

FINANCIAL SERVICES FORUM AND BANK POLICY INSTITUTE

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

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Please see enclosed a comment letter on the proposed rule: GSIB-Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15) [R-1889] on behalf of the Financial Services Forum and the Bank Policy Institute.



June 18, 2026

VIA ELECTRONIC SUBMISSION

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

**Re: Docket No. 1889 and RIN 7100–AH22: Regulatory Capital Rule (Regulation Q):
Risk-Based Capital Surcharges for Global Systemically Important Bank Holding
Companies; Systemic Risk Report (FR Y-15)**

Ladies and Gentlemen:

The Financial Services Forum (the “Forum”) and the Bank Policy Institute¹ appreciate the opportunity to submit this letter to the Board of Governors of the Federal Reserve System (the “FRB”) regarding its proposed rule on capital surcharges for global systemically important bank holding companies (“GSIBs”) and the Systemic Risk Report (FR Y-15) (the “Proposal”).² The proposed changes would apply to all of the Forum’s member institutions (“member institutions”), the U.S. GSIBs.

The FRB adopted a final rule in 2015 (the “2015 Rule”) to establish a methodology to identify U.S. GSIBs and assign each a risk-based capital surcharge. The 2015 Rule was designed to capture a U.S. GSIB’s systemic importance, such that the U.S. GSIBs are required to hold additional capital

¹ The Financial Services Forum is an economic policy and advocacy organization whose members are the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a leading source of lending and investment in the United States and serve millions of consumers, businesses, investors and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace and a sound financial system.

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 Regulatory Capital Rule (Regulation Q): Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15), 91 Fed. Reg. 14908 (Mar. 27, 2026).

relative to other non-GSIB banking organizations.³ The “principal statutory impetus” for the GSIB surcharge is the Dodd-Frank Act’s mandate that the FRB “adopt enhanced capital standards to mitigate the risk posed to financial stability by certain large financial institutions.”⁴ As we have pointed out on numerous occasions, the 2015 Rule is methodologically flawed, including because the method 2 coefficients have not been recalibrated to account for over a decade of economic growth since the original calibration period, resulting in GSIB surcharges that overstate the systemic importance of U.S. GSIBs relative to the original calibration.

Our member institutions play an essential role in providing credit, liquidity and a range of key financial services that are fundamental to the continued growth and prosperity of the U.S. economy. The ability of our member institutions to play this role, however, critically depends on efficiently calibrated capital requirements. In this regard, we commend the FRB for acknowledging and seeking to address the 2015 Rule’s longstanding methodological flaws that have resulted in over-calibrated GSIB surcharges. In particular, the initial and ongoing adjustments to the method 2 coefficients to account for economic growth represent a meaningful step towards a surcharge framework that better aligns with actual systemic risk. It is critical however, that: (1) these adjustments fully reflect the inflation in method 2 scores since the original calibration period; (2) the benefits of the FRB’s recalibration efforts not be delayed by continued application of a flawed methodology; and (3) any revisions to the indicators provide meaningful benefit to measuring or reducing systemic risk.

In furtherance of these objectives, we make the following recommendations:

- The one-time adjustment to the method 2 coefficients should be 1.91, rather than 1.2, assuming the FRB votes to adopt a final rule in 2026. This adjustment would reflect aggregate nominal GDP growth from year-end 2012 (the time period used to calibrate the 2015 Rule) through year-end 2025, rather than the divergence between method 1 and method 2 scores since 2019, which is an incomplete and roundabout way to measure the economic growth that the adjustment seeks to address. Further, the ongoing GDP growth adjustment should begin immediately thereafter to avoid any gap between the historical adjustment and any future coefficient updates.
- The FRB should vote to adopt a final rule as soon as possible, ideally before year-end. To avoid unnecessary capital volatility, GSIB surcharges should not increase above those in effect at the time of finalization until the first increased surcharges calculated under the final

³ Regulatory Capital Rules: Implementation of Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies, 80 Fed. Reg. 49082, 49082 (Aug. 14, 2015).

⁴ 80 Fed. Reg. at 49109.

rule take effect; e.g., if the Proposal were finalized before year-end, GSIB surcharges would be capped at January 1, 2026 levels until January 1, 2029. Furthermore, we recommend that the FRB not revise the FR Y-15 for purposes of calculating method 1 scores until the Basel Committee finalizes its consultation on “window-dressing.”

- OTC derivative notional amounts and on-balance sheet components of intra-financial system assets and liabilities should be averaged no more frequently than monthly, cross-jurisdictional claims and liabilities should be averaged no more frequently than quarterly, and level 3 assets should be identified no more frequently than quarterly.

We also identify certain additional technical changes that would be consistent with the FRB’s objectives in revising the GSIB surcharge. These technical recommendations are offered with the goal of ensuring that the final rule achieves the FRB’s stated objective of better aligning GSIB surcharges with the underlying risk they are designed to capture.

I. The initial method 2 coefficient adjustment should be set at 1.91 to reflect aggregate nominal GDP growth from year-end 2012 through year-end 2025.

In 2015, the FRB noted that it would “periodically reevaluate the framework to ensure that factors unrelated to systemic risk do not have an unintended effect on a bank holding company’s systemic indicator scores.”⁵ In recognizing that economic growth has inflated method 2 scores such that GSIB surcharges do not reflect systemic risk, the Proposal’s recalibration of method 2 coefficients would be an improvement over the current methodology and consistent with the FRB’s commitment to reevaluate the framework. However, the use of a year-end 2019 baseline measured on a relative basis to method 1 surcharges does not fully address the cumulative effects of economic growth embedded in the current framework. Because the coefficients were originally calibrated using 2012–2013 data, a significant portion of the increase in method 2 scores reflects nominal gross domestic product (“GDP”) growth since that period rather than changes in systemic risk. As a result, the proposed adjustment would correct for only a portion of the growth-driven inflation in method 2 scores.

In addition, because economic growth will continue between the Proposal’s reference period and the effective date of any final rule, and because the contemplated “GDP growth adjustment” only contemplates changes after the effective date, the coefficients as proposed in Table 1 to § 217.405 would immediately become outdated upon mandatory effectiveness. To ensure that the “Day 1” calibration addresses these dynamics and accurately captures the full effect of economic growth, the

⁵ 2015 Rule at 49085.

final rule should reflect cumulative nominal GDP growth from the original calibration period and through the effective date.

A. Challenges and Concerns

1. *The initial adjustment of Method 2 coefficients is based on a flawed proxy for economic growth from year-end 2019 rather than a more direct measure of economic growth based on the percentage aggregate nominal GDP increase from the time the original coefficients were calibrated—year-end 2012.*

The Proposal contemplates a one-time downward adjustment of method 2 coefficients by a factor of 1.2, equal to the observed 20-percentage-point difference between the cumulative growth of aggregate method 2 and method 1 scores since year-end 2019.⁶ The FRB explained that it selected year-end 2019 based on the observation that only some of the increase in method 2 scores is attributable to the lack of adjustment for changes due to “broad economic changes affecting the banking system since 2020.”⁷ The FRB implied that no further adjustment is needed prior to 2019 “[b]ecause method 1 and method 2 scores evolved largely in parallel until 2019.”⁸ While we appreciate the FRB’s recognition that method 2 coefficients require adjustment to address the effects of economic growth, the calibration baseline is flawed both in its choice of measurement and in its choice of 2019 as the starting point.

First, the one-time adjustment is based on relative changes in method 2 and method 1 scores—an imperfect proxy for the economic growth that it seeks to address (and that is otherwise directly observable). If the objective is to “take into account that the U.S. economy tends to expand over time, through both real economic growth and inflation,”⁹ then the most straightforward adjustment would be based directly on nominal GDP growth rather than a roundabout measurement based on the divergence between method 1 and method 2, which could be driven by other factors.

The FRB’s approach to prospective growth underscores this incongruity; while the one-time (backward-looking) adjustment is based on the relative growth of method 2 and method 1

⁶ Proposal at 14913.

⁷ *Id.*

⁸ Proposal at 14912, note 31.

⁹ Proposal at 14913.

surcharges, the annual growth (prospective) adjustments are directly based on three-year average nominal GDP growth.

Second, even if there have been fundamental shifts in the real economy and banking system since 2020, the logic underlying the one-time adjustment has remained unchanged since the 2015 Rule was finalized: “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.”¹⁰

The 2015 Rule’s coefficients were calibrated based on year-end 2012 average aggregate global indicator amounts for each indicator (and year-end 2013 in the case of trading and AFS securities indicators).¹¹ Given that cumulative U.S. GDP grew approximately 19% from year-end 2012 to year-end 2019 in real terms and approximately 34% in nominal terms, failing to account for this earlier period of economic growth and using an imperfect proxy (divergence between method 1 and method 2 scores) has contributed to materially over-calibrated GSIB surcharges via artificially inflated method 2 coefficients.

2. *The coefficients as currently proposed only reflect growth through year-end 2024 and may inadvertently exclude years of economic growth, notwithstanding the ongoing “GDP growth adjustment.”*

The one-time adjustment reflected in Table 1 to § 217.405, as currently proposed, may become outdated on the effective date of the new rule because those coefficients may no longer accurately reflect the impact of growth on method 2 scores. Instead, the proposed coefficients would be based on data only through year-end 2024. Although the Proposal’s ongoing GDP growth adjustment at § 217.405(c)(2) would address any growth from the effective date going forward, the timing of finalization could inadvertently result in no “GDP growth adjustment” during the intervening period.

For example, if the FRB voted to adopt a final rule in 2026, then the current coefficients would not reflect economic growth for 2025. Over this period, nominal GDP would continue to grow, and method 2 scores would continue to drift further away from method 1 scores, resulting in an inflation of method 2 scores that is never fully captured by subsequent GDP growth adjustments. This divergence would be inconsistent with the FRB’s underlying objective to address the tendency for economic expansion to inflate method 2 scores.

¹⁰ *Id.*

¹¹ 80 Fed. Reg. at 49087.

B. Recommendations

Assuming the FRB votes to adopt a final rule in 2026, the one-time growth adjustment should be equal to 1.91, reflecting nominal GDP growth from year-end 2012 through year-end 2025.¹² During that same calendar year, the FRB should then publish its annual growth adjustment for the period ending with year-end 2026.

An adjustment of 1.91 would more fully reflect nominal economic growth since the 2015 final rule and would be fully consistent with the FRB's observation that economic expansion over time renders GSIBs relatively less systemic.

II. The FRB should vote to adopt a final rule as soon as possible and should cap surcharges at the levels in effect at such time until the first increased surcharges under the final rule take effect to avoid unnecessary capital increases resulting from a methodology that it has already recognized is flawed.

Although the FRB does not suggest a date for adoption, 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 would mean that the first GSIB surcharge calculated under the final rule may not take effect for one year or more after the FRB votes to adopt a final rule. In the intervening period, our member institutions may experience increases in capital requirements resulting from GSIB surcharges calculated in prior years under the existing, flawed methodology. These increases would be exacerbated to the extent that the proposed expanded risk-based approach ("ERBA") takes effect prior to GSIB surcharges calculated under the revised methodology given that ERBA would increase capital requirements for our member institutions in the aggregate.

In order to address these concerns, we recommend that the FRB vote to adopt a final rule as soon as possible, ideally before year-end. Once finalized, GSIB surcharges should not increase above those in effect at such time until the first increased surcharges calculated under the final rule take effect; e.g., if the Proposal were finalized before year-end, GSIB surcharges would be capped at January 1, 2026 levels until January 1, 2029.

A. Challenges and Concerns

In the preamble to the Proposal, the FRB correctly observes that the method 2 "fixed coefficients do not account for changes in the economy or financial system" and that "scores calculated under the

¹² Based on Bureau of Economic Analysis data, nominal GDP as of year-end 2012 (as most recently revised on September 27, 2023) was \$16.4204 trillion, while nominal GDP as of year-end 2025 (as of the third estimate released on April 9, 2026) was \$31.4225 trillion. This represents an approximately 91% increase.

fixed approach could be influenced over time by factors that do not represent changes in a firm’s systemic risk.”¹³ The Proposal would seek to address these concerns by “adjust[ing] 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.”¹⁴

The GSIB surcharge is, however, a lagging measurement of systemic risk—GSIB surcharges calculated in any given year are based on prior year systemic risk indicators and do not take effect until the following year at the earliest. Under the FRB’s proposed approach to implementation and timing, the Proposal would take effect two calendar quarters after the date of adoption of a final rule to “give firms a minimum of two quarters to make the required changes to their systems and processes.”¹⁵ This delay in effectiveness raises three related concerns.

First, the proposed adoption mechanics would perpetuate flaws in the method 2 calculation that the FRB has acknowledged and for which it has proposed a straightforward revision.

Under the Proposal, a GSIB could experience one or more¹⁶ increases in its surcharge calculated under the current rule before GSIB surcharges calculated under the revised methodology take effect. As mentioned above, these increases are solely the result of the one- or two-year lag built into the framework.

In proposing revisions to the method 2 framework, the FRB has already recognized that method 2 surcharges have become inflated over time due to reliance on fixed coefficients and has proposed a simple adjustment mechanism to address these concerns. However, by allowing already-calculated surcharges to take effect, the proposed adoption mechanics would allow these flaws to persist.

Second, the proposed adoption mechanics would result in unnecessary volatility in GSIB capital requirements.

The increases (and potential subsequent decreases) in GSIB surcharges could be contemporaneous with increases and decreases resulting from effectiveness of the ERBA rulemaking and proposed revisions to the FRB’s supervisory stress-testing framework, and could exacerbate deviations from

¹³ Proposal at 14911.

¹⁴ *Id.*

¹⁵ *Id.* at 14929.

¹⁶ More than one increase would be possible if the final rule is adopted after the second quarter of 2027.

the international GSIB surcharge framework, pending the outcome of the Basel Committee’s consultation on “window-dressing.”¹⁷

A core principle is that capital requirements must be aligned with actual risk. Temporary increases or decreases in requirements driven solely by timing differences, rather than changes in underlying exposures, conflict with this principle and can create outcomes that are not economically efficient. This potential “up-then-down” dynamic would also be inconsistent with the FRB’s longstanding emphasis on stability, transparency and predictability in capital requirements, particularly for firms subject to the most stringent prudential standards.

Avoiding this type of volatility is especially important given the role of the GSIB surcharge in our member institutions’ capital planning processes. GSIBs are required to engage in rigorous, forward-looking capital planning, and sudden temporary increases in surcharge requirements, followed shortly by reversals, would complicate these processes without providing any corresponding prudential benefit.

Third, the proposed adoption mechanics would frustrate the FRB’s joint calibration objectives.

Although we appreciate that the Proposal approaches recalibration of the GSIB surcharge more holistically than in 2023 proposals, the volatility in capital requirements prior to full effectiveness of all outstanding proposals would result in exactly the type of unwarranted volatility that the FRB (and other agencies) have sought to avoid.

For example, the FRB (and other agencies) suggest in numerous places that the impact of specific revisions would “offset” one another.¹⁸ In practice, throughout the transition period, these offsets could fail to materialize until all of the revisions are in full effect. For example, if ERBA takes effect on January 1, 2028 (resulting in an increase in capital requirements), and an increased GSIB surcharge calculated under the current rule takes effect on January 1, 2028, the result could be a meaningful increase in capital requirements not contemplated by the FRB’s joint calibration, i.e., no offset.

¹⁷ Basel Committee on Banking Supervision, “Consultative Document: Global systemically important banks – revised assessment framework” (Mar. 7, 2024), *available* [here](#).

¹⁸ 91 Fed. Reg. 14952, 14960, 15104, 15105, 15115 (Mar. 27, 2026).

B. Recommendations

To mitigate these concerns, the FRB should adopt transition mechanisms that ensure a smooth and coherent shift from the current framework to the revised methodology, as follows:

- The FRB should vote to adopt a final rule as soon as possible, ideally before year-end.
- Once finalized, GSIB surcharges should not increase above those in effect at such time until the first increased surcharges calculated under the final rule take effect. This cap would be similar to the approach the FRB has taken with the stress capital buffer as it revises its supervisory stress-testing framework.¹⁹

Thus, if the FRB votes to adopt a final rule in the last quarter of 2026, and the revisions to the rule text and FR Y-15 take effect two quarters thereafter on July 1, 2027, then:

- From January 1, 2027, through January 1, 2029, each GSIB surcharge would be capped at its January 1, 2026 level.
- A GSIB would submit its first FR Y-15 under the revised template and instructions as of September 30, 2027.
- By December 31, 2027, a GSIB would (re)calculate its surcharge using the revised methodology²⁰ based on (legacy) FR Y-15 submissions as of December 31, 2026, even if it had previously calculated a surcharge under the current rule.²¹ These surcharges would take effect on January 1, 2028 (in the event of a decrease), or January 1, 2029 (in the event of an increase).

Finally, we recommend that the FRB not revise the FR Y-15 for purposes of calculating method 1 scores until the Basel Committee finalizes its consultation on “window-dressing” in order to avoid

¹⁹ See FRB Press Release (Feb. 4, 2026), available [here](#).

²⁰ This would include the narrower score band ranges in § 217.403, the revised coefficients in § 217.405 and the short-term wholesale funding measure changes contemplated by the removal of § 217.406. As to the short-term wholesale funding measure changes, we note that because the surcharge calculated in 2027 will refer to legacy FR Y-15 submissions, the definition of “Weighted short-term wholesale funding amount” should initially refer to Line 6 of Schedule G of the FR Y-15 because the revised line item “Total weighted short-term wholesale funding amount–systemic indicator amount” will not be reported until as of September 30, 2027.

²¹ See 12 CFR 217.403(a).

further deviation from the international GSIB surcharge framework and having to revisit the FR Y-15 once that consultation is finalized.²²

III. The final rule should not require daily averaging, or in some instances, monthly averaging, where doing so would not improve the measurement of systemic risk.

Under the Proposal, the GSIB surcharge would no longer use a December 31 point-in-time, end-of-quarter reporting date for systemic indicators that are used to calculate a firm's method 1 and method 2 GSIB score; rather, systemic indicators would be measured using averages of daily or monthly values over the reporting quarter. Furthermore, the systemic indicator calculation will represent the average of the four most recent calendar quarter results. Whereas international peers, subject only to the Method 1 calculation, would continue to be assessed largely using spot, point-in-time measurement until the Basel Committee finalizes its consultation on "window-dressing," U.S. GSIBs would be required to report certain systemic indicators on the FR Y-15 as the average of daily values of the indicator over the reporting quarter, including daily averaging for intra-financial system assets and liabilities, notional amount of OTC derivatives and trading and available-for-sale securities. Other indicators, such as securities outstanding, assets under custody, level 3 assets and cross-jurisdictional claims and liabilities, would be reported as averages of month-end values over the reporting quarter.

We appreciate the FRB's objective of improving the measurement of systemic risk and reducing incentives for end-of-period balance sheet management. However, the operational complexity resulting from more frequent averaging must be justified by a corresponding benefit to systemic risk measurement. We acknowledge that averaging may improve risk sensitivity with respect to certain indicators. For certain indicators, however, specifically OTC derivative notional amounts, cross-jurisdictional activity, level 3 assets and on-balance sheet components of intra-financial system assets and liabilities, requiring averaging more frequently than monthly, or more frequently than quarterly where appropriate, may not appropriately balance the potential benefits of increased risk sensitivity against the significant operational burden of producing externally reportable data at a higher frequency. Although our member institutions may track certain balances internally for risk management purposes, those processes are less operationally intensive than the processes required for external regulatory reporting; monthly or, where appropriate, quarterly averaging would provide a more representative measure than a single point-in-time value, while avoiding the substantial systems, governance, controls and attestation challenges associated with daily averaging. For the above-mentioned indicators, it would be unnecessary (and in certain cases, even counterproductive)

²² For our member institutions, this would necessitate a parallel set of FR Y-15 submissions—one under the current form and another under the revised form.

to require averaging using daily or, for certain indicators, monthly values to address concerns around more accurately measuring systemic risk.

To appropriately balance the benefits and burdens of more frequent averaging, we recommend OTC derivative notional amounts and on-balance sheet components of intra-financial system assets and liabilities be averaged no more frequently than monthly, cross-jurisdictional claims and liabilities be averaged no more frequently than quarterly and level 3 assets be identified no more frequently than quarterly.

OTC Derivative Notional Amounts should be averaged no more frequently than monthly.

A. Challenges and Concerns

For OTC notional amounts, we agree that a year-end point-in-time snapshot is a poor proxy for a firm's OTC derivative activity and systemic footprint and can materially misstate GSIB-related risk. Fourth quarter declines in OTC derivative notional amounts reflect predictable seasonal patterns in trading activity as much as they reflect increased compressions.

We believe a monthly average of OTC derivative notional amounts would best capture persistent exposures and more accurately reflect systemic risk than a single year-end observation. Major market participation in compression cycles generally occurs on a monthly basis, with some smaller currencies or products being less frequent, on a quarterly or semi-annual basis, because compression is a coordinated, market-wide process that depends on participation by a broad set of counterparties; this includes non-U.S. GSIBs and other market participants that are not subject to the U.S. GSIB surcharge. Given this process includes parties that do not have the same regulatory incentive to participate in daily compression, it is unlikely that the market could practically move to daily market-wide compression cycles in place of monthly market-wide compression cycles. Daily OTC positions may therefore capture temporary, risk-offsetting positions before they are compressed, thereby producing a less accurate measure of the firm's ongoing OTC derivatives activity. Therefore, requiring daily averages of OTC derivatives notional amounts would make the measurement of systemic risk significantly *less* accurate by overstating OTC derivatives activity that is in the process of being reduced through ordinary-course risk-mitigation practices. This outcome would be inconsistent with the FRB's objective of better aligning GSIB surcharge indicators with firms' actual risk profiles.

B. Recommendations

We recommend that OTC derivative notional amounts be averaged monthly given the market-wide participation in trade compression on a monthly basis.

The Cross-Jurisdictional Activity indicators should be averaged no more frequently than quarterly, consistent with the timing of the FFIEC 009 report.

A. Challenges and Concerns

We appreciate that the Proposal would require monthly averaging for cross-jurisdictional activity indicators, whereas the 2023 proposal would have required daily averaging. However, the Proposal does not articulate any particular systemic risk measurement benefit to more frequent measurement. In particular, the significant operational burdens associated with existing FFIEC 009 reporting already make it difficult for a firm 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.”²³ Indeed, quarterly reporting, consistent with the FFIEC 009 report, would address concerns regarding reliance on a single year-end observation while avoiding the meaningful increase in operational burden that would result from more frequent measurement.

Currently, to report the data for the FFIEC 009, banks have 45 days (or 50 days for the December 31 as-of date) due to the complexities and challenges involved in producing such data.²⁴ While the current Proposal removes certain pre-populated line items that are derived from other regulatory disclosures, in practice, those disclosures with their own existing frequency would remain the primary starting point for producing the FR Y-15. In particular, the proposed instructions state that GSIBs should report cross-jurisdictional activity indicators consistent with the definitions and instructions in the FFIEC 009. As a practical matter, this would require GSIBs to produce FFIEC 009-compliant information on a monthly basis, even though the underlying data sourcing, control framework and related risk-transfer processes are executed on a quarterly cycle. Moving to monthly reporting, with the same level of controls, reviews and governance required for CFO-level attestation, would require firms to maintain overlapping production cycles given the 45-day FFIEC 009 production timeline, presenting a similar type of operational burden to the one the FRB sought to avoid by moving from daily to monthly averaging.

More broadly, introducing daily or monthly averages would disrupt existing reporting linkages between the FR Y-15 and other regulatory reports, including the FR Y-9C and FFIEC 009, which are produced on an end-of-period basis. For affected schedules, including Schedules B, D and E, firms currently rely on those linkages both to source data efficiently and to perform reconciliations across regulatory reports. Replacing end-of-period values with averages would break the ability to pull data directly from these reports and would limit firms’ ability to reconcile FR Y-15

²³ Proposal at 14917.

²⁴ FFIEC, Country Exposure Report: Reporting Form FFIEC 009, “General Instructions” (Dec. 2022), [available here](#).

submissions to established regulatory reporting outputs. These challenges would remain even if certain indicators were permitted to move to monthly, rather than daily, averaging.

B. Recommendations

We recommend that cross-jurisdictional activity indicators be averaged quarterly to align with the frequency of the FFIEC 009 report.

Level 3 assets should not be required to be re-identified more frequently than is required by U.S. GAAP.

A. Challenges and Concerns

The Proposal provides that, for level 3 assets, the revised FR Y-15 would require reporting of averages based on month-end values over the reporting quarter. For these purposes, Footnote 63 of the Proposal states that it “would not change the frequency of valuation required by U.S. GAAP for the exposure” and that the Proposal, for certain exposures reported under U.S. GAAP, “would modify the frequency at which these exposures must be identified for purposes of calculating average values.” While the clarification regarding revaluation is welcome, the Proposal and the draft FR Y-15 instructions are ambiguous as to whether month-end reporting would require *identification* of level 3 assets more frequently than is required by U.S. GAAP.

Moreover, requiring an average of month-end values over the reporting quarter raises a further question of what, operationally, constitutes a “month-end value” for level 3 assets. It is unclear under the Proposal whether this would be based on (1) the U.S. GAAP carrying value at month-end close (even if valuation governance is quarterly), (2) a carry-forward of the most recent approved valuation adjusted only for position/activity changes or (3) another approach. Without such clarity, “average of month-end values” could result in inconsistent implementation across firms (with some firms revaluing monthly and others using a carry-forward approach), undermining comparability—one of the Proposal’s objectives.

Level 3 assets, by definition, are valued based on significant unobservable inputs, meaning their fair values are derived from internal models and assumptions rather than from observable market data. Unlike instruments with active, liquid markets that produce regular price movements, level 3 valuations are inherently stable over short time horizons and are updated only when there is a change in the underlying model inputs, methodologies or relevant assumptions—events that typically do not occur on a monthly basis—and as a result, level 3 assets are only required to be identified each quarter.

Identification and revaluation updates take time, and requiring monthly identification of level 3 assets would require firms to accelerate related valuation, leveling and control processes in a

manner that may introduce estimation risk without improving the measurement of systemic risk. Moreover, level 3 assets generally do not present the same level of end-of-period management concern that more frequent identifications may be intended to address. Because valuations and fair value measurement leveling disclosures are based on independently validated processes, more frequent identification would be unlikely to provide a materially more accurate picture of a firm's systemic footprint. Instead, it could reduce comparability across firms by requiring interim estimates that may not be subject to the same level of review, validation and governance as quarter-end reported amounts.

B. Recommendations

For level 3 assets, we recommend quarterly identification to align with the cadence at which these identifications are produced and reviewed for U.S. GAAP purposes today.

We further recommend that Schedule D (level 3 assets) explicitly define “monthly data” for level 3 assets, if retained, as a simple average of the three month-end balances in the quarter. The Schedule should also specify that “month-end values” reflect the U.S. GAAP carrying value at month-end close based on a firm's established valuation governance, including a defined carry-forward approach where consistent with U.S. GAAP and the firm's existing controls.

On-balance sheet components of intra-financial system assets and liabilities should be averaged no more frequently than monthly.

A. Challenges and Concerns

The on-balance sheet components of intra-financial system assets and liabilities span a wide array of balance sheet products that must be reviewed to determine the reportable population. These indicators have historically experienced a low level of intra-quarter variability, reflecting the fact that the composition of a firm's intra-financial system balance sheet is generally driven by the nature of its counterparty relationships and the structure of its business activities, neither of which typically fluctuates materially on a daily basis.

On the other hand, not all systems, such as new investments that hold equity securities without a readily determinable fair value, nor all balance sheet products, such as items recorded in Other Assets or Other Liabilities that meet the reportability scope, are capable of producing externally reportable data on a daily basis. As a result, introducing a daily measurement across the on-balance sheet components of intra-financial system assets and liabilities would require firms to produce interim classifications, reducing comparability across firms without improving the measurement of systemic risk.

Together, this suggests that daily averaging would provide little incremental benefit over monthly averaging despite its significantly higher operational costs (as described below). In these circumstances, monthly averaging would appropriately reduce reliance on a single point-in-time measure while avoiding unnecessary operational complexity and potential inconsistency across firms.

B. Recommendations

For on-balance sheet components of intra-financial system assets and liabilities, we recommend monthly averaging.

* * *

Thank you for considering these comments. Please feel free to contact Amanda Eversole (AEversole@fsforum.com) or Greg Baer (greg.baer@bpi.com) with any questions.

Respectfully submitted,

Amanda Eversole
President and CEO
Financial Services Forum

Greg Baer
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Bank Policy Institute

Annex: Technical Recommendations for the FRB

I. The final rule should make certain changes to the systemic indicators.

The Proposal would make changes to certain systemic indicators that are used in the GSIB surcharge framework and reported on the FR Y-15. Below, we discuss our recommendations relevant to select proposed changes.

The final rule should not expand the definition of “financial institution” used in the interconnectedness indicators to include ETFs.

The Proposal would expand the definition of “financial institution,” for purposes of measuring interconnectedness, to include ETFs, among other entities. However, this change risks discouraging U.S. GSIB interaction with ETFs, which are widely used as investment vehicles by the retail public. Accordingly, we recommend that the final rule not include ETFs in the definition.

A. Challenges and Concerns

In developing capital rules, the FRB is prohibited from “[taking] into account the activities, operations, or investments of” registered investment companies, subject to limited exceptions.²⁵ Including ETFs in the definition of a “financial institution” in the FR Y-15 would effectively penalize banking organizations for their interactions with ETFs, which are appropriately subject to their own regulatory framework. In light of Congress’s intent to exclude registered investment companies from capital requirements, we believe that the FRB should avoid approaches that could have the effect of penalizing banking organizations for their interactions with ETFs.²⁶

The expansion would also be inconsistent with the Basel Committee and EU standards, putting U.S. GSIBs at a competitive disadvantage. The FR Y-15 reporting instructions for Schedule B—Interconnectedness Indicators, line item 3, ask banks to “not report products where the issuing institution does not back the performance of the asset.”²⁷ The Basel Committee standard includes the same instruction for item 3.c, but goes further, explicitly clarifying that certain ETFs should be excluded (“Do not report products where the issuing institution does not back the performance of the asset (e.g., asset-backed securities) ... Do not include ... bond exchange traded funds

²⁵ 12 U.S.C. § 1844(c)(3)(C).

²⁶ The legislative history of this provision reflects recognition by Congress that regulated U.S. funds have their own appropriately tailored regulatory framework. For example, the report from the U.S. House of Representatives Committee on Banking and Financial Services stated that “[i]nvestment companies are regulated entities that must meet diversification, liquidity and other requirements specifically suited to their role as investment vehicles.” H.R. Rep. No. 106-74, pt. 1, at 130 (1999). In view of the existing regulatory framework for U.S. funds, the Committee noted that “it was important to ensure that the [U.S. Federal Reserve] Board not indirectly regulate these entities through the imposition of capital requirements at the holding company level, except in the very limited circumstances noted above.” *Id.* This suggests that Congress intended to create a regulatory structure that would preclude the use of capital requirements by the FRB in a way that would restrict bank holding company interaction with U.S. regulated funds.

²⁷ FR Y-15 Instructions at B-2. This instruction is retained in the Proposed FR Y-15 Instructions.

(ETFs)).²⁸ By expanding the definition of “financial institution” to include ETFs without a corresponding change in the Basel standard, the Proposal would create an asymmetry that disadvantages U.S. GSIBs relative to their international peers.

Further, the FRB may not have fully considered the potential impact of this proposed expansion on retail investors. ETFs are widely used as investment vehicles by the retail public, and approximately 19.8 million American households rely on ETFs to meet their financial goals, such as saving for retirement.²⁹ U.S. GSIBs play a central role in supporting the functioning of the ETF market, serving as authorized participants, which are the only entities permitted to create and redeem ETF shares directly with ETF sponsors. This mechanism, under which ETF shares are created when demand increases and redeemed when demand decreases, ensures that the market price of an ETF remains closely aligned with the net asset value of its underlying holdings. Expanding the definition of “financial institution” to include ETFs would increase the regulatory cost associated with these activities, which could ultimately be reflected in higher costs for end investors. Given the widespread use of ETFs by retail investors, we believe it would be appropriate to carefully consider these potential cost implications alongside the intended benefits before finalizing this aspect of the Proposal.

B. Recommendations

We recommend that the final rule exclude ETFs from the definition of “financial institution.”

The final rule should not include derivative exposures in the systemic indicators for cross-jurisdictional claims and cross-jurisdictional liabilities.

Under the Proposal, the systemic indicators reported on the FR Y-15 for cross-jurisdictional claims and cross-jurisdictional liabilities would include derivative exposures gross of collateral, instead of being reported as memoranda items as they currently are. We believe this proposed change is not necessary, as derivatives exposures are already adequately captured under the current framework. Accordingly, we recommend that the final rule not add a measurement of derivative exposures to cross-jurisdictional activity indicators. If the final rule nonetheless retains these proposed revisions, at a minimum, we recommend that the measurement of derivatives allow for netting of collateral consistent with U.S. GAAP and the FFIEC 009 instructions, for a more accurate reflection of their risk profile, and that centrally cleared derivatives be excluded.

A. Challenges and Concerns

The Proposal would include derivatives exposures gross of collateral in the cross-jurisdictional activity indicators; this would not appropriately reflect the risk mitigation effects of collateral and

²⁸ See Basel Committee on Banking Supervision, “Instructions for the end-2022 G-SIB assessment exercise” at 13 (Jan. 2023), [available here](#); EBA, “Guidelines on the specification and disclosure of systemic importance indicators” (Nov. 4, 2020), [available here](#). See also EBA, “Global Systemically Important Institutions (G-SIIs),” [available here](#) (referencing and linking to the Basel Committee instructions).

²⁹ As of 2025. Investment Company Institute, “2026 Investment Company Fact Book” at 55 (2026), [available here](#).

would significantly overstate banking organizations' cross-jurisdictional activity. Variation margin collateral can be viewed as a form of settlement of the claim or liability and therefore reporting an exposure gross of variation margin collateral would not accurately reflect cross-jurisdictional exposures. We recognize that the cross-jurisdictional activity indicator includes risk shifting concepts such that, for derivative claims, cash collateral is reported based on the country in which the cash collateral is held and that securities collateral is reported based on the country of the issuer of the securities. However, risk shifting would not sufficiently cover the full effects of collateralization, particularly with respect to derivative liabilities, where risk-shifting would not apply. Accordingly, reflecting these exposures on a net basis consistent with U.S. GAAP would be more reflective of the actual exposures arising from derivatives.

We also note that derivative exposures are already triple-counted through the FR Y-15 systemic indicators in the size, interconnectedness and complexity categories, as well as in ancillary schedules.³⁰ In this context, it is unclear that adding derivatives to the cross-jurisdictional activity indicators would meaningfully improve the measurement of systemic risk.

Derivatives risk is already subject to extensive capital requirements beyond FR Y-15 reporting. For instance, a firm's derivatives risk is accounted for in risk weighted assets via SA-CCR, the Credit Valuation Adjustment framework revisions and the market risk capital framework.

B. Recommendations

We recommend that the final rule not include derivative exposures in the systemic indicators for cross-jurisdictional claims and cross-jurisdictional liabilities. Instead, measurements of these exposures should remain as memoranda items.

If the final rule nonetheless retains the proposed revisions to the cross-jurisdictional activity indicators, at a minimum, we recommend that the measurement of derivatives allow for netting of collateral consistent with U.S. GAAP and that centrally cleared derivatives be excluded.

The final rule should correct the overstatement of short-term wholesale funding in the STWF indicator.

The short-term wholesale funding ("wSTWF") indicator is intended to measure a firm's reliance on short-term, runnable wholesale funding, a key driver of liquidity risk and potential systemic vulnerability. However, the current methodology captures certain transaction types on a gross basis that do not provide any funding to the firm. We identify below two categories of transactions where this overstatement is most pronounced and recommend that the final rule permit netting or exclusion in each case.

³⁰ Derivatives are measured in Schedule A—Size: Item 1 (Derivative Exposures); Schedule B—Interconnectedness Indicators: Intra-Financial System Assets, Item 5 (Over-the-counter (OTC) derivative contracts with other financial institutions that have a net positive fair value); Schedule D—Complexity: Notional Amount of Over-the-Counter (OTC) Derivative Contracts; Schedule F—Ancillary Indicators: Gross positive fair value of over-the-counter (OTC) derivative contracts.

A. Challenges and Concerns

1. *Margin loan short sale proceeds.*

Cash received from customer short sale proceeds within a margin lending account does not, in itself, represent funding provided to the financial institution. Within a margin account, customer debits (e.g., margin loans) and credits (e.g., short sale proceeds) form part of a single, integrated financing relationship that is nettable under U.S. GAAP. To the extent a customer has an outstanding margin loan, short sale proceeds may be fully absorbed within the account and may not be available to fund the firm, as the customer can withdraw excess cash at any time once contractual margin requirements are satisfied. In such cases, the financial institution is not economically relying on the customer for funding. Including gross short sale proceeds without regard to offsetting margin debits may therefore overstate the firm's dependence on short-term funding and is not fully consistent with the GSIB framework's intent to measure net, runnable funding exposure; it is when a bank externalizes funding for margin loan and customer debit balances that it incurs wSTWF, and it is that externalized liability, placed in the market, that represents its true funding exposure.

2. *Securities financing transaction facilitation with counterparties.*

Repurchase and reverse repurchase transactions, as well as securities lending and borrowing transactions (collectively “SFTs”), executed with the same counterparty should be eligible for offsetting where such transactions satisfy the conditions for netting, including matched maturities and legally enforceable netting arrangements, on the basis that such transactions do not give rise to any funding to the reporting firm or a credit exposure to the counterparty.

Including the gross SFT liability in wSTWF may mischaracterize the nature of the exposure and inflate measured wSTWF, despite the absence of incremental liquidity risk or run vulnerability given the presence of legally enforceable arrangements that reduce credit and funding exposure. A firm's true funding exposure arises only to the extent it is in a net borrowing position with a given counterparty—that is, where the firm has borrowed more than it has lent on a matched-maturity basis. Where repo and reverse repo positions with the same counterparty are equal and offsetting, the firm has not obtained net funding from that counterparty, and inclusion of the gross liability in wSTWF may overstate the firm's actual reliance on short-term wholesale funding.

B. Recommendations

We recommend that short sale proceeds within a margin lending account only contribute to wSTWF to the extent the margin account is in a net credit position, after accounting for any outstanding margin loans.

We further recommend that where a financial institution enters into equal and offsetting SFTs with the same counterparty, such transactions should be eligible for offsetting should they satisfy the conditions for netting, including matched maturities and legally enforceable netting arrangements.

II. The draft instructions to the FR Y-15 appropriately clarify that the SA-CCR alpha factor should not be applied in calculating exposure amounts for the interconnectedness indicators.

We appreciate that the draft revised instructions to the FR Y-15 clarify that the alpha factor should not be included and reiterate that the alpha factor is not relevant to interconnectedness.

Otherwise, the 2023 preamble’s description of how to calculate exposure amounts for derivatives raised ambiguity as to whether the SA-CCR alpha factor should be applied in the calculation of potential future exposure (“PFE”) and replacement cost in the interconnectedness indicators.

A. Challenges and Concerns

The preamble to the 2023 proposal stated that a banking organization “should report the exposure amount of derivatives in accordance with the capital rule, 12 CFR 217.34(a),”³¹ which on its face would appear to refer to the full SA-CCR exposure amount calculation. SA-CCR provides that the “exposure amount” is determined by application of the 1.4 alpha factor to replacement cost plus PFE, as set forth in 12 CFR 217.132(c)(5)(i).

The express line items in the draft FR Y-15 instructions that accompany the Proposal clarify, however, that the 1.4 alpha factor is not intended to apply in this context. Specifically, the Line 5(a) and 12(a) calculations are based on GAAP, whereas the SA-CCR replacement cost calculations require adjustments based on the existence of a variation margin agreement.³² This distinction suggests that the FR Y-15 line items do not call for the full SA-CCR exposure amount. Further, the Line 5(b) and 12(b) calculations refer specifically to 217.34(a)(2), which points to SA-CCR at 217.132(c); subsection (c)(7) of the regulation provides that PFE is calculated as a pre-alpha factor item. Taken together, the structure and specifics of the FR Y-15 line items point clearly toward a pre-alpha factor calculation.

The alpha factor is justified in the SA-CCR final rule release as a way to “instill an appropriate level of conservatism and further support the use of SA-CCR as a broadly applicable and standardized methodology ... [and] capture certain risks (e.g., wrong-way risk, non-granular risk exposures, etc.) that are not fully reflected under either [internal models methodology] or SA-CCR.”³³ Although those risks may be relevant to measuring counterparty credit exposure for capital purposes, they are already addressed through the broader capital framework and do not appear to be the basis for the specific FR Y-15 line items used to measure interconnectedness. Accordingly, including the alpha factor in the exposure calculation for the interconnectedness indicators would add a capital-conservatism overlay to a reporting metric designed to measure systemic interconnectedness, overstating a GSIB’s interconnectedness.

³¹ 88 Fed. Reg. 60385, 60392 (Sept. 1, 2023).

³² See 12 CFR 217.132(c)(6).

³³ Standardized Approach for Calculating the Exposure Amount of Derivative Contracts, 85 Fed. Reg. 4362, 4372 (Jan. 24, 2020).

B. Recommendations

We appreciate that the draft instructions do not require application of the alpha factor for purposes of the interconnectedness indicators and recommend that the final FR Y-15 instructions explicitly reflect that approach.