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

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). The FR Y-15 annual report would collect consolidated systemic risk data from large U.S. Bank Holding Companies (BHCs) and U.S. Savings and Loan Holding Companies (SLHCs)[1], and aggregated systemic risk data on the U.S. operations of certain Foreign Banking Organizations (FBOs).[2]

Data collected from this report would be derived directly from a data collection developed by the Basel Committee on Banking Supervision (Basel Committee). The Federal Reserve would submit the BHC data to the Basel Committee for use in determining whether an institution is a global systemically important bank (G-SIB) and, if so, what additional capital requirement would be applied. The full data set, which includes large SLHCs and the domestic activities of FBOs, would be used by the Federal Reserve to assess the systemic risk implications of proposed mergers and acquisitions and may be used to determine whether an institution is a domestic systemically important bank. The annual burden for the FR Y-15 is estimated to be 11,340 hours.

Background and Justification

In response to the financial crisis, the Basel Committee has 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. This initiative forms part of a broader effort by the Financial Stability Board to reduce the moral hazard of G-SIBs.

The Basel Committee has developed an indicator-based approach for determining the systemic importance of G-SIBs.[3] The selected indicators reflect five components of a bank's global systemic footprint: size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity. The methodology focuses on those aspects of a G-SIB's operations that are likely to generate negative externalities in the case of its failure. Supervisory judgment also factors into category groupings as an overlay to the indicator approach.

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1 For the purposes of the report, a BHC and SLHC would be considered large if it has $50 billion or more in consolidated assets. BHCs and SLHCs that meet the asset threshold, but are owned or controlled by an FBO, would be included in the combined U.S. operations of the reporting parent and, therefore, the BHC or SLHC would not file the FR Y-15 separately.

2 FBOs would file the report only if their total U.S. operations, including branches, have assets of $50 billion or more.

3 See *Global systemically important banks: assessment methodology and the additional loss absorbency requirement* (Nov 2011) http://www.bis.org/publ/bcbs207.pdf.

A G-SIB's additional capital requirement will depend on its relative performance on the systemic risk measures. Initially, G-SIBs will be assigned one of four additional capital requirements, which will 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, together with certain Basel III requirements, beginning in January 2016 and becoming fully effective in January 2019.

Compliance with the new reporting requirements would be justified on the basis of safety and soundness and financial stability considerations in accordance with the Bank Holding Company Act, International Banking Act, Home Owners' Loan Act, and the Dodd-Frank Act (sections 163, 165, and 604). Furthermore, this collection is consistent with an international agreement reached by the Basel Committee to assess the systemic importance of banking organizations with total on- and off-balance sheet exposures in excess of 100 billion euros.[4]

Description of Information Collection

The data items collected in this report would mirror those that were developed by the Basel Committee to assess the global systemic importance of banks. The report would consist of the following schedules:

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

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 used in the 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, netted and unnetted 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 derivatives, total notional amount of credit derivatives sold, credit derivatives sold net of related credit protection bought, off-balance sheet items with a 0% credit conversion factor (CCF), unconditionally cancellable credit card commitments, other unconditionally cancellable commitments, off-balance sheet items with a 20% CCF, off-balance sheet items with a 50% CCF, and off-balance sheet items with a 100% CCF. Certain regulatory adjustments to Tier 1 capital would also be collected.

[4] Data for banking organizations with total exposures in excess of 100 billion euros are submitted to the Basel Committee 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 all funds deposited with or lent to other financial institutions, undrawn committed lines extended to other financial institutions, holdings of secured debt securities, holdings of senior unsecured debt securities, holdings of subordinated debt securities, holdings of commercial paper, holdings of certificates of deposit, holdings of stock (including par and surplus of common and preferred shares), offsetting short positions in relation to stock holdings, net positive current exposure of securities financing transactions, net positive fair value of over-the-counter (OTC) derivatives (including collateral held if it is within the master netting agreement), potential future exposure of OTC derivatives, and fair value of collateral that is held outside of the master netting agreements.

Intra-financial system liabilities would include all funds deposited by banks, all funds deposited by non-bank financial institutions, undrawn committed lines obtained from other financial institutions, net negative current exposure of securities financing transactions, net negative fair value of OTC derivatives (include collateral provided if it is within the master netting agreement), potential future exposure of OTC derivatives, and 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 stock (including par and surplus of common and preferred shares).

Schedule C - Substitutability Indicators

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

Schedule D - Complexity Indicators

The Complexity Indicators Schedule would include OTC derivatives cleared through a central counterparty, OTC derivatives cleared bilaterally, held-for-trading securities (HFT), available-for-sale securities (AFS), securities for which the fair value option is elected (FVO), total stock of Level 1 assets, total stock of Level 1 assets under HFT, AFS or FVO accounting treatment, total stock of Level 2 assets, total stock of Level 2 assets under HFT, AFS or FVO accounting treatment, 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.[5]

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), foreign liabilities to related offices, and local liabilities in a local currency.

Schedule F - Ancillary Indicators

The Ancillary Indicators Schedule would include total liabilities, retail funding, non-domestic net revenue, total net revenue, total gross revenue, equity market capitalization, gross value of all cash and gross fair value of securities lent in securities financing transactions, gross value of all cash 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 the systemic risk data used by the Basel Committee to assign G-SIB capital surcharges. Given the purpose of the data collection and the threshold for enhanced prudential standards provided under the Dodd-Frank Act, the Federal Reserve proposes that the new reporting requirements apply to (1) U.S. BHCs and SLHCs with $50 billion or more of total consolidated assets and (2) FBOs with $50 billion or more of assets in their combined U.S. operations (including branches). For this purpose, total assets would be determined as of December 31st of the reporting period. U.S. institutions designated as G-SIBs by the Basel Committee in the previous reporting period will need to submit the FR Y-15 reporting form even if they do not meet the assets threshold.

Based on data as of March 2012, the FR Y-15 would be filed by approximately 25 domestic BHCs, 15 SLHCs, and 23 FBOs.

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 next G-SIB data collection exercise,

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[5] For definitions of Level 1 and Level 2 assets, see *Basel III: International framework for liquidity risk measurements, standards and monitoring* (Dec. 2010) 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).

which is scheduled to begin in February 2013.[6] This timing would also allow filers one year to familiarize themselves with the report prior to submitting their year-end 2013 data, which will be used by the Basel Committee to set the initial additional capital requirement.[7]

The collection frequency and reporting date for the FR Y-15 would likewise reflect the G-SIB assessment methodology, which is scheduled to repeat annually using year-end data. The filing deadline would be 45 calendar days after the December 31 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 FR Y-15 is authorized by Section 163, 165, and 604 of the Dodd-Frank Act, which requires the Federal Reserve to consider systemic risk to global or U.S. financial stability in regulating and examining BHCs and SLHCs with $50 billion or more in consolidated assets who are under the Federal Reserve's supervision (12 U.S.C. § 1462, 1467, 3016). Additionally, the International Banking Act provides that certain foreign banks with U.S. operations would be treated as BHCs for purposes of the Bank Holding Company Act (12 U.S.C. § 3106). Therefore, regulatory requirements for BHCs found in Sections 163, 165, and 604 of the Dodd-Frank Act, which amend the Bank Holding Company Act, likewise apply to such foreign banks.

The obligation to respond to the FR Y-15 is mandatory. The Federal Reserve Board's Legal Division has also determined that the data collected in the FR Y-15 are not considered confidential and data would be made available publicly through the FFIEC website.

Consultation Outside of Agency

The FR Y-15 is derived directly from a data collection developed by the Basel Committee to assess the global systemic importance of banks. This data collection was created

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[6] It is important to note that some of the G-SIB reporting requirements would overlap with data collected in the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) as well as the Country Exposure Report (FFIEC 009). Where relevant data are already being reported on the FR Y-9C and the FFIEC 009, the new report would automatically retrieve those amounts. This would necessarily require that the filing deadline for the new report be aligned with those for the FR Y-9C and the FFIEC 009. 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."

[7] The initial capital requirement is scheduled to take effect in January 2016.

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 will expire on October 19, 2012.

Sensitive Questions

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

Estimate of Respondent Burden

The annual burden for the report is estimated to be 180 hours per banking organization as shown in the following table. The estimated proposed annual burden for all these reporting forms is less than 1 percent of the total Federal Reserve System burden.

	Number of respondents	*Estimated annual frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
FR Y-15				
BHCs	25	1	180	4,500
SLHCs	15	1	180	2,700
FBOs	23	1	180	4,140
Total	63			11,340

The annual cost to the public for this report is estimated to be $508,599.[8]

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.

[8] 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, 45% Financial Managers at $52, 15% Legal Counsel at $55, and 10% Chief Executives at $81). 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/.