

**Supporting Statement for
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 implement the mandatory Banking Organization Systemic Risk Report (FR Y-15; OMB No. 7100-0352). The FR Y-15 annual report would collect systemic risk data from U.S. Bank Holding Companies (BHCs) with total consolidated assets of \$50 billion or more, and any U.S.-based organizations that are designated as global systemically important banks (G-SIBs) by the Basel Committee on Banking Supervision (BCBS) that do not otherwise meet the consolidated assets threshold.

The Federal Reserve plans to use the FR Y-15 data to monitor, on an ongoing basis, the systemic risk profile of the institutions which are subject to enhanced prudential standards under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA). The annual burden for the proposed FR Y-15 report is estimated to be 55,400 hours.

Background and Justification

In response to the financial crisis, the BCBS adopted a series of reforms to improve the resilience of banks and banking systems. Among those reforms is a requirement that G-SIBs hold additional capital to enhance their ability to absorb losses and remain going concerns.

To determine the additional capital requirement, the BCBS developed an indicator-based approach that focuses on aspects of a G-SIB's operations that are likely to generate negative externalities in the case of its failure. The methodology assesses five components of a bank's systemic footprint: size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity. The capital requirement, which may be influenced by supervisory judgment, is based on a bank's relative performance on the systemic risk measures.

Initially, G-SIBs will be assigned one of four additional capital requirements, which range from 1.0% to 2.5% of risk-weighted assets. Going forward, the requirement could be raised to 3.5% if a G-SIB substantially increases its systemic footprint. The additional capital requirement will be phased in beginning in January 2016 and become fully effective in January 2019.

The proposed FR Y-15 is derived from the G-SIB data collection. In addition to (i) identifying institutions which may be designated as domestic systemically important banks (D-SIBs) under a future framework and (ii) analyzing the systemic risk implications of proposed mergers and acquisitions, the Federal Reserve plans to use the FR Y-15 data to monitor, on an ongoing basis, the systemic risk profile of the institutions which are subject to enhanced prudential standards under section 165 of the DFA. The Federal Reserve would also submit data

to the BCBS for use in determining whether an institution is a G-SIB and, if so, what additional capital requirement would be applied.¹

Description of Information Collection

The data items collected in this report would mirror those that were developed by the BCBS to assess the global systemic importance of banks. The report would consist of the following schedules, which are each discussed in detail below:

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

It is important to note that some of the reporting requirements would overlap with data already collected in the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128) and the Country Exposure Report (FFIEC 009; OMB No. 7100-0035). Where relevant data are already being reported on the FR Y-9C or the FFIEC 009, the FR Y-15 would automatically retrieve those amounts. 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 Indicators

The larger a firm is in terms of total assets, the larger the potential impact to the global financial system should that firm default. The size metric is identical to the total exposures value to be used in the international leverage ratio and would be calculated using both on- and off-balance sheet data. On-balance sheet items would include total on-balance-sheet assets, net and gross securities financing transactions, securities received as collateral in securities lending, cash collateral received in conduit securities lending transactions, derivative exposures with a net positive fair value, and cash collateral netted against net positive derivative exposures. Off-balance sheet items would include potential future exposure of derivative contracts, the notional amount of credit derivatives sold, credit derivatives sold net of related credit protection bought, the notional amount of off-balance-sheet items with a 0% credit conversion factor (CCF) under the standardized approach to risk-based capital, unconditionally cancellable credit card commitments, other unconditionally cancellable commitments, the notional amount of off-balance-sheet items with a 20% CCF, the notional amount of off-balance-sheet items with a 50% CCF, and the notional amount of off-balance-sheet items with a 100% CCF. Certain regulatory adjustments to Tier 1 capital would also be collected.

¹ Data for BHCs with total exposures in excess of 100 billion euros are submitted to the BCBS for potential inclusion in the G-SIB assessment methodology.

Schedule B - Interconnectedness Indicators

The Interconnectedness Indicators Schedule is comprised of three subcategories: intra-financial system assets, intra-financial system liabilities, and securities issued. Intra-financial system assets would be comprised of funds deposited with or lent to unaffiliated financial institutions, undrawn committed lines extended to unaffiliated financial institutions, holdings of securities issued by unaffiliated financial institutions (including secured debt securities, senior unsecured debt securities, subordinated debt securities, commercial paper, certificates of deposit, and stock (including par and surplus of common and preferred shares)), offsetting short positions in relation to specific stock holdings, net positive current exposure of securities financing transactions with unaffiliated financial institutions, and information about over-the-counter (OTC) derivatives with unaffiliated financial institutions that have a net positive fair value (including the fair value of the derivatives, the potential future exposure, and the fair value of collateral that is held outside of master netting agreements).

Intra-financial system liabilities would include deposits due to depository institutions, deposits due to non-depository financial institutions, undrawn committed lines obtained from unaffiliated financial institutions, net negative current exposure of securities financing transactions with unaffiliated financial institutions, and information about OTC derivatives with unaffiliated financial institutions that have a net negative fair value (including the fair value of the derivatives, the potential future exposure, and the fair value of collateral that is provided outside of the master netting agreements).

Securities issued by the bank would include secured debt securities, senior unsecured debt securities, subordinated debt securities, commercial paper, certificates of deposit, and equity market capitalization.

Schedule C - Substitutability Indicators

The Substitutability Indicators Schedule would include the value of payments sent by the bank for the reporting year in Australian dollars, Brazilian real, Canadian dollars, Swiss francs, Chinese yuan, euros, Pound sterling, Hong Kong dollars, Indian rupees, Japanese yen, Swedish krona, United States dollars, and all other currencies not specifically listed. Outgoing payments would be included regardless of whether the payments were initiated directly via a payment system or indirectly via an agent bank. Furthermore, the reported payment totals would reflect gross payment activity (i.e., they would not be netted against any incoming payments). The schedule would also include the value of assets held as a custodian on behalf of customers, equity underwriting activity, and debt underwriting activity.

Schedule D - Complexity Indicators

The Complexity Indicators Schedule would include the notional amount of OTC derivatives cleared through a central counterparty, the notional amount of OTC derivatives settled bilaterally, trading securities, trading securities for which the fair value option is elected, available-for-sale (AFS) securities, total stock of Level 1 assets, Level 1 assets that are trading or AFS securities, total stock of Level 2 assets, Level 2 assets that are trading or AFS securities,

adjustment to stock of high quality liquid assets due to cap on Level 2 assets, held-to-maturity securities, and assets valued using Level 3 measurement inputs.²

Schedule E - Cross-Jurisdictional Activity Indicators

The Cross-Jurisdictional Activity Indicators Schedule would include total foreign claims on an ultimate risk basis, foreign liabilities (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 would include total liabilities, retail funding, total net revenue, foreign net revenue, total gross revenue, peak equity market capitalization, gross value of cash lent and gross fair value of securities lent in securities financing transactions, gross value of cash borrowed and gross fair value of securities borrowed in securities financing transactions, gross positive fair value of OTC derivatives transactions, gross negative fair value of OTC derivatives transactions, unsecured settlement/clearing lines provided, and number of jurisdictions.

Respondent Panel

The FR Y-15 report would collect systemic risk data used by the BCBS to assign G-SIB capital surcharges. Given this purpose of the data collection along with the threshold for enhanced prudential standards provided under DFA, the Federal Reserve proposes that the new reporting requirements apply to U.S. BHCs that have total consolidated assets of \$50 billion or more as of December 31, and any U.S.-based organizations that are designated as G-SIBs by the BCBS that do not otherwise meet the consolidated assets threshold.

Based on data as of September 2012, the FR Y-15 would be filed by approximately 33 domestic BHCs.

Time Schedule for Information Collection and Publication

The Federal Reserve proposes to implement the collection of the new systemic risk report as of December 31, 2012, so that it may be used in the 2013 G-SIB data collection exercise. This timing would also allow G-SIBs one year to familiarize themselves with the report prior to submitting their year-end 2013 data, which will be used by the BCBS to set the initial additional capital requirement.³ The proposed collection frequency and reporting date for the FR Y-15 reflect the G-SIB assessment methodology, which is scheduled to repeat annually using year-end data.

² For definitions of Level 1 and Level 2 assets, see *Basel III: International framework for liquidity risk measurements, standards and monitoring* (Dec. 2010), available at <http://www.bis.org/publ/bcbs188.pdf>. 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).

³ The initial capital requirement is scheduled to be phased-in starting in January 2016.

The Federal Reserve will limit the FR Y-15 reporting panel for the December 31, 2012, as-of-date to the eight U.S. top-tier BHCs that were designated as G-SIBs by the FSB on November 1, 2012.⁴ This will exclude all U.S. BHCs that are a subsidiary of a foreign banking organization (FBO) from the 2012 reporting panel. The Federal Reserve will require that the full BHC panel (i.e., all BHCs with over \$50 billion in total consolidated assets, including those that are subsidiaries of FBOs) file the FR Y-15 starting with the December 31, 2013, as-of-date.

To afford reporting institutions additional time to prepare the initial submission of the FR Y-15, the Federal Reserve will extend the initial submission date to 90 days after the December 31, 2012, as-of-date. Furthermore, the Federal Reserve will move the submission date for the FR Y-15 to 60 days after the as-of-date, beginning with the December 31, 2013, as-of-date.

Respondents would be required to submit the report electronically using one of the Federal Reserve's standard electronic submission applications. The Federal Reserve believes this to be the most efficient and least burdensome method of submission since the FR Y-9C and FFIEC 009 reports are currently submitted electronically through these applications. The application would validate the report data for mathematical and logical consistency and provide the reporting institution with a confirmation of receipt of its submission. The application would also allow institutions to provide written comments on each item and, if needed, an overall narrative.

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

Legal Status

The Federal Reserve Board's Legal Division has determined that the mandatory FR Y-15 is authorized by section 5 of the Bank Holding Company Act (12 U.S.C. §1844(c)).

The Federal Reserve Board's Legal Division has also determined that the data collected in the FR Y-15 are not considered confidential. However, if a reporting institution believes that disclosure of the FR Y-15 data will result in competitive harm, the respondent may request confidential treatment on a cases-by-case basis under the Freedom of Information Act (FOIA) (5 U.S.C. §522(b)(4) and (b)(6)).

Certain items on the FR Y-15 will be automatically retrieved from the FR Y-9C. Therefore, institutions that have been granted confidential treatment of any FR Y-9C data will need to request that this confidentiality also apply to the same data included in the FR Y-15. In addition, total foreign claims information will be automatically calculated using data from the FFIEC 009, which is a confidential report. The Federal Reserve will publish this data item since it represents a highly aggregated figure that, if nonzero, does not reveal any of the actual underlying values included in the FFIEC 009 report.

⁴ See *Update of group of global systemically important banks (G-SIBs)*, available at www.financialstabilityboard.org/publications/r_121031ac.pdf.

Consultation Outside of Agency and Discussion of Public Comments

The FR Y-15 is derived directly from a data collection developed by the BCBS to assess the global systemic importance of banks. This data collection was created in consultation with representatives from numerous national supervisory authorities, including the Federal Reserve.

On August 20, 2012, the Federal Reserve published a notice in the *Federal Register* (77 FR 50102) requesting public comment for 60 days on the implementation of the FR Y-15. The comment period for this notice expired on October 19, 2012. The Federal Reserve received four comment letters on the proposed implementation: three from trade organizations and one from a savings and loan holding company. Federal Reserve staff also met with industry representatives regarding the proposed report. On December 28, 2012, the Federal Reserve published a final notice in the *Federal Register* (77 FR 76484) on the FR Y-15.

Public Comments

The Federal Reserve received four comment letters on the proposed implementation of the FR Y-15. The majority of the comments centered on the proposed reporting requirements for savings and loan holding companies (SLHCs) and FBOs, especially regarding differences in accounting. Other comments mentioned difficulties in calculating certain proposed data items. Commenters requested delayed implementation for the requirements, elimination or modification of the attestation requirement, and confidential treatment of the FR Y-15 data.

After considering the comments received on the proposed implementation of the FR Y-15, the Federal Reserve will implement the report with certain modifications in response to the comments. For a detailed discussion of the changes, the comments received, and the Federal Reserve's response, please refer to the "Detailed Discussion of Public Comments and Federal Reserve Responses" section of the final *Federal Register* notice for the FR Y-15 (77 FR 76484).

Sensitive Questions

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

Estimate of Respondent Burden

The total annual burden for the report is estimated to be 55,400 hours, as shown in the following table. For the December 31, 2012, as-of-date, only the eight U.S. institutions designated as G-SIBs would be required to file the FR Y-15. These institutions have completed similar ad hoc data collections in the past and thus already have some familiarity with the data items being reported. However, data auditing and verification systems would still need to be developed. The Federal Reserve estimates that there would be a one-time implementation burden of 1,000 hours per U.S. G-SIB to comply with the FR Y-15 reporting requirements. Furthermore, the Federal Reserve estimates that each U.S. G-SIB would take 300 hours annually to complete the FR Y-15 on an ongoing basis.

For the December 31, 2013 as-of-date, all BHCs with over \$50 billion in total consolidated assets would be required to file the FR Y-15. The Federal Reserve estimates that there would be a one-time implementation burden of 1,500 hours per BHC to comply with the FR Y-15 reporting requirements. Furthermore, the Federal Reserve estimates that each BHC would take 300 hours annually to complete the FR Y-15 on an ongoing basis. The estimated annual burden for this reporting form is less than 1 percent of the total Federal Reserve System burden.

	<i>Number of respondents⁵</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
<u>Implementation Costs:</u>				
U.S. G-SIBs	8	1	1,000	8,000
BHCs with over \$50 billion in total consolidated assets	25	1	1,500	37,500
<u>Ongoing Costs:</u>				
U.S. G-SIBs	8	1	300	2,400
BHCs with over \$50 billion in total consolidated assets	25	1	300	<u>7,500</u>
<i>Total</i>				55,400

The annual cost to the public for this report is estimated to be \$2,484,690.⁶

Estimate of Cost to the Federal Reserve System

For the December 31, 2012 as-of-date, the cost estimate for the Federal Reserve System for the implementation of the new reporting requirements is estimated to be \$500,000. For the December 31, 2012, as-of-date, the cost estimate for the Federal Reserve System for the ongoing maintenance of the information collection is estimated to be \$300,000.

⁵ Of the 33 respondents required to comply with this information collection, none are small entities as defined by the Small Business Administration (i.e., entities with less than \$175 million in total assets).

⁶ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (30% Office & Administrative Support at \$17 per hour, 45% Financial Managers at \$52 per hour, 15% Legal Counsel at \$55 per hour, and 10% Chief Executives at \$81 per hour). Hourly rate for each occupational group are the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2011, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.