Proposed Rules

Federal Register

Vol. 88, No. 169

Friday, September 1, 2023

This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

FEDERAL RESERVE SYSTEM

12 CFR Part 217

[Regulation Q; Docket No. R–1814]

RIN 7100–AG65

Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y–15)

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) is inviting public comment on a notice of proposed rulemaking to amend the Board's rule that identifies and establishes risk-based capital surcharges for global systemically important bank holding companies (GSIBs). The proposal would also amend the Systemic Risk Report (FR Y–15), which is the source of inputs to the implementation of the GSIB framework under the capital rule. The changes set forth in the proposal would improve the precision of the GSIB surcharge and better measure systemic risk under the framework. For certain systemic indicators currently measured only as of a single date, the proposal would change to reporting of the average of daily or monthly values to reduce the effects of temporary changes to indicator values around measurement dates. To improve risk capture, the proposal would also make improvements to the measurement of some systemic indicators used in the GSIB surcharge framework and the framework for determining prudential standards for large banking organizations. In addition, the proposal would reduce cliff effects and enhance the sensitivity of the surcharge to changes in the method 2 score by calculating surcharges based on narrower score band ranges. Finally, the proposal would make several amendments to the FR Y–15 to improve the consistency of data reporting and systemic indicator measurement.

DATES: Comments must be received on or before November 30, 2023.

ADDRESSES: You may submit comments, identified by Docket No. R–1814 and RIN 7100–AG65, by any of the following methods:

- *Agency Website: http://www.federalreserve.gov.* Follow the instructions for submitting comments at *http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm.*
- *Federal eRulemaking Portal: http://www.regulations.gov.* Follow the instructions for submitting comments.
- *Email: regs.comments@federalreserve.gov.* Include docket number and RIN in the subject line of the message.
- *Fax:* (202) 452–3819 or (202) 452–3102.
- *Mail:* Ann Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551.

In general, all public comments will be made available on the Board's website at *www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm* as submitted, and will not be modified to remove confidential, contact or any identifiable information. Public comments may also be viewed electronically or in paper in Room M–4365A, 2001 C St. NW, Washington, DC 20551, between 9:00 a.m. and 5:00 p.m. during Federal business weekdays.

FOR FURTHER INFORMATION CONTACT: Anna Lee Hewko, Associate Director, (202) 250–1577; Brian Chernoff, Manager, (202) 452–2952; Jennifer McClean, Senior Financial Institution Policy Analyst II, (202) 785–6033, Policy Development, Division of Supervision and Regulation; or Jay Schwarz, Assistant General Counsel, (202) 452–2970; Mark Buresh, Special Counsel, (202) 452–5270, Jonah Kind, Senior Counsel, (202) 452–2045, David Imhoff, Attorney, (202) 452–2249, Legal Division, Board of Governors of the Federal Reserve System, 20th and C Streets NW, Washington, DC 20551. For users of TDD–TYY, (202) 263–4869 or dial 711 from any telephone anywhere in the United States.

SUPPLEMENTARY INFORMATION:

Table of Contents

I. Introduction

The Board of Governors of the Federal Reserve System (Board) adopted a final rule in 2015 that established a methodology for identifying U.S. global systemically important bank holding companies (GSIBs) and assigning a risk-based capital surcharge for the largest, most interconnected U.S.-based bank holding companies.[1] The GSIB surcharge framework requires a GSIB to maintain additional capital to strengthen the firm's resiliency, thereby reducing the probability of its failure and the risks that the firm's failure or distress could pose to the U.S. financial system.

The Board is inviting public comment on a notice of proposed rulemaking (proposal) that would improve the measurement of systemic indicators under the GSIB surcharge framework and enhance the sensitivity of the surcharge to changes in a bank holding company's risk profile. By improving the calculation of surcharges, the

[1] Regulatory Capital Rules: Implementation of Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies, 80 FR 49082 (Aug. 14, 2015). *See* 12 CFR Pt. 217, Subpart H.

proposal would better ensure that each GSIB maintains capital levels commensurate with its systemic footprint. The proposed changes include revisions to the Board's capital rule and amendments to the measurement and reporting of certain systemic indicators used in the GSIB surcharge framework. Certain of the indicators that the proposal would modify are also used for purposes of the Board's framework for determining prudential standards for large banking organizations (regulatory tiering framework).[2] The proposed changes include revisions consistent with the framework used by the Basel Committee on Banking Supervision (Basel Committee) to identify GSIBs and assess their systemic importance.[3]

A. Background

The methodology to identify a GSIB (method 1) uses five equally weighted categories that are correlated with systemic importance—(1) size, (2) interconnectedness, (3) substitutability, (4) complexity, and (5) cross-jurisdictional activity—and subdivides certain categories into systemic indicators. Generally, a bank holding company subject to Category I, II, or III capital standards must calculate its method 1 score annually.[4] A bank holding company calculates each systemic indicator by dividing its own measure of the indicator by an aggregate global measure for that indicator.[5] The resulting value for each systemic indicator is then multiplied by the prescribed weighting in the capital rule and by 10,000 to reflect the result in basis points. A bank holding company then sums the weighted values for the twelve systemic indicators to determine its method 1 score.[6] A bank holding company is identified as a GSIB if its method 1 score equals or exceeds 130 basis points.[7]

If a bank holding company is identified as a GSIB, it must also calculate its method 2 score.[8] Method 2 measures a bank holding company's systemic risk profile using the same systemic indicators as method 1, except that the substitutability category is replaced with a measurement of reliance on short-term wholesale funding.[9] Method 2 also uses fixed coefficient values for each of the systemic indicators, rather than multiplying indicators by a measure that changes each year based on the aggregate global measure for that indicator.[10] A firm multiplies its indicator values by the respective fixed coefficients and aggregates the amount together to compute the firm's method 2 score.

A GSIB is subject to the larger GSIB surcharge that applies based on its method 1 score and method 2 score. A GSIB is subject to a minimum surcharge of 1.0 percent, and surcharges increase with GSIB score under both method 1 and method 2. Method 1 surcharges increase in increments of 0.5 percentage points for each 100-basis point method 1 score band, up to a method 1 surcharge of 2.5 percent, which is associated with a method 1 score ranging from 430 to 529 basis points. If a GSIB's method 1 score exceeds 529, the GSIB's method 1 surcharge equals 3.5 percent, plus 1.0 percentage point for every further 100-basis point increase in score. Like the method 1 surcharge, the method 2 surcharge uses score band ranges of 100 basis points, with the lowest score band ranging from 130 to 229 basis points. The method 2 surcharge increases in increments of 0.5 percentage points per score band.

B. Systemic Risk Report (FR Y–15)

The Systemic Risk Report form (FR Y–15) collects systemic risk data from U.S. bank holding companies and covered savings and loan holding companies[11] with total consolidated assets of $100 billion or more, any U.S.-based bank holding company designated as a GSIB that does not meet that consolidated assets threshold, and foreign banking organizations with combined U.S. assets of $100 billion or more.[12] The FR Y–15 collects data on a firm's structure, activities, and funding that is consistent and comparable among firms and is often unavailable from other sources. In addition, the data collected on the FR Y–15 is used to identify other firms that may present significant systemic risk, to analyze the systemic risk implications of proposed mergers and acquisitions, and to determine the application of prudential standards to large banking organizations. Respondents must submit the FR Y–15 quarterly.

Under the GSIB surcharge framework, any U.S.-based top-tier bank holding company that qualifies as a Category I,

[2] *See* 12 CFR 252.5 and 238.10; *see also* ''Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations,'' 84 FR 59032 (November 1, 2019); and ''Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements,'' 84 FR 59230 (November 1, 2019). As used in this Supplementary Information section, the term ''banking organizations'' refers to U.S. GSIBs for purposes of the GSIB surcharge framework and to FR Y–15 reporters (bank holding companies, savings and loan holding companies, foreign banking organizations, and U.S. intermediate holding companies of foreign banking organizations meeting certain criteria) for purposes of the FR Y–15. There are also certain circumstances under which a depository institution that is not required to report the FR Y–15 would be subject to standards based on calculation methodologies contained in the FR Y–15. *See, e.g.,* 12 CFR 217.2, ''Category III Board-regulated institution.''

[3] The Basel Committee is a committee comprised of central banks and banking supervisory authorities, which was established by the central bank governors of the G–10 countries in 1975. It is the primary global standard setter for the prudential regulation of banking organizations. The Basel Committee developed a methodology, available at *https://www.bis.org/bcbs/gsib/,* that uses an indicator-based measurement approach for assessing the systemic importance of global systemically important banks. In July 2018, the Basel Committee made revisions to its methodology, which are available at *https://www.bis.org/bcbs/publ/d445.htm.*

[4] 12 CFR 217.400 and 217.402. In 2019, the Board, with the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), adopted rules establishing four categories of capital standards for U.S. banking organizations with $100 billion or more in total assets and foreign banking organizations with $100 billion or more in combined U.S. assets. Under this framework, Category I capital standards apply to U.S. global systemically important bank holding companies and their depository institution subsidiaries. Category II standards apply to banking organizations with at least $700 billion in total consolidated assets or at least $75 billion in cross-jurisdictional activity and their depository institution subsidiaries. Category III standards apply to banking organizations with total consolidated assets of at least $250 billion or at least $75 billion in weighted short-term wholesale funding, nonbank assets, or off-balance sheet exposure and their depository institution subsidiaries. Category IV standards apply to banking organizations with total consolidated assets of at least $100 billion that do not meet the thresholds for a higher category and their depository institution subsidiaries. *See* 12 CFR 252.5 and 238.10; *see also* ''Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations,'' 84 FR 59032 (November 1, 2019); and ''Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements,'' 84 FR 59230 (November 1, 2019).

[5] 12 CFR 217.404. The Board annually publishes the aggregate global measures.

[6] 12 CFR 217.404. Scores are rounded to the nearest basis point according to standard rounding rules for the purposes of assigning levels. That is, fractional amounts between zero and one-half are rounded down to zero, while fractional amounts at or above one-half are rounded to one. A bank's substitutability category score is capped at 100 basis points. *See also* 80 FR at 49088 (Aug. 14, 2015).

[7] 12 CFR 217.402.

[8] 12 CFR 217.403.

[9] 12 CFR 217.405 and 406. The short-term wholesale funding score is calculated by dividing the firm's average weighted short-term wholesale funding by the firm's average risk-weighted assets and multiplying the result by a fixed factor of 350.

[10] 12 CFR 217.405. *See also* 80 FR at 49087–88 (Aug 14, 2015).

[11] Covered savings and loan holding companies are those that are not substantially engaged in insurance or commercial activities. For more information, see the definition of ''covered savings and loan holding company'' provided in 12 CFR 217.2.

[12] The mandatory FR Y–15 is authorized by sections 163 and 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (12 U.S.C. 5463 and 5365), the International Banking Act (12 U.S.C. 3106 and 3108), the Bank Holding Company Act (12 U.S.C. 1844), and Home Owners' Loan Act (HOLA) (12 U.S.C. 1467a).

II, or III Board-regulated institution must compute annually its method 1 score using the values for the systemic indicators (in each of the size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity categories) that it reported on its FR Y–15 as of December 31 of the prior year. A GSIB must also determine its GSIB surcharge based on the data reported on its FR Y–15 as of the same date.

Data reported on the FR Y–15 is also used to determine the applicable category of prudential standards for U.S. banking organizations with total consolidated assets of $100 billion or more and foreign banking organizations with combined U.S. assets of $100 billion or more, under the framework adopted by the Board in 2019.[13] Specifically, measures for cross-jurisdictional activity, weighted short-term wholesale funding, and off-balance sheet exposure, which are used to determine whether a banking organization is subject to Category II or III standards, use or include data reported on the FR Y–15.[14]

II. Summary of the Proposal

A. Data Averaging of Certain Systemic Indicators

Under the current framework, FR Y–15 filers report many of the data values used to calculate a firm's method 1 or method 2 score on a point-in-time basis, reflecting the firm's amount for the indicators as of end of the reporting quarter. Indicators calculated on a point-in-time basis include intra-financial system assets, intra-financial system liabilities, securities outstanding, assets under custody, notional amount of over-the-counter (OTC) derivatives, trading and available-for-sales securities, Level 3 assets, cross-jurisdictional claims, and cross-jurisdictional liabilities. A firm's GSIB method 1 and 2 score calculations use as inputs the value of these indicators as of December 31 of the previous calendar year.

The value of a firm's indicator on December 31 may not, however, be accurately representative of a firm's actual systemic footprint if the value of the indicator on December 31 differs materially from the value on other dates. For example, the seasonality of market dynamics could cause December 31 to be an anomalous day for any given firm. Additionally, measurement based only on a single point in time may create incentives for a firm to manage the values of its systemic indicators on December 31 to reduce the amount of its GSIB surcharge in a manner that would not be commensurate with the firm's actual systemic footprint, based on the values of its systemic indicators on other days of the year.

The proposal would require a GSIB to report intra-financial system assets, intra-financial system liabilities, securities outstanding, assets under custody, OTC derivatives, trading and available for sale securities, Level 3 assets, cross-jurisdictional claims, and cross-jurisdictional liabilities on the FR Y–15 as the average of daily values of the indicator over the reporting quarter, instead of quarter-end point-in-time values.[15] For certain off-balance sheet items, a GSIB would report the average of month-end values over the reporting quarter, rather than an average of daily values. (See Table 1.) For example, for the December 31 reporting date, a GSIB would report for most items the average of the values of that item for each business day from October 1 through December 31, and for specified off-balance sheet items, the average of the month-end values for October, November, and December. This methodology would be similar to how GSIBs currently report the on- and off-balance-sheet components of the total exposures systemic indicator.[16] In addition, the proposal would base a GSIB's method 1 and method 2 score calculation for these indicators on the average of reported values over all four quarters of a calendar year, rather than only the reported values for the fourth quarter.

The proposal would not change the current reporting methodology for indicators that measure flows (payments activity, underwritten transactions, and trading volume) and short-term wholesale funding.[17]

The proposed changes to require reporting of average data for previously point-in-time indicators would only apply to GSIBs. For these firms, the averaging requirement will better reflect a firm's systemic risk profile in the calculation of its GSIB surcharge requirements and reduce opportunities to manage the values of systemic indicators in a manner that would result in a surcharge requirement that is not commensurate with the firm's systemic risk profile.

The proposal would require a firm subject to Category II or III standards to calculate its method 1 and method 2 GSIB scores by using the average of its four quarterly reported values for the year. Except as noted below regarding the total exposures systemic indicator, the proposal would not require firms that are subject to Category II, III, or IV standards to newly report FR Y–15 data as averages of daily or monthly values, in order to limit operational burdens for firms that are not yet identified as GSIBs.

Table 1 displays the systemic indicator by categories and the proposed reporting requirements for GSIBs relative to the current requirements.

TABLE 1—MEASUREMENT OF GSIB SURCHARGE INPUTS FOR GSIBS

Category	Systemic indicator	Current U.S. reporting	Proposal
Size	Total exposures	For on-balance sheet items, average of daily values over the fourth quarter.	No changes in reporting.
		For off-balance sheet items, average of the three month-end balances over the fourth quarter.	No changes in reporting.

[13] *See* 12 CFR part 252, subpart A, and 12 CFR 238.10.

[14] *See id.*

[15] Unless otherwise noted, references to averaging of ''daily'' values in this Supplementary Information section refer to averaging of values for each business day. A firm that newly becomes a GSIB would be required to begin reporting the average of daily values as of the first quarter following its identification as a GSIB.

[16] Currently, for the purposes of calculating a Category I–III banking organization's GSIB surcharge score, the total exposures systemic indicator reflects the average of daily values for on-balance sheet items within the fourth quarter and the average of month-end values for off-balance sheet items within the fourth quarter.

[17] For these indicators, where firms currently report items as 12-month sums or averages, the proposal would require reporting of values for the reporting quarter only, with a separate line item to include the 12-month sum or averages, to align with the proposed reporting of other indicators.

TABLE 1—MEASUREMENT OF GSIB SURCHARGE INPUTS FOR GSIBS—Continued

Category	Systemic indicator	Current U.S. reporting	Proposal
Interconnectedness	Intra-financial system assets	For on-balance sheet items, as of December 31.	For on-balance sheet items, report average of daily values over the reporting quarter.
		For off-balance sheet items, as of December 31.	For off-balance sheet items, report average of month-end exposure amounts over the reporting quarter.
	Intra-financial system liabilities	For on-balance sheet items, as of December 31.	For on-balance sheet items, report average of daily values over the reporting quarter.
		For off-balance sheet items, as of December 31.	For off-balance sheet items, report average of month-end exposure amounts over the reporting quarter.
	Securities outstanding	As of December 31	Report average daily balances over the reporting quarter.
Substitutability (Method 1 Only)	Payments activity	Total gross value of all cash payments sent via large-value payment systems over the last year.	No change.
	Assets under custody	As of December 31	Report average daily balances over the reporting quarter.
	Underwritten transactions in debt and equity markets.	Total underwriting over the last year.	No change.
Short-Term Wholesale Funding (Method 2 Only).	Short-term wholesale funding metric (ratio).	Average of daily values for weighted short-term wholesale funding over the preceding four quarters in the numerator. Four-quarter average of total risk-weighted assets in the denominator.	No change.
Complexity	Notional amount of over-the-counter (OTC) derivatives.	As of December 31	For off-balance sheet items, report average of month-end exposure amounts over the reporting quarter.
	Trading and available-for-sale securities.	As of December 31	Report average daily balances over the reporting quarter.
	Level 3 assets	As of December 31	Report average daily balances over the reporting quarter.
Cross-Jurisdictional Activity	Cross-jurisdictional claims	As of December 31	Report average daily balances over the reporting quarter.
	Cross-jurisdictional liabilities	As of December 31	Report average daily balances over the reporting quarter.

Interaction With Other Proposals

Currently, the FR Y–15 requires banking organizations subject to Category I, II, or III standards to report data for the total exposures indicator as the average of daily values for on-balance sheet items and the average of month-end values for off-balance sheet items. This reporting methodology aligns with the calculation of total leverage exposure for purposes of the supplementary leverage ratio requirement.[18] Other banking organizations must elect to report this data using averages or point-in-time data.

The Board, with the OCC and FDIC (together with the Board, the agencies), is separately issuing a proposal that would revise the agencies' risk-based capital framework applicable to banking organizations with at least $100 billion in total assets and their depository institution subsidiaries and to banking organizations with significant trading activities. In addition to revising risk-based capital requirements, this separate proposal would also revise the applicability of the supplementary leverage ratio requirement to include all banking organizations subject to the capital rule with at least $100 billion in total assets and their depository institution subsidiaries.

In connection with this separately proposed change to broaden the scope of application of the supplementary leverage ratio requirement, the proposal would require all banking organizations that file the FR Y–15 to report data for the total exposures systemic indicator as the average of daily values for on-balance sheet items and the average of month-end values for off-balance sheet items, to align with the calculation of total leverage exposure for purposes of the supplementary leverage ratio requirement.

Question 1: What would be the advantages and disadvantages of requiring firms subject to the GSIB surcharge framework or all firms that report the FR Y–15 to report indicators that they currently report as of a single point in time instead as averages of daily, weekly, or monthly values?

Question 2: What operational burdens would be required, relative to what banking organizations already do to track this information? To what extent would the operational burdens of reporting averages of daily, weekly, monthly values differ for the different indicators?

Question 3: For off-balance sheet items, what would be the advantages or disadvantages of requiring reporting based on an average of more frequent data than month-end values, such as an average of daily or weekly values?

[18] *See* 12 CFR 217.10(c).

Question 4: What would be the advantages and disadvantages of requiring calculation of GSIB surcharges based on indicators averaged over the fourth quarter only, rather than based on average values over all four quarters of the calendar year? For which indicators and why?

B. Reducing Cliff Effects in the Calculation of Method 2 GSIB Surcharges

As described in the 2015 rulemaking, the Board chose to assign GSIB surcharges using 100-basis point score band sizes so that modest changes in a firm's systemic indicators would generally not cause a change in its surcharge and surcharges would be reasonably sensitive to changes in a firm's systemic footprint. In practice, the Board has observed that firms' method 2 scores tend to cluster close to the upper limit of a score band range, especially at year-end.

In order to increase the sensitivity of a firm's surcharge to its systemic risk profile and reduce cliff effects around changing score bands, the Board is proposing to make the method 2 score band ranges narrower.[19] Instead of 100-basis point score band ranges corresponding to 0.5-percentage point increments in the surcharge (1.0%, 1.5%, 2.0%, etc.), the proposal would modify the ranges in method 2 to 20-basis point ranges that would correspond to 0.1-percentage point increments (1.0%, 1.1%, 1.2%, etc.).

Under this approach, the lowest score band range would be method 2 scores of 189 basis points or less, corresponding to a 1.0 percent surcharge, the lowest applicable surcharge for a GSIB. If the method 2 score of a GSIB equaled or exceeded 190 basis points, the method 2 surcharge would equal the sum of 1.1 percent and an additional 0.1 percent for each additional 20 basis points by which the GSIB's method 2 score exceeded 190 basis points. Expressed mathematically, this is equivalent to:

$$Method\ 2\ GSIB\ surcharge = \begin{cases} 1\% + 0.1\% * ceiling\left(\dfrac{method\ 2\ GSIB\ score - 189}{20}\right), if\ method\ 2\ score \geq 190 \\ 1\%, if\ method\ 2\ score \leq 189 \end{cases}$$

Where *ceiling* means to round the fraction to the nearest integer above or equal to it.[20] Table 2 illustrates the application of this formula up to a score of 1129.

TABLE 2—PROPOSED REVISED METHOD 2 SURCHARGE SCORE BAND RANGES

Method 2 score range	Method 2 surcharge		Method 2 score range	Method 2 surcharge	
	Current (percent)	Proposed (percent)		Current (percent)	Proposed (percent)
Less than 189	1.0	1.0	630–649	3.5	3.3
190–209		1.1	650–669		3.4
210–229		1.2	670–689		3.5
230–249	1.5	1.3	690–709		3.6
250–269		1.4	710–729		3.7
270–289		1.5	730–749	4.0	3.8
290–309		1.6	750–769		3.9
310–329		1.7	770–789		4.0
330–349	2.0	1.8	790–809		4.1
350–369		1.9	810–829		4.2
370–389		2.0	830–849	4.5	4.3
390–409		2.1	850–869		4.4
410–429		2.2	870–889		4.5
430–449	2.5	2.3	890–909		4.6
450–469		2.4	910–929		4.7
470–489		2.5	930–949	5.0	4.8
490–509		2.6	950–969		4.9
510–529		2.7	970–989		5.0
530–549	3.0	2.8	990–1009		5.1
550–569		2.9	1010–1029		5.2
570–589		3.0	1030–1049	5.5	5.3
590–609		3.1	1050–1069		5.4
610–629		3.2	1070–1089		5.5
			1090–1109		5.6
			1110–1129		5.7

[19] The proposal would not amend the score band ranges for method 1, as discussed further below.

[20] For example, 2.1 rounds up to 3; 4.7 rounds up to 5; 6 does not require rounding.

The proposed method 2 score band range structure would result in a surcharge equivalent to that under the current method 2 surcharge score band range structure when a method 2 score is in the middle quintile of the current score band range, as displayed in Table 2. For example, a method 2 score of 280 basis points is near the center of the current 2.5 percent surcharge score band range and would likewise receive a 2.5 percent surcharge under the proposal. Under the proposal, method 2 scores at the lower end of a current method 2 score band range would receive a modest GSIB surcharge reduction. Method 2 scores at the higher end of a current method 2 score band range would receive a modest GSIB surcharge increase under the proposal.

The proposed revision is not meant to alter the overall calibration of the method 2 surcharge, as reflected by the fact that the surcharge for a proposed score band range that is at the center of a current score band range would remain unchanged. Rather, the proposal would apply a more continuous approach to determining a firm's GSIB surcharge that would reduce cliff-effects in the framework and increase its risk sensitivity.

The proposal would not amend the score band ranges for method 1. Because method 1 is structured to be generally consistent with the methodology used by other major jurisdictions to calculate GSIB surcharges and with the GSIB surcharge standard published by the Basel Committee, the proposal would keep the existing score band ranges for method 1 in the interest of continuing to promote international consistency.

Question 5: What are the advantages and disadvantages of the proposed approach to method 2 surcharges, including for firms' capital planning? What alternative approaches, if any, should the Board consider for reducing cliff effects and better reflecting a firm's systemic risk profile in its GSIB surcharge?

Question 6: What would be the advantages and disadvantages of a wider or narrower score band structure than the proposed approach of 20 basis points of method 2 score per 0.1 percentage point increase in method 2 surcharge?

C. Effective Date of Changes to a Firm's GSIB Surcharge Requirement

Under the current framework, an increase in the GSIB surcharge of a global systemically important bank holding company takes effect on January 1 of the year that is one full calendar year after the increased GSIB surcharge was calculated.[21] This approach facilitates GSIBs' capital planning and allows time for a GSIB to shrink its systemic risk profile such that it would be subject to a lower GSIB surcharge.

The Board is seeking comment on whether it would be appropriate to modify the effective date of changes to a firm's GSIB surcharge requirement following a change in its GSIB score. Under the proposed change to measure certain indicators based on average values over a four-quarter period, rather than year-end point-in-time values, it is possible that a GSIB may have greater ability to predict its applicable GSIB surcharge further in advance than under the current framework. In addition, under the proposed change to a narrower score band structure for determining method 2 surcharges, it is possible that incremental changes in GSIB surcharge requirements may be smaller than under the current approach.

Given these dynamics, the Board requests comment regarding possible changes to the timing for an increase in a firm's GSIB surcharge to take effect following the calculation date. One potential approach could be for the effective date of the GSIB surcharge under both method 1 and 2 to occur with a shorter lag, such that increases would take effect on April 1 of the year that immediately follows the calculation of the increased GSIB surcharge. This approach would have the benefit of providing a closer matching in time between the measurement of a firm's systemic indicators and the application of a GSIB surcharge based on that data.

An alternative approach could be for the effective date of the GSIB surcharge under method 2, if binding, to coincide with the effective date of the stress capital buffer, October 1, of the year in which the increased GSIB surcharge was calculated. The effective date under method 1, if binding, could be April 1 or October 1 of the year that immediately follows the year in which the increased GSIB surcharge was calculated. This approach would have a similar benefit to the first approach, but also account for the consideration that the calculation of method 1 scores typically occurs later in the calendar year, based on the Board's publication date of the aggregate global measures used in the method 1 calculation.

[21] A firm typically calculates its method 2 score for a given year after it files its FR Y–15 for the fourth quarter, which typically occurs around April of the following year. For method 1, a firm typically calculates its score later that same year, after the Board publishes the aggregate global measures for that year, which typically occurs around November or December.

Question 7: What would be the advantages and disadvantages of adjusting the timing for a firm's GSIB surcharge to take effect following the calculation date of its GSIB score? To what extent would other elements of the proposal, such as averaging of indicators and a narrower method 2 score band structure, reduce the amount of time needed for a GSIB to meet a higher GSIB surcharge? How would such a change affect a GSIB's capital planning?

Question 8: What would be the advantages and disadvantages of changing the effective date of a change to a firm's GSIB surcharge requirement to coincide with the effective date of the stress capital buffer requirement?

Question 9: What other approaches to the effective date of the GSIB surcharge should the Board consider, and why?

D. Clarification for Reduction in GSIB Surcharge Calculated During the Intervening Year Between Calculation and Effective Date of a GSIB Surcharge Increase

The proposal would amend section 217.403 of the capital rule to clarify ambiguity regarding the GSIB surcharge for a GSIB that calculates a GSIB score that would result in a higher GSIB surcharge taking effect on January 1 of the year that is one full calendar year after a calculation date, but then in the year after that calculation date calculates a GSIB score that would result in a lower GSIB score than the one scheduled to take effect. The proposal would clarify that in that situation, the lower, more recently calculated score would apply. The proposed clarification would specify that a firm's GSIB surcharge in effect for a calendar year is the surcharge calculated in the immediately prior calendar year, unless the surcharge calculated in the calendar year two years prior was lower, in which case the GSIB surcharge calculated in the calendar year two years prior shall be in effect. For example, a GSIB may calculate a GSIB score in 2024 that results in an increased GSIB surcharge from 2.0 to 2.2 percent to take effect on January 1, 2026. If, in 2025, that GSIB calculates a GSIB surcharge of 2.1 percent, the GSIB's effective surcharge on January 1, 2026, would be the 2.1 percent calculated in 2025, instead of the 2.2 percent calculated in 2024. If, in 2025, the GSIB calculates a GSIB surcharge of 2.3 percent, its effective surcharge on January 1, 2026, would be the 2.2 percent calculated in 2024.

E. Amendments to Systemic Indicators

The Board is proposing to revise various aspects of the systemic indicators, as implemented in certain cases through the data collected on the FR Y–15. This section discusses these revisions, grouped by systemic indicator category. Unless otherwise noted, each proposed modification in this section would apply to all filers of the FR Y–15. Table 3 summarizes the proposed modifications to the GSIB framework and the FR Y–15 reporting.

TABLE 3—PROPOSED AMENDMENTS TO SYSTEMIC INDICATORS

Proposed amendments	Affected systemic indicators
Revise definition of ''financial institutions'' for interconnectedness category and treatment of holdings of securities issued by an exchange-traded fund.	Intra-financial system assets; intra-financial system liabilities; securities outstanding.
Clarify treatment of certain exposures of a banking organization that arise in connection with client cleared derivatives positions.	Intra-financial system assets; intra-financial system liabilities; notional amount of OTC derivatives.
Incorporate the standardized approach for counterparty credit risk (SA–CCR) to measure derivative exposures[22].	Intra-financial system assets; intra-financial system liabilities.
Update treatment of non-cash collateral in over-the-counter (OTC) derivatives transactions.	Intra-financial system assets; intra-financial system liabilities.
Update treatment of certificates of deposit	Securities outstanding.
Clarify scope for reporting of preferred shares	Securities outstanding.
Introduce two trading volume indicators	Trading volume.
Update list of currencies	Payments activity.
Add derivatives exposures	Cross-jurisdictional claims; cross-jurisdictional liabilities.
Streamline reporting of the cross-jurisdictional liabilities systemic indicator.	Cross-jurisdictional liabilities.
Technical edits to align the FR Y–15 instructions for reporting short-term wholesale funding with the capital rule.	Short-term wholesale funding.

i. Interconnectedness and Complexity

a. Definition of ''Financial Institution'' and Treatment of Exchange-Traded Funds

Banking organizations often enter into transactions with other financial sector entities, giving rise to a range of obligations. These transactions can serve many purposes and can also serve as transmission channels for stress. Financial distress at a banking organization can materially raise the likelihood of distress at other firms given the network of obligations throughout the financial system. Accordingly, the GSIB framework includes as a measure of a banking organization's systemic risk profile indicators of its interconnectedness with other financial institutions and the financial sector as a whole.

The GSIB surcharge framework measures interconnectedness using three systemic indicators: intra-financial system assets, intra-financial system liabilities, and securities outstanding. For purpose of these indicators, the FR Y–15 instructions currently define ''financial institutions'' as depository institutions, bank holding companies, securities brokers, securities dealers, insurance companies, mutual funds, hedge funds, pension funds, investment banks, and central counterparties. The definition excludes central banks and other public sector bodies, such as multilateral development banks and the Federal Home Loan Banks, but includes state-owned commercial banks. The definition also excludes stock exchanges, though stock exchanges may have subsidiaries that are included, such as securities dealers or central counterparties.

This proposal would expand the definition of ''financial institution'' to include savings and loan holding companies, private equity funds, asset management companies, and exchange-traded funds. The proposed inclusion of savings and loan holding companies would clarify that a reporting firm should include positions with these firms in the same manner as other depository institution holding companies, since a banking organization's positions with these firms can act as a similar channel for transmission of distress that can undermine financial stability.

The proposed inclusion of private equity funds in the interconnectedness indicators would be consistent with the purpose of the interconnectedness category to holistically assess a banking organization's exposures to and from other financial sector entities.[23] Private equity funds are engaged in asset management activities, which are a financial activity, and they typically have transactions or relationships with a broad set of other financial market participants. Like with other asset management entities, perceptions of distress at a private equity fund could affect market perceptions of the soundness of other financial market participants. As such, they can present a similar channel for transmission of distress and financial instability as other asset management entities and other types of entities included in the definition of ''financial institution.''

The proposed change regarding asset management companies would similarly reflect that positions with asset management companies, in addition to positions with the underlying funds managed by the companies, represent sources of financial sector interconnectedness.

To improve clarity, the proposal would modify the FR Y–15 instructions to specify that exchange-traded funds are included in the definition of ''financial institution,'' and would include in the line items for holdings of securities issued by other financial institutions (within the intra-financial system assets indicator) holdings of securities of an exchange-traded fund.

[22] The capital rule currently requires banking organizations subject to Category I and II standards to use SA–CCR to calculate standardized total risk-weighted assets and total leverage exposure and to use SA–CCR or the internal models methodology to calculate their advanced approaches total risk-weighted assets. Firms subject to Category III or IV standards may, but are not required to, use SA–CCR. The Board, with the OCC and the FDIC, is separately proposing changes to the capital rule that would remove the advanced approaches capital requirements and require firms subject to Category I, II, III, and IV standards to use SA–CCR to calculate total risk-weighted assets and total leverage exposure.

[23] The proposed change would not include the portfolio companies of a private equity fund unless a portfolio company itself meets the definition of ''financial institution.''

Currently, the instructions for this line item state not to include bond exchange-traded funds. Although the redemption structures for shares of exchange-traded funds generally differ from the structure of an open-ended mutual fund, asset management entities can have a variety of redemption structures and still act a source of financial sector interconnectedness. This change would improve the clarity of reporting instructions and the consistency of treatment of asset management entities and provide a more complete measure of a banking organization's interconnectedness.

The proposal would implement these changes through revisions to the instructions of the FR Y–15 that would apply to all filers.

Question 10: What other types of entities should the definition of ''financial institution'' include, and why?

Question 11: In what ways could the Board further improve clarity regarding the types of entities included in the term ''financial institution'' for purposes of the interconnectedness indicators?

b. Derivatives

The proposal would revise the FR Y–15 instructions for the interconnectedness and complexity indicators—specifically, intra-financial system assets and liabilities in the interconnectedness category and notional amount of OTC derivatives in the complexity category—to clarify the treatment of certain exposures of a banking organization that arise in connection with client cleared derivatives positions.

When a banking organization acts as a derivatives clearing intermediary for a client, it generally does so under one of two structures: the principal model or the agent model. Under the principal model, the banking organization facilitates the clearing of derivatives for a client by becoming a direct counterparty to both the client and the central counterparty (CCP). Under the agency model, the clearing member client and the CCP face each other directly, and the banking organization provides to the CCP a guarantee of the client's performance.

Under current reporting, all three indicators include client cleared derivative positions under the principal model. For the complexity indicator, filers must report the notional amounts associated with each of its positions with the CCP and the clearing member client. For the interconnectedness indicators, filers must report net exposures to the CCP and the net exposures to clients that fit the definition of a financial institution.

To promote consistent treatment of the two clearing models and better capture sources of interconnectedness and complexity, the proposal would include in all three indicators (intra-financial system assets and intra-financial system liabilities in the interconnectedness category and notional amount of OTC derivatives in the complexity category) a firm's guarantees of client performance to a CCP with respect to client cleared derivative positions.

For the interconnectedness indicators, inclusion of guarantees by a banking organization of a client's performance would provide a more accurate measurement of the firm's interconnectedness. While the banking organization is not the primary obligor under these positions, these positions could become transmission channels for distress if the banking organization experienced material distress or failure.

For the complexity indicator, inclusion of guarantees by a banking organization of a client's performance on derivative contracts would provide a more accurate assessment of the firm's complexity, because it would provide a more complete picture of the firm's derivative exposures. As OTC derivatives contribute to complexity, whether the banking organization is a primary or secondary obligor, a more accurate representation of the notional amount of OTC derivatives exposures would improve the Board's ability to assess systemic risk.

Question 12: What are the advantages and disadvantages of including in the interconnectedness and complexity indicators guarantees of client performance to a CCP with respect to client cleared derivative positions?

The proposal would also update the reporting of derivative positions in the interconnectedness indicators to align with amendments to the capital rule in 2019 that adopted the standardized approach for counterparty credit risk (SA–CCR). The indicators for intra-financial system assets and intra-financial system liabilities include the net fair value and potential future exposure of OTC derivatives with other financial institutions, as calculated under the capital rule. The current instructions specify that firms should use the current exposure method to calculate the potential future exposure of these positions. The proposal would update the instructions for the relevant line items, 5(b) and 11(b) in the interconnectedness category, to provide instead for calculation using SA–CCR for a banking organization that uses SA–CCR. Specifically, the proposal would state that a firm should report the exposure amount of derivatives in accordance with the capital rule, 12 CFR 217.34(a). This change would align with the measurement of derivatives in the interconnectedness category with that used in the size category, as well as in the calculation of standardized total risk-weighted assets and total leverage exposure in the capital rule.

In addition, the proposal would allow a banking organization to recognize, for purposes of the intra-financial system assets and intra-financial system liabilities indicators, the value of non-cash collateral to offset the net fair value of derivatives if such collateral is financial collateral (as defined in the capital rule, 12 CFR 217.2) and if adjusted for the applicable haircuts under SA–CCR or the current exposure method, depending on which the banking organization uses in accordance with the capital rule, 12 CFR 217.34(a). Specifically, this proposal would revise line items 5(a) and 11(a) in the interconnectedness category of the FR Y–15. This change would provide recognition of risk mitigants that reduce the impact to other financial institutions from a firm's failure.

c. Securities Outstanding

The proposal would revise the scope of certain exposures measured under the securities outstanding systemic indicator in the interconnectedness category. First, the proposal would revise the FR Y–15 instructions to indicate that filers should not report a certificate of deposit in the securities outstanding indicator if the certificate of deposit is not due to or held by a financial institution and is non-transferable. This modification would exclude such certificates of deposit from the interconnectedness category because they are not, and cannot become, exposures due to or held by a financial institution.

Consistent with the purpose of the interconnectedness indicators, filers would continue to include in the securities outstanding indicator a certificate of deposit that is issued to a financial institution and a certificate of deposit that is transferable.

The proposal would also modify the instructions for other items included in the securities outstanding systemic indicator in order to provide greater clarity to filers. Specifically, the proposal would require banking organizations to include preferred shares that have a determinable fair value in the securities outstanding systemic indicator, even if the preferred shares are not registered with the

Securities and Exchange Commission or listed on a securities exchange. The proposed change would clarify the FR Y–15 instructions, which state that publicly traded instruments must be reported. The proposed change is intended to include instruments for which banking organizations can easily determine a fair value, which can be done for securities for which there is an active market. The proposed change would be consistent with the intent of the securities outstanding category to accurately measure issued and outstanding debt and equity instruments of a banking organization.

Question 13: What further modifications or clarifications to the securities outstanding systemic indicator should the Board consider, and why?

Question 14: What are the advantages and disadvantages of the proposed revisions to the interconnectedness and complexity categories? What other changes should the Board consider, and why?

ii. Substitutability

a. Trading Volume

The substitutability category used in method 1 measures the extent to which a banking organization provides critical financial services and infrastructure to third parties and the broader financial system that would be difficult to substitute in a period of financial stress or failure. Currently, there are three substitutability indicators: (1) payments activity; (2) assets under custody; and (3) underwritten transactions in debt and equity markets.

The proposal would revise the substitutability category to introduce two new systemic indicators, ''trading volume—fixed income'' and ''trading volume—equity and other,'' as a complement to the existing systemic indicator for underwritten transactions in debt and equity markets.

The proposed inclusion in the substitutability category of trading volume in addition to underwriting activity would provide a broader measure of the extent to which a banking organization's activities contribute to liquidity in the primary market (underwriting) and secondary market (trading). The permitted trading activity of banking organizations, such as market making, can promote market liquidity, thereby enhancing price discovery and permitting market participants to manage financial risk more holistically. The provision of market-making services can require substantial investments in information technology and infrastructure, making it difficult to substitute in a period of financial stress or firm default. The proposal would include separate systemic indicators for trading volume in fixed income and in equities and other securities to avoid disproportionate impact due to differences in overall trading volumes in the two markets.

The FR Y–15 sections for the substitutability indicators (Schedules C and J) currently include these measures as memoranda line items. The proposal would move these line items into the main section of Schedule C to reflect their inclusion as new systemic indicators.[24] The indicator for trading volume in fixed income securities includes money market instruments, certificates of deposit, bills, bonds, and other fixed income securities, such as commercial paper, corporate bonds, syndicated corporate loans, covered bonds, convertible debt, and securitized products.[25] This indicator includes securities issued by public sector entities (as defined in 12 CFR 217.2) as well as securities issued or guaranteed by government-sponsored agencies, multilateral development banks, and state and local governments, but does not include securities issued by a sovereign, as defined in 12 CFR 217.2. The indicator for trading volume of equities and other securities includes all publicly traded equities (as defined in 12 CFR 217.2), including American depositary receipts (ADRs) and global depositary receipts (GDRs), unlisted equity securities, preferred stock, trust preferred securities, and securities issued by investment funds, as defined in 12 CFR 217.2.[26]

The proposal would also modify the weighting of the indicators for substitutability in a firm's method 1 GSIB score calculation to reflect the addition of the two new indicators. Currently, the indicator for underwritten transactions in debt and equity markets receives a 6.67 percent weighting. The proposal would reallocate a portion of this weighting to the two new indicators: the indicator for underwritten transactions in debt and equity markets would receive a 3.33 percent weighting, and the trading volume—fixed income and trading volume—equity and other systemic indicators would each receive a 1.67 percent weight. The remaining systemic indicators in the substitutability category would retain their current weighting of 6.67 percent each. The inclusion of the proposed systemic indicators for trading volume would not affect a GSIB's method 2 score calculation, as method 2 does not include the substitutability category of indicators.

Question 15: What are the advantages and disadvantages of the proposed trading volume systemic indicators as measures of a banking organization's substitutability, based on its contributions to efficient market functioning? What alternative indicators, if any, should the Board consider?

Question 16: What, if any, other trading instruments and exposures besides those mentioned above should the proposed systemic indicators for trading volume include, and why?

b. Currencies Included in the Payments Activity Systemic Indicator and Associated Memoranda Items

The payments activity indicator includes the value of all cash payments sent via large-value payment systems, along with the value of all cash payments sent through an agent (for example, using a correspondent or nostro account), over the calendar year in major global currencies. To determine which currencies to include in this indicator, the Board considers factors such as the extent to which a currency represents a material share of global foreign exchange market turnover, among other factors.[27] In identifying major currencies, the Board takes into account the list of major currencies announced by the Basel Committee for purposes of the international GSIB surcharge standard, including updates typically announced by the Basel Committee every three years.[28] The FR Y–15 also collects payments activity for certain other currencies (memorandum item currencies) that are not used at sufficient volumes to be included in the payments activity metric, in order to help inform the selection of major currencies in the future and monitor activity more consistently over time in currencies that may become major currencies in the future.

The proposal would update the list of currencies that are included in the payments activity systemic indicator to reflect changes in the materiality of

[24] As discussed in section II.F of this Supplementary Information section below, the proposal would remove Schedule J to streamline reporting by foreign banking organizations.

[25] *See* FR Y–15 Instructions, Schedule C, line items M5, M5(a), M5(b), and M6.

[26] *See* FR Y–15 Instructions, Schedule C, line items M5, M5(c), M5(d), and M7.

[27] For example, a currency may also be considered a major currency if it represents a material share of global nominal gross domestic product (GDP).

[28] *See, e.g., Instructions for the end-2022 G–SIB assessment exercise,* January 2023, available at *https://www.bis.org/bcbs/gsib/instr_end22_gsib.pdf.*

certain currencies' share of global foreign exchange market turnover. The proposal would also update the list of currencies that are not included in the payments activity systemic indicator but that are collected as memorandum item currencies.

The proposal would revise the payments activity systemic indicator to include the Singapore dollar based on its use in global foreign exchange markets, and to remove the Brazilian real and the Mexican peso from the systemic indicator based on their reduced relative use in global foreign exchange markets. Based on the 2022 Triennial Central Bank Survey published by the Bank for International Settlements (BIS), the Singapore dollar accounted for over 2 percent of foreign exchange market turnover in April 2022.[29] The Mexican peso, which the FR Y–15 currently includes in the payments systemic indicator, accounted for slightly less than 2 percent of foreign exchange market turnover, and the Brazilian real, which the FR Y–15 also currently includes in the payments systemic indicator, accounted for significantly less than 2 percent of foreign exchange market turnover.

Under the proposal, the Board would continue to collect data on payments in the Mexican peso on the FR Y–15 as a memorandum item currency, based on its share of foreign exchange market turnover. In addition, the proposal would add payments activity in Norwegian krone and South Korean won as memoranda item currencies on the FR Y–15. These currencies each accounted for slightly less than 2 percent of foreign exchange market turnover, based on the Triennial Central Bank Survey. Like other memoranda item currencies, the Norwegian krone and South Korean won would not be included in the payments activity systemic indicator under the proposal.

The proposal would amend the FR Y–15 to no longer collect data on payments activity in Russian rubles and the Brazilian real, which are currently included as memoranda item currencies, as the foreign exchange market turnover for these currencies is significantly less than the other currencies for which the report collects information.

Question 17: Which, if any, other currencies should the Board include in the payments activity systemic indicator or as memorandum item currencies, and why?

Question 18: Which, if any, of the currencies that would be included in the payments activity systemic indicator or as memorandum item currencies should the Board not include, and why?

c. Clarifications for the Payments Activity Indicator

The proposal would make additional changes to the FR Y–15 instructions for the payments activity indicator to improve clarity for filers. First, the proposal would modify the instructions for payments made in the last four quarters to more clearly state the current requirement that filers should include in their reported values the quarter including the as-of date of the report. This clarification would make no substantive change to the current instructions. Additionally, the proposal would update a footnote in the instructions for line item 1, which cites a report published by the Bank for International Settlements' Committee on Payment and Settlement Systems, to reflect a change in the name of this body to the Committee on Payments and Market Infrastructures and to provide an updated hyperlink.

iii. Cross-Jurisdictional Activity

a. Cross-Jurisdictional Derivatives Activity

Banking organizations with large cross-border activities and exposures may be more difficult and costly to resolve than domestically focused banking organizations in the event of a failure. The greater a banking organization's exposures across borders and to non-domestic counterparties, the more difficult it can be to coordinate its resolution were it to fail. In addition, cross-jurisdictional activity can add complexity and present channels for transmission of distress with parties in different jurisdictions. The two systemic indicators included in this category—cross-jurisdictional claims and cross-jurisdictional liabilities—measure a depository institution holding company's global profile by considering its activity and exposures outside of the United States.

Under the current FR Y–15 instructions, neither of these indicators for cross-jurisdictional activity include derivative exposures. Derivatives, however, can give rise to cross-jurisdictional claims and liabilities, present sources of cross-border complexity, and act as channels for transmission of distress in the same manner as other assets and liabilities or even to a greater extent to amplify the effect of a banking organization's failure. (The failure of Lehman Brothers during the 2007–09 financial crisis presents a notable example.) Omission of derivatives from the systemic indicators for cross-jurisdictional activity can materially understate this measure for a banking organization, and also present opportunities for a banking organization to use derivatives to structure its exposures in a manner that reduces the value of its systemic indicators without reducing the risks the indicator is intended to measure.

Accordingly, the proposal would revise the systemic indicators for cross-jurisdictional claims and cross-jurisdictional liabilities to include derivative exposures. As a result of this change, these indicators would provide a more accurate and comprehensive measure of a banking organization's cross-jurisdictional activity and the associated risks intended to be captured. Under the proposal, cross-jurisdictional derivative claims and cross-jurisdictional derivative liabilities would be calculated gross of collateral in order to measure the underlying scale of a banking organization's cross-jurisdictional derivatives activity. A banking organization may be engaged in significant cross-jurisdictional derivatives business even if its cross-jurisdictional claims and liabilities are relatively small net of collateral. The proposal would implement the modification to include derivative exposures to the cross-jurisdictional activity category systemic indicators through revisions to the FR Y–15, which currently collects such cross-jurisdictional derivative exposures as memoranda items.[30]

In addition to its usage under the GSIB surcharge framework, cross-jurisdictional activity as reported on the FR Y–15 also serves as a risk-based indicator in the Board's framework for determining the applicable category of prudential standards for large banking organizations. Specifically, a banking organization that has cross-jurisdictional activity of $75 billion or more is subject to Category II standards.[31] The proposed change would therefore also have the effect of

[29] The BIS Triennial Central Bank Survey is a comprehensive source of information on the size and structure of global over-the-counter markets in foreign exchange and interest rate derivatives. The BIS coordinates the Triennial Survey every three years. The foreign exchange turnover part of the 2022 Triennial Survey took place in April 2022 and involved central banks and other authorities in 52 jurisdictions. These authorities collected data from more than 1,200 banks and other dealers and reported national aggregates to the BIS for inclusion in global aggregates. *See Triennial Central Bank Survey,* October 2022, available at *https://www.bis.org/statistics/rpfx22_fx.pdf.*

[30] Currently, the cross-jurisdictional derivative claims memorandum item is reported net of cash collateral. Under the proposal, a banking organization would report cross-jurisdictional derivative claims gross of cash and other collateral.

[31] *See* 12 CFR 252.2.

improving the measurement of cross-jurisdictional activity for the purposes of determining the application of prudential standards for large banking organizations, for the same reasons described above.

Question 19: What other modifications, if any, would improve measurement of the cross-jurisdictional activity indicators?

b. Other Changes to Measurement of Cross-Jurisdictional Activity Indicators

Currently, the FR Y–15 instructions direct filers to measure cross-jurisdictional liabilities by referencing instructions for the Treasury International Capital reports and the Country Exposure Report (FFIEC 009). To streamline the reporting instructions for cross-jurisdictional liabilities, the proposal would remove references to the Treasury International Capital reports, consolidate line items related to cross-jurisdictional liabilities, and apply consistent definitions with the FFIEC 009 for the measurement of cross-jurisdictional liabilities. This approach would result in a consistent methodology for measuring the consolidated cross-jurisdictional liabilities of firms while simplifying the reporting instructions.

As part of this change, the proposal would revise the scope of the cross-jurisdictional liabilities indicator to include total liabilities booked at foreign offices regardless of whether payment is guaranteed at locations outside the country of the office. Foreign office liabilities may present complexity or increase the difficulty and cost of resolving a banking organization in the event of a failure regardless of whether payments are guaranteed at locations outside the country of the office. Therefore, this revision would better reflect a banking organization's cross-jurisdictional activities and exposures.

The proposal would also make other revisions to the FR Y–15 instructions for cross-jurisdictional activity to provide greater clarity to filers.

iv. Short-Term Wholesale Funding

The proposal would make amendments to the short-term wholesale funding indicator and its associated FR Y–15 instructions to improve the consistency of data measurement and reporting, reduce operational burden, and improve the clarity of reporting instructions. For purposes of the method 2 surcharge, short-term wholesale funding measures the ratio of weighted daily average wholesale funding with a remaining maturity of one year or less to average risk weighted assets. In addition to the method 2 surcharge, short-term wholesale funding is also used to determine the applicable category of prudential standards under the regulatory tiering framework adopted by the Board in 2019. Specifically, a firm with weighted short-term wholesale funding of $75 billion or more is subject to Category III standards.[32]

a. Alignment With Other Requirements

To improve consistency of data measurement and reporting and reduce operational burden for filers, the proposal would align the maturity categories used to calculate a firm's short-term wholesale funding score under the GSIB surcharge framework and reported on the FR Y–15 with the maturity categories used for liquidity data reporting on the Complex Institution Liquidity Monitoring Report (FR 2052a) and for purposes of the net stable funding ratio (NSFR) rule,[33] by moving the start and end dates for certain categories by one day.

Due to recent amendments to the FR 2052a to align the report with the net stable funding ratio (NSFR) rule,[34] there is currently a one-day difference between the start and end dates for certain maturity categories for reporting data items on the FR Y–15 and the FR 2052a. Specifically, one of the maturity categories in the FR 2052a and under the NSFR rule includes a lower bound of 180 days. The short-term wholesale funding indicator under the GSIB surcharge framework and the FR Y–15 reporting form, however, include a category for remaining maturity of 181 to 365 days.

The proposal would modify the maturity category of 91 to 180 days under the GSIB surcharge framework and FR Y–15 to a remaining maturity of 91 to 179 days, and the maturity category of 181 to 365 days to a maturity of 180 to 364 days, to align with the FR 2052a. This change would improve consistency and reduce operational burdens, for example, by allowing banking organizations to pull data from the FR 2052a to complete FR Y–15 reporting.

b. Sweep Deposits

The GSIB surcharge framework's method 2 score calculation of short-term wholesale funding requires banking organizations to include brokered deposits, as defined in the Board's liquidity coverage ratio and NSFR rules.[35] The proposal would make a conforming amendment to the GSIB surcharge framework's reference to brokered deposits to align with a 2021 change to the defined term under the Board's liquidity rules. In the 2021 NSFR final rule, the Board amended the definition of ''brokered deposit'' to create a separate defined term, ''sweep deposits,'' for a category of funding that had previously been included in the scope of the term ''brokered deposits.'' [36]

The proposal would clarify that the change to create a separate defined term for this class of funding was not intended to scope sweep deposits out of the short-term wholesale funding indicator in the GSIB surcharge framework. Specifically, the proposal would amend the GSIB surcharge framework to add ''sweep deposits'' to the scope of the short-term wholesale funding indicator and add a definition of ''sweep deposits.'' The Board made similar conforming terminology changes to the FR Y–15 and its instructions for Schedules G and N, ''Short-Term Wholesale Funding Indicator,'' line item 1.b, ''Retail brokered deposits and sweeps,'' as well as the glossary entry for ''sweep deposit,'' as of the June 30, 2021, reporting period.

c. Short-Term Wholesale Funding Calculation

The proposal would revise the General Instructions for the short-term wholesale funding indicator in the FR Y–15 to more closely align with the GSIB surcharge framework. The revised instructions would clarify that firms should report short-term wholesale funding consistent with the definition in the capital rule.[37]

Question 20: In addition to the proposed changes, what additional changes, if any, should the Board consider making to the FR Y–15, and why—for example, to improve the measurement of indicators and systemic risk or to reduce operational reporting burdens?

[32] *See* 12 CFR part 252, subpart A.

[33] *See* 12 CFR part 249; *see also* Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements, 86 FR 9120 (Feb. 11, 2021).

[34] *Id.*

[35] 12 CFR part 249.

[36] ''Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements,'' 86 FR 9120 (February 11, 2021). A sweep deposit is a deposit held at a banking organization by a customer or counterparty through a contractual feature that automatically transfers to the banking organization from another regulated financial company at the close of business each day amounts identified under the agreement governing the account from which the amount is being transferred. *See* 12 CFR 249.3. The 2021 change was also consistent with amendments adopted by the FDIC to its regulations regarding brokered deposits. *See* ''Unsafe and Unsound Banking Practices: Brokered Deposits and Interest Rate Restrictions,'' 86 FR 6742 (January 22, 2021).

[37] *See* 12 CFR 217.406(b)(2).

F. Foreign Banking Organization Reporting Requirements

In 2019, in connection with the final rule establishing categories and thresholds for determining prudential standards for large banking organizations, the Board added new Schedules H through N to the FR Y–15, which apply solely to foreign banking organizations and their U.S. intermediate holding companies. The new schedules were intended to simplify reporting for foreign banking organizations and their intermediate holding companies. However, based on experience since this change, the Board is proposing to consolidate FR Y–15 reporting for U.S. and foreign banking organizations on a single set of schedules to reduce technical challenges and operational burden and improve administration and consistency of reporting.

To simplify and streamline the reporting form and its instructions, the proposal would remove Schedules H through N and make adjustments to accommodate reporting by foreign banking organizations using the same schedules as domestic firms, Schedules A through G. Under the proposal, a foreign banking organization would file Schedules A through G for its combined U.S. operations and separately for any applicable U.S. intermediate holding company. This change would only reorganize the way that foreign banking organizations report the FR Y–15 and would not change the actual information collected. The proposal would make corresponding updates to the FR Y–15 instructions to reflect this change.

G. Implementation and Timing

The proposal's amendments to the capital rule, FR Y–15, and FR Y–15 instructions would take effect two calendar quarters after the date of adoption of a final rule. This effective date timing would give firms a minimum of two quarters to make the required changes to their systems and processes. During the initial three quarters following the effective date, items that require a four-quarter average or sum would include data from quarters for which the underlying reporting instructions differ. Banking organizations would not be required to adjust data reported in previous quarters when calculating these four-quarter averages or sums. A banking organization that does not have data for an indicator for a previous quarter would be required to use a pro-rata approach.

Question 21: What alternative implementation timing should the Board consider and why?

Question 22: To the extent that the Board decides to adopt any particular element of this proposal and not to adopt other elements of this proposal, how should the Board account for that for those elements of the proposal that are adopted? Which elements of the proposal, if any, would require adjustment if another element is not adopted and what adjustments should the Board consider?

H. Interaction With Other Proposals

The Board, with the OCC and FDIC, is separately issuing a proposal that would revise the agencies' risk-based capital framework applicable to banking organizations with at least $100 billion in total assets and their depository institution subsidiaries and to banking organizations with significant trading activities (the capital proposal).[38] The capital proposal would require these banking organizations to use more risk-sensitive standardized approaches and reduce the use of internal models to enhance consistency in capital requirements across these banking organizations and better reflect the risks of these banking organizations' exposures.[39]

Question 23: What modifications, if any, should the Board consider to this proposal due to the capital proposal?

III. Impact

This section assesses the impact of the proposed changes, using supervisory data for 2021 and 2022. The impact analysis focuses on domestic GSIBs, which would see small changes to their GSIB scores and capital surcharges as a result of the proposal.[40] Additionally, some proposed changes, such as the amendments to the FR Y–15 reporting requirements, would affect all FR Y–15 filers, as well as, potentially, their categorizations and requirements under the regulatory tiering framework for large banking organizations.[41] Overall, the Board expects that the systemic stability and operational benefits of the proposed changes would outweigh their relatively small costs.

The Board analyzed the combined benefits and costs of the proposal. Where feasible and relevant, the Board assessed the effects of measuring systemic indicators by using averages of daily or monthly values (henceforth: ''averaging'') and using narrow GSIB score bands separately from the rest of the proposed changes. The analysis also considered potential interactions between the proposal and other elements of the regulatory framework for banking organizations, such as the regulatory tiering framework, and with proposed changes by the Board, OCC, and FDIC to make amendments to their capital rule for large banking organizations and banking organizations with significant trading activity (the capital proposal, as described above in section II.H of this **SUPPLEMENTARY INFORMATION** section).

A. Benefits of the Proposed Changes

The proposed changes would increase the stability of the financial system by better aligning firms' applicable GSIB capital surcharges with the intended functioning of the GSIB framework. The proposal would achieve this by enhancing the risk sensitivity of method 1 and method 2 GSIB scores as well as implementing a more continuous correspondence between the method 2 GSIB scores and the applicable capital surcharges.

The reporting of systemic indicators on an average, rather than point-in-time, basis would improve the measurement of firms' systemic footprints and reduce opportunities for firms to lower their systemic indicators at year end so that they receive lower GSIB capital surcharges than warranted by their actual systemic footprints, as measured by the value of their systemic indicators at other times of the year. Both internal staff analysis and empirical evidence in Berry, Khan, and Rezende (2020) show that some domestic GSIBs have reported reduced systemic indicators at year end relative to amounts reported on other dates, especially reporting reduced ''complexity'' systemic indicators before year end.[42] Averaging would both

[38] In addition to revising risk-based capital requirements, the capital proposal would also revise the applicability of the supplementary leverage ratio and countercyclical capital buffer requirements to include all banking organizations with at least $100 billion in total assets and their depository institution subsidiaries.

[39] The capital proposal also includes certain proposed amendments to the FR Y–15 form and instructions.

[40] Where not explicitly noted, the impact analysis considers the proposal's impact on both method 1 and method 2 GSIB scores, although method 2 GSIB scores determine the applicable capital surcharges of GSIBs at the time of this proposal. Currently, there are eight GSIBs in the United States: Bank of America Corporation, The Bank of New York Mellon Corporation, Citigroup Inc., The Goldman Sachs Group Inc., JPMorgan Chase & Co., Morgan Stanley, State Street Corporation, and Wells Fargo & Company.

[41] *See* 12 CFR part 252, subpart A; *see also* 84 FR 59230.

[42] For more details, see Berry, J., Khan, A., and Rezende, M., ''How Do U.S. Global Systemically Important Banks Lower Their Capital Surcharges?,'' FEDS Notes (2020) and working paper (2021, available at: *https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3764965*).

reduce the incentive and the associated social costs of this practice, such as the potential reduction of market depth and willingness to participate in related market segments at year end, which is an important consideration given the supply of liquidity that GSIBs provide in financial markets.[43] Additionally, averaging would also have the benefit of making the measurement of systemic indicators more robust to seasonal (intra-year) fluctuations and thus yielding a more accurate measure of firms' systemic footprints for the determination of GSIB capital surcharges.

The proposed amendments to FR Y–15 reporting requirements would further enhance the risk sensitivity of GSIB scores by improving the measurement of firms' systemic footprints. Most of the amendments would entail small refinements to the cross-jurisdictional activity, interconnectedness, and short-term wholesale funding systemic indicators. Additionally, many of the amendments would improve measurement and reporting consistency across jurisdictions, by aligning with changes to the international GSIB surcharge standard published by the Basel Committee on Banking Supervision.

The benefits of implementing more narrow method 2 GSIB score bands would include reducing cliff effects and improving the alignment between firms' systemic footprints and their capital surcharges. Cliff effects occur when firms cross the boundary between two score bands and thus experience a relatively large change in their applicable capital surcharges, which could affect their marginal lending, investment, and capital distribution decisions. Narrow score bands would substantially reduce the size of these changes in the capital surcharge (from 50 basis points to 10 basis points), thereby making the transition between score bands and the related changes in firms' cost of capital smoother. Narrow score bands would also have the benefit of tying the applicable capital surcharges more closely to firms' systemic footprints, as measured by method 2 GSIB scores. Specifically, the proposal would ensure that firms with similar systemic footprints are assigned similar capital surcharges by reducing score differences across GSIBs that fall in the same band.

Crucially, under the proposal, the rate of change in the GSIB capital surcharge per score change (that is, the steepness of the surcharge schedule) would be unchanged, and firms would retain their ability to determine their capital surcharges in the long run by adjusting their systemic risk profiles.

B. Costs of the Proposed Changes

The proposal would modestly increase the GSIB scores and capital surcharges of GSIBs, with minimal effect on their cost of capital and real economic activity. The Board estimates that most of the method 2 score increase would be driven by the addition of cross-jurisdictional derivative exposures to the cross-jurisdictional activity systemic indicators, which would increase method 2 GSIB scores by about 11 points on average across firms. The averaging of systemic indicators would have a somewhat smaller effect, increasing method 2 GSIB scores by about 9 points on average across firms. This effect would primarily affect the scores of those GSIBs that have recently reported lower systemic indicators at year end such that they received lower GSIB capital surcharges than would be warranted based on typical systemic indicator values at other times of the year. Notably, the implementation of narrow score bands would not affect GSIB scores, and the proposed score bands would not have a material effect on firms' GSIB capital surcharges.

Considering all proposed changes, the Board estimates that their combined effect would increase method 2 GSIB scores by about 27 points on average across firms, which corresponds to an about 13-basis-point increase in the average method 2 GSIB capital surcharge. At the end of 2022, the combined effect of the proposed changes would correspond to an about $13 billion aggregate increase in the risk-based capital requirements of domestic GSIBs.

Finally, the Board anticipates that the proposal may increase the costs of regulatory compliance, as detailed below in the Paperwork Reduction Act section of the preamble.

C. Interaction With Other Rules and Proposals

The last part of this impact analysis considers the interactions of the proposal with other elements of the regulatory framework for banking organizations. Specifically, the Board examined the interaction of the proposal with the regulatory tiering framework, capital proposal, and long-term debt and total loss-absorbing capacity requirements.[44]

The Board estimates that the proposed revisions to the cross-jurisdictional activity systemic indicator would not have a material impact on the category of prudential standards applicable to any domestic banking organization. The Board estimates that the proposed revisions would substantially increase the reported value of cross-jurisdictional activity of the combined U.S. operations and U.S. intermediate holding companies of most foreign banking organizations that have combined U.S. assets of $100 billion or more. For some of these firms, this change could result in the application of more stringent capital and liquidity standards.

For the combined U.S. operations of most foreign banking organizations that have combined U.S. assets of $100 billion or more, the reported value of cross-jurisdictional activity would increase above $75 billion as a result of the proposal. This change would result in seven foreign banking organizations that are currently subject to Category III or IV standards becoming subject to Category II standards, which include requirements for daily liquidity reporting (rather than monthly or no liquidity reporting); monthly (rather than quarterly) internal liquidity stress testing; and full (rather than reduced) liquidity risk management. This change would have the benefit of enhancing the liquidity positions and liquidity risk management of these foreign banking organizations' U.S. operations at the cost of somewhat higher administrative expenses.

For the U.S. intermediate holding companies of foreign banking organizations, the Board estimates that the increase in the reported value of cross-jurisdictional activity would move two firms that are currently subject to Category III standards to Category II, making them subject to more stringent capital and liquidity requirements. Consequently, these two firms would have to conduct annual company-run stress testing (rather than every two years); recognize accumulated other comprehensive income (AOCI) in their regulatory capital; and meet the full (rather than 85 percent reduced) standardized liquidity requirements. The Board expects that the two affected U.S. intermediate holding companies would not incur significant costs to meet the increased liquidity requirements because they had sufficiently large liquidity buffers throughout 2022 and in the first quarter

[43] For the role of domestic GSIBs as liquidity providers and ''lenders of second-to-last resort'' in U.S. Treasury repurchase agreement and foreign exchange swap markets, see Correa, R., Du, W., and Liao, G.Y., ''U.S. Banks and Global Liquidity,'' National Bureau of Economic Research working paper 27491 (2020).

[44] *See* 12 CFR part 252, subpart G; *see also* 85 FR 17003.

of 2023. The impact of AOCI inclusion in regulatory capital would be small, while the cost of increasing the frequency of company-run stress tests would likely be modest for these firms.[45] A notable benefit of the proposed change would be to make the categorization and regulatory treatment of banking organizations more consistent within the tiering framework through the enhanced measurement of the cross-jurisdictional activities of banking organizations, which would ensure the application of more stringent requirements for firms with significant cross-jurisdictional activity.

The capital proposal, which the Board, the OCC, and the FDIC are concurrently proposing, would also interact with the effects of this proposal on the scores and surcharges of GSIBs through changes to the calculation of risk-weighted assets of these firms under the capital rule. The capital proposal would increase the risk-weighted assets of most GSIBs, affecting their GSIB capital surcharge in two ways. First, the risk-weighted asset change would reduce the short-term wholesale funding systemic indicators of most GSIBs (by mechanically increasing the denominator of the indicator), which in turn would reduce their capital surcharges. Second, the dollar amounts of the capital surcharge changes under the proposal would be proportionally larger due to the change in risk-weighted assets.

Finally, the Board considered how the small increase in method 1 and method 2 GSIB scores would affect the long-term debt and total loss-absorbing capacity requirements of GSIBs. The increase in GSIB scores would have no immediate impact on long-term debt requirements because it only affects the risk-based long-term debt requirement, which was not binding at the end of 2021 for any of the domestic GSIBs. Meanwhile, the Board estimates that the total loss-absorbing capacity requirement would increase by a small amount for one GSIB as a result of increases to method 1 GSIB scores under the proposal.

IV. Administrative Law Matters

A. Paperwork Reduction Act Analysis

Certain provisions of the proposed rule contain ''collections of information'' within the meaning of the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501–3521). The Board may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Board reviewed the proposed rule under the authority delegated to the Board by OMB.

The proposed rule contains reporting requirements subject to the PRA. To implement these requirements, the Board proposes to revise the Systemic Risk Report (FR Y–15; OMB No. 7100–0352).

Comments are invited on the following:

(a) Whether the proposed collections of information are necessary for the proper performance of the Board's functions, including whether the information has practical utility;

(b) The accuracy of the estimates of the burden of the proposed information collections, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the information collections on respondents, including using automated collection techniques or other forms of information technology; and

(e) Estimates of capital or startup costs and costs of operation, maintenance, and purchase of services to provide information.

Comments on aspects of this proposed rule that may affect reporting or recordkeeping requirements and burden estimates should be sent to the addresses listed in the **ADDRESSES** section of the Supplementary Information. A copy of the comments may also be submitted to the OMB desk officer for the Agencies: By mail to U.S. Office of Management and Budget, 725 17th Street NW, #10235, Washington, DC 20503 or by facsimile to (202) 395–5806, Attention, Federal Banking Agency Desk Officer.

Proposed Revision, With Extension, of the Following Information Collection

Collection title: Systemic Risk Report.

Collection identifier: FR Y–15.

OMB control number: 7100–0352.

General description of report: The FR Y–15 quarterly report collects systemic risk data from U.S. bank holding companies and covered savings and loan holding companies with total consolidated assets of $100 billion or more, any U.S.-based bank holding company designated as a GSIB that does not meet the consolidated assets threshold, and foreign banking organizations with $100 billion or more in combined U.S. assets. The Board uses the FR Y–15 data to monitor, on an ongoing basis, the systemic risk profile of subject institutions. In addition, the FR Y–15 is used to (1) facilitate the implementation of the GSIB surcharge rule, (2) identify other institutions that may present significant systemic risk, and (3) analyze the systemic risk implications of proposed mergers and acquisitions.

Proposed effective date: Two full quarters after the adoption of the final rule.

Frequency: Quarterly.

Affected Public: Businesses or other for-profit.

Respondents: Top-tier U.S. bank holding companies and covered savings and loan holding companies with $100 billion or more in total consolidated assets, any U.S.-based bank holding company designated as a GSIB that does not meet that consolidated assets threshold, and foreign banking organizations with combined U.S. assets of $100 billion or more.

Estimated number of respondents: 53.

Estimated average hours per response: Reporting—56 hours for GSIBs, 49 hours for Category II and Category III firms, and 50 hours for Category IV Firms. Recordkeeping—0.25 hours.

Estimated annual burden hours: Reporting—10,528 hours;[46] Recordkeeping—53 hours.

Estimated change in total burden: 256 hours.

Legal authorization and confidentiality:

Sections 163 and 165 of the Dodd-Frank Act, as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act, authorize the Board to consider risk to U.S. financial stability in regulating and examining bank holding companies with $100 billion or more in consolidated assets and nonbank financial companies who are under the Board's supervision.[47] The Board is further authorized to impose prudential standards for such entities and to differentiate among companies on an individual basis or by category, taking into consideration their capital structure, riskiness, complexity, financial activities, size, and any other risk-related factors that the Board deems appropriate.[48] This authorization also

[45] Under the capital proposal, the Board, OCC, and FDIC are separately proposing to require banking organizations subject to Category III and IV standards to recognize AOCI in their regulatory capital, in addition to banking organizations subject to Category I and II standards.

[46] This estimated total annual burden reflects adjustments that have been made to the Board's burden methodology for the FR Y–15 that provide a more consistent estimate of respondent burden across different regulatory reports.

[47] 12 U.S.C. 5363; 5365.

[48] 12 U.S.C. 5365(a)(2)(C). The Board is required to establish prudential standards for bank holding companies with assets equal to or greater than $250 billion and nonbank financial companies

covers certain foreign banks with U.S. operations under the International Banking Act (''IBA'').[49] Sections 165(b)(1)(B) and 165(f) of the Dodd-Frank Act authorize the Board to establish enhanced public disclosures for companies subject to prudential standards under section 165.[50]

In addition, the reporting requirements associated with the FR Y–15 are authorized for bank holding companies pursuant to section 5 of the BHC Act;[51] for savings and loan holding companies pursuant to sections 10(b)(2) and 10(g) of the Home Owners' Loan Act;[52] and for U.S. intermediate holding companies of foreign banking organizations pursuant to section 5 of the BHC Act and sections 8(a) and 13(a) of the IBA.[53]

The FR Y–15 report is mandatory.

The data collected on the FR 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. Determinations regarding confidential treatment will be made on a case-by-case basis based on exemption 4 of the Freedom of Information Act (FOIA), which protects from disclosure trade secrets and commercial or financial information (5 U.S.C. 552(b)(4)). 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 009 and 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)).

The Board proposes to modify the confidentiality treatment of items 1 through 4 in Schedule G. Currently, the FR Y–15 instructions indicate that these items will be kept confidential until the first reporting date after the final liquidity coverage ratio standard has been implemented. Because the Board has implemented that standard,[54] this language is no longer appropriate, and would be deleted under the proposal. Under the amended instructions, requests for confidential treatment with respect to these items would be considered on a case-by-case basis based on exemption 4 of FOIA.

Current Actions: The Board is proposing to amend the FR Y–15 form and instructions to align with the proposed rulemaking which would amend the Board's GSIB surcharge requirement under the Board's capital rule. See section II of the proposal for a description of the changes to the FR Y–15.

B. Regulatory Flexibility Act Analysis

The Board is providing an initial regulatory flexibility analysis with respect to this proposed rule. The Regulatory Flexibility Act[55] (RFA), requires an agency to consider whether the rule it proposes will have a significant economic impact on a substantial number of small entities.[56] In connection with a proposed rule, the RFA requires an agency to prepare and invite public comment on an initial regulatory flexibility analysis describing the impact of the rule on small entities, unless the agency certifies that the proposed rule, if promulgated, would not have a significant economic impact on a substantial number of small entities. An initial regulatory flexibility analysis must contain (1) a description of the reasons why action by the agency is being considered; (2) a succinct statement of the objectives of, and legal basis for, the proposed rule; (3) a description of, and, where feasible, an estimate of the number of small entities to which the proposed rule will apply; (4) a description of the projected reporting, recordkeeping, and other compliance requirements of the proposed rule, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record; (5) an identification, to the extent practicable, of all relevant Federal rules which may duplicate, overlap with, or conflict with the proposed rule; and (6) a description of any significant alternatives to the proposed rule which accomplish the stated objectives of applicable statutes and minimize any significant economic impact of the proposed rule on small entities.[57]

The Board has considered the potential impact of the proposed rule on small entities in accordance with the RFA. Based on its analysis and for the reasons stated below, the Board believes that this proposed rule will not have a significant economic impact on a substantial number of small entities. Nevertheless, the Board is publishing and inviting comment on this initial regulatory flexibility analysis. The proposal would also make corresponding changes to the Board's reporting forms.

As discussed in detail above, the proposed rule would amend the Board's rule that identifies and establishes risk-based capital surcharges for GSIBs, as well as related regulatory reports. The proposed rule would improve the precision of the GSIB surcharge and better measure systemic risk under the GSIB framework, including by changing the reporting of certain values from point-in-time indicators to longer-term averages, making additional improvements to certain systemic risk indicators, and reducing cliff effects by implementing narrower score band ranges.

The Board has broad authority to establish regulatory capital standards for bank holding companies and U.S. intermediate holding companies of foreign banking organizations under the Bank Holding Company Act and the Dodd-Frank Act.[58] Sections 163 and 165 of the Dodd-Frank Act, as amended by the Economic Growth, Regulatory Relief, and Consumer Protection Act, authorize the Board to consider risk to U.S. financial stability in regulating and examining bank holding companies with $100 billion or more in consolidated assets and nonbank financial companies under the Board's supervision.[59] The Board is further authorized to impose prudential standards for such entities and to differentiate among companies on an individual basis or by category, taking into consideration their capital

supervised by the Board that (A) are more stringent than the standards and requirements applicable to nonbank financial companies and bank holding companies that do not present similar risks to the financial stability of the United States; and (B) increase in stringency based on the considerations enumerated in section 165(b)(3). 12 U.S.C. 5365(a)(1).

[49] 12 U.S.C. 3106(a). Section 8(a) provides that certain foreign banks with U.S. operations will be treated as bank holding companies for purposes of the Bank Holding Company Act (''BHC Act''), and sections 163 and 165 of the Dodd-Frank Act amend the BHC Act.

[50] 12 U.S.C. 5365(b)(1)(B) and (f).

[51] 12 U.S.C. 1844.

[52] 12 U.S.C. 1467a(b)(2); 1467a(g).

[53] 12 U.S.C. 3106(a); 3108(a).

[54] *See* ''Liquidity Coverage Ratio: Public Disclosure Requirements; Extension of Compliance Period for Certain Companies To Meet the Liquidity Coverage Ratio Requirements,'' 81 FR 94922 (December 27, 2016).

[55] 5 U.S.C. 601 *et seq.*

[56] Under regulations issued by the Small Business Administration, a small entity includes a bank holding company with total assets of $850 million or less. Consistent with the General Principles of Affiliation in 13 CFR 121.103(a), the assets of all domestic and foreign affiliates are counted toward the size threshold when determining whether to classify a Board-regulated institution as a small entity. As of December 31, 2022, there were approximately 2,081 small bank holding companies and approximately 88 small savings and loan holding companies.

[57] 5 U.S.C. 603(b).

[58] *See* 12 U.S.C. 1844, 5365, and 5371.

[59] 12 U.S.C. 5363 and 5365.

structure, riskiness, complexity, financial activities, size, and any other risk-related factors that the Board deems appropriate.[60] This authorization also covers certain foreign banks with U.S. operations under the International Banking Act.[61] The Board also has broad authority under the International Lending Supervision Act (ILSA)[62] to establish regulatory capital requirements for the institutions it regulates. For example, ILSA directs each Federal banking agency to cause banking institutions to achieve and maintain adequate capital by establishing minimum capital requirements as well as by other means that the agency deems appropriate.[63]

As discussed in the **SUPPLEMENTARY INFORMATION** section, the Board is proposing to revise its GSIB surcharge framework under its capital rule and related regulatory reports. The only companies subject to these rules and reports, and thus potentially impacted by the proposal, are GSIBs; holding companies subject to Category II, III, and IV standards; and foreign banking organizations with combined U.S. assets of $100 billion or more. Companies that would be impacted by the proposal therefore substantially exceed the $850 million asset threshold at which a banking entity is considered a ''small entity'' under SBA regulations.[64] The proposed rule therefore would not impose mandatory requirements on any small entities.

As discussed previously in the Paperwork Reduction Act section, the proposed rule includes proposed changes to the Systemic Risk Report (FR Y–15). The Board is aware of no other Federal rules that duplicate, overlap, or conflict with the proposed rule. Because the proposed rule generally would not apply to any small entities supervised by the Board, the Board believes that the proposed rule would not have a significant economic impact on small banking organizations supervised by the Board. Therefore, the Board believes that there are no significant alternatives to the proposed rule that would reduce the economic impact on small banking organizations supervised by the Board.

The Board welcomes comment on all aspects of its analysis. In particular, the Board requests that commenters describe the nature of any impact on small entities and provide empirical data to illustrate and support the extent of the impact.

[60] 12 U.S.C. 5365(a).

[61] 12 U.S.C. 3106(a).

[62] 12 U.S.C. 3901–3911.

[63] 12 U.S.C. 3907(a)(1).

[64] 13 CFR 121.201.

C. Plain Language

Section 722 of the Gramm-Leach-Bliley Act (Pub. L. 106–102, 113 Stat. 1338, 1471, 12 U.S.C. 4809) requires the Federal banking agencies to use plain language in all proposed and final rules published after January 1, 2000. The Board has sought to present the proposed rule in a simple and straightforward manner and invites comment on the use of plain language. For example:

- *Is the material organized to suit your needs? If not, how could the Board present the proposed rule more clearly?*
- *Are the requirements in the proposed rule clearly stated? If not, how could the proposed rule be more clearly stated?*
- *Does the proposal contain technical language or jargon that is not clear? If so, which language requires clarification?*
- *Would a different format (grouping and order of sections, use of headings, paragraphing) make the proposed rule easier to understand? If so, what changes would achieve that?*
- *Is this section format adequate? If not, which of the sections should be changed and how?*
- *What other changes can the Board incorporate to make the proposed rule easier to understand?*

D. Providing Accountability Through Transparency Act of 2023

The Providing Accountability Through Transparency Act of 2023 (12 U.S.C. 553(b)(4)) requires that a notice of proposed rulemaking include the internet address of a summary of not more than 100 words in length of the proposed rule, in plain language, that shall be posted on the internet website under section 206(d) of the E-Government Act of 2002 (44 U.S.C. 3501 note).

In summary, in the proposal the Federal Reserve Board requests comment on a proposal that would make certain adjustments to the calculation of the capital surcharge for the largest and most complex banks. The changes would better align the surcharge to each bank's systemic risk profile, in particular by measuring a bank's systemic importance averaged over the entire year, instead of only at the year-end value.

The proposal and such a summary can be found at *https://www.regulations.gov* and *https://www.federalreserve.gov/supervisionreg/reglisting.htm.*

List of Subjects in 12 CFR Part 217

Administrative practice and procedure, Banks, Banking, Capital, Federal Reserve System, Holding companies.

Authority and Issuance

For the reasons set forth in the preamble, the Board of Governors of the Federal Reserve System proposes to amend chapter II of title 12 of the Code of Federal Regulations as follows:

PART 217—CAPITAL ADEQUACY OF BANK HOLDING COMPANIES, SAVINGS AND LOAN HOLDING COMPANIES, AND STATE MEMBER BANKS (REGULATION Q)

■ 1. The authority citation for Part 217 is revised to read as follows:

Authority: 12 U.S.C. 248(a), 321–338a, 481–486, 1462a, 1467a, 1818, 1828, 1831n, 1831o, 1831p–l, 1831w, 1835, 1844(b), 1851, 3904, 3906–3909, 4808, 5365, 5368, 5371, and 5371 note.

■ 2. In § 217.401:

■ a. Revise paragraphs (b), (j) through (m), (q), (r), (t), (w), (y), (z), (aa) through (dd); and

■ b. Add new paragraph (ee).

The revisions and addition read as follows:

§ 217.401 Definitions.

* * * * *

(b) *Assets under custody* means the value reported as ''Assets under custody—systemic indicator amount'' on Schedule C of the FR Y–15.

* * * * *

(j) *Cross-jurisdictional claims* means the value reported as ''Total cross-jurisdictional claims—systemic indicator amount'' on Schedule E of the FR Y–15.

(k) *Cross-jurisdictional liabilities* means the value reported as ''Total cross-jurisdictional liabilities—systemic indicator amount'' on Schedule E of the FR Y–15.

(l) *Intra-financial system assets* means the value reported as ''Total intra-financial system assets—systemic indicator amount'' on Schedule B of the FR Y–15.

(m) *Intra-financial system liabilities* means the value reported as ''Total intra-financial system liabilities—systemic indicator amount'' on Schedule B of the FR Y–15.

* * * * *

(q) *Level 3 assets* means the value reported as ''Total Level 3 assets—systemic indicator amount'' on Schedule D of the FR Y–15.

(r) *Notional amount of over-the-counter (OTC) derivatives* means the value reported as ''Total notional amount of over-the-counter (OTC)

derivative contracts—systemic indicator amount'' on Schedule D of the FR Y–15.

* * * * *

(t) *Payments activity* means the value reported as ''Payments activity—systemic indicator amount'' on Schedule C of the FR Y–15.

* * * * *

(w) *Securities outstanding* means the value reported as ''Total securities outstanding—systemic indicator amount'' on Schedule B of the FR Y–15.

* * * * *

(y) *Sweep deposit* has the meaning set forth in 12 CFR 249.3.

(z) *Systemic indicator* includes the following indicators included on the FR Y–15:

(1) Total exposures;

(2) Intra-financial system assets;

(3) Intra-financial system liabilities;

(4) Securities outstanding;

(5) Payments activity;

(6) Assets under custody;

(7) Underwritten transactions in debt and equity markets;

(8) Trading volume—equity and other;

(9) Trading volume—fixed income;

(10) Notional amount of over-the-counter (OTC) derivatives;

(11) Trading and available-for-sale (AFS) securities;

(12) Level 3 assets;

(13) Cross-jurisdictional claims; or

(14) Cross-jurisdictional liabilities.

(aa) *Total exposures* means the value reported as ''Total exposures—systemic indicator amount'' on Schedule A of the FR Y–15.

(bb) *Trading and AFS securities* means the value reported as ''Total trading and available-for-sale (AFS) securities—systemic indicator amount'' on Schedule D of the FR Y–15.

(cc) *Trading volume—equity and other* means the value reported as ''Trading volume—equities and other securities—systemic indicator amount'' on Schedule C of the FR Y–15.

(dd) *Trading volume—fixed income* means the value reported as ''Trading volume—fixed income—systemic indicator amount'' on Schedule C of the FR Y–15.

(ee) *Underwritten transactions in debt and equity markets* means the value reported as ''Underwriting activity—systemic indicator amount'' on Schedule C of the FR Y–15.

■ 3. In § 217.403:

■ a. Remove Table 2 to § 217.403; and

■ b. Revise paragraphs (c) and (d).

The revisions read as follows:

§ 217.403 GSIB Surcharge.

* * * * *

(c) *Method 2 surcharge*—

(1) *General.* The method 2 surcharge of a global systemically important BHC is 1.0 percent if the method 2 score of the global systemically important BHC is 189 basis points or less.

(2) *Higher method 2 surcharges.* To the extent that the method 2 score of a global systemically important BHC equals or exceeds 190 basis points, the method 2 surcharge equals the sum of:

(i) 1.1 percent; and

(ii) An additional 0.1 percent for each 20 basis points that the global systemically important BHC's score exceeds 190 basis points.

(d) *Effective date of an adjusted GSIB surcharge.* As of January 1 of a calendar year, the GSIB surcharge in effect (*i.e.,* incorporated into the maximum payout ratio under § 217.11) for a global systemically important BHC for that year is the GSIB surcharge calculated by the global systemically important BHC in the immediately prior calendar year, unless the GSIB surcharge calculated by the global systemically important BHC in the calendar year two years prior was lower, in which case the GSIB surcharge calculated in the calendar year two years prior shall be in effect.

■ 4. In § 217.404, revise Table 1 to § 217.404 to read as follows:

§ 217.404 Method 1 Score.

* * * * *

TABLE 1 TO § 217.404—SYSTEMIC INDICATOR WEIGHTS

Category	Systemic indicator	Indicator weight (percent)
Size	Total exposures	20
Interconnectedness	Intra-financial system assets	6.67
	Intra-financial system liabilities	6.67
	Securities outstanding	6.67
Substitutability	Payments activity	6.67
	Assets under custody	6.67
	Underwritten transactions in debt and equity markets	3.33
	Trading volume—fixed income	1.67
	Trading volume—equity and other	1.67
Complexity	Notional amount of over-the-counter (OTC) derivatives	6.67
	Trading and available-for-sale (AFS) securities	6.67
	Level 3 assets	6.67
Cross-jurisdictional activity	Cross-jurisdictional claims	10
	Cross-jurisdictional liabilities	10

■ 5. In § 217.406:

■ a. Revise paragraph (b)(2); and

■ b. Revise Table 1 to § 217.406.

The revisions read as follows:

§ 217.406 Short-term wholesale funding score.

* * * * *

(b) * * *

(2) Short-term wholesale funding includes the following components:

(i) All funds that the bank holding company must pay under each secured funding transaction, other than an operational deposit, with a remaining maturity of 1 year or less;

(ii) All funds that the bank holding company must pay under all unsecured wholesale funding, other than an operational deposit, with a remaining maturity of 1 year or less;

(iii) The fair value of an asset as determined under GAAP that a bank holding company must return under a covered asset exchange with a remaining maturity of 1 year or less;

(iv) The fair value of an asset as determined under GAAP that the bank holding company must return under a short position to the extent that the borrowed asset does not qualify as a Level 1 liquid asset or a Level 2A liquid asset;

(v) All brokered deposits held at the bank holding company provided by a retail customer or counterparty; and

(vi) All sweep deposits held at the bank holding company.

* * * * *

TABLE 1 TO § 217.406—SHORT-TERM WHOLESALE FUNDING COMPONENTS AND WEIGHTS

Component of short-term wholesale funding	Remaining maturity of 30 days of less or no maturity (percent)	Remaining maturity of 31 to 90 days (percent)	Remaining maturity of 91 to 179 days (percent)	Remaining maturity of 180 to 364 days (percent)
Category 1 ..... (1) Secured funding transaction secured by a level 1 liquid asset; (2) Unsecured wholesale funding where the customer or counterparty is not a financial sector entity or a consolidated subsidiary thereof; (3) Brokered deposits and sweep deposits provided by a retail customer or counterparty; and (4) Short positions where the borrowed asset does not qualify as either a level 1 liquid asset or level 2A liquid asset.	25	10	0	0
Category 2 ..... (1) Secured funding transaction secured by a level 2A liquid asset; and (2) Covered asset exchanges involving the future exchange of a Level 1 liquid asset for a Level 2A liquid asset.	50	25	10	0
Category 3 ..... (1) Secured funding transaction secured by a level 2B liquid asset; (2) Covered asset exchanges (other than those described in Category 2); and (3) Unsecured wholesale funding (other than unsecured wholesale funding described in Category 1).	75	50	25	10
Category 4 ..... Any other component of short-term wholesale funding.	100	75	50	25

By order of the Board of Governors of the Federal Reserve System.

Ann E. Misback,

Secretary of the Board.

[FR Doc. 2023–16896 Filed 8–31–23; 8:45 am]

BILLING CODE 6210–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2023–1720; Project Identifier MCAI–2023–00003–R]

RIN 2120–AA64

Airworthiness Directives; Airbus Helicopters

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: The FAA proposes to adopt a new airworthiness directive (AD) for Airbus Helicopters Model SA–365C1, SA–365C2, and SA–365N helicopters. This proposed AD was prompted by reports of damaged control rod dual bearings (dual bearings) that are installed on the tail rotor gearbox (TGB). This proposed AD would require repetitively inspecting the TGB magnetic plug for particles, analyzing any particles collected, taking corrective actions if necessary, and reporting certain information. Finally, this proposed AD would allow an affected dual bearing to be installed on a helicopter if certain actions are accomplished, as specified in a European Union Aviation Safety Agency (EASA) AD, which is proposed for incorporation by reference. The FAA is proposing this AD to address the unsafe condition on these products.

DATES: The FAA must receive comments on this proposed AD by October 16, 2023.

ADDRESSES: You may send comments, using the procedures found in 14 CFR 11.43 and 11.45, by any of the following methods:

- *Federal eRulemaking Portal:* Go to *regulations.gov.* Follow the instructions for submitting comments.
- *Fax:* (202) 493–2251.
- *Mail:* U.S. Department of Transportation, Docket Operations, M–30, West Building Ground Floor, Room W12–140, 1200 New Jersey Avenue SE, Washington, DC 20590.
- *Hand Delivery:* Deliver to Mail address above between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

AD Docket: You may examine the AD docket at *regulations.gov* under Docket No. FAA–2023–1720; or in person at Docket Operations between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this NPRM, the EASA AD, any comments received, and other information. The street address for Docket Operations is listed above.

Material Incorporated by Reference:

- For EASA material that is proposed for incorporation by reference in this NPRM, contact EASA, Konrad-Adenauer-Ufer 3, 50668 Cologne, Germany; telephone +49 221 8999 000; email *ADs@easa.europa.eu;* internet *easa.europa.eu.* You may find the EASA material on the EASA website at *ad.easa.europa.eu.*
- You may view this material at the FAA, Office of the Regional Counsel, Southwest Region, 10101 Hillwood Pkwy., Room 6N–321, Fort Worth, TX 76177. For information on the availability of this material at the FAA, call (817) 222–5110. The EASA material is also available at *regulations.gov* under Docket No. FAA–2023–1720.

Other Related Service Information: For Airbus Helicopters service information identified in this NPRM, contact Airbus Helicopters, 2701 North Forum Drive, Grand Prairie, TX 75052; telephone (972) 641–0000 or (800) 232–0323; fax (972) 641–3775; or at *airbus.com/en/products-services/helicopters/hcare-services/airbusworld.*