PERSISTENCE ANALYTICS GROUP LLC, NEIL OSNATO

Proposal and Comment Information

Title: GSIB-Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15), R-1889

Comment ID: FR-2026-0009-01-C31

Submitter Information

Organization Name: Persistence Analytics Group LLC

Organization Type: Company

Name: Neil Osnato

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Persistence Analytics Group LLC appreciates the opportunity to comment on R-1889 concerning the GSIB surcharge framework and the Systemic Risk Report, FR Y-15.

PAG supports the Board’s efforts to improve risk sensitivity, reduce measurement-date distortions, update calibration over time, reduce cliff effects, and strengthen reporting consistency.

The attached comment focuses on one central principle:

Averaging should reduce the ability to manage exposures around a reporting date without reducing the regulator’s ability to observe volatility, concentration, rapid change, funding dependency, and stress-sensitive risk.

PAG recommends that averaged systemic indicators be accompanied by sufficient information regarding:

• period-end exposure
• maximum and minimum observations
• rate of change
• volatility and dispersion
• counterparty, sector, currency, and geographic concentration
• maturity and rollover dependency
• operational and financial-infrastructure dependencies
• data lineage, classification integrity, and governance

A smoother measurement framework should not smooth away warning signals.

Respectfully submitted,

Neil P. Osnato
Founder
Persistence Analytics Group LLC | United Grid
National Security & Infrastructure Risk Analytics
Demand Durability | Grid Stress | Load Integrity

neil@persistenceanalyticsgroup.com

https://persistenceanalyticsgroup.com/

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UEI: D3VYU39H6DX9 | CAGE: 19T34
D-U-N-S: 142849930

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Systemic-Risk Measurement, Indicator Durability, and the Limits of Averaged Reporting

Comment on R-1889: GSIB Risk-Based Capital Surcharges and the Systemic Risk Report (FR Y-15)

Core recommendation

Use averaging to reduce measurement-date management, but pair it with volatility, concentration, rapid-change, and stress-sensitive reporting so that smoother data do not become less informative data.

I. Introduction

Persistence Analytics Group LLC (PAG) appreciates the opportunity to comment on R-1889. PAG supports the Board's objective of improving the risk sensitivity, consistency, and durability of the U.S. GSIB surcharge framework. The proposal's use of averaged values for selected indicators, annual coefficient adjustments, revised treatment of weighted short-term wholesale funding, and reduction of cliff effects are directionally constructive.

The central measurement issue is not simply whether an indicator is observed at one date or averaged across several dates. The deeper question is whether the reporting framework preserves the information needed to distinguish persistent systemic exposure from temporary positioning, rapid deterioration, concentration, and correlated dependency risk. Averages can reduce window dressing, but averages can also mute the very changes that matter most during stress.

II. Support for the Proposal's Direction

Averaging selected indicators

Replacing single-date observations with averages can reduce incentives to manage exposures around a reporting date and can better represent ordinary operating conditions.

Annual economic adjustment

Updating coefficients for real economic growth and inflation can improve calibration over time and reduce reliance on stale nominal thresholds.

Reduced cliff effects

More continuous surcharge sensitivity can produce more proportionate incentives and reduce abrupt capital changes created by small movements around bucket boundaries.

Improved FR Y-15 consistency

More consistent definitions and reporting practices can strengthen comparability across firms and over time.

III. Averaging Should Not Obscure Risk Dynamics

PAG recommends that any averaged indicator be accompanied by complementary measures that preserve the shape, speed, and concentration of the underlying exposure. At minimum, the Board should consider requiring or retaining supervisory visibility into:

- **Period-end value:** to show the institution's current position rather than only its historical average.
- **Maximum and minimum observations:** to identify temporary peaks, drawdowns, and intraperiod variability.
- **Rate of change:** to distinguish a stable large exposure from one that is expanding rapidly.
- **Volatility or dispersion:** to identify instability that a mean value can conceal.
- **Counterparty and sector concentration:** to show whether exposures are diversified or depend on a small number of correlated entities.
- **Currency, geography, and market concentration:** to preserve visibility into common channels of stress transmission.
- **Maturity and rollover profile:** to identify funding dependence that may not be apparent from an averaged stock measure.
- **Operational and infrastructure dependencies:** including payment, custody, clearing, cloud, data, telecommunications, and critical third-party concentration.

A useful principle is: reduce the ability to manipulate the measurement date without reducing the regulator's ability to see the risk path.

IV. Weighted Short-Term Wholesale Funding

The weighted short-term wholesale funding indicator should reflect more than contractual maturity. Systemic vulnerability depends on the durability and substitutability of funding under stress. PAG recommends that the Board preserve or enhance sensitivity to:

- secured versus unsecured funding and the durability of the underlying collateral;
- counterparty concentration and common-funder exposure;
- currency and jurisdictional mismatch;
- intraday liquidity and settlement obligations;
- rollover reliance during market disruption;
- funding obtained through affiliates, platforms, or structures that may obscure the ultimate source of liquidity;
- the interaction between wholesale funding, collateral calls, market-risk losses, and payment obligations.

A liability can be short in legal maturity yet relatively durable in practice, or appear diversified while depending on counterparties exposed to the same shock. The framework should therefore avoid treating maturity weighting as a complete substitute for dependency analysis.

V. Reduce Cliff Effects Without Weakening Accountability

PAG supports reducing abrupt surcharge changes caused by small movements around fixed bucket thresholds. A smoother function can improve proportionality. However, the Board should ensure that greater continuity does not create lower visibility into firms approaching materially different systemic-risk profiles.

The Board should consider publishing or supervising around explicit early-warning bands, trajectory measures, or management-attestation requirements when a firm is moving rapidly toward higher systemic-risk levels. The objective should be smoother capital calibration with sharper accountability for deteriorating trends.

VI. FR Y-15 Data Quality and Assumption Integrity

The value of a risk-sensitive framework depends on the integrity of the data and classifications that feed it. PAG recommends that the final rule strengthen the following controls:

Control	Recommended standard
Data lineage	Each material reported value should be traceable to authoritative source systems, transformations, exclusions, and responsible owners.
Classification consistency	Economically similar exposures should not receive materially different treatment because of internal booking, legal form, or reporting architecture.
Restatement discipline	Material revisions should identify the cause, affected periods, and implications for prior surcharge calculations.
Governance	Senior management should attest to the completeness of material assumptions, dependencies, and classification judgments.
Change control	Acquisitions, platform migrations, new products, and data-system changes should trigger targeted validation.
Regulatory comparability	Definitions should be sufficiently precise to support comparisons across firms without suppressing institution-specific risk information.

VII. Recommended Final-Rule Principles

1. Averaging should be used to reduce measurement-date distortion, not to replace current-state and stress-sensitive information.
2. Every averaged indicator should be paired with sufficient information on volatility, concentration, and rate of change.
3. Systemic-risk measurement should capture correlated dependencies, not merely gross size or formal maturity.
4. Capital sensitivity should be continuous, while escalation and governance expectations should become stronger as risk trajectories deteriorate.
5. FR Y-15 reporting should preserve transparent data lineage, classification discipline, and accountability for material assumptions.
6. The Board should periodically test whether indicators remain predictive of actual channels of contagion as market structure and financial infrastructure evolve.

VIII. Conclusion

PAG supports the Board's effort to align GSIB surcharges more closely with systemic risk and to reduce incentives for temporary balance-sheet management. The final framework should recognize, however, that a more stable measure is not necessarily a more complete measure. The strongest approach is to combine averaging with evidence that preserves trend, volatility, concentration, dependency, and stress behavior.

Systemic-risk measurement should smooth noise without smoothing away warning signals.

Respectfully submitted,

Neil P. Osnato
Founder
Persistence Analytics Group LLC | United Grid
National Security & Infrastructure Risk Analytics
Demand Durability | Grid Stress | Load Integrity

neil@persistenceanalyticsgroup.com

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