FEDERAL RESERVE SYSTEM

12 CFR Part 217

Regulation Q; Docket No. [ ]

RIN [XXXX-XXXX]

Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15)

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) is inviting public comment on a notice of proposed rulemaking to amend the Board's rule that identifies and establishes risk-based capital surcharges for U.S. global systemically important bank holding companies (GSIBs). The proposal would also amend the Systemic Risk Report (FR Y-15), which is the source of inputs to the implementation of the GSIB framework under the capital rule. The proposal would make several changes to better align surcharges with risk. First, it would modify certain coefficients used to calculate GSIB surcharges under method 2 of the GSIB surcharge framework to reflect changes in the financial system and the economy and provide for annual adjustments for real economic growth and inflation going forward. Second, the proposal would modify the measurement and weighting of the weighted short-term wholesale funding systemic indicator. Third, for certain systemic indicators currently measured as of a single date each year, the proposal would require measurement based on average values to reduce the effects of temporary changes to indicator values around measurement dates. Fourth, the proposal would reduce cliff effects and enhance the sensitivity of the surcharge to changes in a GSIB's systemic risk profile. Fifth, to improve risk capture, the proposal would also make improvements to the measurement of some systemic indicators used in the GSIB surcharge

framework and the framework for determining prudential standards for large banking organizations. In addition to these changes, the proposal would make several amendments to the FR Y-15 to improve the consistency of data reporting and streamline the reporting process.

DATES: Comments must be received on or before June 18, 2026.

ADDRESSES: You may submit comments, identified by [DOCKET NO] and [RIN NO], by any of the following methods:

- *Agency Website*: *https://www.federalreserve.gov/apps/proposals/*. Follow the instructions for submitting comments, including attachments. *Preferred Method.*
- *Mail*: Benjamin W. McDonough, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551.
- *Hand Delivery/Courier*: Same as mailing address.
- *Other Means*: *publiccomments@frb.gov.* You must include the docket number in the subject line of the message.

Comments received are subject to public disclosure. In general, all public comments will be made available on the Board's website at *https://www.federalreserve.gov/apps/proposals/* without change and will not be modified to remove personal or business information including confidential, contact, or other identifying information. Public comments may also be viewed electronically or in person in Room M-4365A, 2001 C St. NW Washington, DC 20551, between 9:00 a.m. and 5:00 p.m. during Federal business weekdays.

FOR FURTHER INFORMATION CONTACT: Anna Lee Hewko, Associate Director, (202) 250-1577, Brian Chernoff, Manager, (202) 731-8914, Akos Horvath, Principal Economist, (202) 452-3048, Jennifer McClean, Senior Financial Institution Policy Analyst II, (202) 579-4087, Sarah Dunning, Financial Institution Policy Analyst III, (202) 961-6418, Division of Supervision

and Regulation; or Jay Schwarz, Deputy Associate General Counsel, (202) 452-2970, Mark Buresh, Senior Special Counsel, (202) 452-5270, Jonah Kind, Senior Counsel, (202) 309-5287, Isabel Echarte, Senior Attorney, (202) 945-2412, Legal Division, Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, D.C. 20551. For users of TDD-TYY, (202) 263-4869 or dial 711 from any telephone anywhere in the United States.

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I. Introduction

The Board of Governors of the Federal Reserve System (Board) is proposing modifications to the methodology used to calculate risk-based capital surcharges for U.S. global systemically important bank holding companies (GSIBs) and the measurement and reporting of certain systemic indicators used in this calculation and in the determination of regulatory tailoring categories. The proposed changes seek to improve the framework's measurement of systemic risk and better align surcharges with GSIBs' systemic risk profiles.

A. Background on the GSIB Surcharge Framework

Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) directs the Board to establish enhanced prudential standards for large bank holding companies and for nonbank financial companies that the Financial Stability Oversight Council has designated for supervision by the Board (nonbank financial companies supervised by the Board).[1] These standards must include risk-based capital requirements as well as other enumerated standards.[2] The standards must be more stringent than those applicable to other bank holding companies and to nonbank financial companies that do not present similar risks to U.S. financial stability.[3] The standards must also increase in stringency based on several factors, including the size and risk characteristics of a company subject to the rule, and the Board must take into account the differences among bank holding companies and nonbank financial

[1] *See* 12 U.S.C. 5365. Originally, section 165 applied to bank holding companies with $50 billion or more in total consolidated assets. The Economic Growth, Regulatory Relief, and Consumer Protection Act revised this threshold to $250 billion and granted the ability to apply enhanced prudential standards under section 165 to bank holding companies with $100 billion or more in total consolidated assets under certain circumstances. *See* Pub. L. 115-174, Sec. 401.

[2] *See* 12 U.S.C. 5365(b).

[3] *See* 12 U.S.C. 5365(a)(1)(A).

companies.[4] Furthermore, various statutory authorities provide the Board with broad authority to set capital requirements and standards for depository institution holding companies.[5]

The Board adopted a final rule in 2015 that established a methodology for identifying GSIBs and assigning them a risk-based capital surcharge.[6] The GSIB surcharge framework requires a GSIB to maintain additional capital in order to avoid restrictions on certain distributions and discretionary bonus payments. This capital buffer strengthens a firm's resiliency, reducing the probability of its failure and the risks that the firm's failure or distress could pose to the U.S. financial system.

The methodology to identify a GSIB (method 1) uses five equally weighted categories that are correlated with systemic importance: (1) size, (2) interconnectedness, (3) substitutability, (4) complexity, and (5) cross-jurisdictional activity. The methodology subdivides certain categories into systemic indicators. Generally, a bank holding company subject to Category I, II,

[4] *See* 12 U.S.C. 5365(a)(1)(B). Under section 165(a)(1)(B) of the Dodd-Frank Act, the enhanced prudential standards must increase in stringency based on the considerations listed in section 165(b)(3).

[5] *See, e.g.*, 12 U.S.C. 1467a(g)(1) (savings and loan holding companies); 12 U.S.C. 1844(b) (bank holding companies); 12 U.S.C. 3902(1)-(2), 3907(a), 3909(a), (c)(1)-(2) (depository institutions; affiliates of depository institutions, including holding companies; and certain U.S. operations of foreign banking organizations); 12 U.S.C. 5371 (insured depository institutions, depository institution holding companies, and nonbank financial companies supervised by the Board).

[6] Regulatory Capital Rules: Implementation of Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies, 80 FR 49082 (Aug. 14, 2015). *See* 12 CFR part 217, subpart H.

or III capital standards must calculate its method 1 score annually.[7] A bank holding company calculates each systemic indicator by dividing its own measure of the indicator by an aggregate global measure for that indicator.[8] The resulting value for each systemic indicator is then multiplied by the prescribed weighting in the capital rule and by 10,000 to reflect the result in basis points. A bank holding company then sums the weighted values for the twelve systemic indicators to determine its method 1 score.[9] A bank holding company is identified as a GSIB if its method 1 score equals or exceeds 130 basis points.[10]

If a bank holding company is identified as a GSIB, it must also calculate its method 2 score.[11] Method 2 measures a bank holding company's systemic risk profile using the same systemic indicators as method 1, except that the substitutability category is replaced with a measurement of reliance on short-term wholesale funding.[12] Method 2 also uses fixed coefficient values to scale the systemic indicators for size, interconnectedness, complexity, and

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[7] 12 CFR 217.400 and 217.402. In 2019, the Board, with the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), adopted rules establishing four categories of capital standards for U.S. banking organizations with $100 billion or more in total assets and foreign banking organizations with $100 billion or more in combined U.S. assets. Under this framework, Category I capital standards apply to U.S. GSIBs and their depository institution subsidiaries. Category II standards apply to banking organizations with at least $700 billion in total consolidated assets or at least $75 billion in cross-jurisdictional activity and their depository institution subsidiaries. Category III standards apply to banking organizations with total consolidated assets of at least $250 billion or at least $75 billion in weighted short-term wholesale funding, nonbank assets, or off-balance sheet exposure and their depository institution subsidiaries. Category IV standards apply to banking organizations with total consolidated assets of at least $100 billion that do not meet the thresholds for a higher category and their depository institution subsidiaries. *See* 12 CFR 252.5 and 238.10; *see also* "Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations," 84 FR 59032 (November 1, 2019); and "Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements," 84 FR 59230 (Nov. 1, 2019).

[8] 12 CFR 217.404. The Board annually publishes the aggregate global measures.

[9] 12 CFR 217.404. Scores are rounded to the nearest basis point according to standard rounding rules for the purposes of assigning levels. That is, fractional amounts between zero and one-half are rounded down to zero, while fractional amounts at or above one-half are rounded to one. A bank holding company's substitutability category score is capped at 100 basis points. *See also* 80 FR at 49088 (Aug. 14, 2015).

[10] 12 CFR 217.402.

[11] 12 CFR 217.403.

[12] 12 CFR 217.405 and 406.

cross-jurisdictional activity, rather than multiplying indicators by a measure that changes each year based on the aggregate global measure for that indicator.[13] A GSIB multiplies its indicator values for size, interconnectedness, complexity, and cross-jurisdictional activity by the respective fixed coefficients to calculate an indicator score. The firm then aggregates these indicator scores with the GSIB's short-term wholesale funding score to compute its total method 2 score. A GSIB's short-term wholesale funding score is calculated by dividing the firm's average weighted short-term wholesale funding amount by the firm's average risk-weighted assets and multiplying the result by a fixed factor of 350.[14]

A GSIB's applicable surcharge is the larger of the surcharges that apply based on its method 1 score and method 2 score. A GSIB is subject to a minimum surcharge of 1.0 percent, and surcharges increase with GSIB scores under both method 1 and method 2. Method 1 surcharges increase in increments of 0.5 percentage points for each 100-basis point method 1 score band, up to a method 1 surcharge of 2.5 percent, which is associated with a method 1 score ranging from 430 to 529 basis points. If a GSIB's method 1 score exceeds 529, the GSIB's method 1 surcharge equals 3.5 percent, plus 1.0 percentage point for every further 100-basis point increase in score. Like the method 1 surcharge, the method 2 surcharge uses score band ranges of 100 basis points, with the lowest score band ranging from 130 to 229 basis points. The method 2 surcharge increases in increments of 0.5 percentage points per score band.[15]

B. Systemic Risk Report (FR Y-15)

[13] 12 CFR 217.405; *see also* 80 FR at 49087-88 (Aug. 14, 2015).

[14] The short-term wholesale funding score uses a different methodology from the other systemic indicators because inclusion of short-term wholesale funding for GSIB surcharge purposes is specific to the United States, and the Basel Committee on Banking Supervision (Basel Committee)'s framework does not include a corresponding measure for short-term wholesale funding. As a result, there is no equivalent global aggregate indicator measure for short-term wholesale funding.

[15] 12 CFR 217.403.

The Systemic Risk Report form (FR Y-15) collects systemic risk data from U.S. bank holding companies and covered savings and loan holding companies[16] with total consolidated assets of $100 billion or more, any U.S.-based bank holding company designated as a GSIB that does not meet that consolidated assets threshold, and foreign banking organizations with combined U.S. assets of $100 billion or more.[17] The FR Y-15 collects data on a firm's structure, activities, and funding that is consistent and comparable among firms and often unavailable from other sources. Respondents must submit the FR Y-15 quarterly.

Under the GSIB surcharge framework, any U.S.-based top-tier bank holding company that qualifies as a Category I, II, or III Board-regulated institution must annually compute its method 1 score using the values for the systemic indicators (in each of the size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity categories) that it reported on its FR Y-15 as of December 31 of the prior year. [18] A GSIB must also determine its method 2 score and its GSIB surcharge based on the data reported on its FR Y-15 as of the same date.

Data reported on the FR Y-15 are also used to determine the applicable category of prudential standards for U.S. banking organizations with total consolidated assets of $100 billion or more and foreign banking organizations with combined U.S. assets of $100 billion or more,

[16] Covered savings and loan holding companies are those that are not substantially engaged in insurance or commercial activities. For more information, see the definition of "covered savings and loan holding company" provided in 12 CFR 238.2.

[17] The mandatory FR Y-15 is authorized by sections 163 and 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (12 U.S.C. 5463 and 5365), the International Banking Act (12 U.S.C. 3106 and 3108), the Bank Holding Company Act (12 U.S.C. 1844), and the Home Owners' Loan Act (HOLA) (12 U.S.C. 1467a).

[18] There are certain circumstances under which a depository institution that is not required to report the FR Y-15 would be subject to standards based on calculation methodologies contained in the FR Y-15. *See*, *e.g.,* 12 CFR 217.2, "Category III Board-regulated institution."

under the framework adopted by the Board in 2019.[19] Specifically, the measures for cross-jurisdictional activity, weighted short-term wholesale funding, and off-balance sheet exposure, which are used to determine whether a banking organization is subject to Category II or III standards, use or include data reported on the FR Y-15.[20]

In addition, the data collected on the FR Y-15 are used to identify other firms that may present significant systemic risk and to analyze the systemic risk implications of proposed mergers and acquisitions.

C. Overview of the Proposal

The proposal includes revisions to the GSIB framework that would improve the framework's measurement of systemic risk and better align GSIB surcharges with firms' systemic risk profiles.[21] First, the proposal would adjust the fixed coefficients in the method 2 GSIB surcharge framework to account for changes in the financial system and the economy. Additionally, going forward, the proposal would apply an annual adjustment to the coefficients based on real economic growth and inflation.

Second, to mitigate unintended effects of the current calculation, the proposal would modify the short-term wholesale funding systemic indicator by measuring it as an absolute amount rather than as a ratio scaled to a firm's average risk-weighted assets. The proposal would also set a new coefficient for this indicator that approximates 20 percent of the weighted

[19] *See* 12 CFR part 252, subpart A, and 12 CFR 238.10.

[20] *See id*.

[21] The proposal would also be responsive to comments received in response to the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) public notices. Public Law 104-208, Div. A, Title II, section 2222, 110 Stat. 3009-414, (1996) (codified at 12 U.S.C. 3311). *See also* Regulatory Publication and Review Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996, 90 Fed. Reg. 35,241 (Jul. 25, 2025). In 2023, the Board published a proposal to revise the GSIB framework. 88 FR 60385 (Sept. 1, 2023). The Board is rescinding the 2023 proposal. Members of the public that seek to submit comments on the current proposal must submit comments in line with the procedures described in this proposal.

basis points of total method 2 scores for banking organizations identified as GSIBs, consistent with the intended weighting of the category.

Third, to better reflect the risk profile of a firm and reduce incentives for a firm to reduce its GSIB surcharge by making temporary adjustments to reported indicators of systemic risk at year end, the proposal would require firms to calculate certain systemic indicators as an annual average of their daily or monthly values. Firms currently calculate these indicators on a point-in-time basis at year end.

Fourth, to reduce cliff effects and increase the sensitivity of the GSIB surcharge to changes in a firm's systemic risk profile, the proposal would introduce narrower method 2 score band ranges.

Finally, the proposal would improve the measurement of certain systemic indicators and would amend the FR Y-15 to improve the clarity of instructions and consistency of data reporting and systemic indicator measurement.[22]

II. Description of the Proposal

A. Method 2 Coefficients

Method 2 in the Board's GSIB surcharge framework uses a fixed approach for measuring systemic indicator scores instead of measuring relative to annually updated aggregate global indicators as under method 1.[23] This fixed approach uses coefficients that are based on the

[22] As discussed in section I.B of this **SUPPLEMENTARY INFORMATION**, certain indicators that the proposal would modify are also used to determine prudential standards for large banking organizations. The proposed changes include revisions consistent with the framework used by the Basel Committee to identify GSIBs and assess their systemic importance. The Basel Committee is a committee comprised of central banks and banking supervisory authorities, which was established by the central bank governors of the G-10 countries in 1975. Among other roles, the Basel Committee provides a forum for coordination on banking regulation and supervision across jurisdictions. The Basel Committee developed a methodology, available at *https://www.bis.org/bcbs/gsib/*, that uses an indicator-based measurement approach for assessing the systemic importance of global systemically important banks. In July 2018, the Basel Committee made revisions to its methodology, which are available at *https://www.bis.org/bcbs/publ/d445.htm*.

[23] 12 CFR 217.403. *See also* 80 FR 49082, at 49085-49088 (Aug. 14, 2015).

average of the aggregate global indicator amounts for each indicator other than short-term wholesale funding for year-end 2012 and year-end 2013 and exchange rate data for 2011-2013.[24] Method 2 also takes into account a measure of a banking organization's reliance on short-term wholesale funding relative to the banking organization's risk-weighted assets, rather than to a global aggregate measure.[25]

The 2015 final rule adopted the fixed coefficients approach for method 2 to help provide more certainty regarding the actions that a U.S. GSIB could take to reduce its GSIB surcharge, so that a firm's method 2 score would be affected only by its own systemic indicators rather than by both its own systemic indicators and the aggregate level of systemic indicators of a set of global firms. The fixed coefficients thus seek to improve the predictability of method 2 scores and facilitate capital planning by GSIBs.[26]

However, fixed coefficients do not account for changes in the economy or financial system that can affect a firm's systemic risk profile. Therefore, as the 2015 final rule observed, scores calculated under the fixed approach could be influenced over time by factors that do not represent changes in a firm's systemic risk.[27] For example, GSIBs may report higher method 2 scores over time that are not commensurate with their systemic risk due to factors such as inflation, real economic growth, or other macroeconomic changes. These effects can compound and increase over time. The Board stated in the 2015 final rule that it would periodically reevaluate the GSIB surcharge framework to ensure that factors unrelated to systemic risk do not

[24] *See* 80 FR 49082, at 49087-49088.

[25] *See id.* at 49097-49101.

[26] *See id.* at 49085-49086.

[27] *See id.* at 49085.

have unintended effects on a bank holding company's method 2 scores and that it would make adjustments as appropriate.[28]

To help ensure that method 2 scores better reflect systemic risk, the proposal would adjust the fixed method 2 coefficients for changes in the financial system and the economy and automatically index the coefficients going forward on an annual basis. First, the proposal would update the fixed method 2 coefficients for the size, interconnectedness, complexity, and cross-jurisdictional activity categories based on a one-time downward adjustment of the method 2 coefficients by a factor of 1.2. Second, the proposal would implement a mechanism to annually adjust the method 2 coefficients, including the proposed new coefficient for short-term wholesale funding described in section II.B of this **SUPPLEMENTARY INFORMATION**, based on nominal U.S. gross domestic product going forward. Overall, as a result of these proposed changes to the method 2 coefficients, method 2 scores would better account for changes in the U.S. economy and financial system.

i. One-Time Adjustment to Fixed Method 2 Coefficients

The proposal would update the fixed method 2 coefficients for the size, interconnectedness, complexity, and cross-jurisdictional activity categories by a one-time downward adjustment by a factor of 1.2 to reflect changes in the financial system and economy since the introduction of the framework.

The Board periodically reviews its regulatory capital framework to ensure requirements are appropriate and the framework is functioning as intended. The Board considered several elements of the GSIB surcharge framework. These included updating components of the framework to reflect changes in the financial system and the broader economy since the

[28] *See id.* at 49088.

framework's implementation, the relationship between regulatory measures of systemic risk profiles, and other enhancements to improve the effectiveness and efficiency of the framework.

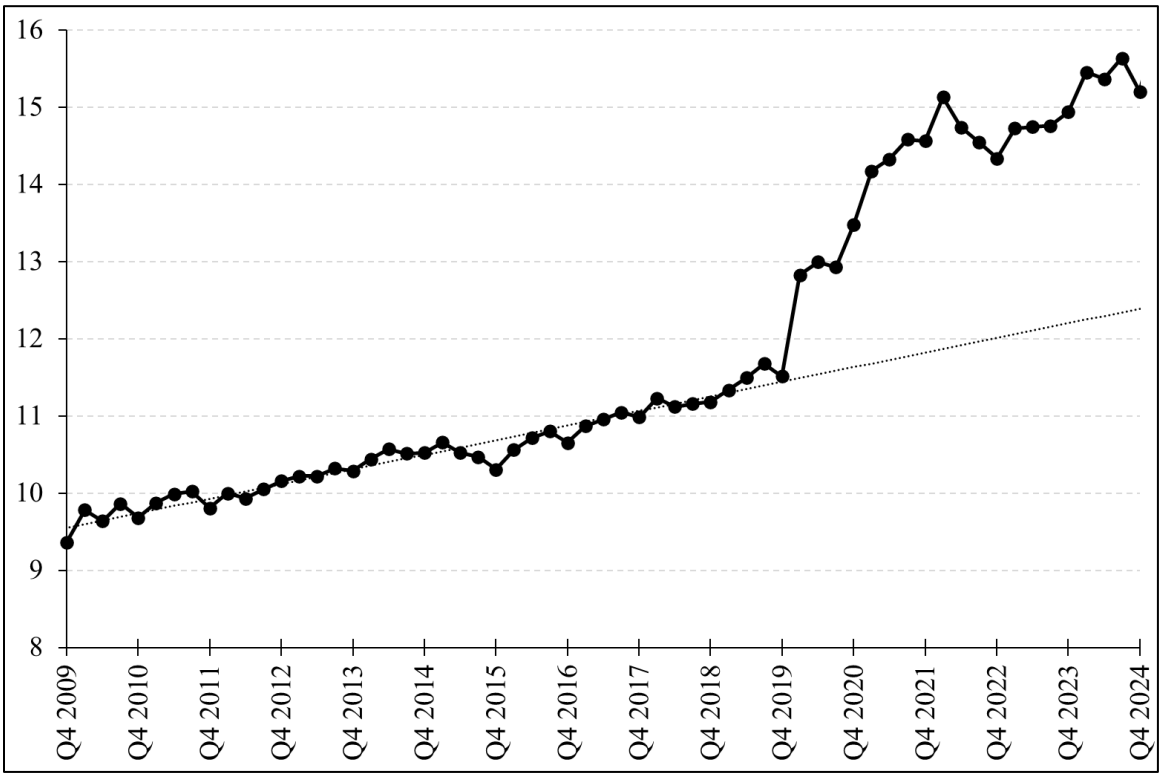
Starting in 2020, there was a notable change in GSIBs' balance sheets. These changes occurred concurrently with the onset of the global COVID-19 pandemic and the subsequent monetary and fiscal policy actions in response to the pandemic and its economic effects.[29] Figure 1 shows that the size of GSIBs has expanded substantially since 2020, with the growth of these banking organizations exceeding its historical trend.[30]

[29] *See*, *e.g.*, Richard H. Clarida, Burcu Duygan-Bump, and Chiara Scotti, The COVID-19 Crisis and the Federal Reserve's Policy Response, Finance and Economics Discussion Series 2021-035 (June 3, 2021). For an overview of the U.S. fiscal policy response to the pandemic, *see* Daniel J. Wilson, The COVID-19 Fiscal Multiplier: Lessons from the Great Recession, Federal Reserve of San Francisco Economic Letters 2020-13 (May 26, 2020).

[30] *See*, *e.g.*, the empirical evidence on the balance sheet expansion of U.S. banks during the COVID-19 pandemic in the study of Andrew Castro, Michele Cavallo, and Rebecca Zarutskie, Understanding Bank Deposit Growth During the COVID-19 Pandemic, *FEDS Notes*, Board of Governors of the Federal Reserve System (June 6, 2022).

Figure 1: Evolution of GSIBs' Total Assets Over Time (in trillion dollars)

This figure shows how the aggregate total assets of the eight current GSIBs changed from 2009 to 2024. The dotted line is a linear trendline fitted to the time series over the period from the fourth quarter of 2009 ("Q4 2009") to the fourth quarter of 2019 ("Q4 2019").



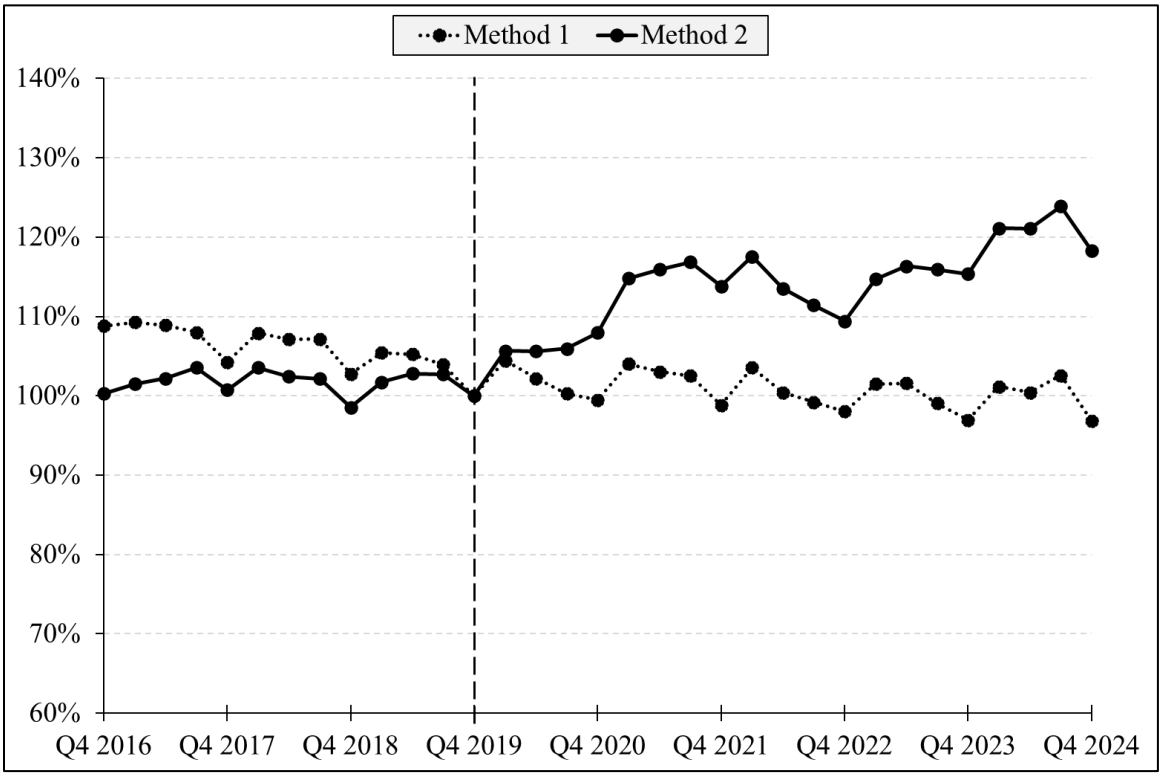
Related to this rapid expansion of GSIBs' balance sheets, method 2 scores have meaningfully increased relative to method 1 scores since the end of 2019.

As Figure 2 shows, whereas method 1 and method 2 scores evolved largely in parallel between the fourth quarter of 2016 and the fourth quarter of 2019, the two scores have diverged since then. Indeed, from the fourth quarter of 2019 to the fourth quarter of 2024, the method 2 scores of the eight GSIBs increased by 18 percent, in aggregate, which is equivalent to a 3.4 percent annual increase. By contrast, over the same period, the method 1 scores of the eight GSIBs have been relatively stable, decreasing by 3 percent, in aggregate, which is equivalent to a 0.6 percent annual decrease. As a result of the divergent trends in method 1 and method 2

scores, the cumulative growth of method 2 scores has exceeded the cumulative growth of method 1 scores by about 20 percentage points, on average, since the end of 2019.[31]

Figure 2: Evolution of Method 1 and Method 2 Scores Over Time

This figure shows how the aggregate method 1 and method 2 scores of the eight current GSIBs changed from 2016 to 2024. Both aggregate method 1 and method 2 scores are expressed as a percentage of their corresponding values as of the fourth quarter of 2019 ("Q4 2019").



The divergence of method 1 and method 2 scores is primarily due to their different calculation methodologies. The aggregate method 1 scores of the eight GSIBs have been relatively stable over time because the method 1 score calculation uses systemic indicator coefficients that are based on aggregate global systemic indicator amounts, which historically increased at about the same rate as the systemic indicator amounts of U.S. GSIBs. By contrast,

[31] Because method 1 and method 2 scores evolved largely in parallel until 2019, the difference in their cumulative growth is also about 20 percentage points over a longer period, such as the period from the fourth quarter of 2014 to the fourth quarter of 2024.

the method 2 score calculation uses systemic indicator coefficients that have been constant since the implementation of the GSIB surcharge framework in 2015, which creates a direct link between the dollar amounts of systemic indicators and method 2 scores.

This direct link could pose a challenge for using method 2 scores to measure changes in systemic risk profiles because it implies that method 2 scores signal an increase in GSIBs' systemic risk as their systemic indicators increase, regardless of how the banking system, financial markets, or the economy may concurrently change. This dynamic, solely driven by changes in the dollar amounts of systemic indicators, could lead to the mismeasurement of systemic risk, which is inherently a relative concept. For example, the current method 2 score calculation does not take into account that the U.S. economy tends to expand over time, through both real economic growth and inflation. Such potential economic expansion could render GSIBs relatively smaller and therefore less systemic, even if their method 2 scores increase, which could result in GSIB surcharges that are not commensurate with the systemic risk posed by GSIBs.

Considering the broad economic changes affecting the banking system since 2020, the observed divergence between method 1 and method 2 scores suggests that some of the recent increase in GSIBs' method 2 scores is attributable to the method 2 score calculation's lack of adjustment for such changes, rather than increases in GSIBs' systemic risk profiles. Therefore, consistent with the Board's longstanding objective to ensure that method 2 scores do not capture the effects of factors unrelated to systemic risk, the proposal would apply a one-time downward adjustment of the method 2 coefficients by a factor of 1.2. The proposed adjustment factor would equal the observed 20-percentage-point difference between the cumulative growth of aggregate method 2 and method 1 scores since the fourth quarter of 2019.

ii. Annual Indexing of Method 2 Coefficients by Nominal GDP Growth

As discussed above, under the current GSIB surcharge framework, a U.S. GSIB's method 2 score can increase over time when the scale of the firm's activities increases, even if the firm's systemic indicator values grow more slowly than the overall economy. However, economic expansion can make GSIBs' systemic profiles smaller on a relative basis even if their method 2 scores increase. This dynamic can result in GSIB surcharges that are not commensurate with the systemic risk profile of the GSIBs. To address this effect and limit the need for future adjustments through rulemaking, the proposal would adopt a mechanism to automatically adjust the method 2 coefficients going forward.

Specifically, the proposal would annually adjust the method 2 coefficients to reflect real economic growth and inflation.[32] The annual adjustment would be based on a three-year moving average of annual nominal U.S. gross domestic product (GDP) growth.[33] Thereby, under the proposed approach, a firm's method 2 scores would remain unchanged if the firm's systemic risk indicators grow at the same rate as average nominal U.S. GDP growth, because the proposed indexing would adjust the method 2 coefficients at the rate of average annual nominal U.S. GDP growth. Indexing under this approach would help ensure that changes in method 2 scores reflect changes in a U.S. GSIB's systemic risk profile relative to the size of the U.S. economy. Such an approach would provide a simple way to account for changes in the economy and financial system that could affect the measurement of a GSIB's systemic risk profile.

[32] The proposed annual indexing would also apply to the proposed new coefficient for short-term wholesale funding, described in section II.B of this **SUPPLEMENTARY INFORMATION**.

[33] The proposed annual indexing to the annual nominal U.S. GDP growth is equivalent to adjusting method 2 coefficients for the annual real U.S. GDP growth plus annual changes in the cumulative U.S. GDP implicit price deflator.

In the 2015 final rule, the Board observed that an unintended consequence of automatically adjusting the method 2 coefficients based on economic growth could be that in the event of an economic contraction, U.S. GSIB scores would increase in a procyclical way, potentially raising surcharges in a manner that could further exacerbate the economic downturn. In order to avoid that scenario, the proposed mechanism would not adjust the coefficients if the three-year moving average of nominal U.S. GDP growth is negative. This approach would reduce the potential for procyclicality in capital requirements during a prolonged period of economic contraction. To further mitigate the potential procyclical effect over short timeframes, the annual mechanism would use a three-year moving average of annual nominal U.S. GDP growth, which would reduce volatility and improve the predictability of adjustments.[34]

To ensure an accurate and predictable measure, the Board would generally use the most current estimate of nominal U.S. GDP for a given calendar year published by the Bureau of Economic Analysis on or before September 30 of the year of the publication of the scalar.[35] The Board would calculate the value for the GDP growth adjustment scalar as a ratio of the average nominal U.S. GDP estimates for the three calendar years directly preceding the year in which the scalar is published, divided by the average nominal U.S. GDP for the three most recent calendar years preceding the effective date of any final rule for which estimates are available. For example, if the Board were to adopt a final rule with an effective date of 2027 for the updated method 2 coefficients described in section II.A.i, of this **SUPPLEMENTARY INFORMATION**, the Board would calculate the GDP growth adjustment scalar in 2028 by

[34] Because this approach would be based on cumulative change in average nominal U.S. GDP following the effective date of a final rule, it would still account for periods of negative growth. Downward adjustments to the coefficients would only occur when there is a positive net cumulative change.

[35] *See* Bureau of Economic Analysis, Gross Domestic Product, *https://www.bea.gov/data/gdp/gross-domestic-product*. The Board may elect to use a comparable value in instances such as where a nominal U.S. GDP growth estimate from the Bureau of Economic Analysis is unavailable.

dividing the average nominal U.S. GDP in calendar years 2025, 2026, and 2027 by the average nominal U.S. GDP in calendar years 2024, 2025, and 2026.[36]

The Board would calculate and publish a GDP growth adjustment scalar, along with updated method 2 coefficients, each year.[37] Each calendar year, a GSIB would calculate its method 2 score using the updated coefficients published by the Board and the firm's systemic indicator data reported as of the end of the previous calendar year. For example, in 2028, when a GSIB calculates its method 2 score using systemic indicator data reported as of December 31, 2027, the GSIB would use the most recent adjusted method 2 coefficients published by the Board in the fourth quarter of 2028.

iii. Alternative Approach to Adjust Method 2 Coefficients

The Board requests comment on all aspects of the proposed approach for adjusting the method 2 coefficients, as well as alternative approaches. For example, as an alternative to the one-time update and annual adjustments to the method 2 coefficients to reflect economic growth described above, the Board seeks comment on an approach that would adjust the method 2 coefficients based on inflation since 2015 and annually going forward.

To account for the effects of inflation, the method 2 coefficients could be updated using the non-seasonally adjusted Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), which is a measure of prices paid by urban wage earners and clerical

[36] The proposal includes a definition of the GDP growth adjustment, which sets forth the way in which the adjustment would be calculated each year.

[37] The Board expects that it would publish the adjustment and the updated coefficients annually on the Board's public website and in the *Federal Register* concurrent with the release of the annual method 1 aggregate global indicator amounts.

workers.[38] This index measures the price level of goods and services purchased by urban households, reflecting price changes from a consumer's perspective. A consumer price index (CPI) is widely used to account for changes in the U.S. dollar over time. The U.S. Bureau of Labor Statistics publishes different versions of CPI, which capture price changes in different economic segments. The Board, with the OCC and FDIC (together, the agencies), is simultaneously issuing two risk-based capital proposals (the expanded risk-based proposal and standardized approach proposal, together, the capital proposals) which, among other things, would index certain thresholds in the capital rule using CPI-W. Using CPI-W to adjust the method 2 coefficients would promote simplicity and consistency by providing a single indexing mechanism within the capital rule.[39]

Indexing the method 2 coefficients by CPI-W would account for changes in the price level, which over time has tended to be lower than the rate of economic expansion in the United States. It would not, however, automatically account for other changes in the financial system and economy that could affect a GSIB's systemic risk profile. Using CPI-W to index the method 2 coefficients, therefore, could result in a GSIB experiencing higher method 2 scores if its systemic indicators grew in line with economic growth.

Under an approach to adjust the coefficients by inflation, the Board could calculate the cumulative percent change of the non-seasonally adjusted CPI-W to create an index for inflation

[38] *See* Bureau of Labor Statistics. Consumer Price Index, *https://www.bls.gov/cpi/data.htm* and Social Security Administration. Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), *https://www.ssa.gov/oact/STATS/cpiw.html*. The Board may elect to use a comparable value in instances such as where CPI-W data are unavailable.

[39] In addition, CPI-W is used for inflation adjustments in other banking regulations, such as Regulation CC, Regulation M, Regulation Z, and the Community Reinvestment Act regulations, as well as for regulations and programs such as the Social Security Administration's annual cost of living adjustments. *See, e.g.,* 12 CFR 229.11(a) (Regulation CC), 12 CFR 213.2(e)(1) (Regulation M), 12 CFR 226.3(b)(1)(ii) (Regulation Z), 12 CFR Appendix-G-to-Part-228(u)(2) (Community Reinvestment), 20 CFR 404.272(a)(1) (Social Security Administration).

that increases based on the cumulative change in the price index.[40] Going forward, this alternative approach could index the method 2 coefficients using CPI-W on an annual basis. To avoid increasing capital requirements during a time of economic contraction, annual adjustments under this alternative approach could reflect only positive net cumulative changes in CPI-W, and the approach would not automatically adjust coefficients upward in the event of a negative year-over-year change in the index.[41] To ensure an accurate and predictable measure, in the fourth quarter of a calendar year, this alternative approach could use the most current non-seasonally adjusted CPI-W data published by the Bureau of Labor Statistics for December of the preceding calendar year to calculate and publish the cumulative percent change.[42]

Question 1: What are the advantages and disadvantages of applying a one-time downward adjustment by a factor of 1.2 to the method 2 coefficients under the proposal? What alternative approaches should the Board consider, and why? Please provide any alternative approaches the Board should consider to adjust the coefficients, noting in particular how changes to the financial system and economy since the adoption of the GSIB framework would be accounted for in any potential adjustment, and the advantages and disadvantages of such an approach.

Question 2: What would be the advantages and disadvantages of updating the method 2 coefficients based on the most recent available aggregate global indicator amounts for the

[40] To calculate the inflation index, the non-seasonally adjusted CPI-W index for December 2024 would be divided by the non-seasonally adjusted CPI-W index for December 2015.

[41] Because this approach would be based on cumulative change in CPI-W, it would still account for periods of deflation. Downward adjustments to the coefficients would only occur when there was a positive net cumulative change in the index.

[42] The Board may use a comparable value in instances such as where CPI-W from the Bureau of Labor Statistics is unavailable.

systemic indicators in the size, interconnectedness, complexity, and cross-jurisdictional activity categories?

Question 3: What are the advantages and disadvantages of using nominal U.S. GDP as the basis to annually adjust the method 2 coefficients? What are the advantages of disadvantages of using a three-year moving average of nominal U.S GDP as the measurement of real economic growth and inflation to adjust the method 2 coefficients? What alternative measures of real economic growth and inflation should the Board consider, and why?

Question 4: What are the advantages and disadvantages of using the data published by the Bureau of Economic Analysis as proposed? What alternatives or other data sources should the Board consider, and why?

Question 5: What would be the advantages and disadvantages of an alternative approach that would adjust the method 2 coefficients based on inflation using CPI-W? What other measurements of inflation should the Board consider and why?

Question 6: What are the advantages and disadvantages of the proposed approach to annually adjust the method 2 coefficients so that they do not change to reflect a period of negative average U.S. nominal GDP growth? Under what circumstances, if any, should the adjustment methodology increase the method 2 coefficients to reflect negative average U.S. nominal GDP growth, and why?

Question 7: What are the advantages and disadvantages of publishing the updated method 2 coefficients together with the aggregate global indicator amounts in the fourth quarter of each calendar year? What alternatives should the Board consider with respect to publication of the adjustment data, and why?

Question 8: The capital proposals would utilize an indexing methodology that would adjust certain dollar-based thresholds using CPI-W. Specifically, the dollar thresholds would be adjusted at the end of every consecutive two-year period, which is meant to capture changes in price levels over time while reducing the frequency with which thresholds are adjusted. What would be the advantages or disadvantages of aligning the frequency and timing of the adjustments to the method 2 coefficients with the frequency of adjustments in the capital proposals?

Question 9: What, if any, operational challenges are associated with the proposed approach? What adjustments could the Board make to the proposed approach to address such challenges?

B. Changes to the Short-Term Wholesale Funding Measure

The method 2 framework includes a measure of a firm's reliance on short-term wholesale funding as an indicator of systemic risk. The 2007-09 financial crisis highlighted how banking organizations' reliance on short-term wholesale funding can create vulnerabilities during periods of stress that undermine financial stability.[43] Banking organizations that face funding stress are often forced to sell assets under duress at fire-sale prices, resulting in losses or collateral calls for other market participants. This dynamic can create an adverse cycle of mark-to-market losses, margin calls, forced deleveraging, and additional losses, amplifying stress throughout the financial system. When these dynamics occur at large, interconnected banking organizations,

[43] *See* Adrian, Tobias, and Hyun Song Shin. "The Changing Nature of Financial Intermediation and the Financial Crisis of 2007-2009." Federal Reserve Bank of New York Staff Report No. 439 (March 2010). Huang, Rocco, and Lev Ratnovski. "The Dark Side of Bank Wholesale Funding." International Monetary Fund Working Paper No. WP/10/170 (July 2010). Damar, H. Evren, Césaire A. Meh, and Yaz Terajima. "Leverage, Balance Sheet Size and Wholesale Funding." Bank for International Settlements Conference Paper (March 2013).

they can impose negative externalities on counterparties, other market participants, and the financial system more broadly, particularly in periods of market turmoil.

The short-term wholesale funding indicator measures a banking organization's reliance on wholesale funding sources that are generally less stable than longer-term funding or retail deposits during periods of stress. Short-term wholesale funding includes funding sources such as wholesale deposits, brokered and sweep deposits, securities sold under agreements to repurchase, certain short positions, and other short-term borrowings.[44] Under the method 2 framework, the short-term wholesale funding score calculation uses the ratio of a banking organization's average weighted short-term wholesale funding amount[45] to its average risk-weighted assets over the preceding four quarters. This approach measures a banking organization's dependence on short-term wholesale funding relative to the risk-adjusted size of its balance sheet.

i. Modification of the Short-Term Wholesale Funding Score to Remove the Risk-Weighted Assets Denominator

The proposal would remove the average risk-weighted assets denominator from the calculation of a firm's short-term wholesale funding score. Under the proposal, a banking organization's short-term wholesale funding score would be equal to its average weighted short-term wholesale funding amount multiplied by a coefficient. This approach would simplify the calculation of the indicator and use the same calculation method used for the other method 2 systemic indicators. It would also address an effect of the current calculation, which can produce results not aligned with risk as described below. The proposed approach would be consistent

[44] Components of a GSIB's short-term wholesale funding amount generally align with the definitions of the liquidity coverage ratio framework and with items that are reported on the Board's Complex Institution Liquidity Monitoring Report on Form FR 2052a.

[45] A firm's weighted short-term wholesale funding amount is determined by calculating its short-term wholesale funding amount for each business day over the prior calendar year, applying the appropriate weighting by short-term wholesale funding source and remaining maturity, and averaging this amount over the prior calendar year.

with the goal of the GSIB framework to measure the expected impact of a banking organization's failure and would align with the calculation methodology for the weighted short-term wholesale funding risk-based indicator in the regulatory tailoring framework.[46]

Using a banking organization's weighted short-term wholesale funding amount would improve the measurement of a banking organization's systemic risk profile relative to the current approach of using average risk-weighted assets in the denominator. Measuring the total amount of a banking organization's weighted short-term wholesale funding would provide a direct measurement of the potential transmission effect of fire-sales described above that would result from a GSIB's failure.[47]

The use of risk-weighted assets in the denominator of the current approach can result in outcomes that may not align with measuring systemic risk. Under the current approach, a banking organization with higher risk-weighted assets than a firm with lower risk-weighted assets and a similar amount of short-term wholesale funding is assigned a lower short-term wholesale funding indicator score. This outcome may not appropriately reflect the size and systemic importance of the two firms' respective funding profiles.

Further, if a banking organization's risk-weighted assets increase, its short-term wholesale funding score can correspondingly decrease, even though its volume of short-term wholesale funding remains unchanged. Conversely, if a banking organization's risk-weighted

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[46] The weighted short-term wholesale funding indicator in the regulatory tailoring framework uses a banking organization's weighted short-term wholesale funding amount reported on the FR Y-15, without dividing by average risk-weighted assets. *See* 12 CFR 252.2 "Weighted short-term wholesale funding."

[47] *See* Begalle, Brian, Antoine Martin, James McAndrews, and Sarah McLaughlin. "The Risk of Fire Sales in the Tri-Party Repo Market." *Contemporary Economic Policy*, 34 (July 2016), *https://onlinelibrary.wiley.com/doi/10.1111/coep.12126*. Raddatz, Claudio. "Liquidity and the Use of Wholesale Funds in the Transmission of the U.S. Subprime Crisis." The World Bank Development Research Group (February 2010), *https://www.bis.org/events/ccaconf2012/raddatz.pdf*. Duarte, Fernando and Thomas M. Eisenbach. "Fire Sales in a Model of Systemic Risk." Federal Reserve Bank of New York Staff Report (2013), *https://www.newyorkfed.org/medialibrary/media/research/conference/2013/fire_sales/Paper_Duarte_Eisenbach.pdf*.

assets decrease, its short-term wholesale funding score can increase. The proposed approach would prevent these outcomes in the method 2 framework going forward.

As discussed in section II.A.ii of this **SUPPLEMENTARY INFORMATION**, the proposal would index method 2 systemic indicator coefficients, including the proposed short-term wholesale funding indicator coefficient, to changes in nominal U.S. GDP. By incorporating a coefficient calibrated to the amount of a banking organization's weighted short-term wholesale funding amount, the proposal's annual adjustment to reflect nominal U.S. GDP would apply to all ten method 2 indicators coefficients, including the short-term wholesale funding systemic indicator. The proposed approach would not increase a banking organization's reporting burden because it would continue to use the same reporting requirements for weighted short-term wholesale funding currently used in the FR Y-15.

Question 10: What are the advantages and disadvantages of using an absolute level of weighted short-term wholesale funding as opposed to the current approach, which divides a firm's amount of weighted short-term wholesale funding by its average risk-weighted assets? What other approaches to measure a banking organization's weighted short-term wholesale funding should the Board consider, and why? For example, what would be the advantages and disadvantages of retaining a ratio-based approach but replacing risk-weighted assets with average total consolidated assets or total leverage exposure? Please provide any relevant data and rationale, particularly of why maintaining a ratio-based approach would be more appropriate than the proposed approach.

ii. Weight the Short-Term Wholesale Funding Score to Represent Approximately 20 Percent of Total Method 2 GSIB Scores

Under the proposal, a banking organization's short-term wholesale funding score would equal the average of its weighted short-term wholesale funding amount over the prior year multiplied by the coefficient for this category. The coefficient for the short-term wholesale funding category would be initially set at 23.003. The proposal would use this coefficient in order to calibrate the weighted short-term wholesale funding category at approximately twenty percent of aggregate total method 2 scores for U.S. GSIBs based on reported FR Y-15 data as of December 31, 2024.[48] The use of this value would align with the as-of date for the adjustments to the other method 2 coefficients described in section II.A of this **SUPPLEMENTARY INFORMATION**.

This proposed coefficient and calibration of the short-term wholesale funding systemic indicator would be consistent with the approach described in the 2015 final rule.[49] Specifically, the 2015 final rule included a conversion factor for the short-term wholesale funding indicator that was intended to result in the indicator comprising 20 percent of method 2 scores for banking organizations identified as GSIBs, consistent with the weighting of the other systemic indicators.[50] However, due to factors such as limited data availability when the conversion factor was calibrated,[51] the short-term wholesale funding score has constituted approximately 30

[48] The updated coefficient reflects the changes in GSIBs' method 2 scores from the coefficient adjustments and amendments to the systemic indicators described in section F of this **SUPPLEMENTARY INFORMATION**. *See* Section III.C for more information on the methodology used to recalibrate the other method 2 coefficients.

[49] *See* 80 FR 49082, at 49088 (Aug. 14, 2015). "The conversion factor was intended to weight the short-term wholesale funding amount such that the short-term wholesale funding score receives an equal weight as the other systemic indicators within method 2 (i.e., 20 percent), and is based upon estimates of short-term wholesale funding levels at the eight bank holding companies currently identified as GSIBs."

[50] *See id.* at 49101. Unlike the other systemic risk indicators that incorporated data from the Basel Committee's global denominators for each indicator in setting the coefficient, the short-term wholesale funding indicator did not have a corresponding Basel Committee global denominator.

[51] Prior to the full implementation of the Board's GSIB surcharge rule, banking organizations did not report certain systemic indicators, including the short-term wholesale funding amount. Because firms were still establishing internal controls, measurement methodologies, and reporting infrastructure for these indicators, the initial data collection period was characterized by varying levels of data quality.

percent of aggregate method 2 scores across U.S. GSIBs since the adoption of the GSIB framework.[52] The proposed coefficient value would address the current overweighting of the short-term wholesale funding category by using a calibration consistent with the initial 20 percent objective.

Question 11: What are the advantages and disadvantages of calibrating the coefficient for the short-term wholesale funding indicator to target a 20 percent share of method 2 scores as of December 2024? What alternative weighting or calibration methodologies should the Board consider, and why?

Question 12: What would be the advantages and disadvantages of calibrating the coefficient value for the short-term wholesale funding indicator based on a different as-of date than December 2024 or a different period than calendar 2024? Please provide any rationale or data that may be helpful to inform the Board's consideration.

C. Data Averaging of Certain Systemic Indicators

Under the current GSIB surcharge framework, FR Y-15 filers report many of the data values used to calculate a firm's method 1 or method 2 score on a point-in-time basis, reflecting the firm's amount for the indicators as of the end of the reporting quarter. Indicators currently calculated on a point-in-time basis include intra-financial system assets, intra-financial system liabilities, securities outstanding, assets under custody, notional amount of over-the-counter (OTC) derivatives, trading and available-for-sales securities, Level 3 assets, cross-jurisdictional

[52] As of year-end 2016, the short-term wholesale funding category represented 30.7 percent of firms' estimated method 2 GSIB surcharge scores on a size-weighted basis. As of year-end 2024, the short-term wholesale funding category's share had decreased to 28.9 percent of firms' method 2 GSIB scores. Under the method 1 surcharge framework, each of the five categories of systemic importance receive an equal weight of 20 percent. Under the method 2 framework, the relative contribution of each indicator or category can be different over time than the weight used at the inception of the framework.

claims, and cross-jurisdictional liabilities. A firm's method 1 and 2 score calculations use as inputs the value of these indicators as of December 31 of the previous calendar year.[53]

Point-in-time indicator values, whether year-end or quarter-end, may not accurately reflect a firm's systemic risk profile because such values can be meaningfully different from values on other dates throughout the year, for example due to seasonality. Furthermore, measuring indicators only as of a single date each year creates incentives for a firm to manage the values of its systemic indicators on December 31 to reduce the amount of its GSIB surcharge in a manner that may not be commensurate with the firm's systemic risk profile on other days of the year.

To address this issue, the proposal would require U.S. GSIBs to report certain indicators as averages of daily or monthly values rather than point-in-time measurements.[54] In addition, it would require the calculation of method 1 and method 2 scores using average values over a calendar year, rather than values only as of December 31. Table 1 displays the systemic indicator by categories and the proposed reporting requirements for GSIBs relative to the current requirements. Reporting these indicators as an average of daily or monthly values over the previous year would result in GSIB scores and associated surcharges that are more commensurate with each firm's level of systemic risk.

Table 1: Measurement of GSIB Surcharge Inputs for GSIBs

Category	Systemic Indicator	Current U.S. Reporting	Proposal
Size	Total exposures	For on-balance sheet items, average of daily values over the fourth quarter.	No changes in reporting

[53] Generally, a bank holding company subject to Category I, II, or III prudential standards must calculate its method 1 score annually. A bank holding company is identified as a GSIB if its method 1 score equals or exceeds 130 basis points. If a bank holding company is identified as a GSIB, it must also calculate its method 2 score.

[54] Unless otherwise noted, references to averaging of "daily" values in this **SUPPLEMENTARY INFORMATION** section refer to averaging of values for each business day.

Table 1: Measurement of GSIB Surcharge Inputs for GSIBs

Category	Systemic Indicator	Current U.S. Reporting	Proposal
		For off-balance sheet items, average of the three month-end balances over the fourth quarter.	No changes in reporting.
Interconnectedness	Intra-financial system assets	For on-balance sheet items, as of December 31	For on-balance sheet items, average of daily values over the reporting quarter.
		For off-balance sheet items, as of December 31	For off-balance sheet items, average of month-end values over the reporting quarter.
	Intra-financial system liabilities	For on-balance sheet items, as of December 31	For on-balance sheet items, average of daily values over the reporting quarter.
		For off-balance sheet items, as of December 31	For off-balance sheet items, average of month-end values over the reporting quarter.
	Securities outstanding	As of December 31	Average of month-end values over the reporting quarter.
Substitutability (Method 1 Only)	Payments activity	Total gross value of all cash payments sent via large-value payment systems over the last year.	No changes in reporting.
	Assets under custody	As of December 31	Average of month-end values over the reporting quarter.
	Underwritten transactions in debt and equity markets	Total underwriting over the last year.	No changes in reporting.
Short-Term Wholesale Funding (Method 2 Only)	Short-term wholesale funding metric	Average of daily values for weighted short-term wholesale funding over the preceding four quarters in the numerator. Four-quarter average of total risk-weighted assets in the denominator.	Averages of daily values for weighted short-term wholesale funding over the preceding quarter in the numerator. (Denominator would no longer be applicable.)

Table 1: Measurement of GSIB Surcharge Inputs for GSIBs

Category	Systemic Indicator	Current U.S. Reporting	Proposal
Complexity	Notional amount of over-the-counter (OTC) derivatives	As of December 31	Average of daily values over the reporting quarter.
	Trading and available-for-sale securities	As of December 31	Average of daily values over the reporting quarter.
	Level 3 assets	As of December 31	Average of month-end values over the reporting quarter.
Cross-Jurisdictional Activity	Cross-jurisdictional claims	As of December 31	Average of month-end values over the reporting quarter.
	Cross-jurisdictional liabilities	As of December 31	Average of month-end values over the reporting quarter.

Historical empirical evidence indicates that some U.S. and foreign GSIBs have reported lower indicator amounts at year end than at other times during the year.[55] In particular, one analysis shows that U.S. GSIBs, on average, reduce their notional amounts of OTC derivatives at year end more than non-GSIB firms.[56] Overall, the findings in these empirical studies suggest that, in certain circumstances, applicable GSIB surcharges can be based on systemic indicator values that do not accurately reflect GSIBs' systemic risk profiles throughout the year. In

[55] *See*, *e.g.*, Luis Garcia, Ulf Lewrick, and Taja Sečnik, Is Window Dressing by Banks Systemically Important, *BIS Working Papers*, 960 (August 2021); Markus Behn, Giacomo Mangiante, Laura Parisi. and Michael Wedow, Behind the Scenes of the Beauty Contest: Window Dressing and the G-SIB Framework, *International Journal of Central Banking*, 76 (December 2022).

[56] *See, e.g.,* Jared Berry, Akber Khan, and Marcelo Rezende, How Do U.S. Global Systemically Important Banks Lower Their Capital Surcharges, *FEDS Notes*, Board of Governors of the Federal Reserve System (January 31, 2020).

addition, these end-of-year patterns in GSIBs' activities can also lead to liquidity disruptions in certain financial markets.[57]

Taken together, the existing empirical analyses and the economic analysis described in section III.E.i of this **SUPPLEMENTARY INFORMATION** suggest that the proposed data averaging requirement would result in indicator values that are more consistent with GSIBs' systemic risk profiles. Using averages of daily or monthly values rather than point-in-time measurements of systemic indicators to calculate GSIB scores would likely result in GSIB scores and capital surcharges that are better aligned with GSIBs' systemic risk profiles. For each systemic indicator, the proposed frequency of data to be averaged seeks to balance the risks of indicator values that are not representative of a GSIB's systemic risk profile, as described above, against the operational burden for firms to calculate and report averaged values.

As noted in Table 1, the proposal would require a GSIB to report the intra-financial system assets, intra-financial system liabilities, notional amount of OTC derivatives, and trading and available-for-sale securities indicators on the FR Y-15 as the average of daily values of the indicator over the reporting quarter, instead of quarter-end point-in-time values.[58] Generally, these are data items the value of which a firm could more easily manage as of a quarterly reporting date; for example, many of the positions in these data items are relatively highly liquid and easily tradeable.[59] The Board expects that these indicators would also generally present less

[57] *See, e.g.,* Erik Bostrom, David Bowman, Amy Rose, and Andy Xia, What Happens on Quarter-Ends in the Repo Market, *FEDS Notes*, Board of Governors of the Federal Reserve System (June 6, 2025); Matthew Naylor, Renzo Corrias, and Peter Wells, Banks' Window-Dressing of the G-SIB Framework: Causal Evidence from a Quantitative Impact Study, Working Paper 42, Basel Committee on Banking Supervision (March 7, 2024).

[58] For certain off-balance sheet items, a U.S. GSIB would report the average of month-end values over the reporting quarter, rather than an average of daily values (see Table 1).

[59] For example, trading and available-for-sale securities are generally bought and sold with a relatively high degree of certainty of settlement.

operational complexity and cost for GSIBs to report using averages of more frequent data (for example, averages of daily rather than averages of monthly values). For instance, U.S. GSIBs currently must report or maintain daily data for OTC derivatives and trading and available-for-sale securities for other purposes, including regulatory reporting requirements and risk management.[60] Similarly, for the intra-financial system assets and intra-financial system liabilities indicators, GSIBs currently must maintain much of this information for accounting purposes or regulatory purposes, which reduces the operational complexity of reporting these indicators based on a higher frequency of data.[61] For example, GSIBs currently must track exposures to individual counterparties on a daily basis in order to calculate compliance with the Board's single counterparty credit limits rule; many of these exposures are also captured in the intra-financial system assets indicator.[62]

For some indicators, the benefits of more precise measurement may not warrant the added operational costs for GSIBs to report averages of daily data. For instance, cross-jurisdictional claims can be complex for firms to report if they manually account for multiple different types of risk transfers, such as the identity and location of guarantors or collateral, for purposes of the reporting form. Furthermore, in some cases, averages of daily values may not meaningfully improve systemic risk measurement relative to averages of monthly values. For example, Level 3 assets are by definition illiquid and difficult to value, relying on unobservable inputs. Similarly, firms are likely to have a limited ability to manage values of the securities

[60] Trading and available-for-sale securities are also reported on the Complex Institution Liquidity Monitoring Report (FR 2052a). Additionally, firms report trading assets as an average of either daily or weekly values on the Consolidated Financial Statements for Holding Companies (FR-Y9C), Schedule HC-K, item 4(a).

[61] For example, GSIBs are currently required to report certain intra-financial system liabilities on a daily basis on the FR 2052a.

[62] 12 CFR 252.78(a)(1).

outstanding indicator as of a given date because a significant portion of that indicator value is based on a firm's market capitalization (which can be affected by exogenous factors).

Accordingly, as noted in Table 1, the proposal would require a GSIB to report the securities outstanding, assets under custody, Level 3 assets, cross-jurisdictional claims, and cross-jurisdictional liabilities indicators on the FR Y-15 as the average of monthly values of the indicator over the reporting quarter.[63] Requiring averages of monthly, rather than daily, values for these indicators seeks to balance the benefits of improved measurement of systemic risk and reduced incentives for firms to adjust year-end indicator amounts with the operational complexity and cost of reporting average values based on higher-frequency data.

The proposal would not change the current reporting methodology for items that measure flows (payments activity and underwritten transactions in debt and equity markets) and short-term wholesale funding.[64]

The proposed changes to require reporting of average data would apply only to GSIBs identified under the Board's GSIB framework.[65] The proposal would not change the regulatory reporting methodology for firms that are subject to Category II, III, or IV standards. It would require a bank holding company subject to Category II or III standards to calculate its method 1

[63] For exposures reported on the FR Y-15 based on their U.S. GAAP carrying value, the proposal would not change the frequency of valuation required by U.S. GAAP for the exposure. Rather, the proposal in certain cases would modify the frequency at which these exposures must be identified for purposes of calculating average values based on the U.S. GAAP carrying value at the time of measurement. The proposed averaging frequencies for the purposes of reporting on the FR Y-15 are not intended to affect firms' internal valuation frequencies for exposures. For example, firms would not be expected to revalue Level 3 assets on a monthly basis as a regulatory reporting requirement.

[64] For these indicators, where firms currently report items as 12-month sums or averages, the proposal would require reporting of values for the reporting quarter only, with a separate line item to include the 12-month sum or averages, to align with the proposed reporting of other indicators and improve clarity. As discussed in section II.B. of this **SUPPLEMENTARY INFORMATION**, the proposal would make other changes to the short-term wholesale funding indicator.

[65] *See* 12 CFR 217.402. A firm that newly becomes a GSIB would be required to begin reporting averages of daily or monthly values as of the first quarter following its identification as a GSIB.

GSIB score by using the average of its four quarterly reported values for each systemic indicator for the year. The scope of the proposed data averaging requirements seeks to balance the risks of indicator values that are not representative of a GSIB's systemic risk profile, as described above, against the operational complexity for firms to calculate and report averaged data. GSIBs have the greatest incentives to manage the values of their systemic indicators on measurement dates because these values directly affect the firm's capital requirements. Additionally, GSIBs have, and are expected to maintain, greater operational capabilities to report averages of more frequent data. For non-GSIBs, both the incentives to manage point-in-time systemic indicator values and the operational capabilities to report averaged data are generally more limited. Accordingly, for non-GSIBs, the benefits of averaged data are less likely to outweigh these operational costs.

Question 13: How would the proposed averaging requirement of daily values and monthly values for indicators affect the ability to of the GSIB framework to identify and measure the systemic risk profile of banking organizations? What other measurement approaches for the systemic indicators should the Board consider to improve the measurement of a large banking organization's level of systemic risk?

Question 14: For each systemic indicator, what alternative frequency of data to be averaged should the Board consider, and why? For example, what would be the advantages and disadvantages of using averages of daily, weekly, or monthly values instead of the proposed data frequencies?

Question 15: For each systemic indicator, what additional operational burdens would be required to report according to the proposed averaging frequency, relative to what banking organizations already do to track this information? To what extent would the operational burdens of reporting averages of daily, weekly, monthly, or quarterly values differ for the

different indicators? What other changes, if any, could reduce the additional costs of reporting average values for a particular indicator? Please provide relevant data or analysis, including specific information regarding the operational burden of different frequencies for any indicator.

Question 16: What modifications, if any, should the Board consider to the proposed data averaging framework to account for material changes in systemic indicator values that occur over the course of a calendar year, for example, due to a corporate transaction such as a merger, acquisition, or material sale?

Question 17: The Basel Committee issued a consultative document in March 2024 that included potential approaches to increase the frequency of data averaging in the international GSIB framework. What are the advantages and disadvantages of alignment with international standards in this area? If the Board were to consider aligning to the international standard, what considerations should the Board take into account? Please provide any relevant data or analysis.

i. Currency Conversion of Aggregate Global Indicator Amounts

Each year, the Board publishes aggregate global indicator amounts used in the calculation of method 1 scores, which are based on data collected by the Basel Committee.[66] The Basel Committee amounts are determined based on the sum of the systemic indicator amounts reported by the 75 largest U.S. and foreign banking organizations as measured by the Basel Committee, and any other banking organization the Basel Committee includes in its sample total for that year. The Basel Committee publicly releases these amounts, denominated in euros, each year.[67]

[66] *See*, *e.g.*, 2025 Aggregate Global Indicators Amount, *https://www.federalregister.gov/documents/2025/12/16/2025-22964/regulation-q-regulatory-capital-rule-risk-based-capital-surcharges-for-global-systemically-important*. The Board also maintains this information its website, *https://www.federalreserve.gov/supervisionreg/basel/denominators.htm*.

[67] The values published by the Basel Committee are available at *https://www.bis.org/bcbs/gsib/denominators.htm*.

As discussed in the 2015 final rule, the Board uses a conversion rate provided by the Basel Committee to convert aggregate global indicators published by the Basel Committee in euros to the U.S. dollar-denominated aggregate global indicator amounts used in the method 1 GSIB score calculation.[68] The conversion rate is the prevailing exchange rate, as calculated by the Basel Committee, between euros and U.S. dollars on December 31 of an applicable year. As discussed above, under the proposal, most systemic indicators would use an average of values over a calendar year as opposed to year-end point-in-time values. To better align with the use of average values for systemic indicators, the Board is proposing to update its internal methodology to use annual average exchange rates to convert aggregate global indicator amounts from euros to U.S. dollars. Under this approach, the Board would rely on the annual average exchange rate published by the Basel Committee rather than the year-end exchange rate published by the Basel Committee.[69]

Question 18: What are the advantages or disadvantages of using annual average exchange rates to convert aggregate global indicator amounts from euros to U.S. dollars, rather than year-end spot exchange rates? What alternative approaches, if any, should the Board consider, and why?

D. Reducing Cliff Effects in the Calculation of Method 2 GSIB Surcharges

As described in the 2015 final rule, the Board chose to assign GSIB surcharges using 100-basis point score band sizes so that modest changes in a firm's systemic indicators would generally not cause a change in its surcharge and surcharges would be reasonably sensitive to

[68] *See* 80 FR 49085.

[69] The Basel Committee publishes the prevailing year-end and average annual exchange rates on its public website. *See https://www.bis.org/bcbs/gsib/reporting_instructions.htm.*

changes in a firm's systemic risk profile.[70] In practice, the Board has observed that firms' method 2 scores tend to cluster close to the upper limit of a score band range, especially at year-end.

In order to increase the sensitivity of a firm's surcharge to its systemic risk profile and reduce cliff effects around changing score bands, the Board is proposing to make the method 2 score band ranges narrower.[71] Instead of 100-basis point score band ranges corresponding to 0.5-percentage point increments in the surcharge (1.0%, 1.5%, 2.0%, etc.), the proposal would modify the ranges in method 2 to 20-basis point ranges that would correspond to 0.1-percentage point increments (1.0%, 1.1%, 1.2%, etc.).

Under this approach, the lowest score band range would be method 2 scores of 189 basis points or less, corresponding to a 1.0 percent surcharge, the lowest applicable surcharge for a GSIB. If the method 2 score of a GSIB equaled or exceeded 190 basis points, the method 2 surcharge would equal the sum of 1.1 percent and an additional 0.1 percent for each additional 20 basis points by which the GSIB's method 2 score exceeded 190 basis points. Expressed mathematically, this is equivalent to:

$$Method\ 2\ GSIB\ surcharge$$

$$= \begin{cases} 1\% + 0.1\% * ceiling\left(\dfrac{method\ 2\ GSIB\ score - 189}{20}\right), if\ method\ 2\ score \geq 190 \\ 1\%, if\ method\ 2\ score \leq 189 \end{cases}$$

[70] *See* 80 FR 49082, at 49091 (Aug. 14, 2015).

[71] The proposal would not amend the score band ranges for method 1, as discussed further below.

Where *ceiling* means to round the fraction to the nearest integer above or equal to it.[72] Table 2 illustrates the application of this formula up to a score of 1129.

Table 2: Proposed revised method 2 surcharge score band ranges

Method 2 Score Range	Method 2 Surcharge		Method 2 Score Range	Method 2 Surcharge	
	Current	Proposed		Current	Proposed
Less than 189	1.0%	1.0%	630 - 649	3.5%	3.3%
190 - 209		1.1%	650 - 669		3.4%
210 - 229		1.2%	670 - 689		3.5%
230 - 249	1.5%	1.3%	690 - 709		3.6%
250 - 269		1.4%	710 - 729		3.7%
270 - 289		1.5%	730 - 749	4.0%	3.8%
290 - 309		1.6%	750 - 769		3.9%
310 -329		1.7%	770 - 789		4.0%
330 - 349	2.0%	1.8%	790 - 809		4.1%
350 - 369		1.9%	810 - 829		4.2%
370 - 389		2.0%	830 - 849	4.5%	4.3%
390 - 409		2.1%	850 - 869		4.4%
410 - 429		2.2%	870 - 889		4.5%
430 - 449		2.3%	890 - 909		4.6%
450 - 469		2.4%	910 - 929		4.7%
470 - 489	2.5%	2.5%	930 - 949		4.8%
490 - 509		2.6%	950 - 969	5.0%	4.9%
510 - 529		2.7%	970 - 989		5.0%
530 - 549	3.0%	2.8%	990 - 1009		5.1%
550 - 569		2.9%	1010 - 1029		5.2%
570 - 589		3.0%	1030 - 1049	5.5%	5.3%
590 - 609		3.1%	1050 - 1069		5.4%
610 - 629		3.2%	1070 - 1089		5.5%
			1090 - 1109		5.6%
			1110 - 1129		5.7%

[72] For example, 2.1 rounds up to 3; 4.7 rounds up to 5; 6 does not require rounding.

The proposed method 2 score band range structure would result in a surcharge equivalent to that under the current method 2 surcharge score band range structure when a method 2 score is in the middle quintile of the current score band range, as displayed in Table 2. For example, a method 2 score of 280 basis points is near the center of the current 2.5 percent surcharge score band range and would likewise receive a 2.5 percent surcharge under the proposal. Under the proposal, method 2 scores at the lower end of a current method 2 score band range would receive a modest GSIB surcharge reduction. Method 2 scores at the higher end of a current method 2 score band range would receive a modest GSIB surcharge increase under the proposal.

The proposed revision is not meant to alter the overall calibration of the method 2 surcharge, as reflected by the fact that the surcharge for a proposed score band range that is at the center of a current score band range would remain unchanged. Rather, the proposal would apply a more continuous approach to determining a firm's GSIB surcharge that would reduce cliff-effects in the framework and increase its risk sensitivity.

The proposal would not amend the score band ranges for method 1. Because method 1 is structured to be generally consistent with the methodology used by other major jurisdictions to calculate GSIB surcharges and with the GSIB surcharge standard published by the Basel Committee, the proposal would keep the existing score band ranges for method 1 to promote international consistency.

Question 19: What are the advantages and disadvantages of the proposed approach to method 2 surcharges, including for firms' capital planning? What alternative approaches, if any, should the Board consider for reducing cliff effects and better reflecting a firm's systemic risk profile in its GSIB surcharge?

E. Amendments to Systemic Indicators

The Board is proposing to revise various aspects of the systemic indicators, as implemented in certain cases through the data collected on the FR Y-15. This section discusses these revisions, grouped by systemic indicator category. Unless otherwise noted, each proposed modification in this section would apply to all filers of the FR Y-15. Table 3 summarizes the proposed modifications to the GSIB framework and the FR Y-15 reporting.[73]

Table 3: Proposed Amendments to Systemic Indicators

Proposed Amendments	Affected Systemic Indicators
Revise definition of "financial institutions" for interconnectedness category and treatment of holdings of securities issued by an exchange-traded fund	Intra-financial system assets; intra-financial system liabilities
Incorporate the standardized approach for counterparty credit risk (SA-CCR) to measure derivative exposures[74]	Intra-financial system assets; intra-financial system liabilities
Update treatment of non-cash collateral in over-the-counter (OTC) derivatives transactions	Intra-financial system assets; intra-financial system liabilities
Update treatment of certificates of deposit	Securities outstanding
Clarify scope for reporting of preferred shares	Securities outstanding
Introduce two trading volume indicators	Trading volume
Update list of currencies	Payments activity

[73] In addition to the proposed amendments listed in Table 3, the proposal would modify the FR Y-15 instructions related to the total exposures systemic indicator to remove unintended differences from the calculation of total leverage exposure under the Board's capital rule. *See* 12 CFR 217.10(c)(2).

[74] The capital rule currently requires banking organizations subject to Category I and II standards to use SA-CCR to calculate standardized total risk-weighted assets and total leverage exposure and to use SA-CCR or the internal models methodology to calculate their advanced approaches total risk-weighted assets. Firms subject to Category III or IV standards may, but are not required to, use SA-CCR. *See* 12 CFR 217.34(a) (applicability of SA-CCR); 12 CFR 217.132(c) (SA-CCR).

Proposed Amendments	Affected Systemic Indicators
Add derivative exposures	Cross-jurisdictional claims; cross-jurisdictional liabilities
Streamline reporting of the cross-jurisdictional liabilities systemic indicator	Cross-jurisdictional liabilities
Update the FR Y-15 instructions for reporting the weighted short-term wholesale funding amount	Short-term wholesale funding

i. Interconnectedness

a. Definition of "financial institution" and treatment of exchange-traded funds

Banking organizations often enter into transactions with other financial sector entities, giving rise to a range of obligations. These transactions can serve many purposes and can also serve as transmission channels for stress. Financial distress at a banking organization can materially raise the likelihood of distress at other financial institutions given the network of obligations throughout the financial system.[75] Accordingly, the GSIB framework includes as a measure of a banking organization's systemic risk profile indicators of its interconnectedness with other financial institutions and the financial sector as a whole.

The GSIB surcharge framework measures interconnectedness using three systemic indicators: intra-financial system assets, intra-financial system liabilities, and securities outstanding. For purposes of the intra-financial system assets and intra-financial system liabilities indicators, the FR Y-15 instructions currently define "financial institutions" as

[75] *See* Rochet, J.-C., & Tirole, J. (1996). Interbank Lending and Systemic Risk. Journal of Money, Credit and Banking, 28(4), 733–762. *https://doi.org/10.2307/2077918*. Li, M., Milne, F., & Qui, J. (2016). Uncertainty in an Interconnected Financial System, Contagion, and Market Freezes. *Journal of Money, Credit and Banking*, *48*(6), 1135–1168. http://www.jstor.org/stable/43862647.

depository institutions, bank holding companies, securities brokers, securities dealers, insurance companies, mutual funds, hedge funds, pension funds, investment banks, and central counterparties. The definition excludes central banks and other public sector bodies, such as multilateral development banks and the Federal Home Loan Banks but includes state-owned commercial banks. The definition also excludes stock exchanges, though stock exchanges may have subsidiaries that are included, such as securities dealers or central counterparties.

The proposal would modify the definition of "financial institution" to provide clearer and more consistent treatment of positions with financial sector counterparties. Specifically, the proposal would amend the definition of "financial institution" to include savings and loan holding companies, private equity funds, asset management companies, exchange-traded funds, and other asset management entities that engage in similar activities to those listed in the definition.

The proposed inclusion of savings and loan holding companies would clarify that a reporting banking organization should include positions with these financial institutions in the same manner as other depository institution holding companies, since a banking organization's positions with these financial institutions can act as a similar channel for transmission of distress that can undermine financial stability.

The proposed inclusion of private equity funds in the intra-financial system assets and intra-financial system liabilities indicators would be consistent with the purpose of the interconnectedness category to holistically assess a banking organization's exposures to and from other financial sector entities.[76] Private equity funds are engaged in asset management activities, which are a financial activity, and they typically have transactions or relationships

[76] The proposed change would not include the portfolio companies of a private equity fund unless a portfolio company itself meets the definition of "financial institution."

with a broad set of other financial market participants and generally hold financial assets. Like with other asset management entities, perceptions of distress at a private equity fund could affect market perceptions of the soundness of other financial market participants. Private equity funds can present a similar channel for transmission of distress and financial instability as other asset management entities and other types of entities included in the definition of "financial institution."

The proposed change regarding asset management companies would similarly reflect that positions with asset management companies, in addition to positions with the underlying funds managed by the companies, represent sources of financial sector interconnectedness.

To improve clarity, the proposal would modify the FR Y-15 instructions to specify that exchange-traded funds are included in the definition of "financial institution," and would include in the line items for holdings of securities issued by other financial institutions (within the intra-financial system assets indicator) holdings of securities of an exchange-traded fund. Currently, the instructions for this line item state not to include bond exchange-traded funds. Although the redemption structures for shares of exchange-traded funds generally differ from the structure of an open-ended mutual fund, asset management entities can have a variety of redemption structures and still act as a source of financial sector interconnectedness. In addition, mutual funds, which are currently included in the FR Y-15 instruction's definition of "financial institution," and exchange-traded funds are generally covered by the Investment Company Act of 1940 and subject to similar regulatory requirements. Given that there is no material distinction between exchange-traded funds and other asset management entity types in terms of their legal structure and the fact that exchange-traded funds engage in similar activities as mutual funds, the inclusion of exchange-traded funds would ensure consistent treatment across different types of

asset management entities for the purposes of the interconnectedness indicators. This change would improve the clarity of reporting instructions and the consistency of treatment of asset management entities and provide a more complete measure of a banking organization's interconnectedness.

Finally, the current definition of "financial institution" in the FR Y-15 relies on descriptions of certain asset management entity types (for example, mutual funds and hedge funds) using general, rather than specific, terminology, which may result in inconsistencies in the identification and inclusion of financial sector counterparties across banking organizations (for example, regarding the treatment of foreign equivalents or other asset management entities that engage in similar activities). To promote consistent treatment based on substance, the proposal would clarify that asset management entities that engage in similar activities to those listed are also included in the definition.

The proposal would implement these changes through revisions to the instructions of the FR Y-15 that would apply to all filers.

Question 20: What other types of entities beyond those mentioned should be included in the definition of "financial institution," and why?

Question 21: What are the advantages and disadvantages of the proposed clarification regarding asset management entities similar to those listed in the definition of "financial institution"? What entities, if any, would be scoped in by this approach that would not be consistent with the purposes of the intra-financial system assets and intra-financial systems liabilities indicators? What additional compliance burden would result from such an approach, and how could such burden be reduced? What alternative terms should the Board consider to

clarify the identification and inclusion of different asset management or investment entities that ensures consistent treatment of similar counterparties across banking organizations?

Question 22: What other changes should the Board consider to improve the identification and inclusion of financial sector counterparties for purposes of the intra-financial system assets and intra-financial system liabilities indicators? For example, what would be the advantages and disadvantages of aligning the definition of "financial institution" in the FR Y-15 with the definition used in the capital rule (12 CFR 217.2)? Under such an approach, the Board could add to the definition used in the FR Y-15 a functional prong similar to parts (4)(ii) and (6) of the capital rule's definition of "financial institution," which would scope in companies that are predominantly engaged in certain financial activities. Alternatively, the FR Y-15 could use the capital rule's definition of "financial institution," replacing the exclusions in part (7) of the capital rule's definition with the list of excluded entity types in the current FR Y-15 definition. What would be the advantages and disadvantages of such an approach? What other alternatives should the Board consider to capture the types of financial counterparties that reflect a firm's interconnectedness, and why? For example, what would be the advantages or disadvantages of aligning with criteria or defined terms used in other parts of the Board's regulatory framework? Please provide examples of financial sector counterparties that would be included under any alternative approaches that are not included by the current definition in the FR Y-15, and the appropriateness of including or not including these counterparty types. In addition, please provide information on the reporting burden of potential approaches relative to the current reporting requirements.

Question 23: What other changes should the Board consider to the definition of "financial institution" and other instructions for the interconnectedness indicators to clarify instructions, improve measurement, and promote more consistent reporting?

b. Derivatives

The proposal would update the reporting of derivative positions in the intra-financial system assets and intra-financial system liabilities indicators in the interconnectedness category to align with amendments to the capital rule in 2019 that adopted the standardized approach for counterparty credit risk (SA-CCR).[77] The indicators for intra-financial system assets and intra-financial system liabilities include the net fair value and potential future exposure of OTC derivatives with other financial institutions, as calculated under the capital rule. The current instructions specify that firms should use the current exposure method to calculate the potential future exposure of these positions.[78] The proposal would update the instructions for the relevant line items in the intra-financial system assets and intra-financial system liabilities indicators to provide instead for calculation using SA-CCR for a banking organization that uses SA-CCR to calculate its risk-weighted assets under the capital rule. Specifically, the proposal would state that a banking organization should report the exposure amount of derivatives in accordance with the capital rule, 12 CFR 217.34(a). This change would align the measurement of derivatives in the interconnectedness category with that used in the size category, as well as in the calculation of risk-weighted assets and total leverage exposure in the capital rule.

The proposal would allow a banking organization to recognize, for purposes of the intra-financial system assets and intra-financial system liabilities indicators, the value of non-cash

[77] *See* 85 FR 4362 (Jan. 24, 2020).

[78] *See* 12 CFR 217.34.

collateral to offset the net fair value of derivatives if such collateral is financial collateral (as defined in the capital rule, 12 CFR 217.2) and if adjusted for the applicable haircuts under SA-CCR or the current exposure method, depending on which methodology the banking organization uses, in accordance with the capital rule, 12 CFR 217.34(a). Specifically, the proposal would revise relevant line items in the interconnectedness category of the FR Y-15. This change would provide recognition of risk mitigants that reduce the impact to other financial institutions of a banking organization's failure.

Question 24: Currently, firms are unable to recognize netting of exposures across derivatives and securities financing transactions contained within the same legal netting set for the purposes of certain systemic indicators in their GSIB surcharge score calculations. The capital proposals include changes to the ability of firms subject to SA-CCR to recognize under the capital rule offsetting of certain exposures across different product types (for example, certain derivatives and repo-style transactions). What changes, if any, should the Board make to the FR Y-15 to permit recognition of such offsetting in the interconnectedness and size indicators or any other systemic indicators? What would be the advantages and disadvantages of such changes?

c. Securities outstanding

The proposal would revise the scope of certain exposures measured under the securities outstanding systemic indicator in the interconnectedness category. First, the proposal would revise the FR Y-15 instructions to indicate that banking organizations should not report a certificate of deposit in the securities outstanding indicator if the certificate of deposit is not due to or held by a financial institution and is non-transferable. This modification would exclude

such certificates of deposit from the interconnectedness category because they are not, and cannot become, exposures due to or held by a financial institution.

Consistent with the purpose of the interconnectedness indicators to measure a banking organization's intra-financial system transactions and contractual relationships, banking organizations would continue to include in the securities outstanding indicator a certificate of deposit that is issued to a financial institution and a certificate of deposit that is transferable.

The proposal would also modify the instructions for other items included in the securities outstanding systemic indicator to provide greater clarity to banking organizations. Specifically, the proposal would require banking organizations to include preferred shares that have a determinable fair value in the securities outstanding systemic indicator, even if the preferred shares are not registered with the Securities and Exchange Commission or listed on a securities exchange. The current FR Y-15 instructions for this line item require banking organizations to report publicly traded instruments. The proposed change would include instruments for which banking organizations can easily determine a fair value, which can be done for securities for which there is an active market. This change would be consistent with the intent of the securities outstanding indicator to accurately measure issued and outstanding debt and equity instruments of a banking organization and would align with the instructions for this line item under the Basel Committee's GSIB surcharge framework.

Question 25: What further modifications or clarifications to the securities outstanding systemic indicator should the Board consider, and why?

Question 26: What other changes to the interconnectedness category indicators should the Board consider, and why?

ii. Substitutability

a. Trading volume

The substitutability category used in method 1 measures the extent to which a banking organization provides critical financial services and infrastructure to third parties and the broader financial system that would be difficult to substitute in a period of financial stress or failure. Currently, there are three indicators in the substitutability category: (1) payments activity; (2) assets under custody; and (3) underwritten transactions in debt and equity markets.

The proposal would revise the substitutability category to introduce two new systemic indicators, "trading volume – fixed income" and "trading volume – equity and other," as a complement to the existing indicator for underwritten transactions in debt and equity markets.

The proposed inclusion of trading volume in the substitutability category in addition to underwritten transactions in debt and equity markets would provide a broader measure of the extent to which a banking organization's activities contribute to liquidity in the primary market (underwriting) and secondary market (trading). The permitted trading activity of banking organizations, such as market making, can promote market liquidity, thereby enhancing price discovery and permitting market participants to manage financial risk more holistically. The provision of market-making services can require substantial investments in information technology and infrastructure, making it difficult to substitute in a period of financial stress or firm default. The proposal would include separate indicators for trading volume in fixed income and in equities and other securities to avoid disproportionate impact due to differences in overall trading volumes in the two markets.

The FR Y-15 sections for the substitutability indicators (Schedules C and J) currently include these measures as memoranda line items. The proposal would move these line items into

the main section of Schedule C to reflect their inclusion as new systemic indicators.[79] The indicator for trading volume in fixed income securities includes money market instruments, certificates of deposit, bills, bonds, and other fixed income securities, such as commercial paper, corporate bonds, syndicated corporate loans, covered bonds, convertible debt, and securitized products.[80] This indicator includes securities issued by public sector entities (as defined in 12 CFR 217.2) as well as securities issued or guaranteed by government-sponsored agencies, multilateral development banks, and state and local governments, but does not include securities issued by a sovereign, as defined in 12 CFR 217.2. The indicator for trading volume of equities and other securities includes all publicly traded equities (as defined in 12 CFR 217.2), including American depositary receipts (ADRs) and global depositary receipts (GDRs), unlisted equity securities, preferred stock, trust preferred securities, and securities issued by investment funds, as defined in 12 CFR 217.2.[81]

The proposal would modify the weighting of the indicators for the substitutability category in a firm's method 1 GSIB score calculation to reflect the addition of the two new indicators. Currently, the indicator for underwritten transactions in debt and equity markets receives a 6.67 percent weight. The proposal would reallocate a portion of this weighting to the two new indicators: the indicator for underwritten transactions in debt and equity markets would receive a 3.33 percent weight, and the trading volume – fixed income and trading volume – equity and other systemic indicators would each receive a 1.67 percent weight. The remaining indicators in the substitutability category would retain their current weight of 6.67 percent each.

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[79] As discussed in section II.G of this **SUPPLEMENTARY INFORMATION** section below, the proposal would remove Schedule J to streamline reporting by foreign banking organizations.

[80] *See* FR Y-15 Instructions, Schedule C, line items M5, M5(a), M5(b), and M6.

[81] *See* FR Y-15 Instructions, Schedule C, line items M5, M5(c), M5(d), and M7.

The inclusion of the proposed indicators for trading volume would not affect a GSIB's method 2 score calculation, as method 2 does not include the substitutability category of indicators.

Question 27: What are the advantages and disadvantages of the proposed trading volume systemic indicators as measures of a banking organization's substitutability, based on its contributions to efficient market functioning? What alternative indicators, if any, should the Board consider?

Question 28: What, if any, other trading instruments and exposures besides those mentioned above should the proposed systemic indicators for trading volume include, and why?

b. Currencies included in the payments activity systemic indicator and associated memoranda items

The payments activity indicator includes the value of all cash payments sent via large-value payment systems, along with the value of all cash payments sent through an agent (for example, using a correspondent or nostro account), over the calendar year in major global currencies. To determine which currencies to include in this indicator, the payments activity indicator uses factors such as the extent to which a currency represents a material share of global foreign exchange market turnover, among other factors.[82] In identifying major currencies, the payment activity indicator takes into account the list of major currencies announced by the Basel Committee for purposes of the international GSIB surcharge standard, including updates typically announced by the Basel Committee every three years.[83] The FR Y-15 also collects payments activity for certain other currencies (memorandum item currencies) that are not used at

[82] For example, a currency may also be considered a major currency if it represents a material share of global nominal GDP.

[83] *See* Basel Committee, G-SIB Assessment Reporting Instructions, *https://www.bis.org/bcbs/gsib/reporting_instructions.htm*.

sufficient volumes to be included in the payments activity metric, to help inform the selection of major currencies in the future and monitor activity more consistently over time in currencies that may become major currencies in the future.

The proposal would update the list of currencies included in the payments activity systemic indicator to reflect changes in the materiality of certain currencies' share of global foreign exchange market turnover. The proposal would also update the list of currencies collected as memorandum item currencies that are not included in the payments activity systemic indicator.

The proposal would revise the payments activity systemic indicator to include the Singapore dollar, based on its use in global foreign exchange markets, and to remove the Brazilian real, the Mexican peso, and the Swedish krona from the systemic indicator, based on their reduced relative use in global foreign exchange markets. Based on the 2025 Triennial Central Bank Survey published by the Bank for International Settlements (BIS), the Singapore dollar accounted for over 2 percent of foreign exchange market turnover.[84] The Mexican peso and the Swedish krona, which the FR Y-15 currently includes in the payments systemic indicator, respectively accounted for slightly less than 2 percent of foreign exchange market turnover. The Brazilian real, which the FR Y-15 also currently includes in the payments systemic indicator, accounted for significantly less than 2 percent of foreign exchange market turnover.

[84] The BIS Triennial Central Bank Survey is a comprehensive source of information on the size and structure of global over-the-counter markets in foreign exchange and interest rate derivatives. The BIS coordinates the Triennial Survey every three years. The foreign exchange turnover part of the 2025 Triennial Survey took place in April 2025 and involved central banks and other authorities in 52 jurisdictions. These authorities collected data from more than 1,100 banks and other dealers and reported national aggregates to the BIS for inclusion in global aggregates. *See Triennial Central Bank Survey*, September 2025, *https://www.bis.org/statistics/rpfx25_fx.htm*.

Under the proposal, the FR Y-15 would continue to collect data on payments in the Mexican peso and the Swedish krona as memoranda item currencies, based their share of foreign exchange market turnover. The proposal would also add payments activity in South Korean won as a memorandum item currency on the FR Y-15. This currency accounted for slightly less than 2 percent of foreign exchange market turnover, based on the Triennial Central Bank Survey. Like other memoranda item currencies, the South Korean won would not be included in the payments activity systemic indicator under the proposal.

The proposal would amend the FR Y-15 to no longer collect data on payments activity in Russian rubles and the Brazilian real, as the foreign exchange market turnover for these currencies is significantly less than the other currencies for which the FR Y-15 collects information.

Question 29: Which, if any, other currencies should the Board add or remove in the payments activity systemic indicator or as memorandum item currencies, and why?

c. Clarifications for the payments activity indicator

The proposal would make additional changes to the FR Y-15 instructions for the payments activity indicator to improve clarity for filers. First, the proposal would modify the instructions for payments made in the last four quarters to more clearly state the current requirement that filers should include in their reported values the quarter including the as-of date of the report. This clarification would make no substantive change to the current instructions. Additionally, the proposal would update a footnote in the instructions for line item 1, which cites a report published by the Bank for International Settlements' Committee on Payment and Settlement Systems, to reflect a change in the name of this body to the Committee on Payments and Market Infrastructures and to provide an updated hyperlink. The proposal would also

provide additional information on how a firm may convert payments activity into U.S. dollars using average exchange rates.

Question 30: What other changes should the Board consider to improve the quality and efficiency of the data collected in the payments activity indicator? For example, what would be the advantages and disadvantages of permitting firms to collect the daily flow data for each reporting currency included in the payments activity indicator and converting the data for each currency using daily exchange rate quotations?

iii. Cross-Jurisdictional Activity

a. Cross-jurisdictional derivatives activity

Banking organizations with large cross-border activities and exposures may be more difficult and costly to resolve than domestically focused banking organizations in the event of a failure. The greater a banking organization's exposures are across borders and to non-domestic counterparties, the more difficult it can be to coordinate its resolution were it to fail. In addition, cross-jurisdictional activity can add complexity and present channels for transmission of distress with parties in different jurisdictions. The two systemic indicators included in this category — cross-jurisdictional claims and cross-jurisdictional liabilities — measure a banking organization's global profile by considering its activity and exposures outside of the United States.

Under the current FR Y-15 instructions, neither of these indicators for cross-jurisdictional activity include derivative exposures. Omission of derivatives from the systemic indicators for cross-jurisdictional activity can materially understate this measure for a banking organization, and also present opportunities for a banking organization to use derivatives to structure its exposures in a manner that reduces the value of its systemic indicators without reducing the risks the indicator is intended to measure. In the context of cross-jurisdictional activity, derivative

exposures increase a firm's cross-jurisdictional claims and liabilities and can increase or transmit distress in the same manner as – or even to a greater extent than – other cross-jurisdictional assets and liabilities by amplifying the effect of a banking organization's failure.[85]

Accordingly, the proposal would revise the systemic indicators for cross-jurisdictional claims and cross-jurisdictional liabilities to include derivative exposures. As a result of this change, these indicators would provide a more accurate and comprehensive measure of a banking organization's cross-jurisdictional activity and the associated risks intended to be captured. In addition to its usage in the GSIB surcharge framework, cross-jurisdictional activity as reported on the FR Y-15 also serves as a risk-based indicator in the Board's framework for determining the applicable category of prudential standards for large banking organizations. Specifically, a banking organization that has cross-jurisdictional activity of $75 billion or more is subject to Category II standards.[86] The proposed change would also have the effect of improving the measurement of cross-jurisdictional activity for the purposes of determining the application of prudential standards for large banking organizations.

The proposal would implement the modification to include derivative exposures in the cross-jurisdictional activity category systemic indicators through revisions to the FR Y-15, which currently collects information regarding cross-jurisdictional derivative exposures as memoranda items. Under the proposal, a banking organization would generally recognize collateral associated with derivative exposures consistently with the methodology for reporting other cross-

[85] The failure of Lehman Brothers during the 2007-09 financial crisis is an example of how cross-border derivatives can increase the effect of a banking organization's failure. *See* Summe, K. (2012). "An Examination of Lehman Brothers' Derivatives Portfolio Post-Bankruptcy." In K. Scott & J. Taylor (Eds.), Bankruptcy Not Bailout: A Special Chapter 14 (pp. 97-125). Hoover Institution Press. Wiggins and Metrick (2014). The Lehman Brothers Bankruptcy G: The Special Case of Derivatives. Yale Program on Financial Stability.

[86] *See* 12 CFR 252.2. Cross jurisdictional activity is measured as the sum of a banking organization's cross-jurisdictional claims and cross-jurisdictional liabilities.

jurisdictional claims and liabilities on the FR Y-15. Specifically, a banking organization would report cross-jurisdictional derivative claims and liabilities gross of collateral, given that a banking organization may be engaged in significant cross-jurisdictional derivatives business even if its cross-jurisdictional claims and liabilities are relatively small net of collateral. This approach would better measure the underlying scale of a banking organization's cross-jurisdictional derivatives activity.[87]

Foreign banking organizations would report cross-jurisdictional derivative claims and liabilities with affiliates outside the reporting group in a consistent manner with other cross-jurisdictional claims and liabilities, to reflect the structural differences between foreign banking organizations' U.S. operations and domestic holding companies.[88]

Question 31: What are the advantages and disadvantages of modifying the scope of the cross-jurisdictional claims and cross-jurisdictional liabilities indicators to include derivative exposures?

Question 32: What are the advantages and disadvantages of modifying the scope of the cross-jurisdictional activity risk-based indicator in the Board's framework for determining the applicable category of prudential standards for large banking organizations to include derivative exposures? What adjustments, if any, should the Board consider to the reporting of a firm's cross-jurisdictional derivative exposures, including by type of firm, and why would such

[87] Consistent with the current FR Y-15 and the FFIEC 009 instructions, the positive fair value of derivative contracts can be offset against the negative fair value of derivative contracts if the transactions are executed under a legally enforceable master netting agreement and the offsetting is in accordance with ASC Subtopics 815-10 and 210-20.

[88] Under the Board's tailoring framework, a foreign banking organization may exclude from the cross-jurisdictional claims indicator claims on an affiliate outside the reporting group (U.S. intermediate holding company or combined U.S. operations, as applicable) to the extent that these claims are secured by financial collateral, in accordance with the methodology for collateralized transactions under the capital rule (see instructions for line item 1(a) of Schedule L of the FR Y-15). A foreign banking organization may exclude cross-jurisdictional liabilities for which the counterparty is an affiliate outside the reporting group (see instructions for line item 2(a) of Schedule L of FR Y-15). For more information, *see also* SR Letter 20-2, Attachment B, *https://www.federalreserve.gov/supervisionreg/srletters/sr2002.htm.*

adjustments more appropriately capture cross-jurisdictional activity? Please provide data or relevant information.

Question 33: What other modifications, if any, would improve measurement of the cross-jurisdictional activity indicators?

b. Other changes to measurement of cross-jurisdictional activity indicators

Currently, the FR Y-15 instructions direct filers to measure cross-jurisdictional liabilities by referencing instructions for the Treasury International Capital reports and the Country Exposure Report (FFIEC 009). To streamline the reporting instructions for cross-jurisdictional liabilities, the proposal would remove references to the Treasury International Capital reports, consolidate line items related to cross-jurisdictional liabilities, and apply definitions consistent with the FFIEC 009 for the measurement of cross-jurisdictional liabilities. This approach would result in a consistent methodology for measuring the consolidated cross-jurisdictional liabilities of firms while simplifying the reporting instructions.

As part of this change, the proposal would revise the scope of the cross-jurisdictional liabilities indicator to include total liabilities booked at foreign offices regardless of whether payment is guaranteed at locations outside the country of the office. Foreign office liabilities may present complexity or increase the difficulty and cost of resolving a banking organization in the event of a failure regardless of whether payments are guaranteed at locations outside the country of the office. Therefore, this revision would better reflect a banking organization's cross-jurisdictional activities and exposures.

iv. Short-Term Wholesale Funding

In addition to the proposed changes outlined in II.B of this **SUPPLEMENTARY INFORMATION**, the proposal would make additional amendments to the short-term wholesale funding indicator and its associated FR Y-15 instructions to improve the consistency of data

measurement and reporting, reduce operational burden, and improve the clarity of reporting instructions.

a. Alignment with other requirements

To improve consistency of data measurement and reporting and reduce operational burden for filers, the proposal would align the maturity categories used to calculate a firm's short-term wholesale funding score under the GSIB surcharge framework and reported on the FR Y-15 with the maturity categories used for liquidity data reporting on the Complex Institution Liquidity Monitoring Report (FR 2052a) and for purposes of the net stable funding ratio (NSFR) rule,[89] by moving the start and end dates for certain categories by one day.

The Board in 2021 amended the FR 2052a to align the report with the NSFR rule. As a result of those changes, there is currently a one-day difference between the start and end dates for certain maturity categories for reporting data items on the FR Y-15 and the FR 2052a. Specifically, one of the maturity categories in the FR 2052a and under the NSFR rule includes a lower bound of 180 days. The short-term wholesale funding indicator under the GSIB surcharge framework and the FR Y-15 reporting form, however, include a category for remaining maturity of 181 to 365 days.

The proposal would modify the maturity category of 91 to 180 days under the GSIB surcharge framework and FR Y-15 to a remaining maturity of 91 to 179 days, and the maturity category of 181 to 365 days to a maturity of 180 to 364 days, to align with the FR 2052a. This change would improve consistency and reduce operational burden, for example, by allowing banking organizations to use data from the FR 2052a to complete FR Y-15 reporting.

[89] *See* 12 CFR Part 249; *see also* Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements, 86 FR 9120 (Feb. 11, 2021).

b. Instructions update to the calculation of the weighted short-term wholesale funding amount

The proposal would revise the General Instructions and certain line items in Schedule G in addition to updating and adding definitions in the Glossary of the FR Y-15 to simplify the instructions for calculating the short-term wholesale funding indicator score. Currently, under the method 2 framework, a firm reports its short-term wholesale funding amount on the FR Y-15 and also calculates its short-term wholesale funding amount for the purposes of its method 2 score for the indicator based on the regulatory text in 12 CFR 217.406.

The proposal would remove the current regulatory text section 12 CFR 217.406, as well as certain definitions associated with the short-term wholesale funding indicator from 12 CFR 217.401.[90] Under the proposal, the coefficient for the short-term wholesale funding indicator would be in 12 CFR 217.405 and updated annually consistent with the proposed indexing process outlined in section II.A.ii of this **SUPPLEMENTARY INFORMATION**. The FR Y-15 instructions for Schedule G would maintain the current line items in the reporting form and include additional information on how to report these items. The separate regulatory text would not be necessary for the weighted short-term wholesale funding indicator in light of the proposed changes described in section II.B.i-ii of this **SUPPLEMENTARY INFORMATION**.

Question 34: In addition to the proposed changes, what additional changes, if any, should the Board consider making to the FR Y-15, and why – for example, to improve the measurement of indicators and systemic risk or to reduce operational burden?

[90] All proposed removals of current definitions from 12 CFR 217.401 would be added as definitions in the Glossary of the FR Y-15 to ensure consistency in the scope of reporting the short-term wholesale funding indicator.

F. Clarification for Reduction in GSIB Surcharge Calculated during the Year between Calculation and Effective Date of a GSIB Surcharge Increase

Under the current rule, if a GSIB's systemic risk profile changes from one year to the next such that it would be subject to a higher GSIB surcharge, the higher surcharge is not applicable for a full year (that is, two years from the systemic indicators measurement year). Alternatively, if a GSIB's systemic risk profile changes from one year to the next such that it would be subject to a lower GSIB surcharge, the lower surcharge is applicable beginning on January 1 of the next calendar year (that is, one year from the systemic indicators measurement year). Providing an additional year before a GSIB surcharge increase takes effect helps to facilitate firms' capital planning and allows for more gradual increases in capital requirements, whereas immediately applying surcharge decreases recognizes firms' reductions in actual systemic risk profile. In addition, the one-year difference in application between an increase and a decrease provides firms the opportunity to reduce their systemic risk profile in order to not be subject to an increased capital buffer requirement.

The proposal would amend section 217.403 of the capital rule to clarify these mechanics, without changing the substance. The amendatory text would specify that a firm's GSIB surcharge in effect for a calendar year is the surcharge calculated in the immediately prior calendar year, unless the surcharge calculated in the calendar year two years prior was lower, in which case the GSIB surcharge calculated in the calendar year two years prior shall be in effect.

For example, consider a GSIB that in 2026 has an effective GSIB surcharge of 2.0 percent. Based on data reported as of the fourth quarter of 2026, if the firm calculates a GSIB score that would result in a GSIB surcharge of 2.2 percent, the higher GSIB surcharge would take effect on January 1, 2029. If, based on data reported as of the fourth quarter of 2027,

that GSIB calculates a GSIB score that would result in a GSIB surcharge of 2.1 percent (or lower), the GSIB's effective surcharge on January 1, 2029, would be the 2.1 percent calculated as of the fourth quarter of 2027, instead of the 2.2 percent calculated as of the fourth quarter of 2026.

G. Foreign Banking Organization Reporting Requirements

In 2019, in connection with the final rule establishing categories and thresholds for determining prudential standards for large banking organizations, the Board added new Schedules H through N to the FR Y-15, which apply solely to foreign banking organizations and their U.S. intermediate holding companies. The new schedules were intended to simplify reporting for foreign banking organizations and their intermediate holding companies. However, to reduce technical challenges and operational burden and improve administration and consistency of reporting the Board is proposing to consolidate FR Y-15 reporting for U.S. and foreign banking organizations on a single set of schedules.

To simplify and streamline the reporting form and its instructions, the proposal would remove Schedules H through N and make adjustments to accommodate reporting by foreign banking organizations using the same schedules as domestic firms, Schedules A through G. Under the proposal, a foreign banking organization would file Schedules A through G for its combined U.S. operations and separately for any U.S. intermediate holding company required to be formed pursuant to the Board's Regulation YY. This change would only reorganize the way that foreign banking organizations report the FR Y-15 and would not change the actual information collected. The proposal would make corresponding updates to the FR Y-15 instructions to reflect this change.

Question 35: The Board invites comment on the removal of Schedules H through N from the FR Y-15 reporting form, including the operational and administrative costs for foreign banking organizations to report the form. How would the removal of these schedules affect regulatory reporting processes, including resource allocation, system requirements, and compliance costs?

Question 36: What other changes to the FR Y-15 should the Board consider making to remove unnecessary reporting burden and why?

H. Implementation and Timing

The proposal's amendments to the capital rule, FR Y-15 reporting form, and FR Y-15 instructions would take effect two calendar quarters after the date of adoption of a final rule. This effective date timing would give firms a minimum of two quarters to make the required changes to their systems and processes. During the initial three quarters following the effective date, items that require a four-quarter average or sum would include data from quarters for which the underlying reporting instructions differ. Banking organizations would not be required to adjust data reported in previous quarters when calculating these four-quarter averages or sums. A banking organization that does not have data for an indicator for a previous quarter would be required to use a pro-rata approach.[91]

Question 37: What alternative implementation timing should the Board consider and why?

[91] A reporting organization that does not have 12 months of data to report would use an annualized pro‑rata approach to calculate line items that are a four‑quarter sum or average. For each line item that is an average, the approach would consist of using the average value over the period during the prior 12 months for which the banking organization has reported data. For example, if a firm only has two quarters of data for Level 3 Assets (Schedule D, line item 14), its average amount for the year would be equal to the average of values for the two quarters for which the firm has reported data on the FR Y-15.

I. Interaction with Other Proposals

The Board, with the OCC and FDIC, is separately issuing the capital proposals, which would substantially revise the capital requirements applicable to banking organizations operating in the United States. The revisions set forth in the capital proposals would improve the calculation of risk-based capital requirements to better reflect the risks of banking organizations' exposures, reduce the complexity of the framework, enhance the consistency of requirements across these banking organizations, and facilitate more effective supervisory and market assessments of capital adequacy.

Among other things, the capital proposals would modify the conversion factors applicable to equity and credit commitments. The capital proposals would introduce a 40 percent conversion factor for all equity and credit commitments regardless of maturity that are not unconditionally cancellable, which would be applicable to all FR Y-15 filers. This would replace the current capital rule's 20 percent and 50 percent equity and credit conversion factors for equity and credit commitments that are not unconditionally cancellable.

Given that the GSIB surcharge framework's size indicator generally aligns with the total leverage exposure calculation, in connection with the capital proposals, the Board plans to propose revisions to the FR Y-15 Schedule A (Size Category) to align with these proposed changes to the credit conversion factors by adding a line item for off-balance sheet exposures subject to a conversion factor of 40 percent and removing the line items for conversion factors of 20 and 50 percent.

Question 38: What other modifications, if any, should the Board consider to this proposal due to the capital proposals?

III. Economic Analysis

A. Introduction

The proposal's primary objective is to improve the measurement of systemic risk profiles in the GSIB surcharge framework. Specifically, as discussed in section I of this **SUPPLEMENTARY INFORMATION**, the proposal would make multiple adjustments to the calculation of method 1 and method 2 scores so that these scores, and the related GSIB surcharges, more accurately reflect the systemic risk profiles of GSIBs.

The accurate measurement of systemic risk profiles is crucial for the functioning of the GSIB surcharge framework. In particular, accurate systemic risk measurement helps achieve the framework's objective that GSIBs that pose higher systemic risk are subject to higher capital buffer requirements, which reduces their probability of distress in order to moderate and equalize across GSIBs the expected systemic losses from such potential distress. Additionally, accurate systemic risk measurement makes GSIBs better internalize such potential systemic losses, which creates incentives for them to better manage their systemic risk.

The economic analysis is structured as follows. Section III.B describes the baseline for the analysis, which is the current GSIB surcharge framework, and the data used. Sections III.C and III.D present the proposed policy change and three reasonable alternatives. Section III.E estimates the changes in systemic indicators, method 1 and method 2 scores, and GSIB surcharges under the proposal and the alternatives relative to the baseline. Sections III.F and III.G evaluate the economic benefits and costs of the proposal and the policy alternatives. Section III.H assesses potential interactions between the proposal and other rules, such as the total loss-absorbing capacity framework and the regulatory tailoring framework. Section III.I

concludes the analysis, and section III.J is an appendix that describes the quantitative impact estimation methodology in detail.

B. Baseline and Data

The economic analysis uses the current regulatory framework as baseline, including the current U.S. GSIB surcharge framework, described in section I.A of this **SUPPLEMENTARY INFORMATION**. The baseline represents the current state of GSIBs in the absence of any policy change. Accordingly, throughout the analysis, the Board assesses the economic impact of the proposal and the policy alternatives considered, described in sections III.C and III.D of this **SUPPLEMENTARY INFORMATION**, by comparing outcomes estimated under the proposal and the alternatives to the outcome estimated under the baseline.

The economic analysis does not reflect the effects of the expanded risk-based proposal, which would interact with the impact of this proposal, for example, by changing risk-weighted asset amounts. The economic analysis in the expanded risk-based proposal assesses potential interactions between the two proposals as well as the combined impact of the two proposals.

The economic analysis uses the most recent year-end financial information available on the eight U.S. bank holding companies that are GSIBs as of 2025 ("current GSIBs") to estimate the method 1 and method 2 scores, as well as the GSIB surcharges of these holding companies under the baseline, the proposal, and the policy alternatives considered.[92] The analysis focuses on method 1 and method 2 scores calculated using data from the fourth quarter of 2024 and investigates how these scores would change under the proposal and the alternatives relative to

[92] Section J of this **SUPPLEMENTARY INFORMATION** describes the impact estimation methodology used in different subsections of the economic analysis and the data used in the subsection assessing the proposal's potential interaction with the total loss-absorbing capacity framework.

the baseline. Additionally, the analysis estimates the impact of the proposal and the alternatives on GSIB surcharges applicable in 2026, which also requires the calculation of method 1 and method 2 scores using data from the fourth quarter of 2023.[93] The remainder of this subsection describes the data used in these calculations and then presents summary statistics across the eight GSIBs under the baseline.

The analysis uses multiple data sources to calculate method 1 and method 2 scores under the baseline, the proposal, and the policy alternatives considered. The analysis primarily relies on publicly available data on systemic indicator line items and memorandum items reported in FR Y-15 filings as of the fourth quarters of 2023 and 2024.[94] Additionally, the analysis uses quarterly systemic indicator data from the first quarter of 2017 through the fourth quarter of 2024 to estimate the effect of the proposed data averaging of certain systemic indicators. The analysis estimates the impact of the proposed changes to certain systemic indicators by using confidential supervisory information from the Board's special data collection as of the second quarter of 2023.[95] The calculation of method 1 scores uses the aggregate global indicator amounts published by the Federal Reserve.[96] Furthermore, the analysis estimates the impact of one policy alternative using the aggregate global indicator amounts published by the Bank for International

[93] Under the baseline, estimating GSIB surcharges applicable in any given year requires the estimation of method 1 and method 2 scores in the two preceding years because increases in GSIB surcharges are applicable only with a one-year delay, whereas decreases are applicable without a delay. *See* 12 CFR 217.403(d). The proposal and the alternatives would maintain this lag in the applicability of surcharge increases.

[94] The specific line items used from FR Y-15 filings are RISK Y832, M362, M359, M370, M367, M376, M374, M390, M378, Y835, M405, M408, MV93, MV95, M411, N255, G506, M422, KW54, M426, KY50, Y894, and Y896.

[95] *See https://www.federalreserve.gov/newsevents/pressreleases/bcreg20231020b.htm*. The specific line items used from the Board's special data collection are Items 1 and 7-11. Additionally, for the estimation of the proposal's impact on the payments activity indicator, the analysis uses confidential supervisory information on payments activity in Singapore dollars as of the fourth quarter of 2024, reported on a voluntary basis in Item 6.k of the Basel Committee on Banking Supervision's annual GSIB assessment exercise, for which the reporting templates and filing instructions are available at *https://www.bis.org/bcbs/gsib/reporting_instructions.htm*.

[96] *See https://www.federalreserve.gov/supervisionreg/basel/denominators.htm*.

Settlements.[97] The analysis converts these euro-denominated global indicator amounts to U.S. dollars by using exchange rate data published by the European Central Bank.[98] The analysis estimates the impact of the proposed changes on the dollar amount of GSIB surcharges by using publicly available data on total risk-weighted assets reported in FR Y-9C filings as of the fourth quarter of 2024.[99]

Finally, the analysis uses publicly available macroeconomic data to calculate adjustments to method 2 systemic indicator coefficients under the proposal and one of the policy alternatives considered. Specifically, in these calculations, the analysis uses the annual, seasonally-adjusted U.S. Gross Domestic Product (GDP) published by the U.S. Bureau of Economic Analysis and the Consumer Price Index for All Urban Wage Earners and Clerical Workers (CPI-W) published by the U.S. Bureau of Labor Statistics.[100]

Table 4 presents summary statistics under the baseline, indicating a high dispersion of both method 1 and method 2 scores across the eight GSIBs, which creates a high cross-sectional dispersion of applicable GSIB surcharges. Notably, method 2 surcharges are, on average, about twice as high as their method 1 counterparts. Related to the discussion in section II.B of this **SUPPLELMENTARY INFORMATION**, the relative share of the short-term wholesale funding score in method 2 scores is, in aggregate, about 30 percent, which is meaningfully higher than the 20 percent weight targeted in the proposal.[101]

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[97] *See https://www.bis.org/bcbs/gsib/denominators.htm*.

[98] *See https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/eurofxref-graph-usd.en.html*.

[99] The specific line items used from FR Y-9C filings are BHCA A223 and BHCW A223.

[100] *See https://apps.bea.gov/national/Release/XLS/Survey/Section1All_xls.xlsx (GDP)* and *https://download.bls.gov/pub/time.series/cw/cw.data.0.Current (CPI-W)*.

[101] The aggregate share of the short-term wholesale funding score has been consistently around 30 percent since the 2015 implementation of the GSIB surcharge framework.

Table 4: Method 1 Scores, Method 2 Scores, and GSIB Surcharges Under the Baseline

This table shows summary statistics for method 1 and method 2 scores, method 1 and method 2 surcharges, as well as GSIB surcharges across the eight current GSIBs under the current GSIB surcharge framework, which serves as a baseline throughout the economic analysis. The table also presents summary statistics on the percentage share of the short-term wholesale funding ("SWTF") score within method 2 scores across GSIBs. Scores and surcharges are calculated applying the methodology described in 12 CFR Part 217 Subpart H. All scores and surcharges are calculated using data from the fourth quarter of 2024, except the GSIB surcharges applicable in 2026 (shown in the last row), which are based on method 1 and method 2 scores calculated using data from the fourth quarters of 2023 and 2024.

	Lowest	**Average**	**Highest**
Method 1 scores (as of the fourth quarter of 2024)	143	249	461
Method 2 scores (as of the fourth quarter of 2024)	222	557	985
Percentage share of the STWF score in method 2 scores	13%	34%	59%
Method 1 surcharges (as of the fourth quarter of 2024)	1.0%	1.5%	2.5%
Method 2 surcharges (as of the fourth quarter of 2024)	1.0%	2.8%	5.0%
GSIB surcharges (applicable in 2026)	1.0%	2.7%	4.5%

C. Proposed Policy Change

The proposal would revise multiple elements of the GSIB surcharge framework. First, as described in section II.F of this **SUPPLEMENTARY INFORMATION**, the proposal would make amendments to the systemic indicators by revising the reporting instructions for the measurement of certain existing systemic indicators and introducing two additional systemic indicators in the substitutability category of the method 1 score. Second, as Table 1 shows, under the proposal, certain systemic indicators that are currently calculated on a point-in-time basis at year end would be calculated as annual averages of their daily or monthly values ("data averaging").[102] Third, the proposal would make a one-time downward adjustment to method 2 systemic indicator coefficients by a factor of 1.2 and subsequently make annual adjustments to the coefficients based on the cumulative growth in U.S. nominal GDP. Fourth,

[102] Additionally, for the size indicator, the proposal would use the average value taken over the entire year, rather than the average value taken over the fourth quarter of the year, as measured under the baseline.

the proposal would change the calculation of the short-term wholesale funding score by removing the risk-weighted asset scaling factor and instead taking the product of the weighted short-term wholesale funding dollar amount and a revised coefficient. Specifically, the proposal would calibrate this coefficient so as to make the aggregate share of short-term wholesale funding scores within the method 2 scores of current GSIBs equal to 20 percent as of the fourth quarter of 2024, after all other proposed changes to method 2 scores. Finally, as Table 2 shows, the proposal would reduce method 2 surcharge increments from 50 basis points to 10 basis points by using 20-point "narrow" score bands in the method 2 surcharge schedule, which would replace the 100-point score bands used under the baseline.[103]

D. Reasonable Alternatives

The analysis considers three alternatives to the proposed policy change, assessing the expected benefits and costs of these alternatives relative to the baseline and comparing them to the expected benefits and costs of the proposal.

Alternative 1 ("inflation indexing" approach) would change systemic indicators and the short-term wholesale funding score the same way as the proposal, but it would not make the proposal's one-time adjustment to method 2 systemic indicator coefficients, described earlier, and instead adjust the coefficients based on the cumulative growth in the CPI-W index since December 2015. Consistently, going forward, this alternative would make annual adjustments to method 2 systemic indicator coefficients using the CPI-W index, rather than U.S. nominal GDP, which would be used under the proposal.

Alternative 2 ("global denominators" approach) would change systemic indicators and the short-term wholesale funding score the same way as the proposal, but it would adjust

[103] Under the proposal, the lowest method 2 score band would be from 130 to 189 points, corresponding to a one percent method 2 surcharge.

method 2 systemic indicator coefficients by using the calibration methodology applied in the 2015 GSIB surcharge final rule.[104] Specifically, this alternative would use the aggregate global indicator amounts from the latest two years to revise method 2 systemic indicator coefficients.

Alternative 3 ("reference bank" approach) would change systemic indicators and the short-term wholesale funding score the same way as the proposal, but it would reduce all method 2 systemic indicator coefficients by 40 percent, which is the cumulative growth rate differential between the method 2 scores and the method 1 scores of the "reference bank" used in the original calibration of the GSIB surcharge framework, estimated from the fourth quarter of 2015 to the fourth quarter of 2024.[105] This reduction in method 2 coefficients is algebraically equivalent to increasing the reference bank score, which serves as a baseline for measuring the systemic risk profiles of GSIBs and the determination of their GSIB surcharges.

All of the policy alternatives considered would redefine and recalibrate the short-term wholesale funding score using the same methodology as the proposal, setting the weight of the short-term wholesale funding score to 20 percent.[106]

Question 39: The economic analysis does not specify how Alternatives 2 and 3 would adjust the method 2 coefficients going forward. If these alternatives were combined with the proposal's approach of adjusting the method 2 coefficients in the future based on nominal U.S. GDP growth or a different approach, to what extent would that change the analysis?

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[104] *See* 80 FR 49082.

[105] The Board estimated the 40 percent growth rate differential for the reference bank by using the same methodology and the same three non-GSIB bank holding companies as the Board's 2015 white paper, *https://www.federalreserve.gov/aboutthefed/boardmeetings/gsib-methodology-paper-20150720.pdf*.

[106] Because these alternatives would adjust method 2 systemic indicator coefficients differently than the proposal, they would also result in different method 2 coefficients for the weighted short-term wholesale funding amount.

E. Estimated Changes in GSIB Scores and Surcharges

i. Estimated Impact of Changes to Systemic Indicators

This subsection of the analysis estimates how the proposal would affect method 1 and method 2 scores through data averaging and the amendments to systemic indicators, detailed in sections II.C and II.E of this **SUPPLEMENTARY INFORMATION**, respectively. Because the effects of the various changes may interact with one another, the analysis assesses the effects of data averaging and the amendments both separately and combined.[107] Furthermore, the analysis creates a detailed breakdown of the estimated percentage changes in both individual systemic indicator scores and GSIB scores relative to the baseline.[108] Notably, the estimates are the same under the proposal and the policy alternatives considered because the alternatives would make the same changes to the systemic indicators.

The estimates in Table 5 indicate that, relative to the baseline, the proposed data averaging would increase method 1 scores by 2 to 3 percent, and the amendments to systemic indicators would increase method 1 scores by about 4 percent, for a combined increase of about 6 percent, on average across GSIBs. Data averaging would mostly affect systemic indicators in the complexity category, including and especially the "notional amount of OTC derivatives" indicator. This estimate is consistent with the empirical evidence in the literature cited in section II.C of this **SUPPLEMENTARY INFORMATION**, which shows that the nominal

[107] Sections III.J.i and III.J.ii of this **SUPPLEMENTARY INFORMATION** describe the estimation of these "partial" and combined effects of the proposed changes to systemic indicators.

[108] For the assessment of increases in the intra-financial system assets and intra-financial system liabilities systemic indicator amounts that would be due to the expanded definition of financial institutions under the proposal, described in section II.E.i of this **SUPPLEMENTARY INFORMATION**, the analysis estimates increases in the indicator amounts that would be due to the proposed addition of saving and loan holding companies, private equity funds, asset management companies, and exchange-traded funds to the definition of financial institutions, as reflected by the Board's special data collection. As such, the estimates do not reflect potential increases in these systemic indicator amounts that would result from capturing further intra-financial assets and liabilities under the expanded definition of financial institutions.

amount of the OTC derivatives indicator is prone to end-of-year reductions. The systemic indicator amendments would mostly affect indicators in the substitutability and cross-jurisdictional activity categories, with the scores of cross-jurisdictional liabilities increasing somewhat more than the scores of cross-jurisdictional claims, on average across GSIBs.[109]

Table 5: Estimated Impact on Method 1 Scores Due to the Systemic Indicator Changes

This table shows the impact of the proposed data averaging and systemic indicator amendments on the method 1 scores of the eight current GSIBs, estimated as of the fourth quarter of 2024. The table also presents estimates for the major indicator-level effects of the proposed changes, also aggregating these effects to the indicator category level. The bottom two rows summarize the estimated method 1 score changes both on average and in aggregate across the eight GSIBs. The impact estimates are calculated using the data described in section III.B, and the estimation methodology is described in sections III.J.i and III.J.ii of this **SUPPLEMENTARY INFORMATION**.

Systemic Indicator Categories	Averaging	Amendments	Combined
Size	–0.2%		–0.2%
Interconnectedness	0.0%	–0.3%	–0.3%
Intra-Financial System Assets	0.2%	0.2%	0.4%
Intra-Financial System Liabilities	0.1%	0.2%	0.2%
Securities Outstanding	–0.3%	–0.6%	–0.9%
Substitutability	–0.1%	2.2%	2.1%
Complexity	2.2%		2.2%
Notional Amount of OTC Derivatives	1.2%		1.2%
Trading and Available-for-Sale Securities	0.8%		0.8%
Level 3 Assets	0.2%		0.2%
Cross-jurisdictional activity	0.7%	1.7%	2.5%
Cross-Jurisdictional Claims	0.4%	0.6%	1.0%
Cross-Jurisdictional Liabilities	0.3%	1.1%	1.5%
Aggregate Change in Method 1 Scores	**2.6%**	**3.7%**	**6.4%**
Average Change in Method 1 Scores	**1.9%**	**4.1%**	**6.0%**

The estimates in Table 6 indicate that, relative to the baseline, the proposed data averaging and amendments to systemic indicators would increase method 2 scores by about 2 percent and about 1 percent, respectively, for a combined increase of about 3 to 4 percent,

[109] The impact of the proposed amendments to substitutability indicators would not be fully expressed in method 1 scores due to the cap on the combined score of substitutability indicators applied in the method 1 score calculation. Specifically, the cap is at one hundred points, and it would be binding for five out of the eight current GSIBs under the proposal.

on average across GSIBs. Similar to the estimates for method 1 scores, data averaging would mostly affect systemic indicators in the complexity category, whereas the proposed amendments would mostly affect the indicators for cross-jurisdictional activity. Despite this similarity, the estimated combined impact on method 2 scores is lower than the estimated combined impact on method 1 scores. This difference is mainly because method 2 scores do not include systemic indicators in the substitutability category, which would increase by more than 2 percent under the proposed amendments, on average across GSIBs.

Table 6: Estimated Impact on Method 2 Scores Due to the Systemic Indicator Changes

This table shows the impact of the proposed data averaging and systemic indicator amendments on the method 2 scores of the eight current GSIBs, estimated as of the fourth quarter of 2024. The table also presents estimates for the major indicator-level effects of the proposed changes, also aggregating these effects to the indicator category level. The bottom two rows summarize the estimated method 2 score changes both in aggregate and on average across the eight GSIBs. The impact estimates are calculated using the data described in section III.B, and the estimation methodology is described in sections III.J.i and III.J.ii of this **SUPPLEMENTARY INFORMATION**.

Systemic Indicator Categories	Averaging	Amendments	Combined
Size	–0.2%		–0.2%
Interconnectedness	–0.1%	–0.5%	–0.5%
Intra-Financial System Assets	0.2%	0.2%	0.4%
Intra-Financial System Liabilities	0.1%	0.1%	0.2%
Securities Outstanding	–0.3%	–0.8%	–1.1%
Complexity	1.8%		1.8%
Notional Amount of OTC Derivatives	0.9%		0.9%
Trading and Available-for-Sale Securities	0.7%		0.7%
Level 3 Assets	0.2%		0.2%
Cross-jurisdictional activity	0.8%	1.8%	2.7%
Cross-Jurisdictional Claims	0.4%	0.7%	1.2%
Cross-Jurisdictional Liabilities	0.3%	1.1%	1.5%
Aggregate Change in Method 2 Scores	**2.2%**	**1.3%**	**3.8%**
Average Change in Method 2 Scores	**1.6%**	**1.2%**	**2.9%**

Question 40: The analysis uses the Board's special data collection to estimate the increase in the intra-financial system assets and intra-financial system liabilities systemic indicator amounts due to the proposed addition of savings and loan holding companies, private equity funds,

asset management companies, and exchange-traded funds to the definition of financial institutions. What further increases in these systemic indicator amounts, if any, should the analysis consider to assess the impact of expanding the definition of financial institutions under the proposal?

ii. Estimated Impact of Changes to the Method 2 Score Calculation

This subsection of the analysis estimates how the proposal and the policy alternatives considered would affect method 2 scores through (i) the changes to systemic indicators, assessed in the previous subsection; (ii) the adjustments to method 2 systemic indicator coefficients;[110] and (iii) the changes to the short-term wholesale funding score.[111] Because the effects of these changes may interact with one another, the analysis assesses the effects both sequentially and combined.[112] As section III.D of this **SUPPLEMENTARY INFORMATION** describes, the alternatives would change systemic indicators and the short-term wholesale funding score the same way as the proposal and only differ from the proposal in how they would adjust method 2 systemic indicator coefficients.

The estimates in Table 7 indicate that, after the small increases in method 2 scores due to the proposed changes to systemic indicators, assessed in detail in section III.E.i of this **SUPPLEMENTARY INFORMATION**, method 2 scores would decrease meaningfully through the other two adjustments under the proposal. The estimated reduction in method 2 scores is 22 percent, in aggregate, and 29 percent, on average across GSIBs, to which the

[110] Section III.J.iii of this **SUPPLEMENTARY INFORMATION** describes the estimation of the method 2 score impact of these coefficient changes under the proposal and the alternatives.

[111] Section III.J.iv of this **SUPPLEMENTARY INFORMATION** describes the estimation of the method 2 score impact of the proposed changes to the short-term wholesale funding score.

[112] Section III.J.v of this **SUPPLEMENTARY INFORMATION** describes the estimation of the combined method 2 score impact of all changes under the proposal and the alternatives.

proposed method 2 systemic indicator coefficient adjustments and short-term wholesale funding changes would contribute about equally.

Table 7: Estimated Impact on Method 2 Scores Due to the Different Changes

This table summarizes the aggregate method 2 score impact of the different changes to the calculation of method 2 scores under the proposal and the policy alternatives considered, estimated across the eight current GSIBs as of the fourth quarter of 2024. The impact estimates are broken down into the incremental effect of each proposed change on aggregate method 2 scores. The last two rows summarize the estimated method 2 score changes both in aggregate and on average across GSIBs. The impact estimates are calculated using the data described in section III.B, and the estimation methodology corresponding to each change is described in sections III.J.iii, III.J.iv, and III.J.v of this **SUPPLEMENTARY INFORMATION**.

	Proposal	**Policy Alternatives**		
		#1	**#2**	**#3**
Systemic Indicator Changes	3.8%	3.8%	3.8%	3.8%
Method 2 Coefficient Adjustments	–12.0%	–18.2%	–8.5%	–20.6%
Short-Term Wholesale Funding Changes	–14.6%	–17.6%	–13.0%	–18.9%
Aggregate Change in Method 2 Scores	–22.0%	–30.1%	–17.4%	–33.2%
Average Change in Method 2 Scores	–28.6%	–36.0%	–24.5%	–38.9%

In addition to these aggregate effects, the proposed removal of the risk-weighted asset denominator from the calculation of the short-term wholesale funding score calculation would have a meaningful distributional effect across GSIBs. In particular, GSIBs with relatively small dollar amounts of risk-weighted assets would see a substantial decrease in their short-term wholesale funding scores under the proposal, whereas the opposite effect would manifest for GSIBs with relatively large dollar amounts of risk-weighted assets.

Alternative 1 ("inflation indexing") would lead to a somewhat larger (about 30 percent in aggregate and 36 percent on average) reduction in method 2 scores than the proposal because this alternative would adjust method 2 systemic indicator coefficients based on the 34 percent cumulative increase in the CPI-W index since December 2015, which is greater than the 20 percent downward adjustment to these coefficients under the proposal. Alternative 2 ("global denominators") would lead to a smaller (about 17 percent in aggregate and 25 percent

on average) reduction in method 2 scores than the proposal because this alternative would adjust method 2 systemic indicator coefficients by the cumulative growth of the global denominators, which is smaller, on average, than the 20 percent downward adjustment under the proposal. Alternative 3 ("reference bank") would lead to a larger (about 33 percent in aggregate and 39 percent on average) reduction in method 2 scores than the proposal because this alternative would apply a 40 percent downward adjustment to method 2 systemic indicator coefficients, rather than the 20 percent downward adjustment under the proposal.

The impact estimates in Table 7 also demonstrate the interaction between the proposed changes in that the estimated effect of the method 2 systemic indicator coefficient adjustments (shown in the second row of the table) amplifies the estimated effect of the changes to the short-term wholesale funding calculation (shown in the third row of the table). This interaction effect manifests because if the method 2 systemic indicator coefficient adjustments reduce the affected systemic indicator scores more, then the percentage share of the short-term wholesale funding score within the method 2 score becomes higher. In turn, however, a higher share of the short-term wholesale funding score necessitates a larger reduction to this score component to set its aggregate share to 20 percent in aggregate, as targeted by both the proposal and the alternatives.

iii. Estimated Changes in GSIB Surcharges

This subsection of the analysis assesses how the proposal and the policy alternatives considered would affect GSIB surcharges applicable in 2026.[113] In particular, the surcharge estimates reflect the effects of all changes to method 1 and method 2 scores discussed in the previous subsections, as well as the effect of the narrow score bands, which both the proposal

[113] As described in section III.B of this **SUPPLEMENTARY INFORMATION**, the analysis estimates method 1 and method 2 scores as of the fourth quarters of 2023 and 2024 under the baseline, the proposal, and the policy alternatives considered to estimate the impact on GSIB surcharges applicable in 2026.

and the alternatives would implement.[114] Notably, any changes in GSIB surcharges would solely be driven by changes in method 2 surcharges because the estimated changes to method 1 scores would not lead to a change in method 1 surcharges.[115]

When expressed in percentage points, the estimated GSIB surcharges would not be affected by the concurrent expanded risk-based proposal because both the proposal and the alternatives would change the calculation of the short-term wholesale funding score such that it would not use the ratio of the weighted short-term wholesale funding amount and the risk-weighted asset amount, as it does under the baseline. However, when expressed in dollar terms, the GSIB surcharge estimates could be affected by potential changes to risk-weighted asset amounts under the expanded risk-based proposal because GSIB surcharge requirements are the products of percentage-point GSIB surcharges and risk-weighted asset amounts. The economic analysis in the expanded risk-based proposal assesses the combined impact of the two concurrent proposals, including this interaction effect.

The estimates in Table 8 indicate that the proposal would reduce GSIB surcharges by 40 basis points, on average, relative to the baseline. This effect corresponds to a $23 billion (10 percent) reduction in the aggregate dollar amount of GSIB surcharges, calculated using risk-weighted asset amounts as of the fourth quarter of 2024. Furthermore, as the proposal would reduce method 2 surcharges, method 1 surcharges would become binding for two of the eight

[114] Section III.J.vi of this **SUPPLEMENTARY INFORMATION** describes the estimation of the combined GSIB surcharge impact of all changes under the proposal and the alternatives.

[115] Relatedly, because the proposal and the policy alternatives considered would not change method 1 surcharges, they also would not have an effect on the eSLR buffer requirements for GSIBs and their subsidiary depository institutions, which depend on method 1 surcharges under the recent eSLR final rule. *See* Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies, 90 FR 55248 (December 1, 2025).

GSIBs, whereas method 2 surcharges are binding for all eight GSIBs under the baseline. The proposed narrow score bands would lead to slight changes in surcharges for some GSIBs, with an average estimated effect of zero.[116]

Table 8: Estimated GSIB Surcharges Applicable in 2026

This table shows summary statistics for the GSIB surcharges applicable in 2026, estimated for the eight current GSIBs under the baseline, the proposal, and the policy alternatives considered. Specifically, from left to right, the table shows the lowest, the average, and the highest estimated GSIB surcharge across the eight GSIBs; the number of GSIBs for which the method 1 surcharge would be higher than the method 2 surcharge; the aggregate dollar amount of the estimated GSIB surcharges; and the percentage change in the aggregate surcharge amount relative to the baseline. The estimated GSIB surcharges are calculated using the data described in section III.B, and the estimation methodology is described in sections III.J.vi of this **SUPPLEMENTARY INFORMATION**.

	GSIB Surcharge (percent of risk-weighted assets)			**Number of GSIBs Bound by Method 1**	**Aggregate GSIB Surcharge**	
	Lowest	**Average**	**Highest**		billion dollars	percent change
Baseline	1.0%	2.7%	4.5%	0	235	
Proposal	1.0%	2.3%	4.3%	2	212	–10.0%
Alternative 1	1.0%	2.1%	3.9%	2	193	–17.8%
Alternative 2	1.0%	2.4%	4.7%	2	230	–2.4%
Alternative 3	1.0%	2.0%	3.7%	2	183	–22.3%

Under the policy alternatives considered, the GSIB surcharge impact estimates are consistent with the method 2 score impact estimates presented in Table 7 above. Under Alternative 1 ("inflation indexing"), the estimated reduction in GSIB surcharges would be somewhat larger (60 basis points, on average, and about 18 percent, in aggregate) than under the proposal. Under Alternative 2 ("global denominators"), the estimated reduction in GSIB surcharges would be smaller (30 basis points, on average, and 2.4 percent, in aggregate) than

[116] The point-in-time impact of the proposed narrow score bands on a GSIB's surcharge would depend on the GSIB's point-in-time location relative to the score band boundaries used in the applicable GSIB surcharge schedule. On average, at any given point in time, this effect would be close to zero because it would slightly increase or decrease GSIB surcharges across GSIBs, relative to the baseline. Similarly, for any GSIB over time, this effect would be close to zero because it would slightly increase or decrease the surcharge relative to the baseline, depending on the GSIB's time-varying location along the GSIB surcharge schedule in the future.

under the proposal. Partly because of the proposed narrow score bands, the surcharge for one GSIB would slightly increase under this alternative relative to the baseline. Under Alternative 3 ("reference bank") the estimated reduction in GSIB surcharges would be larger (70 basis points, on average, and about 22 percent, in aggregate) than under the proposal. Similar to the proposal, under the alternatives, method 1 surcharges would become binding for two GSIBs.

F. Benefits

The Board anticipates that the proposal would have several economic benefits. First, the proposal would enhance systemic risk measurement in the GSIB surcharge framework and thus improve the accuracy of GSIB surcharges, which could in turn improve the framework's efficiency at mitigating the systemic risk of GSIBs. Second, by bringing the level of method 2 scores, and thus GSIB surcharges, closer to their initial calibration, the proposal could enable some GSIBs to increase their economic activities and supply of financial services. Third, the proposed data averaging would reduce incentives for some GSIBs to temporarily reduce the end-of-year values of certain systemic indicators, which could reduce the economic costs of such indicator adjustments. Fourth, the proposed narrow score bands would reduce "cliff effects" around the boundaries of surcharge buckets and create smoother transitions in GSIB surcharges over time. Fifth, the proposed amendments to systemic indicators would improve the U.S. GSIB surcharge framework's consistency with the international standard published by the Basel Committee. The rest of this section discusses these benefits in detail, also assessing how they could potentially be different under the policy alternatives considered.

The proposal would enhance the measurement of GSIBs' systemic risk profiles and thereby improve the accuracy of GSIB surcharges through multiple changes.[117] The proposed data averaging and amendments to systemic indicators would better align the systemic indicator scores of large U.S. holding companies with the systemic implications of their potential distress. In particular, data averaging would reduce measurement errors in systemic indicator scores due to year-end patterns by ensuring that the indicators reflect systemic exposures throughout the calendar year. Additionally, through the annual indexing of systemic indicator coefficients to U.S. nominal GDP growth, the proposal would render systemic risk measurement in the GSIB surcharge framework robust to U.S. economic growth, consistent with the discussion in section II.A of this **SUPPLEMENTARY INFORMATION**. Moreover, as discussed in section II.B of this **SUPPLEMENTARY INFORMATION**, by redefining the short-term wholesale funding score and setting its aggregate weight to 20 percent in the method 2 score calculation, the proposal would improve the measurement of systemic exposures captured by this method 2 score component. Finally, the proposed narrow score bands would improve the alignment of GSIBs' surcharges with their systemic risk profiles, as measured by GSIB scores, by reducing score differences across GSIBs that fall in the same band.

Through the enhanced measurement of systemic risk profiles and more accurate GSIB surcharges, the proposal would improve the efficiency of the GSIB surcharge framework.

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[117] The academic literature recognizes both the importance and challenges of accurately measuring the systemic risk of large banking organizations. In particular, the Global Financial Crisis of 2007–09 highlighted the importance of measuring systemic risk along dimensions other than the size indicator. *See*, *e.g.*, Andrew W. Lo, The Feasibility of Systemic Risk Measurement, *U.S. Congress: Committee on Financial Services* (October 19, 2009); Viral V. Acharya, Markus K. Brunnermeier, and Diane Pierret, Systemic Risk Measures: From the Panic of 1907 to the Banking Stress of 2023, *Annual Review of Financial Economics*, 17 (August 11, 2025). For example, expected shortfall metrics estimate an organization's capital loss under a period of stress, whereas the conditional value-at-risk metric estimates the systemic spillover effects of an organization's potential distress. *See* Viral V. Acharya, Lasse H. Pedersen, Thomas Philippon, and Matthew Richardson, Measuring Systemic Risk, *The Review of Financial Studies*, 30(1) (October 19, 2016); Viral V. Acharya, Lasse H. Pedersen, Thomas Tobias Adrian, and Markus K. Brunnermeier, CoVaR, *The American Economic Review*, 106(7) (July 2016).

Because the framework requires that GSIBs have capital buffers commensurate with their systemic risk, the mismeasurement of their systemic risk profiles could create economic deadweight losses and inefficiencies. Specifically, underestimating the systemic risk posed by certain economic activities and financial services could create incentives for GSIBs to excessively engage in such activities and oversupply such services, whereas overestimating systemic risk could discourage GSIBs from engaging in such activities and lead to the under-provision of such services. Relatedly, through more accurate GSIB surcharges, the proposal would set the probability of GSIBs' potential distress closer to an optimum, in line with the discussion in the 2015 white paper on the calibration of the GSIB surcharge framework.[118]

As a further expected benefit, the proposal would bring the level of method 2 scores closer to the initial calibration of the GSIB surcharge framework and reduce GSIB surcharges, which could enable GSIBs to increase their economic activities and supply of financial services. In specific, as estimated in section III.E of this **SUPPLEMENTARY INFORMATION**, primarily through method 2 coefficient adjustments and short-term wholesale funding score changes, the proposal would reduce method 2 scores by about 29 percent and GSIB surcharges by about 40 basis points, on average across GSIBs. This reduction in risk-based capital buffer requirements would likely reduce GSIBs' marginal funding costs, which could enable some GSIBs to increase their economic activities and supply of financial services, which could in turn increase aggregate economic surplus.[119]

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[118] *See* Board of Governors of the Federal Reserve System, Calibrating the GSIB Surcharge (July 20, 2015), *https://www.federalreserve.gov/aboutthefed/boardmeetings/gsib-methodology-paper-20150720.pdf*.

[119] For example, lower GSIB surcharges could lead to an increase in GSIBs' loan supply, as suggested by the empirical study of Giovanni Favara, Ivan Ivanov, and Marcelo Rezende, GSIB Surcharges and Bank Lending: Evidence from U.S. Corporate Loan Data, *Journal of Financial Economics*, 142(3) (December 2021), which estimates a negative effect of GSIB surcharges on the commercial and industrial loan supply of GSIBs.

Moreover, the proposal would reduce incentives for some GSIBs to temporarily reduce the end-of-year values of certain systemic indicators, as discussed in section II.C of this **SUPPLEMENTARY INFORMATION**. This incentive effect would manifest because the proposed data averaging would reduce GSIBs' ability to lower their risk-based capital buffer requirements by engaging in such end-of-year indicator management. Therefore, there would likely to be a decrease in the fluctuations historically observed in some indicators at year end, which could reduce potential deadweight losses from such fluctuations. Hence, by reducing incentives for end-of-year indicator management, the proposal could lead to a more stable supply of financial services by GSIBs, which could improve the liquidity and contribute to the smooth functioning of financial markets at year end.[120]

Additionally, by implementing narrow score bands, the proposal would reduce "cliff effects" around the boundaries of GSIB surcharge buckets. In particular, narrow score bands would create a more continuous correspondence between GSIB scores and surcharges, which would result in smoother surcharge transitions between score bands. These smoother transitions would ensure that firms with similar systemic risk are assigned similar capital surcharges and could also enable GSIBs to do better capital planning by reducing the size of GSIB surcharge changes as firms cross score band boundaries.

Finally, the proposal would improve the consistency of the calculation of systemic indicators used in the U.S. GSIB surcharge framework with the international standard published

[120] For example, GSIBs play an important role as liquidity providers and "lenders of second-to-last resort" in the U.S. Treasury repurchase agreement and foreign exchange swap markets, as discussed in Ricardo Correa, Wenxin Du, and Gordon Y. Liao, U.S. Banks and Global Liquidity, *National Bureau of Economic Research Working Paper*, 27491 (July 2020). Relatedly, the study by Claudio Bassi, Claudio, Markus Behn, Michael Grill, and Martin Waibel, Window Dressing of Regulatory Metrics: Evidence from Repo Markets, *Journal of Financial Intermediation*, 58 (April 2024) finds that GSIB surcharges drive GSIBs to significantly contract their repo books at year ends, which can in turn affect repo market volumes and price dynamics.

by the Basel Committee, which could reduce potential undesired economic effects due to differences across jurisdictions.

Turning to the policy alternatives considered, the Board anticipates that some of the proposal's economic benefits would also manifest under the alternatives because of their common elements with the proposal. Specifically, through data averaging, the alternatives would also reduce incentives for some GSIBs to temporarily lower the end-of-year values of certain systemic indicators; through narrow score bands, the alternatives would also reduce "cliff effects;" and, through the amendments to certain systemic indicators, the alternatives would also enhance international consistency. However, the alternatives would differ from the proposal in their economic benefits resulting from the enhanced measurement of systemic risk profiles and lower GSIB surcharges.

In particular, the alternatives would make different adjustments to method 2 systemic indicator coefficients than the proposal in order to make the measurement of systemic risk more consistent between method 1 and method 2 scores, related to the discussion in section II.A.i of this **SUPPLEMENTARY INFORMATION**. Alternative 1 ("inflation indexing") would make annual adjustments to method 2 coefficients such that method 2 scores would not reflect the effect of U.S. inflation, as measured by the CPI-W index. This alternative would reduce GSIB surcharges more than the proposal in the short run, but it would likely lead to smaller annual adjustments to method 2 indicator coefficients than the proposal in the long run. The short-run effect of Alternative 1 would be larger than that of the proposal because the alternative would adjust method 2 indicator coefficients based on the 34 percent cumulative increase in the CPI-W index since December 2015, which is greater than the 20 percent one-time downward adjustment to these coefficients under the proposal. In the long run, the annual adjustments to

method 2 coefficients under Alternative 1 would likely be smaller than under the proposal because the alternative would make the adjustments based on the CPI-W index, which tends to grow more slowly than U.S. nominal GDP.[121] Therefore, in the short run, consistent with the relatively larger estimated reduction in GSIB surcharges under Alternative 1, presented in Table 8 above, the alternative would enable GSIBs to expand their economic activities and supply of financial services more than the proposal. However, in the long run, these benefits would become larger under the proposal because of the faster annual downward adjustment based on U.S. nominal GDP growth.

Alternative 2 ("global denominators") would adjust method 2 coefficients such that method 2 scores would measure changes in GSIBs' systemic risk relative to the growth of the global banking system. As estimated in Table 8 above, this alternative would reduce GSIB surcharges less than the proposal, which implies that the potential increase in GSIBs' activities and services would be smaller under this alternative than under the proposal. Alternative 3 ("reference bank") would adjust method 2 coefficients such that method 2 scores would measure changes in GSIBs' systemic risk relative to the change in the systemic risk of the reference bank. As estimated in Table 8, this alternative would reduce GSIB surcharges substantially more than the proposal, and therefore the potential increase in GSIBs' activities and services would be larger under this alternative than under the proposal.

Compared to the proposal, which focuses on U.S. GSIBs and would apply a simple methodology to adjust the method 2 score calculation for changes in the U.S. economy and financial system, the systemic risk measurement benefits of the alternatives would be limited.

[121] Over time, the CPI-W index tends to grow more slowly than U.S. nominal GDP because the CPI-W only reflects price inflation, whereas U.S. nominal GDP reflects both real economic growth and inflation. Accordingly, over the past decade, the annual growth rate of U.S. GDP exceeded the CPI-W index's annual growth rate by about 2 percentage points. Between 1950 and 2025, this annual growth rate differential was about 3 percentage points.

Alternative 1 would only take into account U.S. inflation and disregard the potentially distortive effects of U.S. real economic growth on method 2 scores. Alternative 2 would adjust the method 2 score calculation based on the historical change in each aggregate global systemic indicator amount. This alternative would be more complex than the proposal, which would adjust the method 2 score calculation for the divergence of method 2 and method 1 scores shown in Figure 2 in order to more directly take into account the effect of recent economic changes on the systemic risk measurement of GSIBs by method 2. Alternative 3 would adjust the method 2 score calculation using imprecise estimates for the reference bank's score, relying on the proxy measures for the short-term wholesale funding amount used in the initial calibration of the GSIB surcharge framework in 2014. Hence, the methodology applied under this alternative could result in method 2 scores that provide an inaccurate measure for systemic risk profiles.

G. Costs

The Board anticipates that the proposal could have the following economic costs. First, by reducing risk-based capital buffer requirements for GSIBs, the proposal could potentially lead to a decrease in the resilience of both individual GSIBs and the U.S. financial system. Relatedly, the proposal could increase the unintended "too-big-to-fail" effect and its economic implications, discussed in more detail below. Finally, the proposed data averaging could modestly increase the cost of compliance for GSIBs. The rest of this section discusses these costs in detail, also assessing how they could potentially be different under the policy alternatives considered.

The proposal could potentially lead to a decrease in firm resilience and systemic stability by reducing risk-based capital buffer requirements for GSIBs. As section III.E.iii of this **SUPPLEMENTARY INFORMATION** estimates, the proposal would reduce GSIB surcharges by 40 basis points, on average, and 10 percent, in aggregate. This reduction in risk-based capital

buffer requirements would enable most GSIBs to increase their risk-weighted asset amounts or reduce their equity capital, which could in turn decrease their resilience against economic shocks.[122] Because GSIBs are systemically important banking organizations, such potential decrease in their resilience could decrease the stability of the U.S. financial system and thus increase the probability and severity of financial crises.

Through both this potential decrease in the resilience of GSIBs and by enabling GSIBs to increase their economic activities and supply of financial services, discussed earlier in the benefit section, the proposal could also increase the unintended "too-big-to-fail" effect related to these large banking organizations.[123] Specifically, if GSIBs become less resilient or expand their business in response to the reduction in their capital surcharges under the proposal, that could increase the probability and magnitude of potential government interventions in the event GSIBs face financial distress.

Finally, the proposed data averaging could modestly increase the cost of compliance for GSIBs by increasing their administrative burden. In particular, reporting the affected systemic indicators and related line items on an average basis, as shown in Table 1, would require the collection and processing of the underlying financial information at higher (daily or monthly) frequencies than under the baseline. Although some GSIBs may already collect and process sufficient data to report some of the affected indicators at these higher frequencies under the baseline, some GSIBs could incur additional one-time and recurring costs under the proposal.

[122] For GSIBs, changing risk-based capital requirements is relevant and could affect their risk-taking and capital structure decisions because risk-based capital requirements are the highest (that is, binding) capital requirements for most of these holding companies under the baseline.

[123] *See*, *e.g.*, Maureen O'Hara and Wayne Shaw, Deposit Insurance and Wealth Effects: The Value of Being "Too Big to Fail," *The Journal of Finance*, 45(5) (December 1990); Priyank Gandhi and Hanno Lustig, Size Anomalies in U.S. Bank Stock Returns, *The Journal of Finance*, 70(2) (December 5, 2015); João AC Santos, Evidence From the Bond Market on Banks' "Too-Big-To-Fail Subsidy", *Economic Policy Review* 20(2) (April 4, 2014).

For example, some GSIBs may face one-time expenses as they make additional investments in their human resources and information technology infrastructure to comply with the proposed data averaging requirement. Furthermore, some GSIBs may face additional recurring costs as they maintain the resources and infrastructure needed for compliance. Overall, considering the large scale of GSIBs, and because the proposal would tailor the data averaging requirement to the specifics of each systemic indicator, the Board anticipates that a potential increase in GSIBs' compliance costs would be modest.

Turning to the policy alternatives considered, the Board anticipates that the potential economic costs described above would also manifest under these alternatives, but the strength of these effects would vary across the alternatives. As discussed earlier in the benefit section, Alternative 1 ("inflation indexing") would reduce GSIB surcharges more than the proposal in the short run, but this difference would likely revert in the long run. Hence, the potential reduction in firm resilience and systemic stability would be larger in the short run and smaller in the long run under this alternative than under the proposal. The estimated reduction in GSIB surcharges under Alternative 2 ("global denominators") is smaller than under the proposal, which implies that this alternative would affect firm resilience and systemic stability less than the proposal. The estimated reduction in GSIB surcharges is larger under Alternative 3 ("reference bank") than under the proposal, and therefore this alternative could reduce firm resilience and systemic stability more than the proposal. Finally, because all of the policy alternatives considered would implement the proposed data averaging, they could modestly increase compliance costs for GSIBs similarly to the proposal.

H. Interactions with Other Rules and Proposed Rulemakings

This section of the analysis assesses potential interactions between the proposal and other existing rules or proposed rulemakings. As section III.B of this **SUPPLEMENTARY INFORMATION** discusses, the proposal (in this section, referred to as the "GSIB surcharge proposal") would interact with the expanded risk-based proposal, which assesses the combined economic impact of the two proposals. The following subsections assess interactions between the two proposals and the existing total-loss absorbing capacity (TLAC) framework for GSIBs;[124] and between the GSIB surcharge proposal and the existing regulatory tailoring framework.[125]

i. Interaction with TLAC and Long-Term Debt Requirements

The analysis assesses how the GSIB surcharge proposal and the expanded risk-based proposal would interact with the existing TLAC framework for GSIBs.[126] Specifically, the analysis estimates baseline TLAC and long-term debt requirements as of the second quarter of 2025, also reflecting recent changes to these requirements under the eSLR final rule.[127] Both the TLAC and long-term debt requirements consist of a risk-based and a leverage-based minimum requirement. Beyond TLAC minimum requirements, GSIBs also have risk-based and leverage-based TLAC buffer requirements.[128] Unless noted otherwise, in the following

[124] *See* 12 CFR Part 252, Subpart G.

[125] *See* 84 FR 59032 (November 1, 2019); 84 FR 59230 (November 1, 2019).

[126] Section III.J.vii of this **SUPPLEMENTARY INFORMATION** describes the data and methodology used to estimate these interaction effects in detail.

[127] The analysis needs to estimate baseline TLAC and long-term debt requirements because the baseline also includes the eSLR final rule, which was adopted on November 25, 2025, and goes into effect on April 1, 2026, whereas the reporting data as of the second quarter of 2025 do not reflect the effect of the eSLR final rule. For a detailed analysis of this effect, see section IV.I of the supplementary information to the eSLR final rule. *See* 90 FR 55248 (December 1, 2025).

[128] In the current regulatory framework, there are no long-term debt buffer requirements.

discussion, the term "TLAC requirement" refers to the sum of these TLAC minimum and corresponding TLAC buffer requirements.

Under the baseline, the estimated aggregate TLAC requirement for GSIBs is about $1.79 trillion. For five out of the eight current GSIBs, the risk-based TLAC requirement is higher than the leverage-based requirement. Under the baseline, the estimated aggregate long-term debt requirement for GSIBs is $717 billion. For six out of the eight current GSIBs, the risk-based long-term debt requirement is higher than the leverage-based requirement.

The analysis assesses the combined impact of the GSIB surcharge proposal and the expanded risk-based proposal on TLAC and long-term debt requirements for GSIBs. Relative to the baseline, the aggregate TLAC requirement for GSIBs would decrease by about $46 billion, or 2.6 percent, with the TLAC requirement decreasing for five GSIBs and increasing for one GSIB. The number of GSIBs bound by the risk-based TLAC requirement would increase from five to six. These changes would be driven entirely by the expanded risk-based proposal's adjustments to risk-weighted assets, which would affect the required quantity of TLAC because risk-based TLAC requirements are specified as a percentage of risk-based assets.[129] Relative to the baseline, the analysis estimates that the two proposals would reduce the long-term debt requirement for GSIBs by about $17 billion, or 2.3 percent, in aggregate, by lowering the requirement for five GSIBs and increasing it for one GSIB. The proposals would change the binding long-term debt requirement from risk-based to leverage-based for three GSIBs. These

[129] Even though the GSIB surcharge proposal could potentially affect TLAC requirements, which depend on method 1 surcharges, this effect would not manifest because method 1 surcharges would not change under the proposal. Specifically, although the proposal would increase method 1 scores by about 6 percent, on average across GSIBs, as discussed in section III.E.i of this **SUPPLEMENTARY INFORMATION**, this change would not lead to an increase method 1 surcharges because of the score bands used in the GSIB surcharge framework.

changes would be driven by both the expanded risk-based proposal's adjustments to risk-weighted assets and the GSIB surcharge proposal's changes to method 2 GSIB surcharges.[130]

Furthermore, the analysis examines the partial impact of the two proposals on TLAC and long-term debt requirements. As discussed above, the GSIB surcharge proposal would not have an impact on TLAC requirements, and therefore the expanded risk-based proposal's impact drives the combined impact of the two proposals on TLAC requirements. Relative to the baseline, the analysis estimates that the GSIB surcharge proposal by itself would reduce the long-term debt requirement for GSIBs by about $13 billion, or 1.7 percent, in aggregate, by lowering the requirement for four GSIBs. Relative to the baseline, the analysis estimates that the expanded risk-based proposal by itself would reduce the long-term debt requirement for GSIBs by about $2 billion, or 0.2 percent, in aggregate.

The analysis now turns to assessing the potential economic effects of the proposals.[131] If some GSIBs reduce their loss-absorbing capacity in response to the reduction in their TLAC requirements, the proposals could decrease the funding costs of these firms. On the one hand, the academic and policy literature finds that this potential reduction in funding costs could increase lending and support economic activity.[132] On the other hand, many of these same studies indicate that the potential reduction in loss-absorbing capacity may increase risks to

[130] Risk-based long-term debt requirements depend in part on method 2 surcharges, which would change under the GSIB surcharge proposal.

[131] Much of the rationale behind this discussion of the combined effect extends to the individual proposals in isolation. The costs and benefits of the two proposals by themselves are expected to be broadly proportional in size to their estimated marginal impact on requirements.

[132] *See*, *e.g.*, Simon Firestone, Amy Lorenc, and Ben Ranish, An Empirical Economic Assessment of the Costs and Benefits of Bank Capital in the United States, 101 FEDERAL RESERVE BANK OF ST. LOUIS REV. 203, 203–30 (2018); Martin Brooke, Oliver Bush, Robert Edwards, Jas Ellis, Bill Francis, Rashmi Harimohan, Katharine Neiss & Caspar Siegert, Measuring the Macroeconomic Costs and Benefits of Higher UK Bank Capital Requirements, Bank of England, Financial Stability Paper No. 35, (Dec. 2015); David Miles, Jing Yand, & Gilberto Marcheggiano, Optimal Bank Capital, 123 ECON. J. 1, 29 & Table 10 (Mar. 2013); Financial Stability Board, Assessing the Economic Costs and Benefits of TLAC Implementation (Nov. 2015) ("FSB (2015)").

safety and soundness and financial stability, as well as associated social costs. Nevertheless, because the estimated decrease in aggregate TLAC requirements under the two proposals is relatively small, the related economic effects would likely be modest.

Additionally, the reduction in their long-term debt requirements would provide GSIBs more flexibility over their TLAC composition. Given the modest overall change in long-term debt requirements, the economic effects of such changes would likely be small. Moreover, the additional flexibility could enhance GSIBs' resilience because, holding TLAC requirements unchanged, any reduction in long-term debt used to meet TLAC requirements would need to be replaced with tier 1 capital, which has greater loss absorbency.

ii. Interaction with the Regulatory Tailoring Framework

The proposal would also interact with the existing regulatory tailoring framework for large banking organizations by amending the definitions of the cross-jurisdictional claims and liabilities systemic indicator amounts, which determine the cross-jurisdictional activity risk-based indicator amount used in the framework.[133] Specifically, the proposal could change the tailoring categories of some banking organizations if it results in their cross-jurisdictional activity risk-based indicators crossing above or below the $75 billion threshold for Category II prudential standards. The analysis assesses this potential effect on the cross-jurisdictional activity risk-based indicators of banking organizations subject to Category II to IV prudential standards as of the second quarter of 2025.[134]

[133] *See* 12 CFR 252.5(c) for how a Category II banking organization is defined based on the cross-jurisdictional activity risk-based indicator.

[134] Section III.J.viii of this **SUPPLEMENTARY INFORMATION** describes the data and methodology used for the estimation of this interaction effect in detail.

The estimates indicate that the proposal would increase the cross-jurisdictional activity risk-based indicators of banking organizations subject to Category II to IV prudential standards by about 3 percent, on average. The estimated increase would not change the tailoring category of any domestic banking organization or U.S. intermediate holding company of a foreign banking organization. The estimated increase could result in the combined U.S. operations of one foreign banking organization currently subject to Category III prudential standards becoming subject to Category II prudential standards because its cross-jurisdictional activity indicator could exceed the $75 billion threshold. However, such potential change in tailoring category would not result in a change in regulatory requirements for this banking organization.

I. Conclusion

The proposal would adjust the calculation of method 1 and method 2 scores, and the related GSIB surcharges, in order to improve the measurement of systemic risk profiles in the GSIB surcharge framework, both across individual firms and over time. Thereby, the proposal would improve the framework's efficiency at mitigating the systemic risk of GSIBs, while also enabling them to increase economic activities and supply of financial services. Additionally, the proposed data averaging would reduce incentives for some GSIBs to temporarily reduce the end-of-year values of certain systemic indicators, and the proposed narrow score bands would reduce unintended "cliff effects." Furthermore, the proposed amendments to systemic indicators would improve the consistency of the U.S. GSIB surcharge framework with the international standard published by the Basel Committee.

The proposal's costs are mainly driven by the estimated decrease in GSIB surcharges, which could potentially lead to a decrease in the resilience of both individual GSIBs and the U.S. financial system, as well as a related increase in the "too-big-to-fail" effect. Additionally,

the proposed data averaging could modestly increase the cost of compliance for GSIBs by increasing their administrative burden.

Overall, the Board assesses that the benefits of the proposal justify its costs.

Regarding the reasonable policy alternatives considered, the economic analysis suggests that the proposal best balances the trade-offs inherent to the GSIB surcharge framework. The analysis shows that Alternative 1 ("inflation indexing") would have a larger short-run and a smaller long-run economic impact, on both the benefit and the cost side, than the proposal. As discussed in section III.F of this **SUPPLEMENTARY INFORMATION**, the alternative's short-run effect would be larger than that of the proposal because it would reduce GSIB surcharges more than the proposal. However, in the long run, the effect of Alternative 1 would likely become smaller than the proposal's effect because this alternative would make annual adjustments to method 2 indicator coefficients base on the CPI-W index, whereas the proposal would adjust the coefficients based on U.S. nominal GDP growth, which tends to exceed inflation. Alternative 2 ("global denominators") would have a smaller impact than the proposal because this alternative would reduce GSIB surcharges less than the proposal and thus have smaller economic benefits. Conversely, Alternative 3 ("reference bank") would have a larger impact than the proposal because this alternative would reduce GSIB surcharges more than the proposal and thus reduce firm resilience potentially more. Finally, because only the proposal would make a targeted downward adjustment to method 2 scores, none of the policy alternatives considered would exactly offset the observed cumulative growth differential between method 1 and method 2 scores discussed in section II.A.i of this **SUPPLEMENTARY INFORMATION**.

J. Appendix: Estimation Methodology

This section describes the methodology applied to calculate the quantitative impact estimates used in sections III.E and III.H of this **SUPPLEMENTARY INFORMATION**. The analysis estimates the impact of the proposal and the policy alternatives considered relative to the baseline at a single point in time, using the most recent data available.[135] Specifically, as section III.B of this **SUPPLEMENTARY INFORMATION** describes, the analysis primarily relies on data from the fourth quarters of 2023 and 2024 to estimate potential changes in method 1 and method 2 scores, which determine corresponding changes in method 1 and method 2 surcharges, which in turn yield estimates for GSIB surcharges applicable in 2026. The analysis uses data from the second quarter 2025 to estimate the interaction effects assessed in section III.H of this **SUPPLEMENTARY INFORMATION**. The following subsections provide a detailed description of each step of the analysis, presented in order of application.

i. Partial Effects of Changes to Systemic Indicators

As a first step, this part of the analysis estimates the standalone ("partial") effects of the proposed data averaging and each of the amendments to each systemic indicator, described in sections II.C and II.E of this **SUPPLEMENTARY INFORMATION**, respectively. These partial effects measure the percent changes in each systemic indicator amount relative to the baseline, presented in Tables 5 and 6 in section III.E.i of this **SUPPLEMENTARY INFORMATION**.

The analysis estimates the partial effect of the proposed data averaging on each systemic indicator for each GSIB based on the historical differences between each GSIB's reported

[135] The analysis uses the current regulatory framework as baseline, which includes the current U.S. GSIB surcharge framework described in section I.A of this **SUPPLEMENTARY INFORMATION**.

indicator amounts as of the fourth quarter and other quarters of each year from 2017 to 2024.[136] Specifically, the analysis estimates the proposed data averaging's effect by calculating the percent difference between the average of the indicator amounts pooled across the first to the third quarters of all sample years and the average of the indicator amounts pooled across the fourth quarters of all sample years for each GSIB.[137] However, if this former difference is negative, then the analysis estimates the proposed data averaging's effect by calculating the percent difference between the average of the indicator amounts pooled across the first to the fourth quarters of all sample years and the average of the indicator amounts pooled across the fourth quarters of all sample years.

This approach used to estimate the effect of the proposed data averaging has multiple advantages. First it is simple and non-parametric. Second, by taking into account whether the data are indicative of end-of-year indicator management, the estimation approach flexibly allows for the possibility that only some GSIBs manage only some indicators at year end. Specifically, if an indicator's average value in the fourth quarter is lower than in other quarters, the analysis interprets the downward bias as suggestive evidence for end-of-year management. Accordingly, assuming that such end-of-year patterns would cease as a result of the proposed data averaging, the analysis excludes the fourth quarter and uses the indicator's average value from the first to the third quarters to estimate its level under the proposal.[138] However, if the indicator's average

[136] The analysis uses a panel of full calendar years so that quarter-fixed and year-fixed effects are represented equally in the estimation sample.

[137] In this context, "pooling" means that the analysis uses all quarterly observations of a specific systemic indicator across all sample years to calculate the overall average value for the indicator, assigning an equal weight to each quarterly observation.

[138] By assuming that potential end-of-year indicator patterns would cease under the proposed data averaging, the analysis produces high-end estimates for the effect of data averaging because some of the end-of-year patterns may not be due to the lack of data averaging under the baseline GSIB surcharge framework. Rather, some of these end-of-year patterns may persist even under the proposed data averaging, in which case the difference between the indicator's average value in the first quarter and other quarters would overestimate the proposal's impact.

value in the fourth quarter is higher than in other quarters, the analysis assumes that there is no downward bias due to end-of-year indicator management in its fourth-quarter values and uses the indicator's average value over the entire year to estimate its level under the proposal. Third, the estimated effect of the proposed data averaging is robust to the potential presence of linear trends in systemic indicator amounts because the estimation approach quantifies the deviation between the indicator's actual fourth-quarter values and its counterfactual fourth-quarter values, implicitly estimated through linear interpolation using the actual indicator values from the other quarters of the year. Finally, the estimated effect of the proposed data averaging is robust to idiosyncratic year-fixed effects because the estimation approach uses averages taken over a multiyear sample period, which reduces the influence of potential outlier years on the estimates.

The analysis estimates the partial effect of each proposed amendment to each systemic indicator by calculating the percent difference between the indicator's reported amount under the baseline and its estimated amount under a revised definition that incorporates the effect of only

the given amendment.[139] These partial effect estimates facilitate a granular assessment of the proposal's impact because some indicators would be affected by multiple amendments.[140]

Finally, the proposal would introduce two new trading volume systemic indicators and reduce the weight of the underwriting activity systemic indicator in the substitutability category of the method 1 score calculation. This first step of the analysis does not create estimates for the partial effects of these indicator changes because they would not affect existing indicator amounts; rather, the analysis incorporates the effect of these changes in the updated method 1 score calculation described in section III.J.v of this **SUPPLEMENTARY INFORMATION**.

ii. Combined Effects of Changes to Systemic Indicators

This step of the analysis estimates the combined effect of all proposed changes to each systemic indicator, summarized in Tables 5 and 6 in section III.E.i and Table 7 in section III.E.ii of this **SUPPLEMENTARY INFORMATION**. To this end, the analysis first combines the partial effects estimated in the previous step to estimate updated systemic indicator amounts under the proposal. For each affected indicator, the analysis estimates the indicator's updated

[139] The analysis obtains the baseline amount of each indicator from FR Y-15 filings as of the fourth quarters of 2023 (or 2024). By contrast, depending on the specific proposed amendment, the analysis obtains the revised amount of each indicator from FR Y-15 filings, the Board's special data collection, and the Basel Committee on Banking Supervision's GSIB assessment exercise, described in section III.B of this **SUPPLEMENTARY INFORMATION**. For some indicators, the revised amount as of the fourth quarter of 2023 (or 2024) is reported, or calculated from data reported, in FR Y-15 filings and the GSIB assessment exercise. For other indicators, the analysis estimates the revised amount as of the fourth quarter of 2023 (or 2024) using data reported on the Board's special data collection as of the second quarter of 2023 by applying the following methodology. First, the analysis calculates the percent difference between a given indicator's baseline and revised amount as of the second quarter of 2023, reported in FR Y-15 filings and the Board's special data collection, respectively. If a proposed amendment only affects a subcomponent of an indicator, then the analysis calculates this percent difference for that particular component; otherwise, the analysis calculates the percent difference for the entire indicator. Second, the analysis estimates the indicator's revised amount as of the fourth quarter of 2023 (or 2024) by multiplying the indicator's, or its subcomponent's, baseline amount as of the fourth quarter of 2023 (or 2024) by one plus the percent change calculated in the first step.

[140] As section II.F of this **SUPPLEMENTARY INFORMATION** describes in detail, the proposal would make multiple changes to the intra-financial system assets and intra-financial system liabilities systemic indicators.

amount by multiplying the indicator's baseline amount and the product of one plus the estimated partial effect of each proposed change to the indicator, including the proposed data averaging and the amendments to systemic indicators as applicable.[141] The analysis then estimates the combined effect of all proposed changes to each systemic indicator by calculating the percent difference between the indicator's updated and baseline amounts.

iii. Incremental Effect of Adjusting Method 2 Coefficients

This step of the analysis estimates the incremental effect of adjusting method 2 systemic indicator coefficients under the proposal and the policy alternatives considered, summarized in Table 7 in section III.E.ii of this **SUPPLEMENTARY INFORMATION**.

To this end, the analysis first calculates, under both the proposal and the alternatives, the updated coefficients for each of the nine indicators used in the method 2 score calculation.[142] Under the proposal, the analysis calculates the updated coefficients by dividing the corresponding baseline coefficients by the 1.2 factor described in section II.D.i of this **SUPPLEMENTARY INFORMATION**.[143] Under Alternative 1, the analysis calculates the updated coefficients by multiplying the corresponding baseline coefficients by the ratio of the CPI-W index's value as of December 31, 2015, to the CPI-W index's value as of December 31, 2024. Under Alternative 2, the analysis calculates the updated coefficients by multiplying the indicator's weight by 20,000 and dividing the result by the product of the average of the

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[141] The analysis applies the formula: $\text{Indicator}_i^* = \text{Indicator}_i \times \prod_j (1 + \text{Partial Impact}_j^i)$, where Indicator_i^* is the estimate for indicator i's revised amount, $\text{Indicator}_\text{i}$ is indicator i's baseline amount, and $\text{Partial Impact}_j^i$ is the estimated partial impact, expressed as a decimal number, of the j^{th} proposed change to indicator i. This estimation methodology assumes that there would be a multiplicative interaction across the effects of the proposed indictor changes.

[142] Total exposures, intra-financial system assets, intra-financial system liabilities, securities outstanding, notional amount of over-the-counter derivatives, trading and available-for-sale securities, level 3 assets, cross-jurisdictional claims, and cross-jurisdictional liabilities.

[143] *See* 12 CFR 217.405(b)(2) for the baseline method 2 coefficients.

corresponding euro-denominated aggregate global indicator amounts as of the end of 2023 and 2024 published by the Bank for International Settlements and the average of daily euro-U.S. dollar exchange rates from 2022 to 2024.[144] Under Alternative 3, the analysis calculates the updated coefficients by dividing the baseline coefficients by a factor of 1.4, consistent with the description of this alternative in section III.D of this **SUPPLEMENTARY INFORMATION**.

For each GSIB, the analysis estimates the incremental effect of the coefficient adjustment on method 2 scores, under both the proposal and the alternatives, as the percent change from the baseline method 2 score to the updated method 2 score, calculated by adding the baseline short-term wholesale funding score to the sum of the products of the updated method 2 systemic indicator amounts estimated in section III.J.iii of this **SUPPLEMENTARY INFORMATION** and the corresponding updated method 2 systemic indicator coefficients estimated in this subsection.[145]

iv. Incremental Effect of Changing the Short-Term Wholesale Funding Score

This step of the analysis estimates, for each GSIB, the incremental effect of changing the short-term wholesale funding score under the proposal and the policy alternatives considered,

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[144] Specifically, consistent with the method 2 coefficient calibration methodology in the 2015 GSIB surcharge final rule (see 80 FR 49082), the analysis applies the formula:

$$\text{Coefficient}_i^* = 20{,}000 \times \frac{\text{Indicator Weight}_i}{\text{Avg Aggregate Global Indictor Amount}_i^{2023-2024} \times \text{Avg EUR/USD Rate}_{2022-2024}},$$

where Coefficient_i^* is the updated coefficient for systemic indicator i, $\text{Indicator Weight}_i$ is the weight of the indicator, $\text{Avg Aggregate Global Indictor Amount}_i^{2023-2024}$ is the average of the corresponding euro-denominated aggregate global indicator amounts as of the end of 2023 and 2024, and $\text{Avg EUR/USD Rate}_{2022-2024}$ is the average of daily euro-dollar exchange rates from 2022 to 2024. Note that this currency conversion methodology is different from the one used to calculate the U.S. dollar-denominated global systemic indicator amounts published annually by the Federal Reserve, which uses year-end exchange rates instead.

[145] *See* 12 CFR 217.406(a) for the baseline definition of the short-term wholesale funding score.

summarized in Table 7 in section III.E.ii of this **SUPPLEMENTARY INFORMATION**. Under the proposal and the alternatives, the analysis calculates the updated short-term wholesale funding score for each GSIB by multiplying the updated coefficient for the short-term wholesale funding component by the average of its weighted short-term wholesale funding amount. As discussed in section II.B.ii of this **SUPPLEMENTARY INFORMATION**, this updated coefficient is 23.003 under the proposal, calculated using the following methodology. Under each alternative, the analysis applies the same methodology to calculate the updated coefficient.

Under both the proposal and the alternatives, the updated coefficient for the short-term wholesale funding component results from the following calculation. First, the analysis calculates each GSIB's updated method 2 scores excluding the short-term wholesale funding component by multiplying each updated method 2 systemic indicator amount estimated in section III.J.ii in this **SUPPLEMENTARY INFORMATION** by the corresponding updated method 2 systemic indicator coefficient calibrated in section III.J.iii of this **SUPPLEMENTARY INFORMATION** and then summing the resulting products. Second, the analysis calculates the aggregate updated method 2 score excluding the short-term wholesale funding component and the aggregate average weighted short-term wholesale funding amount across the eight current GSIBs.[146] Finally, the analysis calculates the updated short-term wholesale funding coefficient by multiplying 25 percent by the aggregate updated method 2 score excluding the short-term wholesale funding component and dividing the result by the aggregate average weighted short-term wholesale funding amount.[147]

[146] *See* 12 CFR 217.406(a)(1) for the definition of the short weighted short-term wholesale funding amount, which would remain unchanged under the proposal and the alternatives.

[147] Algebraically, this ensures that the updated short-term wholesale funding coefficient is such that the aggregate percentage share of updated short-term wholesale funding scores within the updated method 2 scores of the current eight GSIBs equals 20 percent.

For each GSIB, the analysis estimates the incremental effect of changing the short-term wholesale funding score on method 2 scores, under both the proposal and the alternatives, as the percent change from the baseline method 2 score to the updated method 2 score. The analysis calculates the updated method 2 score by adding the updated short-term wholesale funding score, estimated in this subsection, to the sum of the products of the updated method 2 systemic indicator amounts and the corresponding updated method 2 systemic indicator coefficients, respectively estimated in sections III.J.ii and III.J.iii of this **SUPPLEMENTARY INFORMATION**.

v. Combined Impact on Method 1 and Method 2 Scores

This step of the analysis estimates the combined effect of all changes to method 1 and method 2 scores under the proposal and the policy alternatives considered as the percent change from the respective baseline method 1 and method 2 scores to the respective updated method 1 and method 2 scores for each GSIB. The last rows of Tables 5 and 7 in section III.E.ii of this **SUPPLEMENTARY INFORMATION** summarize the estimated combined effects on method 1 and method 2 scores, respectively.

The analysis calculates the updated method 1 score as follows. For method 1 systemic indicators that would be affected by the proposed data averaging and indicator amendments, the analysis calculates updated indicator scores by dividing the updated indicator amounts, estimated in section III.J.ii of this **SUPPLEMENTARY INFORMATION**, by the corresponding aggregate global indicator amounts published by the Federal Reserve, multiplying the resulting values by the corresponding systemic indicator weights, and then multiplying the resulting values by 10,000. Next, the analysis calculates the updated score for the underwriting activity indicator by dividing the indicator's baseline amount by the corresponding aggregate global

indicator amount, multiplying the resulting value by the corresponding updated (reduced) indicator weight, and then multiplying the resulting value by 10,000. Then, the analysis calculates the scores for the two new trading volume indicators under the proposal by dividing the indicator amounts by the corresponding aggregate global indicator amounts, multiplying the resulting values by the corresponding proposed indicator weights described in section II.E.ii.a of this **SUPPLEMENTARY INFORMATION**, and then multiplying the resulting value by 10,000.[148] Finally, the analysis calculates the updated method 1 score by taking the sum of (i) the updated scores for indicators that would be affected by the proposed data averaging and indicator amendments; (ii) the updated score for the underwriting activity indicator; and (iii) the scores of the two new trading volume indicators, while applying the cap on the total score of indicators in the substitutability category, which includes the underwriting activity and the two new trading volume indicators.

The analysis calculates the updated method 2 scores by adding the updated short-term wholesale funding score, estimated in section III.J.iv of this **SUPPLEMENTARY INFORMATION**, to the sum of the products of the updated method 2 systemic indicator amounts and the corresponding updated method 2 systemic indicator coefficients, respectively estimated in sections III.J.iii and III.J.iv of this **SUPPLEMENTARY INFORMATION**.

vi. GSIB Surcharges Under the Proposal and the Alternatives

The analysis estimates GSIB surcharges applicable in 2026 under both the proposal and the policy alternatives considered for each GSIB, summarized in Table 8 in section III.E.iii of this **SUPPLEMENTARY INFORMATION**. To this end, the analysis first calculates updated

[148] The two new trading volume systemic indicator amounts are reported in FR Y-15 filings under line items RISK MV93 and RISK MV95. Additionally, the calculation uses the euro-denominated global indicator amounts published by the Bank for International Settlements for the two trading volume indicators, converted to U.S. dollars using year-end exchange rate data published by the European Central Bank.

method 1 and method 2 surcharges by applying the baseline method 1 surcharge schedule and the proposed method 2 surcharge schedule, which is shown in Table 2 in Section II.D of this **SUPPLEMENTARY INFORMATION**, to the respective updated method 1 and method 2 scores, which are estimated in Section III.J.v of this **SUPPLEMENTARY INFORMATION**. The analysis then calculates the updated method 1 and method 2 surcharges as of the fourth quarters of 2023 and 2024, which determine GSIB surcharges applicable in 2026 because of the lagged application of surcharge increases.[149] Specifically, for each GSIB, the updated GSIB surcharge applicable in 2026 is the minimum of (i) the higher of the updated method 1 and method 2 surcharges as of the fourth quarter of 2023 and (ii) the higher of the updated method 1 and method 2 surcharges as of the fourth quarter of 2024.

vii. Interaction with the TLAC Framework

As discussed in section III.H.i of this **SUPPLEMENTARY INFORMATION**, the analysis assesses potential interaction effects between the existing TLAC framework for GSIBs, the GSIB surcharge proposal, and the expanded risk-based proposal. As discussed in section III.H.i of this **SUPPLEMENTARY INFORMATION**, the analysis assesses potential interaction effects between the existing TLAC framework for GSIBs, the GSIB surcharge proposal, and the expanded risk-based proposal. The analysis estimates these interaction effects by calculating TLAC and long-term debt requirements for GSIBs under the baseline and

[149] To estimate method 1 and method 2 surcharges as of the fourth quarter of 2023, the analysis respectively calculates method 1 and method 2 scores as of the fourth quarter of 2023, applying the methodology described in sections III.J.i to III.J.v of this **SUPPLEMENTARY INFORMATION** with the following modifications. Under Alternative 1, the analysis calculates updated method 2 systemic indicator coefficients by using the ratio of the CPI-W index as of December 31, 2015, and December 31, 2023 (instead of December 31, 2024). Under Alternative 2, the analysis calculates updated method 2 indicator coefficients by using the average of the euro-denominated aggregate global indicator amounts as of the end of 2022 and 2023 (instead of 2023 and 2024) and the average of daily euro-dollar exchange rates from 2021 to 2023 (instead of 2022 to 2024). The analysis uses the updated coefficient for the short-term wholesale funding component calculated as of the fourth quarter of 2024 because the aggregate weight of this component would be calibrated to 20 percent as of this date under both the proposal and the alternatives.

comparing these baseline requirements to the respective requirements estimated under both the individual proposals and the combination of the two proposals as of the second quarter of 2025. Although the proposals would not change the baseline calculations of TLAC and long-term debt requirements for GSIBs, the proposals would affect some of the inputs to the calculations. Accordingly, this subsection describes the calculations of these requirements and then explains how the calculation inputs would differ under the baseline and the proposals.

Under both the baseline and the proposals, the analysis calculates the TLAC requirement for each GSIB by taking the greater of its (i) risk-based TLAC requirement and (ii) leverage-based TLAC requirement. The risk-based TLAC requirement for the GSIB is the sum of 18 percent and its risk-based TLAC buffer requirement, both expressed as a percentage of total risk-weighted assets.[150] The risk-based TLAC buffer requirement for the GSIB is the sum of 2.5 percent, the firm's method 1 surcharge, and the countercyclical capital buffer requirement, which is zero as of 2025. The leverage-based TLAC requirement for the GSIB is the sum of 7.5 percent and its leverage-based buffer requirement, both expressed as a percentage of total leverage exposures. The leverage-based TLAC buffer requirement for the GSIB is equal to one-half of the firm's method 1 surcharge.[151]

The analysis applies this methodology to calculate baseline TLAC requirements for GSIBs using their total risk-weighted assets and total leverage exposures reported in FR Y-9C filings, and baseline method 1 surcharges, calculated under the current GSIB surcharge

[150] *See* 12 CFR 252.63.

[151] This calculation of the TLAC leverage-based buffer requirement reflects the effect of the eSLR final rule, adopted on November 25, 2025. *See* 90 FR 55248. Before the eSLR final rule's effective date of April 1, 2026, the buffer requirement is 2 percent of a GSIB's total leverage exposures.

framework, described in section I.A of this **SUPPLEMENTARY INFORMATION**.[152] Under the GSIB surcharge proposal, the analysis calculates TLAC requirements using the same methodology and inputs as under the baseline, except using the method 1 surcharges estimated in section III.J.vi of this **SUPPLEMENTARY INFORMATION**. The analysis in this **SUPPLEMENTARY INFORMATION** calculates TLAC requirements under the expanded risk-based proposal using the same methodology and inputs as under the baseline, except using the risk-weighted asset amounts estimated in the SUPPLEMENTARY information of the expanded risk-based proposal.

Under both the baseline and the proposals, the analysis calculates the long-term debt requirement for each GSIB by taking the greater of the firm's (i) risk-based long-term debt requirement and (ii) leverage-based long-term debt requirement. The risk-based long-term debt requirement for the GSIB is the sum of 6 percent and the firm's GSIB surcharge, both expressed as a percentage of total risk-weighted assets.[153] The leverage-based long-term debt requirement for the GSIB is the sum of 2.5 percent and one-half of the firm's method 1 surcharge, both expressed as a percentage of total leverage exposures.[154]

The analysis applies this methodology to calculate baseline long-term debt requirements for GSIBs using their total risk-weighted assets and total leverage exposures reported in FR Y-9C filings, and baseline method 1 surcharges and GSIB surcharges, calculated under the current GSIB surcharge framework, described in section I.A of this **SUPPLEMENTARY**

[152] The specific FR Y-9C line items for risk-weighted assets and total leverage exposure are BHCA A223, BHCW A223, and BHCA LE88.

[153] *See* 12 CFR 252.62.

[154] This calculation of the leverage-based long-term debt requirement reflects the effect of the eSLR final rule, adopted on November 25, 2025. *See* 90 FR 55248. Before the eSLR final rule's effective date of April 1, 2026, the requirement is 4.5 percent of a GSIB's total leverage exposure.

INFORMATION.[155] Under the GSIB surcharge proposal, the analysis calculates long-term debt requirements using the same methodology and inputs as under the baseline, except using the method 1 surcharges and GSIB surcharges estimated in section III.J.vi of this **SUPPLEMENTARY INFORMATION**. The analysis in this **SUPPLEMENTARY INFORMATION** calculates TLAC requirements under the expanded risk-based proposal using the same methodology and inputs as under the baseline, except using the risk-weighted asset amounts estimated in the supplementary information of the expanded risk-based proposal.

viii. Interaction with the Regulatory Tailoring Framework

As discussed in section III.H.ii of this **SUPPLEMENTARY INFORMATION**, for the assessment of potential interaction effects between the proposal and the existing regulatory tailoring framework for large banking organizations, the analysis estimates the "updated" cross-jurisdictional activity risk-based indicator amounts for each banking organization subject to Category II to IV prudential standards as of the second quarter of 2025 that reflects the effect of the proposed amendments to the cross-jurisdictional claims and cross-jurisdictional liabilities systemic indicators.[156] In addition to the data sources described in section III.B of this **SUPPLEMENTARY INFORMATION**, the interaction analysis uses further publicly available data reported in FR Y-15 filings as of the second quarter of 2023 and the fourth quarter of

[155] The specific FR Y-9C line items for risk-weighted assets and total leverage exposure are BHCA A223, BHCW A223, and BHCA LE88.

[156] Under the regulatory tailoring framework, cross-jurisdictional activity is the sum of cross-jurisdictional claims and liabilities, calculated in accordance with the instructions to the FR Y-15 reporting form. *See* 84 FR 59032 (November 1, 2019); 84 FR 59230 (November 1, 2019).

2024.[157] Furthermore, the analysis uses additional confidential line items reported in the Board's special data collection, described earlier, as of the second quarter of 2023.[158]

For each banking organization, the analysis estimates the updated cross-jurisdictional activity risk-based indicator amount as follows. First, the analysis estimates the updated cross-jurisdictional claims and liabilities systemic indicator amounts as of the second quarter of 2023 by using data from FR Y-15 filings and the Board's special data collection.[159] Next, the analysis calculates the updated cross-jurisdictional activity risk-based indicator amount as of the second quarter of 2023 as the sum of the updated cross-jurisdictional claims and liabilities systemic indicator amounts. Then, the analysis estimates the proposal's impact on the cross-jurisdictional activity risk-based indicator as the percent change from its baseline amount to its updated amount as of the second quarter of 2023.[160] Finally, the analysis estimates the updated cross-jurisdictional activity risk-based indicator amount as of the second quarter of 2025 by multiplying the indicator's baseline amount as of the second quarter of 2025 by one plus the proposal's effect on the indicator, estimated using the methodology described in section III.J.ii of

[157] The line items used from FR Y-15 filings are RISK M422, KW54, M426, KW57, and KW56; RISI M423, M424, LA95, KW54, M426, KW57, KW56; and RISO LA95, KW54, M423, M424, M426, KW57, and KW56.

[158] The specific line items used from the special data collection are Items 1, 1.a, 2, and 3.

[159] If there are not sufficient data in the Board's special data collection to estimate the updated cross-jurisdictional claims and liabilities systemic indicator amounts for a banking organization, the analysis imputes these indicator amounts using (i) baseline data in the firm's FR Y-15 filings; (ii) for certain proposed indicator amendments, the partial effects of the amendments, estimated using data in the firm's FR Y-15 filings; and (iii) for the rest of the indicator amendments, the median value of the estimated partial effects of the amendments on banking organizations for which there are sufficient data in the Board's special data collection to estimate these effects. Furthermore, if a banking organization reported a positive amount for cross-jurisdictional non-derivative liabilities in its FR Y-15 filings but zero in the Board's special data collection, the analysis assumes that the cross-jurisdictional non-derivative liabilities amount under the proposal would be equal to its baseline amount. This assumption is conservative because it increases the proposal's estimated impact on this specific line item.

[160] The baseline amounts of the cross-jurisdictional activity risk-based indicator are reported in FR Y-15 filings under line items RISK KY49, RISI KY49, and RISO KY49 by domestic holding companies, as well as the U.S. intermediate holding companies and combined U.S. operations of foreign banking organizations, respectively.

this **SUPPLEMENTARY INFORMATION**.[161] The updated cross-jurisdictional activity risk-based indicator is the same under the proposal and the alternatives because the proposal and the alternatives would implement the same amendments to the cross-jurisdictional claims and liabilities systemic indicators.

IV. Administrative Law Matters

A. Paperwork Reduction Act

Certain provisions of the proposed rule contain "collections of information" within the meaning of the Paperwork Reduction Act of 1995 (PRA).[162] The Board may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Board reviewed the proposed rule under the authority delegated to the Board by OMB.

The proposed rule contains reporting requirements subject to the PRA. To implement these requirements, the Board proposes to revise the Systemic Risk Report (FR Y-15; OMB No. 7100-0352).

Comments are invited on the following:

(a) Whether the proposed collections of information are necessary for the proper performance of the Board's functions, including whether the information has practical utility;

(b) The accuracy of the estimates of the burden of the proposed information collections, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

[161] The analysis estimates the proposal's effect on the cross-jurisdictional activity indicator as of the second quarter of 2023 because that is the date of the Board's special data collection.

[162] 44 U.S.C. 3501-3521.

(d) Ways to minimize the burden of the information collections on respondents, including using automated collection techniques or other forms of information technology; and

(e) Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

Comments on aspects of this proposed rule that may affect reporting or recordkeeping requirements and burden estimates should be sent to the addresses listed in the ADDRESSES section of the **SUPPLEMENTARY INFORMATION**. A copy of the comments may also be submitted to the OMB desk officer for the Agencies: By mail to U.S. Office of Management and Budget, 725 17th Street NW, #10235, Washington, DC 20503 or by facsimile to (202) 395-5806, Attention, Federal Banking Agency Desk Officer.

Proposed Revision, With Extension, of the Following Information Collection

Collection title: Systemic Risk Report.

Collection identifier: FR Y-15.

OMB control number: 7100-0352.

General description of report: The FR Y-15 quarterly report collects systemic risk data from U.S. bank holding companies and covered savings and loan holding companies with $100 billion or more in total consolidated assets, foreign banking organizations with $100 billion or more in combined U.S. assets, and any U.S.-based bank holding company designated as a GSIB that otherwise does not meet the consolidated assets threshold for bank holding companies.[163] The primary purpose of the FR Y-15 is to facilitate the implementation of the GSIB surcharge. The FR Y-15 also collects data on a firm's structure, activities, and funding that is consistent and comparable among firms. In addition, the data collected on the FR Y-15 are used to identify

[163] *See* 12 CFR 217.402.

firms that may present significant systemic risk, to analyze the systemic risk implications of proposed mergers and acquisitions, and to determine the application of prudential standards to large banking organizations.

Proposed effective date: Two full quarters after the adoption of the final rule.

Frequency: Quarterly.

Respondents: Top-tier U.S. bank holding companies and covered savings and loan holding companies with $100 billion or more in total consolidated assets, any U.S.-based bank holding company designated as a GSIB that does not meet that consolidated assets threshold, and foreign banking organizations with combined U.S. assets of $100 billion or more.

Estimated number of respondents: 52

Estimated average hours per response: Reporting – 23 hours for GSIBs, 15 hours for domestic Category II and Category III firms, 17 hours for domestic Category IV firms, 20 hours for foreign banking organizations, and around 17 hours for U.S. intermediate holding companies of foreign banking organizations. Recordkeeping – 0.25 hours.

Estimated annual burden hours: Reporting – 3,851 hours;[164] Recordkeeping – 52 hours.

Estimated change in total burden: 81 hours.

Legal authorization and confidentiality:

The FR Y-15 report is authorized pursuant to sections 5(b) and (c) of the Bank Holding Company Act (BHC Act),[165] sections 102(a)(1) and 165 of the Dodd-Frank Act, as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act,[166] section 8(a) of the

[164] This estimated total annual burden reflects adjustments that have been made to the Board's burden methodology for the FR Y-15 that provide a more consistent estimate of respondent burden across different regulatory reports.

[165] 12 U.S.C. 1844(b) & (c).

[166] 12 U.S.C. 5311(a)(1) & 5365.

International Banking Act (IBA),[167] and section 10 of the Home Owners' and Loan Act (HOLA).[168]

The Board is authorized to require bank holding companies to file the FR Y-15 reports pursuant to sections 5(b) and 5(c) of the BHC Act and section 165 of the Dodd-Frank Act. Section 5(b) of the BHC Act authorizes the Board to issue regulations and orders relating to capital requirements for bank holding companies.[169] Section 5(c) of the BHC Act authorizes the Board to require a bank holding company and any subsidiary of such company to submit reports to keep the Board informed of the bank holding company's financial condition, systems for controlling financial and operating risks, transactions with depository institution subsidiaries of the bank holding company, and compliance with law.[170] The Board is further authorized by the Dodd-Frank Act to consider risk to U.S. financial stability in regulating and examining bank holding companies and foreign banking organizations with $100 billion or more in consolidated assets and nonbank financial companies supervised by the Board,[171] and to impose prudential standards for such entities and to differentiate among companies on an individual basis or by category, taking into consideration their capital structure, riskiness, complexity, financial activities, size, and any other risk-related factors that the Board deems appropriate.[172] Sections

[167] 12 U.S.C. 3106(a).

[168] 12 U.S.C. 1467a(b)(2).

[169] 12 U.S.C. 1844(b).

[170] 12 U.S.C. 1844(c).

[171] 12 U.S.C. 5363 & 5365. The Board may, by order or rule, apply any enhanced prudential standard established under section 165 of the Dodd-Frank Act to any bank holding company with total consolidated assets equal to or greater than $100 billion. 12 U.S.C. 5365(a)(2)(C).

[172] 12 U.S.C. 5365(a)(2)(C). The Board is required to establish prudential standards for bank holding companies with assets equal to or greater than $250 billion and nonbank financial companies supervised by the Board that (1) are more stringent than the standards and requirements applicable to nonbank financial companies and bank holding companies that do not present similar risks to the financial stability of the United States; and (2) increase in stringency based on the considerations enumerated in section 165(b)(3) of the Dodd-Frank Act, as amended. 12 U.S.C. 5365(a)(1).

165(b)(1)(B) and 165(f) of the Dodd-Frank Act authorize the Board to establish enhanced public disclosures for companies subject to prudential standards under section 165 of the Dodd-Frank Act.[173]

Section 8(a) of the IBA allows the Board to apply the requirements of section 5(b) of the BHC Act to foreign banking organizations.[174] Similarly, section 102(a)(1) of the Dodd-Frank Act allows the Board to apply the requirements of section 165 to U.S. intermediate holding companies that are treated as bank holding companies under section 8(a) of the IBA.[175]

The Board has authority to require savings and loan holding companies to file the FR Y-15 reports pursuant to section 10(b) of HOLA, as amended by the Dodd-Frank Act. Section 10(b) of HOLA authorizes the Board to require savings and loan holding companies to file "such reports as may be required by the Board" containing "such information concerning the operations of such [savings and loan holding company] . . . as the Board may require."[176]

The FR Y-15 report is mandatory.

Information collected on the FR Y-15 is generally made available to the public. A reporting banking organization may request confidential treatment for items on the FR Y-15 or on the form from which the data are obtained that fall, in whole or in part, within the scope of one or more of the exemptions from disclosure under the Freedom of Information Act (FOIA),[177]

[173] 12 U.S.C. 5365(b)(1)(B) and (f).

[174] 12 U.S.C. 3106(a). This provision specifies that (1) any foreign bank that maintains a branch or agency in a state, (2) any foreign bank or foreign company controlling a foreign bank that controls a commercial lending company organized under the law of a state, and (3) any company of which a company falling under category (1) or (2) is a subsidiary, shall be subject to the provisions of the BHC Act. *Id*.

[175] 12 U.S.C. 5311(a)(1).

[176] 12 U.S.C. 1467a(b)(2)(A).

[177] 5 U.S.C. 552.

pursuant to the Board's Rules Regarding Availability of Information.[178] The exempt categories include (but are not limited to) "trade secrets and commercial or financial information obtained from a person and privileged and confidential" (exemption 4), and information that, if disclosed, "would constitute unwarranted invasion of personal privacy" (exemption 6).[179] A request for line-item confidentiality must be submitted in writing prior to, or concurrently with, the electronic submission of the report. The request must discuss in writing the justification for which confidentiality is requested and must demonstrate the specific nature of the harm that would result from public release of the information.

Current Actions: The Board is proposing to amend the FR Y-15 form and instructions to align with the proposed rulemaking which would amend the Board's GSIB surcharge requirement under the Board's capital rule. See section II of the proposal for a description of the changes to the FR Y-15.

B. Regulatory Flexibility Act

The Board is providing an initial regulatory flexibility analysis with respect to this proposed rule. The Regulatory Flexibility Act (RFA)[180] requires an agency to consider whether the rule it proposes will have a significant economic impact on a substantial number of small

[178] 12 CFR 261.17. Several data items in the FR Y-15 are retrieved from the FR Y-9C, and other items may be retrieved from the FFIEC 101. Confidential treatment will also extend to any automatically calculated items on the FR Y-15 that have been derived from confidential data items and that, if released, would reveal the underlying confidential data.

[179] 5 U.S.C. 552(b)(4) & (b)(6). Information provided in items 1 through 4 of Schedule G previously was automatically treated as confidential prior to the first reporting date after the implementation of the final liquidity coverage ratio disclosure standard. There are currently no reporting entities whose information provided in items 1 through 4 of Schedule G is kept confidential.

[180] 5 U.S.C. 601 *et seq*.

entities.[181] In connection with a proposed rule, the RFA requires an agency to prepare and invite public comment on an initial regulatory flexibility analysis describing the impact of the rule on small entities, unless the agency certifies that the proposed rule, if promulgated, would not have a significant economic impact on a substantial number of small entities. An initial regulatory flexibility analysis must contain (1) a description of the reasons why action by the agency is being considered; (2) a succinct statement of the objectives of, and legal basis for, the proposed rule; (3) a description of, and, where feasible, an estimate of the number of small entities to which the proposed rule will apply; (4) a description of the projected reporting, recordkeeping, and other compliance requirements of the proposed rule, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record; (5) an identification, to the extent practicable, of all relevant Federal rules which may duplicate, overlap with, or conflict with the proposed rule; and (6) a description of any significant alternatives to the proposed rule which accomplish the stated objectives of applicable statutes and minimize any significant economic impact of the proposed rule on small entities.[182]

The Board has considered the potential impact of the proposed rule on small entities in accordance with the RFA. Based on its analysis and for the reasons stated below, the Board believes that this proposed rule will not have a significant economic impact on a substantial

[181] Under regulations issued by the U.S. Small Business Administration (SBA), a small entity includes a bank holding company with total assets of $850 million or less. *See* 13 CFR 121.201. Consistent with the SBA's General Principles of Affiliation, the Board includes the assets of all domestic and foreign affiliates toward the size threshold when determining whether to classify a particular entity as a small entity. *See* 13 CFR 121.103. As of the second quarter of 2025, there were approximately 2,796 small bank holding companies and approximately 157 small savings and loan holding companies, and approximately 443 small state member banks.

[182] 5 U.S.C. 603(b)-(c).

number of small entities. Nevertheless, the Board is publishing and inviting comment on this initial regulatory flexibility analysis.

As discussed in detail above, the proposed rule would amend the Board's rule that identifies and establishes risk-based capital surcharges for GSIBs, as well as related regulatory reports. The proposed rule would improve the precision of the GSIB surcharge and better measure systemic risk under the GSIB framework, including by adjusting the method 2 coefficients to account for changes in the economy and financial system and apply annual adjustments going forward, modifying the short-term wholesale funding systemic indicator to better align with risk, changing the reporting of certain values from point-in-time indicators to longer-term averages, making additional improvements to certain systemic risk indicators, and reducing cliff effects by implementing narrower score band ranges. The proposal would also make corresponding changes to the Board's reporting forms.

Section 165 of the Dodd-Frank Act directs the Board to establish enhanced prudential standards for large bank holding companies and for nonbank financial companies that the Financial Stability Oversight Council has designated for supervision by the Board (nonbank financial companies supervised by the Board).[183] These standards must include risk-based capital requirements as well as other enumerated standards.[184] The standards must be more stringent than those applicable to other bank holding companies and to nonbank financial companies that do not present similar risks to U.S. financial stability.[185] The standards must also

[183] *See* 12 U.S.C. 5365. Originally, section 165 applied to bank holding companies with $50 billion or more in total consolidated assets. The Economic Growth, Regulatory Relief, and Consumer Protection Act revised this threshold to $250 billion and granted the ability to apply enhanced prudential standards under section 165 to bank holding companies with $100 billion or more in total consolidated assets under certain circumstances. *See* Pub. L. 115-174, Sec. 401.

[184] *See* 12 U.S.C. 5365(b).

[185] *See* 12 U.S.C. 5365(a)(1)(A).

increase in stringency based on several factors, including the size and risk characteristics of a company subject to the rule, and the Board must take into account the differences among bank holding companies and nonbank financial companies.[186] Furthermore, various statutory authorities provide the Board with broad authority to set capital requirements and standards for depository institution holding companies.[187]

As discussed in this **SUPPLEMENTARY INFORMATION**, the Board is proposing to revise its GSIB surcharge framework under its capital rule and related regulatory reports. The only companies subject to these rules and reports, and thus potentially impacted by the proposal, are GSIBs; holding companies subject to Category II, III, and IV standards; and foreign banking organizations with combined U.S. assets of $100 billion or more. Companies that would be impacted by the proposal therefore substantially exceed the $850 million asset threshold at which a banking entity is considered a "small entity" under SBA regulations.[188] The proposed rule therefore would not impose mandatory requirements on any small entities.

As discussed previously in the Paperwork Reduction Act section, the proposed rule includes proposed changes to the Systemic Risk Report (FR Y-15). The Board is aware of no other Federal rules that duplicate, overlap, or conflict with the proposed rule. Because the proposed rule generally would not apply to any small entities supervised by the Board, the Board believes that the proposed rule would not have a significant economic impact on small entities supervised by the Board. Therefore, the Board believes that there are no significant alternatives

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[186] *See* 12 U.S.C. 5365(a)(1)(B). Under section 165(a)(1)(B) of the Dodd-Frank Act, the enhanced prudential standards must increase in stringency based on the considerations listed in section 165(b)(3).

[187] *See, e.g.*, 12 U.S.C. 1467a(g)(1) (savings and loan holding companies); 12 U.S.C. 1844(b) (bank holding companies); 12 U.S.C. 3902(1)-(2), 3907(a), 3909(a), (c)(1)-(2) (depository institutions; affiliates of depository institutions, including holding companies; and certain U.S. operations of foreign banking organizations); 12 U.S.C. 5371 (insured depository institutions, depository institution holding companies, and nonbank financial companies supervised by the Board).

[188] 13 CFR 121.201.

to the proposed rule that would reduce the economic impact on small entities supervised by the Board.

The Board welcomes comment on all aspects of its analysis. In particular, the Board requests that commenters describe the nature of any impact on small entities and provide empirical data to illustrate and support the extent of the impact.

C. Plain Language

Section 722 of the Gramm-Leach-Bliley Act (Pub. L. No. 106-102, 113 Stat. 1338, 1471, 12 U.S.C. 4809) requires the Federal banking agencies to use plain language in all proposed and final rules published after January 1, 2000. The Board has sought to present the proposed rule in a simple and straightforward manner and invites comment on the use of plain language. For example:

- *Is the material organized to suit your needs? If not, how could the Board present the proposed rule more clearly?*
- *Are the requirements in the proposed rule clearly stated? If not, how could the proposed rule be more clearly stated?*
- *Does the proposal contain technical language or jargon that is not clear? If so, which language requires clarification?*
- *Would a different format (grouping and order of sections, use of headings, paragraphing) make the proposed rule easier to understand? If so, what changes would achieve that?*
- *Is this section format adequate? If not, which of the sections should be changed and how?*
- *What other changes can the Board incorporate to make the proposed rule easier to understand?*

D. Providing Accountability Through Transparency Act of 2023

The Providing Accountability Through Transparency Act of 2023 (12 U.S.C. 553(b)(4)) requires that a notice of proposed rulemaking include the Internet address of a summary of not more than 100 words in length of the proposed rule, in plain language, that shall be posted on the Internet website under section 206(d) of the E-Government Act of 2002 (44 U.S.C. 3501 note).

In summary, in the proposal the Federal Reserve Board requests comment on a proposal that would make certain adjustments to the calculation of the capital surcharge for the largest and most complex banks. The changes would better align the surcharge to each bank's systemic risk profile, including by measuring a bank's systemic importance averaged over the entire year, instead of only at the year-end value.

The proposal and such a summary can be found at *https://www.regulations.gov* and *https://www.federalreserve.gov/supervisionreg/reglisting.htm*.

List of Subjects in 12 CFR Part 217

Administrative practice and procedure, Banks, Banking, Capital, Federal Reserve System, Holding companies.

Authority and Issuance

For the reasons set forth in the preamble, the Board of Governors of the Federal Reserve System proposes to amend part 217 of title 12 of the Code of Federal Regulations as follows:

PART 217—CAPITAL ADEQUACY OF BANK HOLDING COMPANIES, SAVINGS AND LOAN HOLDING COMPANIES, AND STATE MEMBER BANKS (REGULATION Q)

1. The authority citation for Part 217 is revised to read as follows:

Authority: 12 U.S.C. 248(a), 321-338a, 481-486, 1462a, 1467a, 1818, 1828, 1831n, 1831o, 1831p-l, 1831w, 1835, 1844(b), 1851, 3904, 3906-3909, 4808, 5365, 5368, 5371, 5371 note, and sec. 4012, Pub. L. 116-136, 134 Stat. 281.

Subpart H—Risk-based Capital Surcharge for Global Systemically Important Bank Holding Companies

2. Remove the authority citation for part 217, subpart H.

3. Revise § 217.401 to read as follows:

§ 217.401 Definitions.

Aggregate global indicator amount means, for each systemic indicator, the aggregate measure of that indicator, which is equal to the most recent annual dollar figure published by the Board that represents the sum of systemic indicator values of:

(1) The 75 largest global banking organizations, as measured by the Basel Committee on Banking Supervision; and

(2) Any other banking organization that the Basel Committee on Banking Supervision includes in its sample total for that year.

Assets under custody means the value reported as "Assets under custody – systemic indicator amount" on Schedule C of the FR Y-15.

Consolidated subsidiary has the meaning set forth in 12 CFR 249.3.

Cross-jurisdictional claims means the value reported as "Total cross-jurisdictional claims – systemic indicator amount" on Schedule E of the FR Y-15.

Cross-jurisdictional liabilities means the value reported as "Total cross-jurisdictional liabilities – systemic indicator amount" on Schedule E of the FR Y-15.

GAAP means generally accepted accounting principles as used in the United States.

GDP growth adjustment means the most recent annual scalar published by the Board equal to the greater of:

(1) The ratio of:

(i) The average of nominal United States gross domestic product in the three calendar years prior to publication of the scalar, as reflected by the most current estimates published by the Bureau of Economic Analysis on or before September 30th of the year of the publication of the scalar, or a comparable value; to

(ii) The average of nominal United States gross domestic product in the three calendar years prior to [the effective date of a final rule], as reflected by the most current estimates published by the Bureau of Economic Analysis; or

(2) The GDP growth adjustment published by the Board the prior calendar year.

Intra-financial system assets means the value reported as "Total intra-financial system assets – systemic indicator amount" on Schedule B of the FR Y-15.

Intra-financial system liabilities means the value reported as "Total intra-financial system liabilities – systemic indicator amount" on Schedule B of the FR Y-15.

Level 3 assets means the value reported as "Total Level 3 assets – systemic indicator amount" on Schedule D of the FR Y-15.

Notional amount of over-the-counter (OTC) derivatives means the value reported as "Total notional amount of over-the-counter (OTC) derivative contracts – systemic indicator amount" on Schedule D of the FR Y-15.

Payments activity means the value reported as "Payments activity – systemic indicator amount" on Schedule C of the FR Y-15.

Securities outstanding means the value reported as "Total securities outstanding – systemic indicator amount" on Schedule B of the FR Y-15.

Systemic indicator includes the following indicators included on the FR Y-15:

(1) Total exposures;

(2) Intra-financial system assets;

(3) Intra-financial system liabilities;

(4) Securities outstanding;

(5) Payments activity;

(6) Assets under custody;

(7) Underwritten transactions in debt and equity markets;

(8) Trading volume – equity and other;

(9) Trading volume – fixed income;

(10) Notional amount of over-the-counter (OTC) derivatives;

(11) Trading and available-for-sale (AFS) securities;

(12) Level 3 assets;

(13) Cross-jurisdictional claims;

(14) Cross-jurisdictional liabilities; or

(15) Weighted short-term wholesale funding amount.

Total exposures means the value reported as "Total exposures – systemic indicator amount" on Schedule A of the FR Y-15.

Trading and AFS securities means the value reported as "Total trading and available-for-sale (AFS) securities – systemic indicator amount" on Schedule D of the FR Y-15.

Trading volume – equity and other means the value reported as "Trading volume – equities and other securities – systemic indicator amount" on Schedule C of the FR Y-15.

Trading volume – fixed income means the value reported as "Trading volume – fixed income – systemic indicator amount" on Schedule C of the FR Y-15.

Underwritten transactions in debt and equity markets means the value reported as "Underwriting activity – systemic indicator amount" on Schedule C of the FR Y-15.

Weighted short-term wholesale funding amount means the value reported as "Total weighted short-term wholesale funding amount – systemic indicator amount" on Schedule G of the FR Y-15.

4. In § 217.403:

a. Remove Table 2 to § 217.403; and

b. Revise paragraphs (c) and (d).

The revisions read as follows:

§ 217.403 GSIB Surcharge.

* * * * *

(c) *Method 2 surcharge*—(1) *General*. The method 2 surcharge of a global systemically important BHC is 1.0 percent if the method 2 score of the global systemically important BHC is 189 basis points or less.

(2) *Higher method 2 surcharges.* To the extent that the method 2 score of a global systemically important BHC equals or exceeds 190 basis points, the method 2 surcharge equals the sum of:

(i) 1.1 percent; and

(ii) An additional 0.1 percent for each 20 basis points that the global systemically important BHC's score exceeds 190 basis points.

(d) *Effective date of an adjusted GSIB surcharge*. As of January 1 of a calendar year, the GSIB surcharge in effect (i.e., incorporated into the maximum payout ratio under § 217.11) for a global systemically important BHC for that year is the GSIB surcharge calculated by the global systemically important BHC in the immediately prior calendar year, unless the GSIB surcharge calculated by the global systemically important BHC in the calendar year two years prior was lower, in which case the GSIB surcharge calculated in the calendar year two years prior shall be in effect.

5. In § 217.404, revise table 1 to § 217.404 to read as follows:

§ 217.404 Method 1 Score.

* * * * *

Table 1 to § 217.404: Systemic Indicator Weights

Category	Systemic Indicator	Indicator Weight
Size	Total exposures	20 percent
Interconnectedness	Intra-financial system assets	6.67 percent
	Intra-financial system liabilities	6.67 percent
	Securities outstanding	6.67 percent
	Payments activity	6.67 percent
	Assets under custody	6.67 percent
Substitutability	Underwritten transactions in debt and equity markets	3.33 percent
	Trading volume – fixed income	1.67 percent
	Trading volume – equity and other	1.67 percent
Complexity	Notional amount of over-the-counter (OTC) derivatives	6.67 percent
	Trading and available-for-sale (AFS) securities	6.67 percent

	Level 3 assets	6.67 percent
Cross-jurisdictional activity	Cross-jurisdictional claims	10 percent
	Cross-jurisdictional liabilities	10 percent

* * * * *

6. Section 217.405 is revised to read as follows:

§ 217.405 Method 2 score.

(a) *General.* A global systemically important BHC's method 2 score is equal to the sum of the global systemically important BHC's systemic indicator scores for the ten systemic indicators set forth in Table 1 of this section, as determined under Table 1 of this section.

(b) *Systemic indicator score.* A global systemically important BHC's score for a systemic indicator is equal to:

(1) The amount of the systemic indicator, as reported by the bank holding company as of December 31 of the previous calendar year, expressed in billions of dollars;

(2) Multiplied by the coefficient corresponding to the systemic indicator set forth in paragraph (c) of this section.

(c) *Coefficients for systemic indicators*. In a given calendar year, the coefficient corresponding to a given systemic indicator is equal to:

(1) The coefficient value for that systemic indicator set forth in Table 1 of this section;

(2) Divided by the GDP growth adjustment published by the Board in that year.

Table 1 to § 217.405—Coefficients for Systemic Indicators as of December 31, 202[X]

Category	**Systemic indicator**	**Coefficient value (%)**
Size	Total exposures	3.686
Interconnectedness	Intra-financial system assets	10.006
	Intra-financial system liabilities	10.408

	Securities outstanding	7.547
Complexity	Notional amount of over-the-counter (OTC) derivatives	0.129
	Trading and available-for-sale (AFS) securities	25.141
	Level 3 assets	134.314
Cross-jurisdictional activity	Cross-jurisdictional claims	7.731
	Cross-jurisdictional liabilities	8.272
Short-term Wholesale Funding	Weighted short-term wholesale funding amount	23.003

§ 217.406 [Removed]

7. Remove § 217.406.

By order of the Board of Governors of the Federal Reserve System.

Benjamin W. McDonough,
Secretary of the Board.