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 revise, without extension, the mandatory Banking Organization Systemic Risk Report (FR Y-15; OMB No. 7100-0352). The FR Y-15 annual report collects 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 identified as global systemically important banks (G-SIBs)[1] that do not otherwise meet the consolidated assets threshold for BHCs.[2] The Federal Reserve uses the FR Y-15 data primarily 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).[3]

The Federal Reserve proposes to revise the FR Y-15 by: (1) adding five new line items consistent with revisions to international standards concerning the calculation of total exposures, securities outstanding, and trading and available-for-sale securities; (2) deleting three current line items that are no longer needed; (3) revising the definitions for six specific line items to be consistent with international standards; (4) revising the definition of financial institution used in Schedule B; (5) using total consolidated assets as of the June 30th prior to the December 31st as-of date to determine the reporting panel; and (6) incorporating instructional clarifications.[4]

The proposed changes would be effective December 31, 2013. The annual burden for the FR Y-15 report is estimated to be 9,900 hours. The proposed revisions would result in a net increase in burden of 495 hours.

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[1] See *Update of group of global systemically important banks (G–SIBs)*, available at http://www.financialstabilityboard.org/publications/r_121031ac.pdf.

[2] To allow additional time for compliance, the Federal Reserve limited 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 (77 FR 76484).

[3] See 12 U.S.C. 5365.

[4] In addition, certain derived data items that had to be reported previously will now be calculated for the reporting institutions automatically once the data are submitted.

Background and Justification

In response to the financial crisis, the Basel Committee on Banking Supervision (BCBS) adopted a series of reforms to improve the resilience of banks and banking systems. Among those reforms is a capital surcharge (G-SIB surcharge) that increases for G-SIBs the "capital conservation buffer" the BCBS included in the revised international standards it published in 2010, *Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems* (Basel III).[5] Under the standard, a G-SIB must hold tier 1 common equity capital sufficient to meet the capital conservation buffer, as increased by the G-SIB surcharge, in order to avoid restrictions on capital distributions and discretionary bonus payments to executive officers. The standards established in Basel III, as modified by the G-SIB surcharge (the Basel capital framework), are designed to fortify the capital positions of G-SIBs so that they can absorb losses and remain going concerns even under stressed financial conditions.

The BCBS developed an indicator-based approach for determining the G-SIB surcharge that focuses on those 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 surcharge, which may be influenced by supervisory judgment, is based on a banking organization's results relevant to other banking organizations that are also calculating the systemic risk measures.

Initially, G-SIBs will be assigned to one of four surcharges, which range from 1 percent to 2.5 percent of risk-weighted assets. Going forward, a G-SIB's surcharge could be raised if a G-SIB sufficiently increases its systemic footprint. The G-SIB surcharge is phased into the Basel framework beginning in January 2016 and becomes fully effective in January 2019.

The FR Y-15, which was derived from a Basel data collection aimed at measuring systemic importance, was implemented on December 31, 2012.[6] In addition to (i) facilitating the future implementation of the G-SIB surcharge through regulation, (ii) identifying institutions that may be D-SIBs under a future framework and (iii) analyzing the systemic risk implications of proposed mergers and acquisitions, the Federal Reserve uses 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 also submits data to the BCBS for use in determining whether an institution is a G-SIB and, if so, which G-SIB surcharge would be applicable to it.[7]

[5] The Basel III framework is available at www.bis.org/publ/bcbs189.htm.

[6] The final *Federal Register* notice was published on December 28, 2012 (77 FR 76484).

[7] 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.

Filing of year-end 2012 data was limited to the eight U.S. BHCs that the Financial Stability Board designated as G-SIBs on November 1, 2012.[8] Other BHCs subject to the reporting requirement are not required to file under the FR Y-15 until year-end 2013.

Description of Information Collection

The data items collected in this report mirror those that were developed by the BCBS to assess the global systemic importance of banking organizations. The report consists 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.

Each schedule consists of one or more systemic risk indicators. The rationale for using each type of indicator in determining systemic importance has been outlined by the BCBS.[9]

It is important to note that some of the reporting requirements 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 automatically retrieves 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 Indicator

The size indicator is identical to the total exposures value to be used in the international leverage ratio and is calculated using both on- and off-balance sheet data. On-balance sheet items include total assets, net and gross securities financing transactions (SFTs), 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 include potential future exposure of

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

[9] See *Global systemically important banks: updated assessment methodology and the additional loss absorbency requirement*, July 2013, available at http://www.bis.org/publ/bcbs255.htm.

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 percent 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 percent CCF, the notional amount of off-balance-sheet items with a 50 percent CCF, and the notional amount of off-balance-sheet items with a 100 percent CCF. Certain regulatory adjustments to Tier 1 capital are also collected.

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 are 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 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 outstanding 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 includes the value of payments sent by the bank over the reporting year via large value payment systems or through an agent. These payments are reported by currency (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). The schedule also includes assets held as a custodian on behalf of customers, equity underwriting activity, and debt underwriting activity.

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, trading securities for which the fair value option is elected, available-for-sale (AFS) securities, Level 1 assets, Level 1 assets that are trading or AFS securities, Level 2 assets, Level 2 assets that are trading or AFS securities, adjustment to high quality liquid assets due to cap on Level 2 assets, held-to-maturity securities, and assets valued using Level 3 measurement inputs.[10]

Schedule E - Cross-Jurisdictional Activity Indicators

The Cross-Jurisdictional Activity Indicators Schedule includes 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 includes 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.

[10] For definitions of Level 1 and Level 2 assets, see *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* (Jan. 2013), available at http://www.bis.org/publ/bcbs238.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).

Description of Proposed Revisions

Schedule A

To reflect the current definition of the Basel III leverage ratio, the Federal Reserve proposes to collect counterparty exposure of SFTs (item 2(a)(1)) and credit derivatives sold net of related credit protection bought after adjusting for maturity (item 2(b)(3)).

Schedule B

The current version of the FR Y-15 does not capture all types of possible outstanding securities. For completeness in assessing the systemic risk associated with the securities outstanding indicator, the Federal Reserve proposes to collect preferred shares and other forms of subordinated funding (item 17). The Federal Reserve also proposes to delete the fair value of collateral that is held outside of the master netting agreements from both the intra-financial system assets and intra-financial system liabilities sections (items 5(c) and 9(c)) as they are not required for the calculation of the two indicators. The Federal Reserve also proposes to revise the definition of financial institution to match the definition used in the BCBS G-SIB methodology. This change would affect the values reported in data items 1 through 10. Also, undrawn committed lines extended to unaffiliated financial institutions (item 2) will no longer be able to be pulled from the FR Y-9C and thus would need to be reported. The Federal Reserve also proposes to revise the definition for equity market capitalization (item 16) to capture equity that is not publicly traded. This line item would be retitled common equity. For clarity, the Federal Reserve proposes renaming securities issued to securities outstanding. Finally, the Federal Reserve proposes to move certificates of deposit (item 3(e)) so that it is a subcomponent of funds deposited with or lent to unaffiliated financial institutions (item 1).

Schedule C

To reflect the latest definitions adopted in the BCBS G-SIB methodology, the Federal Reserve proposes to revise the reporting instructions for payments made in the reporting year (item 1) and assets held as a custodian on behalf of customers (item 3).

Schedule D

To capture an alternative method for calculating the high quality liquid assets (HQLA) adjustment to trading and AFS securities, the Federal Reserve proposes to collect trading and AFS securities that meet the definition of Level 1 assets (item 11) and trading and AFS securities that meet the definition of Level 2 assets after applying haircuts (item 12). This alternative method may better reflect the amount of HQLA attributable to total trading and AFS securities. To reflect the liquidity definitions adopted by the BCBS in January 2013, the Federal Reserve proposes to revise the reporting instructions for Level 2 assets (item 8) and the adjustment to HQLA due to cap on Level 2 assets (item 9). The Federal Reserve recognizes that other data items would also be affected by the revised liquidity definitions (e.g., Level 1 assets). However, the instructions refer to the instructions for the July Basel III implementation monitoring exercise of the reporting year, which will already reflect the updated definitions. The Federal Reserve also proposes to delete securities for which the fair value option is elected (item 4(a)), as it is no longer being used in the BCBS G-SIB methodology. Finally, the Federal Reserve proposes to move held-to-maturity securities (item 11) to Schedule F (item 12).

Schedule F

To correct an instructional typo that resulted in the reporting of overstated figures, the Federal Reserve proposes to revise the reporting instructions for retail funding (item 2).

Change to Reporting Criteria

Currently the reporting panel is determined based on total consolidated assets as of December 31st. The Federal Reserve proposes to determine the reporting panel using total consolidated assets as of the June 30th prior to the December 31st as-of date. This would afford new reporters lead time to update their systems to capture the FR Y-15 data.

Instructional Clarifications

The Federal Reserve also proposes to incorporate instructional clarifications in response to feedback and questions received from banking organizations that filed the FR Y-15 for year-end 2012.

Respondent Panel

The Federal Reserve uses 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. Given the threshold for enhanced prudential standards provided under DFA, the reporting requirements apply to U.S. BHCs that have total consolidated assets of $50 billion or more as of the June 30th prior to the December 31st as-of date, and any U.S.-based organizations designated as G-SIBs that do not otherwise meet the consolidated assets threshold.

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

Time Schedule for Information Collection and Publication

The FR Y-15 is required to be submitted as of December 31. The submission date is 60 calendar days after the December 31 as-of-date.[11] The full BHC panel (i.e., all BHCs with over $50 billion in total consolidated assets, including those that are subsidiaries of FBOs) will file the FR Y-15 starting with the December 31, 2013, as-of-date.

Respondents are 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. The application validates the report data for mathematical and logical consistency and provides the reporting institution with a confirmation of receipt of its submission. The application also allows institutions to provide written comments, if needed.

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

Legal Status

The data collected on the FR Y-15 includes public information and confidential information, including confidential supervisory information. In this respect, data items on the FR Y-15 that are retrieved from the public portions of the FR Y-9C or that are published only in aggregate form on the FR Y-15 are not confidential. However, items on the FR Y-15 that are retrieved from non-public portions of the FR Y-9C for which the respondent requested and has been accorded confidential treatment are exempt from disclosure under Exemption 4 of the Freedom of Information Act (FOIA), 5 U.S.C. § 552 (b)(4), as confidential commercial information. The confidential data collected under the FR Y-15 will be used for supervisory purposes and therefore are also exempt from disclosure under Exemption 8 of FOIA, 5 U.S.C. § 552(b)(8). Confidential supervisory information may be disclosed only to "proper persons" as set forth in 12 USC 326 and consistent with the Federal Reserve's Rules Regarding the Availability of Information (12 CFR 261, subpart C). The Federal Reserve Board's Legal Division will review all requests for disclosure under 12 USC 326.

Consultation Outside of Agency

The FR Y-15 was 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

[11] To allow additional time for compliance, the initial submission date was set to 90 days after the December 31, 2012, as-of-date. However, beginning with the December 31, 2013, as-of-date, all BHCs will file the FR Y–15 report 60 days after the as-of- date (77 FR 76484).

with representatives from numerous national supervisory authorities, including the Federal Reserve.

On August 30, 2013, the Federal Reserve published a notice in the *Federal Register* (78 FR 53759) requesting public comment for 60 days on the proposed revisions to the FR Y-15. The comment period for this notice will expire on October 29, 2013.

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 9,900 hours, and would increase to 10,395 hours with the proposed revisions, as shown in the following table. The increase is due to the introduction of the new data items. The Federal Reserve estimates that with the proposed revisions, each respondent would take 315 hours annually to complete the FR Y-15. These reporting requirements represent less than 1 percent of total Federal Reserve System paperwork burden.

	Number of respondents[12]	*Estimated annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Current	33	1	300	9,900
Proposed	33	1	315	10,395
			Change	+495

The current annual cost to the public for this report is estimated to be $494,010, and would increase to $518,711, with the proposed changes.[13]

[12] 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 $500 million in total assets).

[13] 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 $18, 45% Financial Managers at $59, 15% Lawyers at $63, and 10% Chief Executives at $85). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2012, www.bls.gov/news.release/ocwage.nr0.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing this report will be obtained.