trading assets and liabilities, are less than any single one of the six BHCs currently covered by the GMS except for Wells Fargo. The Board also fails to explain why, if overall size and scale are not to be taken into account, other firms with similar exposures and business models to the six largest domestic BHCs should be exempt from this "comparable treatment."

---

[17] 12 C.F.R. §208 and §225.

Exhibit 4. Absence of tailored requirements proportional to systemic risk presented to the U.S. financial system[18]



Sources: Federal Reserve FR Y-15 data, Bank for International Settlements data, Barclays analysis of public data

The considerable structural and regulatory changes that FBOs have undertaken since the crisis should also be taken into account to allay historical concerns about their potential risks to the U.S. financial system that originated during the crisis. In particular, the Board now has primary supervisory authority over the consolidated U.S. operations of the IHCs of FBOs. In response to the Board's enhanced prudential standards promulgated under Regulation YY, FBOs with significant operations in the U.S., including the five IHCs named in the Proposed Changes, have completed restructuring to consolidate U.S. subsidiaries under single top-tier U.S. holding companies. These IHCs are currently stress tested and capitalized on a stand-alone basis such that their risk exposures are captured under existing regulatory capital rules. Furthermore, these IHCs have prepared and submitted resolution plans such that they could be resolved independently from their parent organizations in a manner that would not adversely impact the stability of the U.S. financial system. Regulation YY was designed to create self-sufficient IHC entities, and the risk that an IHC poses to the U.S. financial system should be measured by the size and scale of activities conducted by the IHC; the fact that an IHC is part of a larger FBO should have no impact on the amount of capital required to be held at a U.S. subsidiary level that is already calculated in accordance with existing risk-based capital rules. The absence of tailored requirements also diverges from the U.S. Treasury Report's recommendation that enhanced prudential standards applied to FBOs should only be applied "based on their U.S. footprints" and that "FBOs' U.S. regulatory requirements should be proportional to the risks presented by such firms to the U.S. financial system."[19]

Prior to applying the GMS component to additional firms, the Board should develop a framework that takes into account the relative sizes of the exposures and the potential impact that individual firms could have on the stability of the U.S. financial system. As part of this analysis, the Board should also consider whether an alternative to the current GMS methodology could provide more uniform regulatory policy outcomes while placing less burdensome requirements on firms of varying sizes and systemic risk profiles.

Barclays also disagrees with the assertion made in the preamble that FBOs became disproportionate users of Federal Reserve lending facilities during the financial crisis. According to data published by the Board, the largest users of Federal Reserve assistance during the crisis were U.S. banks: Merrill Lynch ($2.1 trillion),

---

18 Note that indicative systemic risk scores were calculated using FR Y-15 data as of December 31, 2016 and the Basel Global Systemically Important Bank ("G-SIB") end-2015 denominator. The Basel G-SIB end-2016 denominator was not published as of the submission date of this letter.

19 U.S. Treasury Report at 70-71.

Citigroup ($2.0 trillion), and Morgan Stanley ($1.9 trillion).[20] While Barclays Capital received the single largest loan ($47.9 billion) from the Federal Reserve during the crisis, it is imperative to understand that the loan was fully collateralized, promptly repaid,[21] and used to finance Barclays' purchase of U.S. assets of the failed Lehman Brothers, which helped stabilize the U.S. financial system.

III. Consistent application of risk-based trading book capital requirements

As constructed, the Scoping would result in the GMS component being applied in a counter-intuitive manner such that firms with identical trading book risk could have significantly different regulatory capital requirements as a result of being scoped in or scoped out from the GMS component based on the proposed thresholds. As an illustration, consider two hypothetical firms with the characteristics in Exhibit 5.

Exhibit 5. Disparate regulatory capital requirements for identical exposures

	Total assets $bn	Aggregate trading assets and liabilities $bn	Market risk capital required $bn	Trading assets and liabilities / total assets	GMS firm under proposed Scoping?	GMS capital required $bn	Total market risk capital required $bn
BHC "A"	151.0	15.0 of ABS[22]	0.2	9.9%	No	N/A	0.2
BHC "B"	150.0	15.0 of ABS[22]	0.2	10.0%	Yes	4.8	**5.0**

While the two BHCs have identical trading book exposures, BHC "A" has aggregate trading assets and liabilities of less than 10 percent of total assets and, as a result, it would not be required to include GMS losses in its stress test and, therefore, would not be required to hold additional capital against those potential losses under the Proposed Changes. In contrast, BHC "B" surpasses the 10 percent threshold and, therefore, would be required to invest in additional infrastructure and resources to calculate and report GMS losses and, more importantly, hold significant additional capital against potential losses calculated under the GMS methodology that BHC "A" would not.

The Board has also not provided sufficient evidence to support the position that potential losses from trading book exposures would only become material from a regulatory capital perspective above a certain size of exposure (≥$50 billion) or when the exposure represents a certain proportion of a firm's consolidated assets (≥10%) and can be completely disregarded for a large and noncomplex firm regardless of the absolute and relative size of its trading book. The Board has not explained why it would support a market risk capital component in which a specific trading book exposure would be expected to behave and re-price differently under stress for one firm versus another firm. This issue also inhibits the Board's ability to evaluate the potential macroprudential impact of price shocks and resulting losses to firms uniformly across the U.S. financial system.

The example illustrates an inconsistency in the proposed GMS framework: If the Board believes that trading book exposures should be capitalized above and beyond the existing MRR requirements, then it should either (i) provide evidence that the current and proposed GMS firms experience different and more severe price shocks and resulting losses for identical trading book exposures as compared to non-GMS firms, or (ii) it must explain why it is consistent with safe and sound practices to exclude certain firms from holding

---

[20] See https://www.federalreserve.gov/monetarypolicy/bst.htm.

[21] Two-thirds of the overnight loan balance was repaid in one day and the remaining balance of the loan was repaid in just over one month. See the Board's Primary Dealer Credit Facility data at https://www.federalreserve.gov/regreform/reform-pdcf.htm.

[22] For the purposes of this example, the trading books of BHC "A" and BHC "B" are each comprised solely of $15.0 billion of post-2007 vintage A/A1-rated Student Loan-backed ABS with a risk weight floor of 20%, Basel capital requirement of 1.6% of market value, and (for BHC "B") GMS relative market value shock of -31.7%.

capital against trading books exposures that is commensurate with the Board's assessment of the inherent risk of loss in those exposures.

Furthermore, as highlighted in Exhibit 6, the proposed Scoping fails to capture several firms that have either trading book exposures larger than several of the new firms expected to be in scope or greater than the 10% threshold for aggregate trading assets and liabilities. This further supports our concern that the Scoping would not operate as intended to capture consistently and capitalize firms with comparable levels of trading book risk.

Exhibit 6. Proposed new GMS firms and other firms not captured by the Scoping

As at December 31, 2016	Total consolidated assets $bn	Aggregate trading assets and liabilities $bn	Trading assets and liabilities / total consolidated assets
Proposed new GMS firms			
Credit Suisse Holdings (USA), Inc.	214.1	58.4	27.3%
Barclays US LLC	204.5	54.8	26.8%
DB USA Corporation	186.6	43.1	23.1%
HSBC North America Holdings Inc.	277.8	35.7	12.9%
UBS Americas Holding LLC	137.7	20.1	14.6%
Average of IHCs proposed for GMS	193.8	41.5	21.8%
Total of IHCs proposed for GMS	1,020.7	212.2	-
Firms with significant trading exposures not captured by the Scoping[23]			
Firm "A"	141.9	**37.1**	**26.2%**
Firm "B"	343.9	**25.2**	7.3%
Firm "C"	39.2	15.2	**38.8%**
Firm "D"	132.5	13.8	**10.4%**
Total of non-GMS MRR firms	4,039.9	181.4	-

Source: Federal Reserve FR Y-9C data, Barclays analysis of public data

Firm "A" has aggregate trading assets and liabilities greater than two of the proposed new GMS firms named in the Proposed Changes and surpasses the 10% threshold. Firm "B", despite having $25 billion in aggregate assets and liabilities (notably $5 billion greater than UBS Americas Holding LLC), would not be subject to GMS because it has a larger overall balance sheet than the proposed new GMS firms and thus its trading book represents a smaller percentage of its total consolidated assets. At least two other firms, "C" and "D", have aggregate trading assets and liabilities in excess of 10% of their total consolidated assets but are excluded from GMS by virtue of being a Large and Noncomplex Firm or having less than $50 billion of total consolidated assets, respectively.

Additionally, the Board has not described in sufficient detail how the GMS component and MRR work together to establish total market risk capital requirements. The MRR requires a firm with aggregate trading assets and liabilities equal to 10 percent or more of total assets, or $1 billion or more, to "adjust its risk-based capital ratios to reflect market risk in its trading activities."[24] The GMS component used in the Board's supervisory stress test achieves the same outcome by applying specific loss factors determined by the Board to trading book exposures based on the inherent risk profiles of those exposures.

The GMS component is unlike other scenario-based components of supervisory stress testing in two key ways: (i) loss values and corresponding capital requirements for specific exposures are specified directly (similar to risk weightings), rather than being derived from a macroeconomic scenario; and (ii) losses

23 Firm names can be provided to the Board upon request.

24 12 C.F.R. §208 and §225.

resulting from the GMS component are deducted directly from a firm's capital position rather than operating as a projection of positions with conforming capital requirements under existing regulatory capital rules for market, credit, and operational risk.

The result is that the GMS component operates as a de facto, and substantial, regulatory capital requirement for firms to which it applies.[25] However, the Board has not described in sufficient detail why the GMS component is necessary as an add-on to capital required under existing market risk capital regulations.

Furthermore, because the GMS component is a capital requirement being established through a supervisory mechanism rather than a rule-based process, limits and guidelines have not been established through a rulemaking process that govern how the specific market shocks factors are calibrated, as was done for other risk-based capital regulations. Under the current framework, each year the Board may freely design a set of add-on market risk weightings in the form of the GMS shock factors that can apply an extreme stress to any type of product or exposure, with no advance notice or opportunity for comment on what trading book component is being stressed or at what level. The Board can thus influence, whether intentionally or not, the types and proportions of trading assets and liabilities that banks hold and commercial decisions that banks make by shocking certain trading activities at higher levels. Additionally, there has been no quantitative impact study to justify the requirement that GMS firms hold in perpetuity an amount of capital above and beyond MRR requirements at levels set by a simultaneous re-pricing of every trading book asset class equivalent to its worst historical performance, and that doing so appropriately balances policy objectives of maintaining a safe and sound financial system and supporting the economic growth of the U.S. economy.

We urge the Board to consider the Core Principles articulated in Executive Order 13772[26] and the U.S. Treasury Report's recommendations for regulatory reform[27] and forgo finalizing any new prudential regulations, particularly with regard to CCAR, until the entirety of the Board's stress testing and capital planning review frameworks are opened for public notice and comment.

IV. Opportunity for notice and comment on counterparty default scenario requirements

Barclays requests that the Board confirm that the Proposed Changes apply only to the GMS component and would not require a firm that qualifies, based on the Scoping, to include a Counterparty Default Scenario[28] ("CPDS") component in its internal adverse and severely adverse scenarios or in the Board's supervisory stress tests in 2018 or beyond.

If it is the Board's intention to apply the CPDS to new firms in the 2018 capital planning cycle, then prior to finalizing the requirement, the Board should conduct a quantitative impact study of the increases in systemic and concentration risk that would result from IHCs exiting certain U.S.–based financial services and commercial relationships in response to the CPDS and publish the results for review and comment.

---

[25] Thus resulting in a new market risk measure equal to: (Value-at-Risk based capital requirement) + (Stressed Value-at-Risk based capital requirement) + (Specific risk capital charge) + (Incremental risk capital requirement) + (Comprehensive risk capital requirement) + (Capital charge for de minimis exposures) + (*additional GMS risk capital*).

[26] The White House, Presidential Executive Order on Core Principles for Regulating the United States Financial System (Feb. 3, 2017).

[27] U.S. Treasury Report.

[28] The 2017 CCAR instructions describe two "additional scenario components" that may be applied by the Board to all, or a subset, of the U.S. BHCs and IHCs of FBOs subject to the CCAR assessment. These two additional scenario components are further described as the GMS and the CPDS, which are separately defined in the instructions and have historically been applied to BHCs as individual add-on components to the scenarios used in annual and mid-cycle stress tests.

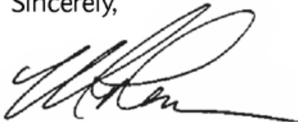
CONCLUSION

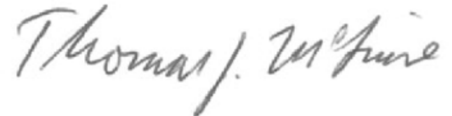
In consideration of the policy principles noted above and to improve the transparency of the Board's CCAR and stress testing processes, the Board should forgo finalizing any new stress testing and capital requirements, including expanding the application of the GMS component to additional firms, until the GMS requirements are further refined such that they would not introduce uncertainty to the public's perception of new GMS firms through a rushed implementation timeline, would apply regulatory capital requirements in proportion to the risks presented by firms to the U.S. financial system, would not result in disparate and counter-intuitive capital requirements across Board-regulated firms, and would meet calls and commitments to increase the transparency of the Board's CCAR and stress testing processes.

* * *

We would be pleased to provide further information or assistance to the Board or its staff. Please contact the undersigned if we can provide any additional information.

Sincerely,





Matthew Larson
Chief Financial Officer
Barclays Americas

Kenneth Abbott
Chief Risk Officer
Barclays Americas

Thomas McGuire
Treasurer
Barclays Americas

cc: Richard Haworth, Chief Executive Officer, Barclays Americas