

**Attachment B: Frequently Asked Questions on the Tailoring Final Rules
Effective August 11, 2020**

1) How should a first-time filer of Form FR Y-15 report items that require averages and what is the basis for the average calculation?

Response: The risk-based indicators – average cross-jurisdictional activity, average weighted short-term wholesale funding, size, average off-balance sheet exposure, and average non-bank assets – are calculated as the average of the amounts reported by the banking organization for the four most recent calendar quarters for which the banking organization has reported the indicator. If a banking organization has not reported a risk-based indicator for each of the four most recent calendar quarters, the banking organization must use either the amount from the most recent quarter (if the banking organization has not reported the risk-based indicator prior to that quarter) or the average of the most recent quarter and the previous quarters (if the banking organization has reported the risk-based based indicator for the previous two or three quarters), calculated consistent with the instructions of the applicable form. Banking organizations report information regarding risk-based indicators on the Form FR Y-15, Form FR Y-7Q, and Form FR Y-9LP. For a discussion of how to measure weighted short-term wholesale funding at a reporting date, see FAQ 2.

In addition, certain line items in the Substitutability Category of Form FR Y-15 are flow variables with a reported value that is measured over a period of time (i.e., trading volume, underwriting and payments activity). The instructions to Form FR Y-15 require the use of a pro-rata approach for flow variables when a banking organization has less than 12 months of data. This approach applies a pro-rata annualized factor to each flow variable until the banking organization has 4 full quarters to provide an annual figure.

2.a.) Should the unweighted average amounts of elements of short-term wholesale funding reported for the combined U.S. operations of a foreign banking organization (FBO) as of June 30, 2020, be based on the average of daily or monthly observations across a full year (July 1, 2019 to June 30, 2020)?

Response: The instructions for Schedule N of Form FR Y-15 provide that an FBO that reported Form FR 2052a daily for the last twelve months must report each unweighted average value using daily data for the combined U.S. operations of the FBO. All other respondents must report the unweighted average values using monthly data (i.e., for each reported unweighted item provide the average of the twelve month-end balances within the last four quarters). Therefore, only an FBO that has submitted Form FR 2052a on a daily basis for one year is required to report each unweighted value for its combined U.S. operations on Form FR Y-15 using a 12-month daily average. If an FBO submitted Form FR 2052a on a monthly basis for all or part of the prior year, it must report each unweighted average value for its combined U.S. operations on Form FR Y-15 using the average of the prior 12 month-end values. Similarly, if an FBO subsequently transitions to submitting Form FR 2052a on a daily, T+2 basis, the FBO should

continue reporting the average values for Schedule N of Form FR Y-15 using the average of the prior 12 month-end values until the FBO has accumulated the daily Form FR 2052a observations for twelve months.

2.b.) *Similarly, should an FBO determine its applicable category of standards based on the reported wSTWF value as of June 30, 2020, or based on its history of previously submitted Form 2052a data?*

Response: A banking organization must determine its applicable category of standards based on risk-based indicators as reported on Form FR Y-15, Form FR Y-9LP, or Form FR Y-7Q. If a banking organization has not reported a risk-based indicator for each of the four most recent calendar quarters, the banking organization must use either the amount from the most recent quarter (if the banking organization has not reported the risk-based indicator prior to that quarter) or the average of the previous quarters (if the banking organization has reported the risk-based indicator for the previous two or three quarters), calculated consistent with the instructions of the applicable form. With respect to their combined U.S. operations, FBOs will begin reporting risk-based indicators on Form FR Y-15 beginning with the form submitted with an as-of date of June 30, 2020.¹ Accordingly, an FBO must determine the average wSTWF of its combined U.S. operations based solely on information reported on Form FR Y-15 as of June 30, 2020, regardless of its history of filing Form FR 2052a. A U.S. intermediate holding company subsidiary of an FBO (IHC) must determine its category of standards based on its risk-based indicators as reported on Form FR Y-15 for the four most recent calendar quarters. If the IHC or the FBO on behalf of its IHC has not reported risk-based indicators for the IHC for each of the four most recent calendar quarters, the IHC must use the average of the most recent quarter or quarters, as applicable.

3) *For purposes of the cross-jurisdictional indicator as applied to FBOs, does the term “intercompany” have the same meaning as the term “inter-affiliate”? Do the terms intercompany and inter-affiliate include the foreign banking organization’s banking and non-banking subsidiaries?*

Response: The term “intercompany” has the same meaning as the term “inter-affiliate”. An FBO may exclude from the cross-jurisdictional activity indicator all inter-affiliate (intercompany) liabilities and inter-affiliate (intercompany) claims to the extent that these claims are secured by financial collateral. Additionally, for the combined U.S. operations of an FBO, the measure of cross-jurisdictional activity would exclude all claims between the FBO’s U.S. domiciled affiliates, branches, and agencies to the extent such items are not already eliminated in consolidation. For the IHC, the measure of cross-jurisdictional activity would eliminate through consolidation all inter-affiliate (intercompany) claims and liabilities among subsidiaries of the IHC. The measure of cross-jurisdictional activity for the IHC would include transactions with

¹ IHCs have previously been required to submit Form FR Y-15 and beginning June 30, 2020, will begin reporting adjusted cross-jurisdictional claims on the Form.

U.S. affiliates, including subsidiaries of the foreign parent and U.S. branches and agencies, which are not consolidated subsidiaries of the IHC.

4) *Should an FBO with no IHC file information for its non-branch assets using the column under Form FR Y-15 that is designated for U.S. intermediate holding company information?*

Response: No, an FBO should only report IHC information on Form FR Y-15 if the foreign banking organization has a subsidiary IHC. An FBO with \$100 billion or more in combined U.S. assets must report information regarding its non-branch assets using the column under Form FR Y-15 that is designated for information regarding the FBO's combined U.S. operations.

5) *How should an FBO determine the scope of its combined U.S. operations?*

Response: An FBO's combined U.S. operations include its U.S. branches and agencies and the U.S. subsidiaries of the foreign banking organization (excluding any section 2(h)(2) company), and subsidiaries of such U.S. subsidiaries. An FBO's U.S. subsidiaries include any company that is owned or controlled directly or indirectly by the FBO and that is incorporated in or organized under the laws of the United States, a state, or any territory or possession of the United States. See 12 CFR 252.2 and the definitions of "subsidiary" and "U.S. subsidiary" for additional details. In addition, a subsidiary of an IHC generally would be included in an FBO's combined U.S. operations even if the subsidiary was not itself incorporated in or organized under the laws of the United States, any state, or any territory or possession of the United States.

An FBO should calculate and report information on Form FR Y-15 as if the FBO were a consolidated entity according to the netting rules applicable to IHCs, BHCs, and SLHCs for that line item.² Note that an FBO may report information on Form 2052a that extends beyond its combined U.S. operations. If an FBO reports information on Form FR 2052a for a material entity outside the United States that is managed from the United States, the reporting FBO should only include on Form FR Y-15 Schedule N the material entity managed from the United States to the extent that it falls within the scope of the FBO's combined U.S. operations.

6) *How should an FBO calculate adjusted cross-jurisdictional claims for securities financing and repurchase transactions under the final rule?*

Response: The instructions to Schedule L of Form FR Y-15 indicate that exposure amounts for claims with a foreign office reported should be calculated in accordance with the methodology for collateralized transactions in 12 CFR 217.37 of the capital rule and the definition of financial collateral in 12 CFR 217.2 of the capital rule.

² For purposes of average cross-jurisdictional activity, the FBO must apply additional adjustments. See Schedule L.

Specifically, with respect to a resale agreement or securities financing transaction included as a claim under Form FFIEC 009 and that meets the definition of a “repo-style transaction” under the capital rule, an FBO would calculate the adjusted value of the claim by determining the difference between the exposure and the collateral ($E - C$), and adding this amount to the product of the absolute value of the net position of the instrument and market price volatility haircut ($E_s \times H_s$), and the product of the absolute value of the net position of the instrument times the currency mismatch haircut ($E_{fx} \times H_{fx}$).

Permitting the reduction of certain claims on non-U.S. affiliates if the collateral meets the definition of financial collateral helps to ensure that the collateral is liquid, while the use of supervisory haircuts limits risk associated with price volatility and settlement currency mismatch. In addition, relying on the capital rule’s definition of financial collateral provides clarity regarding the types of collateral eligible to reduce the amount of cross-jurisdictional claims under this approach. In some cases, the value reported for an adjusted cross-jurisdictional claim may exceed the value reported on an FBO’s balance sheet.

7) *What are the liquidity risk management requirements under Board Regulation YY for firms with greater than \$250 billion in global assets and less than \$100B in CUSO assets?*

Response: An FBO with average total consolidated assets of \$250 billion or more and average combined U.S. assets of less than \$100 billion must report to the Board on an annual basis the results of an internal liquidity stress test for either the consolidated operations of the FBO or its combined U.S. operations that are consistent with Basel Committee principles for liquidity risk management and must incorporate 30-day, 90-day and one-year stress-test horizons. See 12 CFR 252.145(a). An FBO that does not comply with this annual requirement is subject to limits on the aggregate amount owed by the FBO’s non-U.S. offices and its non-U.S. affiliates to the combined U.S. operations of the FBO. See 12 CFR 252.145(b).

8) *Under the interagency tailoring rules, a banking organization that changes from one category of applicable standards to another category generally is provided a transition period before it must comply with the requirements of the new category of standards. For purposes of transitions between categories, when is a banking organization deemed to qualify for a new category of standards?*

Response: A banking organization’s category is determined based on risk-based indicators as reported on its Call Report, FR Y-9LP or FR Y-15, or on averages of such reported items. A banking organization meets the definition of the new category of applicable standards in the quarter in which the banking organization files the reporting form (e.g., Call Report, FR Y-9LP, or FR Y-15) demonstrating that the banking organization meets the definition of the new category. For example, a banking organization that is subject to Category IV standards in the first quarter and that subsequently files in the second quarter (as of March 31 report date) meeting the criteria of \$75 billion or more in average weighted short-term wholesale funding (based on its amount of weighted short-term wholesale funding reported on the FR Y-15) would

be deemed to meet the definition of a Category III banking organization in the second quarter.³ In addition, any transition period provided under certain requirements continues to apply.

9) Section __.30(d) of the LCR rule requires a banking organization whose outflow adjustment percentage increases to begin using the higher outflow adjustment percentage by the first day of the third calendar quarter after the increase; a banking organization whose outflow adjustment percentage decreases must continue using its previous higher outflow adjustment percentage until the first day of the first calendar quarter following the decrease. For purposes of these transition periods, when is a banking organization deemed to qualify for a new outflow adjustment percentage?

Response: Section __.30(c) of the LCR rule assigns outflow adjustment percentages to banking organizations based on their category and amount of average weighted short-term wholesale funding. Section __.3 of the LCR rule generally defines “average weighted short-term wholesale funding” as the average of the weighted short-term wholesale funding for each of the four most recent calendar quarters as reported on the FR Y-15.

As described in response to question 8 above, a banking organization is deemed to change categories during the quarter in which the banking organization files the reporting form demonstrating it meets the definition of a new category. Similarly, a banking organization’s average weighted short-term wholesale funding is deemed to change during the quarter in which the banking organization files the FR Y-15 demonstrating its level of average weighted short-term wholesale funding triggers an increased or decreased outflow adjustment percentage under section __.30(c) of the LCR rule.

Accordingly, the date on which the banking organization is deemed to be subject to a new outflow adjustment percentage is the date on which the relevant information (used to determine category eligibility or level of average weighted short-term wholesale funding) is reported on the FR Y-15. For example, if a banking organization subject to Category III standards and an 85 percent outflow adjustment percentage subsequently files an FR Y-15 during the first quarter of a calendar year (representing a December 31 as-of report date) that reports an amount of weighted short-term wholesale funding such that the banking organization’s average weighted short-term wholesale funding is \$75 billion or more, the banking organization would be deemed to be subject to the higher outflow adjustment percentage (100 percent) as of the first quarter and be required to comply with a 100 percent outflow adjustment percentage no later than the first day of fourth quarter of that calendar year. If a Category III banking organization subject to an 85 percent outflow adjustment percentage submits an FR Y-15 during the first quarter (representing a December 31 as-of date) that demonstrates the organization meets the definition of a Category

³ Indicators, including average weighted short-term wholesale funding, are the average of the indicator for each of the four most recent calendar quarters, or, if a banking organization has not reported an indicator for each of the four most recent calendar quarters, the indicator for the most recent calendar quarter or average of the most recent calendar quarters, as applicable.

IV banking organization with \$50 billion or more in average weighted short-term wholesale funding, the banking organization would be deemed to qualify for a lower outflow adjustment percentage (70 percent) as of the first quarter but be required to continue using the 85 percent adjustment percentage until the first day of the second quarter of the calendar year.