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October 31, 2014

Robert deV. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C 20551

RE: FR Y-14A/Q/M

Dear Mr. Frierson:

The Federal Reserve Board (Board) has requested public comment on the collection of counterparty data in the FR Y-14A/Q/M schedules.<sup>1</sup> The Financial Services Roundtable ("FSR") appreciates the opportunity to comment on this request.<sup>2</sup>

Effective Date

As a threshold matter, FSR urges the Board to delay the effective date of this new data collection requirement. The new schedules will cause a significant increase in reporting efforts for the CCAR 2015 exercise. The new sub schedules (5.1, 5.1.a, 5.2, 5.2.a, 6.1, 6.1.a, 6.2, 6.2.a) require detailed analysis and a new set of processes will need to be implemented to aggregate all required data elements and map the data to the required template format. Given this enhanced reporting burden, we specifically request that the effective date for providing this data be extended to the end of the first quarter of 2015. This extension would help to ensure that the data that is submitted is accurate.

FSR also has identified several questions related to the instructions for this data collection. The answers to these questions will facilitate compliance with the data collection. We urge the Board to resolve these questions before the counterparty data

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<sup>1</sup> 79 Fed. Reg. 59264 (Oct. 1, 2014).

<sup>2</sup> As *advocates for a strong financial future*<sup>TM</sup>, FSR represents 100 integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. FSR member companies provide fuel for America's economic engine, accounting directly for \$98.4 trillion in managed assets, \$1.1 trillion in revenue, and 2.4 million jobs.

collection is effective. Our questions are listed below in our responses to the questions the Board posed in the Federal Register notice.

### Responses to the Board's Questions

***Question 1. Is there difficulty in providing information in Tables L.5.1 and L.6.1 and, if so, what is/are the difficult(ies)?***

#### In Table L.5.1/L.5.1a –

*Netting Agreement ID* – If a counterparty does not have a netting agreement, the netting agreement ID would be left blank. In that case the subsequent fields also will be blank, i.e., Agreement Type, Agreement Role, Agreement Detail, Netting Level and Netting Set Detail. Please confirm that this satisfies the requirements of the template.

*Agreement Role* – Does the term “respondent” refer to the reporting firm? If so, it would be the “Principal” in all cases. Is that what is intended?

*Agreement Detail* – Some firms have a “Master” agreement that is linked to most counterparties. If that is the case, should respondents simply reference that Master agreement?

*Netting Level* – The possible options mentioned are “Legal Entity as Principal, Legal Entity as Agent, and Client”. We understand the first two options– “Legal Entity as Principal” and “Legal Entity as Agent”, however, the third option “Client” is not explicitly explained. Can you provide additional guidance on the “Client” option.

*Netting Set Detail* – Respondents need a clear definition of liquid/less liquid.

#### In Table L.6.1 –

*Stressed Cash Collateral MTM* – It is unclear how the cash collateral value would change in the stress scenarios. Cash collateral value would remain the same in base and stress scenarios.

*CDS Hedge Stressed CR01* – Though it is possible to determine stressed CR01, the process required to calculate it requires a significant reallocation of resources. This is another reason for delaying the implementation date.

*CSA Contractual Features* – It is possible to fulfill this requirement, but doing so will pose an operational challenge to complete in the required timeframe.

*CSA Netting* – The template requires respondents to report CSA information by netting agreement level. In cases where one netting agreement has multiple margin

agreements associated with it, or where part of the transaction portfolio is carved out of the margin agreement or netting agreement, how should that information be reported? Should respondents display these CSAs on multiple rows, with the same Legal Entity ID, Netting Agreement ID fields, or should they display multiple values in the CSA Type field?

*CSA threshold and minimum transfer amount* – If these values are expressed as non-USD value in the CSA contract, is it correct to assume that respondents should report their USD-equivalent values using the prevailing base FX rate?

*CSA collateral value (cash and non-cash) reporting* – Is it correct to assume the value to be reported should be the pre-haircut value?

*CDS Reference Type* – The instruction for CDS Reference Entity Type asks respondents to use a Proxy if and only if there is no “internal mark” for the CP legal entity or its parent. Please clarify what is meant by an “internal mark.”

*Counterparty Legal Entity Identifier* – The instruction for Counterparty Legal Entity Identifier asks respondents to report the official globally recognized legal entity identifier (LEI) of the CP legal entity, and if an LEI is unavailable, to report a CDS identifier that is commercially available associated with the reported CDS spread (such as a Markit RED code or Bloomberg CDS ticker). Based upon this instruction, how should respondents report items in the following cases:

If the counterparty’s CVA is marked using its parent’s CDS or if the counterparty itself does not have a LEI, should respondents display the parent’s LEI if it’s available, or should they just display the parent’s commercially available CDS identifier such as Markit RED code or Bloomberg CDS ticker?

For counterparties that are marked using region/sector/rating proxy curves, there are no commercially available CDS identifiers for them. What should respondents report for the Counterparty Legal Entity Identifier if they also happen to not have LEI?

*CDS Hedge Notional* – The instruction allows respondents to include index CDS hedges where the index includes the CP legal entity as one of the reference entities. For index hedges that meet this requirement, should respondents report the full index hedge notional, or should they report the decomposed index notional that is only attributable to the CP legal entity?

*Tab 2 EE profile by CP* – Column LGD (PD) is removed in this tab but is still required by the 14Q instruction. Can this column be added back to the template, or the instruction be changed to remove LGD (PD) from the reporting requirement?

***Question 2. Is there difficulty in providing counterparty transaction information at a netting set level, as in Tables L.5.2 and L.6.2? If so, what are the difficulties with regard to internal systems or the netting agreements themselves?***

In Table L.5.2/L.5.2a -

Generally, respondents will be able to provide a break out of SFT collateral types. However, given the short turnaround time for CCAR 2015, this requirement will pose an operational challenge to report the data with all the relevant checks and controls.

In Table L.6.2 -

Respondents can provide the detailed break outs by the product types specified (e.g., Vanilla IR Derivatives). However, the current CCAR process is based on netting set level data and the additional detail will require a new process to incorporate trade level details. Given the short time period for the effective date, this additional detail will pose an operational challenge to implement a new process and incorporate the relevant controls and checks to ensure accuracy.

*MTM Information* – The template requires respondents to report MTM information by product group breakdown. Can the Board provide additional guidance on how various products should be categorized into the prescribed product groups?

*Difference between schedules L.5.1 and L.5.2* – Is the difference between schedules L.5.1 and L.5.2 the fact that the L.5.1 schedule is ranked by Stressed Net CE FR scenario Severely Adverse and the L.5.2 schedule is ranked by Stressed Net CE FR scenario Adverse?

*CP Legal Entity* – In the tab, the instruction says “Report each CP legal entity (within a parent/consolidated CP) and (close-out) netting agreement separately. If there is more than one business line, list each one separately”. What does a business line mean?

*Table L.5.3* – Do respondents need to report table L.5.3 for each of the FRB stress scenarios? In the FRB Adverse scenario section of the tab, only L.5.1 and L.5.2 tables are listed and table L.5.3 is not listed.

*Netting* – The instruction says “Indicates the level of netting within the agreement, i.e., netting set, to be either at the counterparty legal entity level or at the client level (the latter only when the respondent is acting as an Agent on behalf of a client or set of clients). Possible options are Legal Entity as Principal, Legal Entity as Agent, and Client”. What is the difference between Client and Agent roles?

*Combination of trades* – Where there is a mix up of Liquid/Illiquid, SWWR/Non SWWR trades under a Customer, how should these flags be populated?

*Mark to Market* – The instruction reads as follows: “Mark-to Market Posted - the gross cumulative mark-to-market (MTM) value of the cash and assets posted to the legal entity under the netting agreement. If the netting agreement comprises several netting sets, report the sum of the MTM posted values for those netting sets that are in the money;

Mark-to-Market Received - the gross cumulative mark-to-market (MTM) value of the cash and assets received from the legal entity under the netting agreement. If the netting agreement comprises several netting sets, report the sum of the MTM received values for those netting sets that are in the money". For these two measures, respondents are being asked to report Positive MTM only (and zero out Negatives in the aggregation of MTM posted and received). Is this correct?

*Initial Margin and Guarantee Fund* – Initial margin and guarantee fund related to CCPs are posted at a CP Legal Entity level. There are no Netting Agreements associated with them. On the CCR template (which requires the Netting Agreement detail) how should these be represented?

*The Net CE definition* – This definition does not refer to any Derivative positions that could be used to hedge SFT exposure. In case of Structured Repos, in addition to the Repo which is an SFT, there is an Interest Rate Option which is used as a hedge on the SFT Exposure. Can this be used for Net CE calculation?

*Net CE* – The current credit exposure to the counterparty legal entity for the netting agreement under close-out. For a single netting set (e.g., when Netting Level is not Client), this is calculated as the greater of zero and the difference between the aggregate mark-to-market value of securities or cash posted to the counterparty legal entity and the aggregate mark-to-market value of securities or cash received from that counterparty legal entity.

***Question 3. Is there difficulty in providing counterparty transaction information segmented by asset categories in general? If so, what are the difficulties with regard to internal systems or the asset categories/sub-categories proposed?***

See response to question 2. To ensure adequate levels of controls and reconciliations in the process, a longer lead time for implementation of this requirement would be appropriate.

***Question 4. Do respondents have counterparty transactions, either derivatives or securities financing transactions (SFTs), which are not part of a master agreement? If so, please provide details about the internal management of these transactions, especially with regard to collateral.***

Most counterparty transactions for derivatives have master agreements in place. Generally, large financial institutions have master agreements, but other counterparties may occasionally document derivatives via a long form confirmation without a master agreement. In the SFT space, many respondents use master repo agreements as long as the underlying assets are securities that can be traded since the MSA provides superior protection in bankruptcy under a "safe harbor" rule.

*Ranking* – There are 3 requirements mentioned in the instructions: (1) "For the submission of data from the three quarters that are not the as-of quarter for CCAR, the top 25 non-CCP and non-G-7 consolidated counterparties must be ranked by exposure amount

as defined in the capital framework currently applicable to the respondent”; (2) “If the respondent utilizes an internally computed exposure/risk metric (e.g., potential future exposure), then the top 25 consolidated counterparties as ranked by the internally computed exposure/risk metric must also be reported(s)”; and (3) “Additionally, if the respondent utilizes internally developed stress scenarios, then the top 25 consolidated counterparties as ranked by the scenario that yields the largest aggregate stressed exposure must also be reported.” Based upon these instructions, please clarify the following questions:

Does the template need to be filled out 3 times – one for each requirement defined in the instruction?

What does the Capital Framework refer to in bullet no 1?

Are Stress Results (Stressed Net CE, Stressed Credit Quality, etc.) required to be filled out in the template for Quarterly submissions? If yes, what scenarios need to be used for Quarterly Submissions?

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Thank you for considering the concerns raised in this letter. We appreciate the opportunity to share our views. If you have any questions, please contact Rich Foster of FSR at (202) 589-2424.

Sincerely,



Rich Foster