**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 for three years, 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),[1] and intermediate holding companies (IHCs) with total consolidated assets of $50 billion or more,[2] and any U.S. BHC designated as a global systemically important bank holding company (GSIB).[3] 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).[4]

The Board proposes to revise the FR Y-15 by (1) adding trading volume items to the memoranda section of Schedule C (Substitutability indicators) to capture the trading of securities issued by public sector entities, other fixed income securities, listed equities, and other securities; (2) adding a separate line item for equity securities with readily determinable fair values not held for trading to Schedule D (Complexity indicators); (3) adding foreign derivative claims, total cross-jurisdictional claims, foreign derivative liabilities, other foreign liabilities, and total cross-jurisdictional liabilities to the memoranda section of Schedule E (Cross-Jurisdictional Activity indicators); (4) adding a requirement that respondents keep a record of the data submitted; and

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[1] Covered SLHCs are those that are not substantially engaged in insurance or commercial activities. See 12 CFR 217.2.

[2] The Board has separately proposed to revise the respondent panel for the FR Y-15 in connection with two recent proposed rules that impact domestic banking organizations and foreign banking organizations (FBOs): Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies (the "Domestic Tailoring Proposal") and Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies (the "FBO Tailoring Proposal"). See 83 FR 61408 (November 29, 2018); 84 FR 21988 (May 15, 20 2019). Under the Domestic Tailoring Proposal, BHCs and covered SLHCs with less than $100 billion in total consolidated assets would no longer be required to submit the FR Y-15. The FBO Tailoring Proposal would remove IHCs from the respondent panel for the FR Y-15, and instead require FBOs with $100 billion or more in total consolidated assets to report the FR Y-15 for their combined U.S. operations, including their U.S. branch and agency networks and U.S. IHCs. If either the Domestic or FBO Tailoring Proposal is finalized before this proposal, the respondent panel for the FR Y-15 reports would be updated to reflect the respondent panel adopted in either Tailoring Proposal. Until the Domestic and FBO Tailoring Proposals are finalized, the Board has announced that it will not take action to require BHCs, covered SLHCs, and FBOs with less than $100 billion in total consolidated assets to file the FR Y-15, as applicable, in order to reflect the impact of the Economic Growth, Regulatory Relief, and Consumer Protection Act. See https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20180706b1.pdf.

[3] See 12 CFR 217.402. A U.S. top-tier holding company with total consolidated assets of $50 billion or more that is a subsidiary of a foreign banking organization must file the FR Y-15. Only the top tier of a multi-tiered holding company with total consolidated assets of $50 billion or more must file the FR Y-15.

[4] Pub. L. No. 111–203 (2010); 12 U.S.C. § 5365.

(5) making other minor clarifications and conforming edits to the form and instructions. The proposed changes would be effective beginning with reports reflecting the December 31, 2019 report date.

The current estimated total annual burden for the FR Y-15 is 59,644 hours, and would increase to 59,644 with the proposed revisions. The form and instructions are available on the Board's public website at http://www.federalreserve.gov/apps/reportforms/default.aspx.

**Background and Justification**

Section 165 of the Dodd-Frank Act directs the Board to establish enhanced prudential standards, including risk-based capital requirements, for certain large financial institutions. These standards must be more stringent than the standards applicable to other financial intuitions that do not present similar risks to U.S. financial stability. Additionally, these standards must increase in stringency based on several factors, including the size and risk characteristics of a company subject to the rule, and the Board must take into account the differences among bank holding companies and nonbank financial companies.

Pursuant to the requirement to establish enhanced risk-based capital standards under section 165 of the Dodd-Frank Act, the Board published a final rule establishing a GSIB surcharge on the largest, most interconnected U.S. BHCs in August 2015.[5] The GSIB surcharge is calculated using an indicator-based approach that focuses on those aspects of a BHC's operations that are likely to generate 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. More generally, the FR Y-15 report is used to monitor the systemic risk profile of the institutions that are subject to enhanced prudential standards under Section 165.

Additionally, the Dodd-Frank Act requires that the Board consider the extent to which a proposal would result in greater or more concentrated risks to the stability of the United States banking or financial system as part of its review of certain banking applications.[6] The data reported on the FR Y-15 are used by the Board to analyze the systemic risk implications of such applications.

**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

[5] 80 FR 49082 (August 14, 2015).

[6] Pub. L. No. 111–203, § 604(d),(f); 12 U.S.C. § 1842(c)(7) and 1828(c)(5).

- 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 collected by those reports, the FR Y-15 automatically populates items 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 section 217.33 of the Board's Regulation Q(Capital Adequacy of Bank Holding Companies, Savings and Loan Holding Companies, and State Member Banks),[7] 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**

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 (OTC) 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**

[7] 12 CFR 217.33.

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.[8]

**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 (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).[9]

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[8] For definitions of level 1 and level 2 liquid assets, see 12 CFR 249.20. For a definition of Level 3 measurement inputs see Financial Accounting Standards Board (FASB) Accounting Standards Topic 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157, Fair Value Measurements).

[9] 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.

Second-tier funding consists of funding secured by level 2A liquid assets and covered asset exchanges.[10] 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.

**Recordkeeping**

Respondents must maintain in their files a manually signed and attested printed copy of the data submitted on the FR Y-15. A copy of the cover page of the submitted report should be attached to the printout placed in the respondent's files. These records must be kept for three years following the submission of the relevant FR Y-15 report.

Proposed Revisions to the FR Y-15

Under the proposal, the FR Y-15 would be revised by (1) adding trading volume items to the memoranda section of Schedule C; (2) adding a separate line item for equity securities with readily determinable fair values not held for trading on Schedule D; (3) adding derivatives items and revised total cross jurisdictional claims and total cross jurisdictional liabilities items to the memoranda section of Schedule E; (4) adding a requirement that respondents keep a record of the data submitted; and (5) making other minor clarifications to the form and instructions. The proposed changes would be effective for reports reflecting the December 31, 2019 report date. The proposed revisions would not affect the calculation of the GSIB surcharge.

The Board proposes to add new memoranda items for trading volume to the substitutability category (Schedule C) of the FR Y-15. The substitutability schedule focuses on financial system infrastructure. Market liquidity is likely disrupted during a financial crisis, which could make it challenging for market participants to find a substitute bank, for example, in a timely manner. Disruptions to market liquidity can lead to a dislocation of asset prices, putting pressure on market participants' balance sheets and potentially resulting in adverse feedback loops such as preventing market participants from raising capital. The proposed trading volume memoranda items are necessary to capture bank activities in the secondary market, identifying potential sources of disruption to market liquidity. The addition of the trading volume items provides a more holistic view of market activity given that the underwriting items on Schedule C already capture activity in the primary market.

In January 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-01. FASB described how one of the main provisions of the ASU differs from previous GAAP as follows: "the amendments in this update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income." In order to make the FR Y-15 report consistent with ASU 2016-01, the proposal would revise the reporting forms and instructions by adding a new data item (6.) to Schedule D to separate and reclassify equity securities with readily determinable fair values from the available for sale category. This proposed change is

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

consistent with the change that has already been made to the FR Y-9C report forms and instructions.

The current GSIB assessment methodology uses the Bank for International Settlements (BIS) locational statistics to estimate cross-jurisdictional liabilities. This is achieved by adding the liabilities for branches and subsidiaries and then subtracting a bank's intragroup operations. In the BIS statistics, derivative claims/receivables are reported at the consolidated level, while derivative liabilities are captured at the individual jurisdiction level based on local accounting rules. To avoid inconsistencies in the treatment of derivatives assets and liabilities, positions related to derivatives are excluded from the current indicators (i.e., cross-jurisdictional claims and liabilities). The proposal would add new memoranda items to Schedule E to capture foreign derivative liabilities and other foreign liabilities on an immediate risk basis. The sum of these two items would be captured separately as total cross-jurisdictional liabilities. The proposal would also add memoranda items to capture foreign derivative claims on an ultimate risk basis and total cross-jurisdictional claims. These changes would harmonize data for claims and liabilities across jurisdictions.

In addition to the information collections in the above schedules, the instructions for the FR Y-15 require respondents to retain a signed copy of the data submitted. The FR Y-15 currently does not account for this recordkeeping requirement, so the Board is proposing to revise the FR Y-15 to account for this collection of information.

<u>Respondent Panel</u>

The FR Y-15 panel is comprised of top-tier U.S. BHCs and covered SLHCs with $50 billion or more in total consolidated assets, U.S. IHCs with $50 billion or more in total consolidated assets, and any U.S. BHC designated as a GSIB[11] based on its method 1 score calculated as of December 31 of the previous calendar year.

**Time Schedule for Information Collection**

The FR Y-15 must be submitted as of the last calendar day of March, June, September, and December. The submission date for the March, June, and September reports is 50 calendar days after the as-of date. The submission date for the December report 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.

**Legal Status**

The Board has the authority to require BHCs, SLHCs, and IHCs, to file the FR Y-15 pursuant to, respectively, section 5 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. 1844), section 10(b) of the Homeowners' Loan Act (12 U.S.C. 1467a(b)), and section 5 of the

[11] <u>See</u> 12 CFR 217.402.

BHC Act, in conjunction with section 8 of the International Banking Act (12 U.S.C. 3106). The FR Y-15 reports are mandatory. The data collected on the 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. Such information will be accorded confidential treatment under exemption 4 of the Freedom of Information Act ("FOIA") if the submitter substantiates its assertion that disclosure would likely cause substantial competitive harm. 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-101. Confidential treatment will also extend to any automatically-calculated items on the FR Y-15 that have been derived from confidential data items and that, if released, would reveal the underlying confidential data. 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 the 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. In January 2019, the BCBS revised its data collection after consultation with representatives from numerous national supervisory authorities, including the Board.[12] Many of the proposed changes to the FR Y-15 would correspond to changes already made to the BCBS data collection.

**Public Comments**

On September 10, 2019, the Board published a notice in the *Federal Register* (84 FR 47509) requesting public comment for 60 days on the extension, with revision, of the FR Y-15. The comment period for this notice expires on November 12, 2019.

**Estimate of Respondent Burden**

As shown in the table below, the current estimated total annual burden for the FR Y-15 is be 59,348 hours, and would increase by 296 hours, to 59,644 hours, with the proposed revisions. This information collection represents less than 1 percent of the Board's total paperwork burden.

[12] *See* INSTRUCTIONS FOR THE END-2018 GSIB ASSESSMENT EXERCISE (Jan. 2019), https://www.bis.org/bcbs/gsib/instr_end18_gsib.pdf. *See also* BASEL COMMITTEE ON BANKING SUPERVISION, GLOBAL SYSTEMICALLY IMPORTANT BANKS: REVISED ASSESSMENT METHODOLOGY AND THE HIGHER LOSS ABSORBENCY REQUIREMENT (July 2018), https://www.bis.org/bcbs/publ/d445.pdf.

| | *Estimated number of respondents*[13] | *Annual frequency* | *Estimated average hours per response* | *Estimated annual burden hours* |
|---|---|---|---|---|
| **Current** | | | | |
| Y-15 | 37 | 4 | 401 | 59,348 |
| | | | | |
| **Proposed** | | | | |
| Y-15 | | | | |
| Reporting | 37 | 4 | 402 | 59,496 |
| Recordkeeping | 37 | 4 | 1 | 148 |
| | | | | 59,644 |
| | | | | |
| *Net change* | | | | 296 |

The current annual cost to the public for this collection of information is $3,418,445 and would increase to $3,444,019 with the proposed changes.[14]

**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 cost to the Federal Reserve System for collecting and processing this report are $12,500 for one-time costs and $326,874 for ongoing costs.

[13] Of these respondents, none are small entities as defined by the Small Business Administration (i.e., entities with less than $550 million in total assets) www.sba.gov/content/small-business-size-standards.

[14] 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 $19, 45% Financial Managers at $71, 15% Lawyers at $69, and 10% Chief Executives at $96). 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 2018, published March 29, 2019, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.