



# FINANCIAL SERVICES ROUNDTABLE

Robert deV. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20051

Re: FR Y-14A/Q/M

Dear Mr. Frierson:

The Financial Services Roundtable (the "FSR")<sup>1</sup> appreciates the opportunity to submit these comments on the changes to the FR Y-14A/Q/M reporting schedules proposed by the Board of Governors of the Federal Reserve System (the "Board") in the notice published in the Federal Register on September 16, 2015 (the "Notice").<sup>2</sup> The FSR's members include 26 of the 33 bank holding companies that file FR Y-14 reports, and, as such, FSR members are intimately involved in this information collection process.

For the past four years, FSR members have engaged in a productive dialogue with Board and Reserve Bank staff regarding the FR Y-14 reports. This past July, our FSR Working Group on FR Y-14 Reporting met again with Federal Reserve staff and other reporting banks to continue these discussions, which we believe are mutually beneficial; a copy of our discussion document is attached as part of this comment letter. This ongoing dialogue is an outgrowth of a 2012 meeting between members of the FSR and former Federal Reserve Board Governor Elizabeth Duke. Governor Duke encouraged greater industry engagement and continuing dialogue on what was then a new set of reporting requirements. FSR members were eager to participate in such an effort because we understand that accurate, high integrity data is central to the Board's Comprehensive Capital Analysis and Review (CCAR) and the Dodd-Frank stress testing (DFAST) cycles.<sup>3</sup>

<sup>1</sup> As *advocates for a strong financial future*<sup>TM</sup>, FSR represents 100 integrated financial sendees companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through die 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.

<sup>2</sup> Federal Reserve System. Proposed Agency Information Collection Activities. Comment Request, 81 Fed Reg. 49653 July 28, 2016.

<sup>3</sup> FSR staff met with Board staff on November 1, 2012 to establish a framework for this dialogue. A summary of that meeting may be found at: [http://www.federalreserve.gov/newsevents/rr-commpublic/Cat\\_lb\\_FSR\\_data\\_meeting\\_\(110112\).pdf](http://www.federalreserve.gov/newsevents/rr-commpublic/Cat_lb_FSR_data_meeting_(110112).pdf).

From the beginning of this two-way dialogue, the members of the FSR's working group have had a single, continuing goal: "to *enhance the quality and integrity of risk reporting data submitted to the Federal Reserve and meet the evolving data needs in a responsive, efficient, and risk-sensitive way.*"<sup>4</sup>

As the Board understands, the collection, analysis, validation, and reporting of accurate risk reporting data is an ongoing, iterative, and evolving process among finance and treasury groups, risk management, and information technology groups at reporting banks as well as the Board. Therefore, in our view, continuing to enhance the current process by working collaboratively through constructive and regular engagement on these issues of mutual concern will yield benefits to both the Federal Reserve and reporting banks,

Since our initial meeting with Governor Duke, FSR members have held semi-annual meetings with Board and Reserve Bank staff to discuss the data collection and submission process. These mostly day-long sessions have enabled industry representatives and Board and Reserve Bank staff to discuss the mechanics of the FR Y-14 data collection, and to collectively pursue actions designed to improve the process and the quality of the data submitted to the Board. We also have held several conference calls on issues raised by the Board staff. This dialogue has resulted in several improvements to the FR Y-14 process. We look forward to continued engagement with Board and Reserve Bank staff on ways to improve this data collection.

The balance of this letter is divided into three sections. Section I outlines several questions we have on the proposed changes. Section II highlights our prior recommendations regarding the timing of changes and compliance with those changes to improve the reporting process from both an industry and supervisory perspective. Section III outlines our planned survey of reporting burden and costs, which will be done in conjunction with Federal Reserve staff on a mutually designed survey template.

## **1. FSR QUESTIONS ON PROPOSED CHANGES**

### General Questions

1. When will the FRB provide draft and/or final technical Instructions for the new 3Q 2016 reporting requirements on Syndicated Finance Pipeline Reporting and Disposition Activity?
2. Will the FRB provide an interim exemption on having to provide responses to edit check exceptions for these new reporting requirements similar to what was done for the 2Q 2016 Fronting Exposure edit checks, which do not require responses until 4Q 2016.

<sup>4</sup> Financial Services Roundtable, *Continuing the FR Y-14 Data Dialogue*. Discussion Draft, Washington, DC, October 23, 2015.

## Schedule E Proposal Comments and Questions

1. The Board states that the additionally proposed sub-schedules are designed to capture information pursuant to processes that are outlined in SR Letter 15-18.<sup>5</sup> Can you clarify whether the changes outlined are only required for BHCs that are designated as SR 15-18 banks?
2. Will the FRB provide additional guidance as to the definition of "material" operational risks? Subjective application of materiality may lead to varying definitions across organizations.
3. How is the altitude of the defined risks going to be controlled? At what point do organizations not just include Basel Loss Event Type I as their material operational risks?
4. Will additional guidance be provided on quantifying risks that do not have a 1:1 match of risk to dollars (e.g., those implicitly captured in the estimates through historical losses experienced)?
5. With regards to moving away from Unit of Measure to "Risk Segment," are there expectations to use classifications other than Basel Event types?

## **II. TIMING, FREQUENCY, AND CONTROLLED IMPLEMENTATION OF CHANGES**

While our continuing dialogue with Board and Reserve Bank staff has been constructive and resulted in improvements in the FR Y-14 data collection, more fundamental changes are still required to enhance the quality, utility, and clarity of the data. The changes that would materially improve the FR Y-14 data collection are outlined below and have been communicated to the Board in past FSR comment letters. Given limited resources at both the Board and reporting banks, we respectfully reaffirm our standing recommendations below that, from our perspective, the Board should:

1. Establish a minimum of six months between the finalization of all reporting and all technical requirements and the effective date of the schedules impacted by the requirements;
2. Reduce the frequency of changes to the schedules;
3. Publish technical instructions in tandem with proposed and final reporting instructions;
4. Address clarifying questions before the effective date of a change; and
5. Prioritize future data requests.

The FSR member banks continue their willingness to meet with the Fed in advance of issuing draft requirements with the goal to provide further context surrounding the information to be requested to ensure the proposal will meet the overall objective.

<sup>5</sup> 81 Fed. Reg. at 49657.

### III. ESTIMATE OF THE BURDEN OF INFORMATION COLLECTION

The Notice invites comment on the Board's estimates of the annual reporting hours and average hours per response. No background information is provided in the Notice on how the Board arrived at these estimates.

In 2015, the FSR conducted a preliminary, "best efforts" survey of its members that file FR Y-14 reports; eight FSR members submitted their estimates, for a response rate of more than one-third. As a result of this survey, the FSR found that the Board's estimate of the regulatory reporting burden associated with the collection and submission of the data contained in the FR Y-14 schedules is materially underestimated, in most cases by multiples of the Board's estimates.

Based on our ongoing dialogue with the Federal Reserve staff, we are in the process of conducting another survey of FSR reporting banks in our working group based on a template that has been designed mutually by reporting banks and Federal Reserve staff. As soon as that survey is complete, we will share our results with both Federal Reserve staff and the Board.

Sincerely,

Richard Foster

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