Supporting Statement for the
Banking Organization Systemic Risk Report
(FR Y-15; OMB No. 7100-0352)

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to extend, with revision, the mandatory Banking Organization Systemic Risk Report (FR Y-15; OMB No. 7100-0352). The FR Y-15 quarterly report collects systemic risk data from U.S. bank holding companies (BHCs), covered savings and loan holding companies (SLHCs), and intermediate holding companies (IHCs) with total consolidated assets of $50 billion or more, and any BHC designated as a global systemically important bank holding company (G-SIB)[1] based on its method 1 score calculated as of December 31 of the previous calendar year that does not otherwise meet the consolidated assets threshold for BHCs. The Board uses the FR Y-15 data to monitor, on an ongoing basis, the systemic risk profile of the institutions that are subject to enhanced prudential standards under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).[2]

Under the proposal, the FR Y-15 would be revised by (1) including Mexican pesos in total payments activity on Schedule C and removing it from the Memorandum items; (2) adding securities brokers to the definition of financial institutions in the instructions for Schedule B; (3) expressly including all cleared derivative transactions in Schedule D, item 1; (4) specifying how certain cleared derivatives transactions are reported in Schedule B, items 5(a) and 11(a); and (5) making minor clarifications to the form and instructions.

The proposed changes would be effective for reports submitted on or after January 1, 2018, beginning with reports reflecting the December 31, 2017, report date. The annual burden for the FR Y-15 report is estimated to be 64,160 hours and is not expected to change with the proposed revisions.

Background and Justification

The FR Y-15 report is used to monitor the systemic risk profile of the institutions which are subject to enhanced prudential standards under section 165 of the Dodd-Frank Act. In addition, the FR Y-15 is used to (i) facilitate the implementation of the surcharge for G-SIBs, (ii) identify other institutions which may present significant systemic risk, and (iii) analyze the systemic risk implications of proposed mergers and acquisitions.

In August 2015, the Board published a final rule establishing a G-SIB surcharge on the largest, most interconnected U.S. BHCs.[3] The G-SIB surcharge is calculated using an indicator-based approach that focuses on those aspects of a BHC's operations that are likely to generate

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[1] See 12 CFR 217.402.

[2] 12 U.S.C. § 5365.

[3] See 80 FR 49082 (August 14, 2015).

negative externalities in the case of its failure or distress. The rule's methodologies assess six components of a BHC's systemic footprint: size, interconnectedness, substitutability, complexity, cross-jurisdictional activity, and reliance on short-term wholesale funding. The indicators comprising these six components are reported on the FR Y-15.

Among other things, the Dodd-Frank Act requires that the Board consider financial stability as part of its review of certain banking applications and that the Board establish enhanced supervision and prudential requirements for certain large bank holding companies. The FR Y-15 provides information that is used for these purposes.

Description of Information Collection

The report consists of the following schedules:

- Schedule A – Size Indicator;
- Schedule B – Interconnectedness Indicators;
- Schedule C – Substitutability Indicators;
- Schedule D – Complexity Indicators;
- Schedule E – Cross-Jurisdictional Activity Indicators;
- Schedule F – Ancillary Indicators; and
- Schedule G – Short-term Wholesale Funding Indicator.

Some of the reporting requirements within the schedules overlap with data already collected in the Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128), the Country Exposure Report (FFIEC 009; OMB No. 7100-0035), and the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101; OMB No. 7100-0319). Where relevant data are already being reported on the FR Y-9C, the FFIEC 009, or the FFIEC 101, the FR Y-15 automatically populates those amounts based on the source form so that the information does not need to be reported twice. Automatically-retrieved items are listed in the general instructions of the FR Y-15 under section H, titled "Data Items Automatically Retrieved from Other Reports."

Schedule A - Size Indicator

The Size Indicator Schedule includes items addressing derivative exposures and securities financing transaction (SFT) exposures. The schedule also includes other on-balance sheet assets, regulatory adjustments, gross notional amounts of items subject to different credit conversion factors (0%, 20%, 50%, and 100%) under Regulation Q (Capital Adequacy of Bank Holding Companies, Savings and Loan Holding Companies, and State Member Banks),[4] securities received as collateral in securities lending, cash collateral received in conduit securities lending transactions, and credit derivatives sold net of related credit production bought.

Schedule B - Interconnectedness Indicators

[4] 12 CFR part 217.

The Interconnectedness Indicators Schedule is comprised of three subcategories: intra-financial system assets, intra-financial system liabilities, and securities outstanding. Intra-financial system assets are comprised of funds deposited with or lent to unaffiliated financial institutions, certificates of deposit, unused portion of committed lines extended to other financial institutions, holdings of securities issued by other financial institutions, net positive current exposure of SFTs with other financial institutions, and information about over-the-counter derivatives with other financial institutions that have a net positive fair value.

Intra-financial system liabilities include deposits due to depository institutions, deposits due to non-depository financial institutions, borrowings obtained from other financial institutions, unused portions of committed lines obtained from other financial institutions, net negative current exposure of SFTs with other financial institutions, and information about OTC derivatives with other financial institutions that have a net negative fair value.

Securities outstanding include secured debt securities, senior unsecured debt securities, subordinated debt securities, commercial paper, certificates of deposit, common equity, and preferred shares and other forms of subordinated funding. Standby letters of credit extended to other financial institutions are reported as a memorandum item.

Schedule C - Substitutability Indicators

The Substitutability Indicators Schedule includes the value of payments sent by the banking organization over the reporting year via large value payment systems or through an agent. These payments are reported by currency. Additional currencies are reported as memorandum items. Payments made in currencies not listed are also collected. The schedule also includes assets held as a custodian on behalf of customers, equity underwriting activity, debt underwriting activity, and unsecured settlement/clearing lines provided.

Schedule D - Complexity Indicators

The Complexity Indicators Schedule includes the notional amount of OTC derivatives cleared through a central counterparty, the notional amount of OTC derivatives settled bilaterally, trading securities, available-for-sale (AFS) securities, trading and AFS securities that meet the definition of level 1 liquid assets, trading and AFS securities that meet the definition of level 2 liquid assets after haircuts, assets valued for accounting purposes using Level 3 measurement inputs, and held-to-maturity securities.[5]

Schedule E - Cross-Jurisdictional Activity Indicators

The Cross-Jurisdictional Activity Indicators Schedule includes foreign claims on an ultimate-risk basis (i.e., immediate-counterparty claims that have been adjusted, where relevant, based on the country of residence of the guarantor or collateral provided), foreign liabilities

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5 For definitions of level 1 and level 2 liquid assets, see 12 CFR 249.20. For a definition of Level 3 measurement inputs see FASB ASC Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, Fair Value Measurements).

(excluding local liabilities in local currency), any foreign liabilities to related offices included in the reported foreign liabilities total, and local liabilities in local currency.

Schedule F - Ancillary Indicators

The Ancillary Indicators Schedule includes total liabilities, retail funding, total gross revenue, total net revenue, foreign net revenue, gross value of cash provided and gross fair value of securities provided in SFTs, gross value of cash received and gross fair value of securities received in SFTs, gross positive fair value of OTC derivative contracts, gross negative fair value of OTC derivative contracts, and number of jurisdictions where the banking organization has a branch, a subsidiary, or other entity that is consolidated under U.S. generally accepted accounting principles.

Schedule G – Short-Term Wholesale Funding Indicator

The Short-Term Wholesale Funding Indicator Schedule captures first, second, and third tier funding and all other components of short-term wholesale funding. First-tier funding consists of funding secured by level 1 liquid assets, retail brokered deposits and sweeps, unsecured wholesale funding obtained outside of the financial sector, and firm short positions involving level 2B liquid assets or assets that do not qualify as high-quality liquid assets (HQLA).[6] Second tier funding consists of funding secured by level 2A liquid assets and covered asset exchanges.[7] Third tier funding consists of funding secured by level 2B liquid assets, other covered asset exchanges, and unsecured wholesale funding obtained within the financial sector. The schedule also captures average risk-weighted assets.

Proposed Revisions

Under the proposal, the FR Y-15 would be revised by (1) including Mexican pesos in total payments activity on Schedule C and removing it from the Memorandum items; (2) adding securities brokers to the definition of financial institutions in the instructions for Schedule B; (3) expressly including all cleared derivative transactions in Schedule D, item 1; (4) specifying how certain cleared derivatives transactions are reported in Schedule B, items 5(a) and 11(a); and (5) making minor clarifications to the form and instructions. The proposed changes would be effective for reports submitted on or after January 1, 2018, beginning with reports reflecting the December 31, 2017, report date.

The currencies listed in total payments activity on Schedule C are intended to be the most important global currencies from a systemic importance perspective. In evaluating which currencies to include, the Board considers the currency's share of global foreign exchange market turnover when assessing for systemic importance. Based on the 2013 Triennial Central Bank Survey, Mexican pesos accounted for over 2.5% of foreign exchange market turnover.[8]

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[6] For the list of assets that are level 2B liquid assets and a definition of HQLA, see 12 CFR 249.20 and 249.3, respectively.

[7] For the list of assets that are level 2A liquid assets, see 12 CFR 249.20.

[8] See *Triennial Central Bank Survey*, December 2016, available at http://www.bis.org/publ/rpfx16fx.pdf

Including Mexican pesos in total payments activity would better reflect a bank's substitutability in the processing of payments.

Securities dealers, which are included in the definition of financial institution for the purposes of reporting intra-financial system assets and liabilities, buy and sell securities using the firm's own accounts. Securities brokers also buy and sell securities, but on behalf of clients. Given the similarity of the economic impact of these two activities, including improved price-discovery and increased liquidity, and the fact that many dealers also provide brokerage services to clients, under the proposal securities brokers would be added to the definition of financial institution.

Under the proposal, client clearing activity would be expressly included in the reporting of cleared derivatives in order to capture the systemic risks associated with such activity and better align the treatment of cleared derivatives with the Board's regulatory capital rules.

Frequency

The Board proposes no changes to the reporting frequency of the FR Y-15.

Time Schedule for Information Collection and Publication

The FR Y-15 is required to be submitted as of the last calendar day of March, June, September, and December. The submission date for banking organizations for March, June, and September is 50 calendar days after the as-of date. The submission date for December is 65 calendar days after the as-of-date.

Respondents are required to submit the report electronically using the Board's standard electronic submission application. The application validates the report data for mathematical and logical consistency and provides the reporting institution with a confirmation of receipt of its submission.

In the interest of transparency, the FR Y-15 data are made available to the public on the FFIEC website (www.ffiec.gov/nicpubweb/nicweb/nichome.aspx).

Legal Status

The Board's Legal Division has determined that the mandatory FR Y-15 is authorized by the Dodd-Frank Act (sections 163, 165, and 604), the International Banking Act, the Bank Holding Company Act, and the Home Owners' Loan Act (12 U.S.C. §§ 1467a, 1844, 3106, and 3108).

Most of the data collected on the FR Y-15 is made public unless a specific request for confidentiality is submitted by the reporting entity, either on the FR Y-15 or on the form from which the data item is obtained.[9] Such information will be accorded confidential treatment under

[9] As noted, a number of the items in the FR Y-15 are retrieved from the FR Y-9C and other items may be retrieved from the FFIEC-101and FFIEC 009. Confidential treatment will extend to any automatically-calculated items on

exemption 4 of the Freedom of Information Act ("FOIA"), 5 U.S.C. § 552(b)(4), if the submitter substantiates its assertion that disclosure would likely cause substantial competitive harm. In addition, items 1 through 4 of Schedule G of the FR Y-15, which contain sensitive information regarding the reporting entity's liquidity position, will also be accorded confidential treatment under exemption 4. To the extent confidential data collected under the FR Y-15 will be used for supervisory purposes, it may be exempt from disclosure under exemption 8 of FOIA, 5 U.S.C. § 552(b)(8).

Consultation Outside of Agency

The FR Y-15 was derived from data collections developed by the Basel Committee on Banking Supervision (BCBS) to assess the global systemic importance of banks. The BCBS in January 2017 revised its data collection after consultation with representatives from numerous national supervisory authorities, including the Board.[10] Many of the proposed changes to the FR Y-15 would correspond to changes made to the BCBS data collection.

On August 24, 2017, the Federal Reserve published a notice in the *Federal Register* (82 FR 40154) requesting public comment for 60 days on the extension, without revision, of the Quarterly Savings and Loan Holding Company Report. The comment period for this notice expires on October 24, 2017.

Estimate of Respondent Burden

As shown in the following table, the current annual burden for the report is estimated to be 64,160 hours and is not expected to change with the proposed revisions. Mexican pesos are presently being reported by respondents as a memoranda item. Further, the changes for both agency and client clearing activity are not expected to impact burden. The Board estimates that each respondent would require 401 hours to complete the FR Y-15. The total annual burden for the FR Y-15 represents less than one percent of the total Federal Reserve System paperwork burden. Based on data as of December 2016, the FR Y-15 would be filed by approximately 40 respondents.

FR Y-15	*Number of respondents*[11]	*Quarterly frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current				

the FR Y-15 that have been derived from confidential data items and that, if released, would reveal the underlying confidential data.

[10] See *Instructions for the end-2016 G-SIB assessment exercise*, January 2017, available at http://www.bis.org/bcbs/gsib/instr_end16_gsib.pdf

[11] Of the 40 respondents required to comply with this information collection, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than $550 million in total assets) www.sba.gov/contracting/getting-started-contractor/make-sure-you-meet-sba-size-standards/table-small-business-size-standards.

BHCs, SLHCs and IHCs	40	4	401	64,160

The total annual cost to the public for this report is estimated to be $3,522,384.[12]

Sensitive Questions

This collection of information contains no questions of a sensitive nature as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated annual cost to the Federal Reserve System for collecting and processing this report is $130,220.

[12] Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at $18, 45% Financial Managers at $67, 15% Lawyers at $67, and 10% Chief Executives at $93). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages May 2016, published March 31, 2017 www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.