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FEDERAL RESERVE SYSTEM

Agency information collection activities: Announcement of Board approval under delegated authority and submission to OMB

AGENCY: Board of Governors of the Federal Reserve System

SUMMARY: Notice is hereby given of the final approval of a proposed information collection by the Board of Governors of the Federal Reserve System (Board) under OMB delegated authority, as per 5 CFR 1320.16 (OMB Regulations on Controlling Paperwork Burdens on the Public). Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

FOR FURTHER INFORMATION CONTACT: Federal Reserve Board Clearance Officer - Cynthia Ayouch - Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829.

Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

OMB Desk Officer—Shagufta Ahmed --Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW., Washington, DC 20503.

Final approval under OMB delegated authority the implementation of the following report:

Report title: The Banking Organization Systemic Risk Report.

Agency form number: FR Y-15.

OMB Control number: 7100-0352.

Effective Date: The FR Y-15 report will be effective on December 31, 2012 for those U.S. top-tier bank holding companies (BHCs) that were designated as global systemically important banks (G-SIBs) by the Financial Stability Board (FSB) on November 1, 2012.¹ The initial submission date for these respondents will be 90 days after the December 31, 2012, as-of-date. The FR Y-15 report will be effective for the full BHC panel (i.e., all BHCs with over \$50 billion in total consolidated assets, including those U.S. top-tier BHCs that are subsidiaries of foreign banking organizations (FBOs)) as of December 31,

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

2013. 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.

Frequency: Annual.

Reporters: BHCs with over \$50 billion in total consolidated assets.

Estimated annual reporting hours: 55,400 hours.

Estimated average hours per response: Implementation: U.S. G-SIBs, 1,000 hours; all other BHCs, 1,500 hours; Ongoing: 300 hours for U.S. G-SIBs and all other BHCs.

Number of respondents: 33.

General description of report: This information collection is mandatory pursuant to section 5 of the Bank Holding Company Act (12 U.S.C. 1844(c)). Individual respondent data are not considered confidential and will be made available publicly via the National Information Center website (www.ffiec.gov/nicpubweb/nicweb/nichome.aspx). However, respondents may request confidential treatment for any information that they believe is subject to an exemption from disclosure under the Freedom of Information Act (FOIA) (5 U.S.C. 522(b)(4) and (b)(6)).

Abstract: The FR Y-15 report is based on a global data collection developed by the Basel Committee on Banking Supervision (BCBS). The report provides a baseline, consistent set of metrics with which to compare five dimensions of systemic risk: size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity. The FR Y-15 report will be used by the Federal Reserve to monitor, on an ongoing basis, the systemic risk profile of BHCs which are subject to enhanced prudential standards under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA), and to determine the capital surcharge associated with G-SIBs. Additionally, the data may also be used in the identification of domestic systemically important banks (D-SIBs) and in the systemic risk analysis of proposed mergers and acquisitions.

Current Actions: 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 addressing the proposed implementation of the FR Y-15.

Summary of Comments

The Federal Reserve received four comment letters on the proposed implementation of the FR Y-15: three from trade organizations and one from a savings and loan holding company (SLHC). Federal Reserve staff also met with industry representatives regarding the proposed report. The majority of the comments centered on the proposed reporting requirements for SLHCs and FBOs, especially regarding

differences in accounting. Other comments mentioned difficulties in calculating certain proposed data items. Commenters requested delayed implementation of the requirements, elimination or modification of the attestation requirement, and confidential treatment of FR Y-15 data. The following section of this notice is a detailed discussion of the comments received and the Federal Reserve's responses to those comments, which include modifications to the FR Y-15 proposal.

Detailed Discussion of Public Comments and Federal Reserve Responses

A. Respondent Panel

The Federal Reserve proposed that the new FR Y-15 reporting requirements apply to (i) top-tier U.S. BHCs and SLHCs with \$50 billion or more of total consolidated assets and (ii) FBOs with combined U.S. operations that total \$50 billion or more in assets.

BHCs

Commenters representing U.S. BHCs stated that the proposed reporting requirements would be unduly burdensome for certain BHCs and asserted that they should only apply to U.S. BHCs that have already participated in the G-SIB data collection process sponsored by the BCBS. Moreover, these commenters stated that information used to identify D-SIBs or assess the systemic risk implications of mergers and acquisitions should be gathered through separate data collections tailored to those purposes instead of being combined with the data collection process used for G-SIB identification and surcharge determination. The commenters also stated that the FR Y-15 proposal deviated from the BCBS G-SIB data requests with respect to some data items.

In addition to (i) identifying institutions which may be designated as 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 of BHCs with over \$50 billion in total assets. By extending the reporting requirements beyond the BHCs that have previously participated in the G-SIB data collection exercise, the Federal Reserve will have a clearer picture of the systemic risk profile of the institutions which are subject to enhanced prudential standards under section 165 of DFA. The indicators adopted by the BCBS provide a baseline, consistent set of metrics with which to compare five dimensions of systemic risk: size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity. Adjustments to the data requirements for certain institutions would jeopardize the comparability of the information and detract from the ability to measure relative systemic importance.

Consistent with the concerns raised by commenters, the Federal Reserve recognizes that smaller BHCs subject to DFA section 165 which have not previously participated in international data collections such as the Quantitative Impact Study (QIS) may require additional time to collect and audit the FR Y-15 data. To allow additional time for compliance, 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, 2012.² This will exclude all U.S. BHCs that are a subsidiary of an 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.

SLHCs

Commenters expressed concerns about subjecting SLHCs to the proposed FR Y-15 reporting requirements. Commenters stated that the reporting requirements would be unduly burdensome for SLHCs, particularly those principally engaged in insurance activities, and the data collection would be duplicative of international efforts to identify systemically important insurance companies. One commenter noted that insurance SLHCs are exempt from reporting consolidated financial statements until the proposed consolidated regulatory capital rules for SLHCs are finalized.³

Several commenters questioned whether the Federal Reserve has the authority to collect the data in the proposed FR Y-15. They stated that the Home Owners Loan Act (HOLA) and DFA do not provide a basis for the Federal Reserve to collect systemic risk data from SLHCs. Commenters stated that DFA section 604, which authorizes the Federal Reserve to analyze the systemic risk implication of proposed mergers and acquisitions by BHCs, does not extend to SLHCs. They further stated that DFA section 165, which allows for the enhanced supervision of BHCs with over \$50 billion in total assets, also does not extend to SLHCs. They stated that applying the FR Y-15 to SLHCs represents an overextension of the Federal Reserve's authority and infringes on the authority of the Financial Stability Oversight Council (FSOC) to designate nonbanks as systemically important financial institutions (SIFIs).

The Federal Reserve has authority under HOLA to collect information from SLHCs. HOLA provides that, to the extent possible, the Federal Reserve is required to use reports and other supervisory information that the SLHC or its subsidiaries have provided to other federal or state regulators, externally audited financial statements, and information that is available publically.⁴

The Federal Reserve has recently proposed applying consolidated capital requirements to all SLHCs pursuant to DFA section 171 and the safety and soundness provisions of HOLA.⁵ The proposed capital requirements have received significant comment from SLHCs—especially with respect to insurance operations—and the comments and proposals are currently under review by the Federal Reserve. Considering the reporting burden and the fact that the proposed capital requirements may be revised,

² See, *Update of group of global systemically important banks (G-SIBs)*, available at http://www.financialstabilityboard.org/publications/r_121031ac.pdf.

³ See 76 FR 22662.

⁴ 12 U.S.C. 1467a(b)(2).

⁵ See 77 FR 52792 (August 30, 2012).

the Federal Reserve will exempt SLHCs from filing the FR Y-15 at this time. The Federal Reserve intends to publish a separate proposal for comment concerning these institutions after the regulatory capital rules for SLHCs are finalized.

FBOs

One commenter cited the difficulties in calculating the combined U.S. operations of FBOs due to differences in accounting standards and the proposed atypical segmentation of their business operations. The commenter questioned the need for collecting FBO data because most, if not all, of the reporting FBOs already participate in the annual G-SIB assessment via their home jurisdiction. Another commenter further suggested that FBOs be exempted from reporting the FR Y-15 until the proposed rules for FBOs under DFA section 165 are finalized.

After considering these comments, the Federal Reserve will exempt FBOs from filing the FR Y-15 at this time. The Federal Reserve intends to publish a separate proposal for comment concerning these institutions after the proposed supervisory assessment rule is finalized.

B. Submission Deadlines

The proposal included a submission date of 45 days after the December 31 as-of-date. Several commenters noted that it would take a substantial amount of time to develop and test the data systems required to collect the FR Y-15 data. These commenters suggested the Federal Reserve provide additional time for the initial submission of the FR Y-15. One commenter suggested an initial deadline no earlier than June 30, 2013. 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.

Another commenter stated that the proposed FR Y-15 submission date coincided with several other regulatory reports such as the Consolidated Financial Statements for Bank Holding Companies (FR Y-9C; OMB No. 7100-0128); the Advanced Capital Adequacy Framework Regulatory Reporting Requirements (FFIEC 101; OMB No. 7100-0319); and the Country Exposure Report (FFIEC 009; OMB No. 7100-0035), and that some of these reports are source documents for the FR Y-15. Several commenters suggested extending the ongoing filing deadline to at least 60 days after the as-of-date. After considering these comments, 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.

C. Attestation Requirement

The Federal Reserve proposed that the reporting entity's Chief Financial Officer (CFO) sign and attest the FR Y-15 reporting form. Several commenters expressed concerns with this attestation requirement, stating that there would not be sufficient time

for institutions to determine that the FR Y-15 data are accurate and complete for the initial submission. These commenters suggested collecting the initial submissions on a best-efforts basis. Some commented that, for FBOs, the CFO of the reporting institution may not be the most appropriate officer to undertake the attestation responsibility. Instead, the commenters proposed removing or revising the attestation requirement to allow signature and attestation by a duly authorized official of the reporting entity.

Considering these comments, the Federal Reserve will allow institutions to provide reasonable estimates for their initial FR Y-15 data submission. By permitting reasonable estimates and providing an extended submission deadline of 90 days after the as-of-date for the initial submissions, the Federal Reserve believes that institutions should be in a position to attest that the estimated amounts are reasonable and correct to the best of the officer's knowledge and belief. The initial reporting panel (those BHCs identified as G-SIBs by the FSB) will be required to attest to non-estimated data beginning with the December, 31, 2013, as-of-date. All other BHCs subject to the FR Y-15 will be required to attest to non-estimated data beginning with the December 31, 2014, as-of-date.⁶

Furthermore, having considered the comments, the Federal Reserve will revise the FR Y-15 attestation requirement to indicate that the report must be attested by the CFO or by the individual performing this equivalent function. This is consistent with the attestation requirement for the FR Y-9C and the Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks (FFIEC 002; OMB No. 7100-0032). The FR Y-15 attestation requirement is consistent with the policy of promoting appropriate controls to ensure data quality.

D. Confidentiality

Several commenters expressed concern about the proposal's requirement that all FR Y-15 data be made available to the public. These commenters recommended that the Federal Reserve designate all FR Y-15 data as confidential, referring to the BCBS's practice thus far of keeping data submissions confidential through the G-SIB monitoring process. These commenters asserted that public disclosure of the data would harm the competitive position of institutions subject to the requirement with respect to competitors not subject to the requirement, as well as give counterparties sensitive information, which could be exploited to the detriment of the subject institutions.

The proposal to make FR Y-15 data publicly available through the FFIEC website was intended to provide transparency for future systemic risk assessments, including, but not limited to, the designation of G-SIBs. Public disclosure of the data is consistent with the BCBS's commitment to ensuring the transparency of the G-SIB methodology. By disclosing the individual bank data along with the specifics of the G-SIB calculation, "banks, regulators and market participants can understand how actions that banks take could affect their systemic importance score" and thus affect their G-SIB capital

⁶ It is noted that, in any case, it is a federal violation to enter false information in a BHC's reports with the intent to defraud or deceive the Federal Reserve. See 15 U.S.C. 1005.

surcharge.⁷ Disclosing data related to smaller BHCs provides the market with clear information about how close each institution is to the cutoff for G-SIB designation. Furthermore, the Federal Reserve believes that the data provides valuable information about the domestic systemic risk landscape. The market can use the consistent and comparable measures of systemic risk found in the FR Y-15 to evaluate the systemic importance of an individual institution on a national level.

Accordingly, FR Y-15 data will not be considered confidential. The Federal Reserve will make the FR Y-15 data available to the general public via the FFIEC website. 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 FOIA. The Federal Reserve notes that 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. The Federal Reserve also acknowledges that 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.

E. Use of U.S. GAAP

Several commenters stated that the Federal Reserve should not require certain respondents to report based on U.S. generally accepted accounting principles (GAAP). One commenter suggested that the report accommodate for differences between International Financial Reporting Standards and GAAP since FBOs do not maintain or report standalone GAAP data for their U.S. operations. Two commenters noted that SLHCs predominantly engaged in insurance activities do not prepare financial statements in accordance with GAAP. They suggested that systemic risk is better measured for these institutions using the more conservative and industry-specific Statutory Accounting Principles (SAP). Several commenters also indicated that converting values from SAP to GAAP would involve a considerable amount of time and resources. As mentioned above, the Federal Reserve is removing SLHCs and FBOs from the reporting panel at this time. As the reporting panel has been narrowed to only BHCs, the Federal Reserve will retain the GAAP reporting requirement.

F. Duplicative Data Collection Efforts

Several commenters stated that the FR Y-15 would be duplicative of existing international and domestic data collection efforts. The Federal Reserve notes that the data collected by the International Association of Insurance Supervisors in developing a methodology for determining global systemically important insurers is not a suitable alternative to the FR Y-15 since the information is confidential, voluntary, and collected on a best-efforts basis. Furthermore, the information collected by the Office of Financial

⁷ See *Global systemically important banks: assessment methodology and the additional loss absorbency requirement*, paragraph 72, available at <http://www.bis.org/publ/bcbs207.pdf>.

Research (OFR) in connection with the FSOC's designation of nonbank SIFIs is specifically tailored to each reporting institution and only collected from institutions that are advanced into Stage 3 of the designations process.⁸ The Federal Reserve notes that neither of the two collections precisely mirrors the FR Y-15. The Federal Reserve also notes that the FR Y-15 data collection would not duplicate the OFR collection since the FSOC only requests data that is not available from a public or supervisory source. However, in any future data collection proposal applicable to SLHCs, the Federal Reserve will consider other available information as required by HOLA.

G. Data Items

One commenter noted that several data items differ from the information collected in the last G-SIB exercise. The Federal Reserve notes that the FR Y-15 reporting form contains some additional data items in the total exposures section in order to capture several definitional decision points that have yet to be decided by the BCBS. Capturing this information ensures a consistent data series is available once the final definitions have been adopted. Without these additional items, subsequent definitional changes would diminish the comparability of new data with previous submissions. The Federal Reserve intends to remove any FR Y-15 data item that is inconsistent with the final data collected in the G-SIB initiative, unless that item is useful as a supplementary indicator of systemic risk. The Federal Reserve notes that FR Y-15 data provided to Basel for the purposes of the G-SIB calculation will be consistent with the most current G-SIB data collection definitions.

The Federal Reserve also notes that an additional data item has been added to the payments section that captures payments made in all other currencies not specifically listed. This additional data item provides insight into the true payments activity of the respondent by capturing payments made outside of the major global currencies. Furthermore, the list of currencies collected as part of the G-SIB methodology is subject to change in the future, so it is recommended that institutions build their systems such that they can capture more than just the twelve currencies indicated. The Federal Reserve will retain this additional payments data item.

Several commenters stated that some data items on the FR Y-15 have yet to be finalized by the BCBS, such as Level 1 and Level 2 assets in the Liquidity Coverage Ratio (LCR). Commenters also stated that these and other data items are computed under frameworks that have not been fully implemented in the U.S. These commenters stated that it is inappropriate to require attestation of such data and suggested excluding these items from the FR Y-15 until such time that the underlying frameworks are fully implemented in the U.S.

The Federal Reserve acknowledges that the LCR has not yet been implemented in the United States. However, because Level 1 and Level 2 assets are a part of the overall calculation of a firm's systemic risk, the Federal Reserve will continue to collect this information. The Federal Reserve will adopt the current definitions of Level 1 and Level

⁸ See 77 FR 21637.

2 assets from the LCR for the end-2012 data collection. Furthermore, the Federal Reserve intends to update the instructions as necessary to reflect definitional revisions adopted by Basel.

Two commenters raised concerns about the difficulty of reporting gross payments activity, as payments are cleared using numerous internal systems and some are only recorded on a net basis. Considering the difficulty associated with aggregating the payments data, the Federal Reserve will allow reporting of reasonable estimates for the payments panel by requiring attestation of only a specified number of significant figures. Furthermore, should the precise data be unavailable, the Federal Reserve will allow known overestimates to be reported. Finally, due to the calculation burden associated with providing the subset of payments made on behalf of other institutions, the Federal Reserve will remove these data items from the FR Y-15 report.

Commenters asked for a number of clarifications regarding specific data items on the proposed FR Y-15 form. The Federal Reserve has addressed questions related to BHC reporting in the final version of the FR Y-15 instructions. The Federal Reserve plans to address questions related to SLHCs and FBOs in proposed instructions at the time that these institutions are made subject to relevant reporting requirements.

H. Burden Estimate

Several commenters believed that the 180 hour burden estimate vastly underestimated the actual burden on firms, especially those firms that are currently subject to Basel I and have never participated in an international data collection. The Federal Reserve concurs and, as noted above, proposes phasing in smaller BHCs so as to allow additional time for collection and auditing of their initial FR Y-15 submissions. Considering the comments received from industry, the Federal Reserve has increased the burden estimate, particularly for initial submissions.

Board of Governors of the Federal Reserve System, December 21, 2012

Robert deV. Frierson,
Secretary of the Board.

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