

BANK POLICY INSTITUTE, CARLY RITTERBAND

Proposal and Comment Information

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Subject

BPI Comment Letter Submission: Reporting of Certain Credit Facilities in the FR Y-9C

Submitter Information

Organization Name: Bank Policy Institute

Organization Type: Organization

Name: Carly Ritterband

Submitted Date: 01/05/2026

To whom it may concern:

Please find attached a comment letter from the Bank Policy Institute regarding the reporting of certain credit facilities in the FR Y-9C. Please contact me by phone at (202) 589 - 2458 or by email at Carly.Ritterband@bpi.com if you have any questions.

Thank you for your attention to this matter.

Best regards,
Carly Ritterband

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January 5, 2026

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

RE: Reporting of Certain Credit Facilities in the FR Y-9C

To Whom It May Concern:

The Bank Policy Institute appreciates the opportunity to provide comments to the Board of Governors of the Federal Reserve System regarding the potential reporting of credit facilities in the FR Y-9C that are structured and documented such that the lender is not under any legal obligation to extend credit or purchase assets (“Defined Facilities”). BPI has submitted letters regarding the reporting of Defined Facilities to the Federal Reserve Board first in March 2020,¹ and subsequently in May 2022² and August 2024.³ To date, there has not been a formal response to these letters or updated reporting instructions for the FR Y-9C. In order to ensure clarity and consistent reporting across the industry, we respectfully request that the Federal Reserve confirm that Defined Facilities should not in fact be reported as “unused commitments” in the FR Y-9C.

Defined Facilities, in the context of this letter, refers to credit facilities that are structured and documented such that the lender is not under any legal obligation to extend credit or purchase assets. This is the critical common element across any type of Defined Facility – the potential lender does not have a legal obligation to extend credit. While a Defined Facility may include a legally binding *agreement* between the potential lender and a potential borrower, the existence of such an agreement does not entail any obligation on the part of the potential lender to extend credit to such potential borrower. The potential lender in these circumstances retains sole discretion to extend credit or not, unlike an unused commitment (i.e., those credit facilities under which the lender is subject to a legally binding obligation to extend credit or purchase assets). For this reason, in a distressed credit situation, Defined Facilities pose meaningfully less risk to a lender than unused commitments.

¹ BPI, *Comment Letter re: Reporting of Certain Credit Facilities in the FR Y-9C* (Mar. 27, 2020) (attached hereto as Appendix A).

² BPI, *Comment Letter re: Capital Assessments and Stress Testing Reports (FR Y-14A/Q/M; OMB No. 7100-0341)* (May 2, 2022).

³ BPI, *Comment Letter re: Capital Assessments and Stress Testing Reports, FR Y-14 A/Q/M Revisions (OMB Control Number: 7100-0341)* (Aug. 20, 2024).

Given the fundamental differences between Defined Facilities and unused commitments, we do not believe that Defined Facilities should be reported in the FR Y-9C as “unused commitments.” As described above, a lender’s legal and economic risk associated with a Defined Facility is meaningfully less than with respect to an unused commitment. Reporting Defined Facilities as “unused commitments” in the FR Y-9C would obscure the important differences between these types of facilities and could have reporting and financial effects that extend beyond reporting requirements and into firms’ required capital levels (e.g., potential impact on the GSIB surcharge and/or risk weighted assets/leverage exposure) given the interconnected nature of reporting requirements.

To date, the industry has largely been adhering to this approach and thus not reporting Defined Facilities in the FR Y-9C as permitted by the current instructions. In a December 2024 FAQ (Y140001693), the Federal Reserve confirmed that banks should report on the FR Y-14Q Schedule H.1 “any unused commitment that the firm reports in FR Y-9C Schedule HC-L, Item 1.” This FAQ combined with banks prevailing approach and the necessary alignment between the FR Y-9C and the FR Y-14Q, further supports that Defined Facilities are in fact not required to be reported on the FR Y-9C.

In light of the potential for uncertainty regarding the reporting treatment for Defined Facilities, we respectfully request that the Federal Reserve confirm that Defined Facilities should not in fact be reported as “unused commitments” in the FR Y-9C. We are appending here our original March 2020 letter making this request.

If you have any questions, please contact Carly Ritterband by phone at (202) 589 – 2458 or by email at Carly.Ritterband@bpi.com.

Respectfully submitted,



Carly Ritterband
Assistant Vice President, Regulatory Affairs
Bank Policy Institute

Appendix A



March 27, 2020

Via Electronic Mail

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

Re: Reporting of Certain Credit Facilities in the FR Y-9C

Ladies and Gentlemen:

The Bank Policy Institute¹ appreciates the opportunity to provide comments to the Board of Governors of the Federal Reserve System regarding the potential reporting of credit facilities in the FR Y-9C that are structured and documented so that the lender is not under any legal obligation to extend credit or purchase assets ("Defined Facilities"). Currently, we believe there is a divergence in practice with respect to the reporting of this population of Defined Facilities in the FR Y-9C. We respectfully submit that (i) the Defined Facilities should not be reported as "unused commitments" on the FR Y-9C and ask that the Federal Reserve confirm such determination and (ii) if the Federal Reserve intends that such facilities be reported, a new line item or memo item should be added to the FR Y-9C after a public notice and comment period.

I. **Defined Facilities: an overview**

From a legal perspective, the critical common element across any type of Defined Facility is that the potential lender has no legal obligation to extend credit. While a Defined Facility may include a legally binding agreement between the potential lender and a potential borrower, the existence of such an agreement does not necessarily entail any obligation on the part of the potential lender to extend credit to such potential borrower. Rather, what is agreed to between the parties in connection with a Defined Facility are the terms that would be applicable,² if and only if, the potential lender elects, in its sole discretion, to extend credit subject to those terms to the potential borrower.

From an economic perspective, in a distressed credit situation, Defined Facilities pose meaningfully less risk to a lender than unused commitments (i.e., those credit facilities under which the lender is subject to a legally binding obligation to extend credit or purchase assets). For example, assume a lender has provided a credit facility to a borrower and the credit quality of the borrower has since declined to the point that the lender is concerned about

¹ The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

² Some Defined Facility agreements have conditions precedent akin to those in unused commitments, but unlike unused commitments the borrower's ability to meet those conditions for a Defined Facility does not result in the lender becoming obligated to lend.

increasing its exposure to the borrower (this is often the most immediate concern). With a Defined Facility, since the lender has no legal obligation to extend credit, the lender can decline to fund any new request to draw on the facility. With an unused commitment, in contrast, the lender is required to continue to fund draws on the facility unless the lender can establish that the borrower has breached one or more of the applicable funding requirements in the facility agreement (e.g., maintenance of certain financial ratios, absence of defaults). While such funding requirements do help protect a lender in an unused commitment, their effect is necessarily limited, both because it is often not possible to identify on an *ex ante* basis for every scenario when it would be prudent not to extend credit (nor would it be feasible to negotiate such flexibility into an unused commitment credit agreement)³ and because certain risks may manifest themselves in advance of any specific requirements being breached. Consequently, the general discretion afforded to a lender under a Defined Facility gives a lender much greater flexibility to decline to extend credit than under an unused commitment.⁴

II. Defined Facilities should not be reported as “unused commitments” in the FR Y-9C.

Under the current instructions for the FR Y-9C effective December 2019, a bank holding company is required to report the balance of “unused commitments” in Line 1, Unused commitments.⁵ Unused commitments are defined in several regulatory reports and rules. Relevant reports include the FR Y-9C, FR Y-14Q, and Call Report; relevant rules include the Capital Rules⁶ and Liquidity Rules.⁷ Unused commitments are also defined in the Accounting Standards Codification.⁸

The Capital Rules, Liquidity Rules and Accounting Standards define “unused commitments” as legally binding arrangements that obligate a reporting institution to extend credit or purchase assets. The critical common element across these definitions is that the potential lender has a legal obligation to extend credit. These arrangements typically are evidenced by credit agreements with language that obligates the bank to extend credit.

Given the fundamental differences between Defined Facilities and unused commitments, we do not believe that Defined Facilities should be reported in the FR Y-9C as “unused commitments.” As described above, a lender’s legal and economic risk associated with a Defined Facility is meaningfully less than with respect to an unused commitment. Reporting Defined Facilities as “unused commitments” would obscure these important differences between these types of facilities. As a consequence, the information reported on the FR Y-9C would present a less accurate representation of a bank holding company’s financial condition—thereby impeding the purpose of the FR Y-9C to provide information to the Federal Reserve and other stakeholders “to assess and monitor the financial condition of holding company organizations.”⁹ We therefore respectfully request that the Federal Reserve confirm that Defined Facilities should not in fact be reported as “unused commitments.” However, if the Federal Reserve does not agree and determines that Defined Facilities should be reported in the FR Y-9C, we recommend that these facilities be reported in a new line item or memorandum item. Reporting Defined Facilities in a new line item or

³ Many unused commitments agreements attempt to address these risks with a “material adverse change” clause. In these cases, unless a given deteriorating credit situation clearly qualifies as a “material adverse change”, the lender may not be able to refuse to continue to lend without taking a significant litigation risk (i.e., of violating its contractual obligations). By contrast, in a Defined Facility, the lender is not required to make any such contractual determination.

⁴ This flexibility is recognized in many lenders’ resolution or recovery plans where a meaningful reduction in the lender’s loan book is an element of the plan.

⁵ While the FR Y-9C instructions provide *examples* of facilities that should be reported as “unused commitments,” the terms “unused commitments” and “commitment” are not specifically *defined*. As a result, BPI understands that there may be a diversity of practices amongst bank holding companies in respect of the types of facilities that are reported as “unused commitments.”

⁶ See 12 CFR Part 217 (Federal Reserve); 12 CFR Part 3 (OCC); and 12 CFR Part 324 (FDIC).

⁷ See 12 CFR Part 249 (Federal Reserve); 12 CFR Part 50 (OCC); and 12 CFR Part 329 (FDIC).

⁸ See ASC 815 and ASC 326.

⁹ <https://www.federalreserve.gov/apps/reportforms/reportdetail.aspx?sOoYJ+5BzDal8cbqnRxZRg==>.

memorandum item would mitigate potential unintended consequences of requiring these facilities to be reported on the FR Y-9C and make clear that these facilities are not unused commitments and do not otherwise impose any legally binding obligation on the filer to extend credit, purchase assets, or otherwise pay funds.

III. If the Federal Reserve intends that the reporting of Defined Facilities in the FR Y-9C is required, there are possible unintended consequences.

Reporting Defined Facilities in the FR Y-9C, particularly if these facilities are reported as “unused commitments,” could have unintended implications to the bank holding companies’ other publicly available financial reports such as Forms 10K/10Q. Under U.S. GAAP, the bank holding companies are required to provide disclosures in the footnotes on lending related commitments and guarantees. The unused lending related commitments are defined as “legally binding commitments to extend credit to a counterparty under certain prespecified terms and conditions.”¹⁰ Defined Facilities are not generally disclosed in such footnotes due to the different characteristics indicated above. Reporting unused commitments and Defined Facilities together as “unused commitments” in the FR Y-9C may cause confusion to the users of the bank holding companies’ financial information and distort the current transparency in these publicly available financial reports.

Additionally, reporting Defined Facilities as “unused commitments” in the FR Y-9C could have many reporting and financial effects beyond the FR Y-9C if the Federal Reserve does not take the approach of creating a separate line item or memorandum item for such facilities, which in turn could also create an additional source of inconsistency across reporting practices. For example —

- Filers are generally required to report in Schedule H of Form FR Y-14Q any “unused commitments” reported in the FR Y-9C, which could ultimately lead to an overcalculation of an institution’s stressed losses, despite the fact that Defined Facilities are not required to be funded.
- Filers are generally required to report commitments and other off-balance-sheet exposures in Schedule A of the FR Y-15. In addition, commitments to financial institutions reported on Line 1 of Schedule HC-L of the FR Y-9C are generally required to be reported in Schedule B of the FR Y-15. This could ultimately inflate FR Y-15 reporting and thus potentially affect GSIB surcharge calculations.
- While we believe the Federal Reserve generally intends for the FR Y-9C and Call Report requirements to align, items reported in Line 1 of Schedule RC-L of the Call Report, however, may have an effect on amounts reported in Schedule RC-O and, therefore, a bank’s deposit insurance assessment charges.
- The Federal Reserve’s regulatory capital rules require that risk-weighted assets and leverage exposure amounts be calculated in respect of off-balance sheet exposures, including commitments.

In light of the aforementioned potential consequences and the current divergence in practice with respect to the reporting of Defined Facilities, if the Federal Reserve determines to require the reporting of these facilities in the FR Y-9C, we respectfully submit that such a requirement should be subject to the public notice and comment process. A notice and comment process is of particular importance in this instance as such a requirement would

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U.S. GAAP defines loan commitments in the glossary section of the Accounting Standards Codification. See 326-20-20 Financial Instruments – Credit Losses.

constitute a new “collection of information,” as defined in the Paperwork Reduction Act (“PRA”)¹¹ and therefore should be subject to the PRA’s notice-and-comment requirements for “collection[s] of information.”¹²

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If you have any questions, please contact the undersigned by phone at 646.736.3943 or by email at Alix.Roberts@bpi.com.

Respectfully submitted,



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Cc: Michael Gibson
Mark Van Der Weide
Board of Governors of the Federal Reserve System

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Office of the Comptroller of the Currency

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¹¹ 44 U.S.C. § 3502(3).

¹² Id. at § 3506(c)(2), 3507(a).