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July 26, 2022

By Electronic Mail

Board of Governors of the Federal Reserve System
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Re: Proposed Revisions to Form FR Y-7Q (OMB No. 7100-0297)

The Institute of International Bankers (the “IIB”) and the Bank Policy Institute (the “BPI”, and together with IIB, the “Associations”) appreciate this opportunity to comment on the proposal (the “Proposal”) of the Board of Governors of the Federal Reserve System (the “Board”) to revise the Capital and Asset Report for Foreign Banking Organizations (“FBOs”) on Form FR Y-7Q (the “FR Y-7Q”). The IIB’s members are internationally headquartered banking and financial institutions that are subject to these reporting requirements because they conduct banking operations in the United States. The BPI is a nonpartisan public policy, research and advocacy group, representing the nation’s leading banks and their customers. Its members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation’s small business loans, and are an engine for financial innovation and economic growth.

The Associations generally support the Board’s efforts to improve its reporting forms. However, we have concerns regarding three of the Board’s proposed changes to the FR Y-7Q:

1. The proposal to shorten the filing deadline for the FR Y-7Q from 90 days after year-end or quarter-end, as applicable, to 30 days after quarter-end for quarterly filers and 45 days after year-end for annual filers.¹
2. The proposal to remove the long-standing option to file the FR Y-7Q on a non-calendar year fiscal year basis.²
3. The addition of a new requirement to calculate and report the quarterly average of an FBO's combined U.S. operations ("CUSO") assets, calculated on a daily or weekly basis (new Line Item 6(b)).³

The Associations urge the Board to reconsider each of these changes in light of the severe challenges they pose to the Associations' members.

The Board Should Not Shorten the FR Y-7Q Filing Deadline

Based on feedback from the Associations' members, we expect that the Proposal's shortening of the deadline for the FR Y-7Q will not be feasible in practice. The FR Y-7Q requires that the information included in the form reflect capital adequacy information "as reported by the institution to its home country supervisor."⁴ By definition, this means that the FR Y-7Q cannot be filed before the FBO reports the relevant data to its home country supervisor. In many jurisdictions, the relevant data will not have been reported to the FBO's home country supervisor within 30 days of a quarter-end or within 45 days of year-end.

FBOs unable to comply with the proposed new deadlines (which could be a majority of FBOs based on feedback from our members⁵) would need to apply for extensions, whether every quarter, every year, or on an evergreen basis. If the Board's contemplated result is to require many institutions to obtain extensions, at a minimum the procedure for obtaining extensions should be further developed, and the burden of applying for extensions should be incorporated into the regulatory burden estimates. And more importantly, the Associations would respectfully suggest that a reporting regime that requires many, if not most, reporters to apply for extensions would not be an effectively tailored reporting regime. In addition to the burden on FBOs, processing so many extension requests would presumably be unduly, and unnecessarily, burdensome for the Board.

A variety of managerial and operational frameworks are built around home country capital reporting deadlines. Modifying these frameworks to report home country regulatory capital information to the Board on an accelerated timetable driven by the FR Y-7Q would require significant resources. The Proposal does not take into account the burden that would be required for FBOs to make these changes.

¹ 87 Fed. Reg. 32164, 32165 (May 27, 2022).

² *Id.* at 32165.

³ *Id.*; Draft FR Y-7Q Instructions.

⁴ Board, Form FR Y-7Q Instructions at Gen-4.

⁵ For example, European banks are required to report regulatory capital information to the ECB by the 11th of the month following the quarter-end (e.g., August 11th for the quarter ending June 30); Canadian banks are required to report regulatory capital information to OSFI within 30 business days of the fiscal quarter-end; and Japanese banks are required to report regulatory capital information to the JFSA within 45 days of quarter end. FBOs from many other jurisdictions operate under similar or longer home country regulatory capital reporting deadlines.

The Board does not discuss in the Proposal the fact that in 2002 it proposed a more modest shortening of the deadline for reporting home country regulatory capital information. The 2002 proposal moved this information from the FR Y-7 to a new FR Y-7Q, with a proposed deadline of 60 days. At the time, the Board decided against shortening the deadline from 90 days to 60 days in view of concerns raised by the IIB. These included restrictions under home country law on releasing capital adequacy information prior to home-country-driven timeframes. In deciding not to adopt a 60-day deadline, the Board noted that “many FBO’s do not produce capital and asset information for their home country supervisors or the public as quickly as 60 days after the as-of date.”⁶ The Board therefore decided to retain the existing 90-day deadline.⁷ The deadlines in the Proposal are even shorter than the proposed deadline the Board decided not to adopt in 2002, and the Proposal does not discuss any factors that have changed since then that would make the new deadlines more feasible, or the objections previously accepted by the Board less valid.

The Proposal also appears inconsistent with the Board’s obligation under the Bank Holding Company Act to use, to the fullest extent possible, “information that is already required to be reported publicly” in its reporting requirements.⁸ The Board’s current approach is consistent with this statutory requirement, as the 90-day deadline generally allows FBOs to submit regulatory capital information to the Board that has already been publicly released in accordance with home-country laws.

For the reasons described above, the Proposal, in our view, does not sufficiently justify the change to the deadline. The Associations therefore urge the Board to retain the current deadline for the FR Y-7Q for quarterly and annual filers. If the Board determines to implement the shorter deadline in the Proposal, we would respectfully suggest that the timetable should be significantly extended to at least 2024. Even if the Board contemplates granting many FBOs extensions on a routine basis, FBOs would need to plan for the contingency that an extension is not granted.

To the extent that the Board were to pursue a shortening of the deadline for the FR Y-7Q that differs from the Proposal, we respectfully suggest that the Board take a more moderate approach, designed to take into consideration the unique circumstance of FBOs. The Board should collect data on the home-country deadlines for reporting capital adequacy information to ensure that the FR Y-7Q is due no earlier than some reasonable period after the home-country deadline for reporting. If the Board were to pursue this approach to revising the FR Y-7Q deadlines, one possibility would be to set the deadlines at the earlier of (a) 90 days, or (b) some reasonable period (e.g., 30 days) after the data is required to be reported to the FBO’s home-country authority. That would make the information available to the Board sooner in some cases, while ensuring that FBOs are not put in the impossible position of being obliged to file an FR Y-7Q based on information “as reported” in its home country before that information is in fact reported in its home country. Should the Board pursue this approach, we suggest that it collect appropriate quantitative impact data, and release a new proposal with a new request for public comment.

The Board Should Retain Flexibility for FBOs to File the FR Y-7Q on a Home Country Fiscal Year Basis

The Board’s proposed elimination of the option to file the FR Y-7Q on a home country fiscal year basis represents a significant departure from the Board’s historical consideration of home country accounting and reporting regimes for internationally headquartered banks. The Board would effectively export U.S. calendar year reporting requirements, and require international banks, regardless of the size or format of their U.S. banking operations, to change their home country consolidated management information systems and internal and external reporting processes. By eliminating the

⁶ 67 Fed. Reg. 72953 (Dec. 9, 2002).

⁷ *See id.*

⁸ 12 U.S.C. § 1844(c)(1)(B)(iv).

option to follow home-country fiscal year definitions, the Board would not obtain information any more frequently, or more rapidly, under the Proposal. There is also no suggestion that the quality or reliability of the information reported on the FR Y-7Q would be improved through this change. Indeed, it is unclear from the Proposal what is driving such a significant change, besides the Board's desire to obtain consistency in fiscal versus calendar year definitions. The Associations urge the Board to retain the option allowing FBOs to file on a fiscal year basis in accordance with the Board's historical policy.

In its Proposal, the Board noted that "only approximately five percent of respondents submitted the FR Y-7Q on a fiscal year basis."⁹ This is all the more reason for the Board to retain its long-standing policy permitting FBOs to file the FR Y-7Q on a home country fiscal year basis. The benefits to regulatory oversight from a small number of FBOs being compelled to switch to calendar year reporting would be outweighed by the costs to those FBOs of making such a systematic change. The costs and burdens for those FBOs are not spread out among all filers. And the potential benefits to the Board of forcing this change are demonstrably limited in view of the relatively small number of filers that would be affected.

For those institutions following a non-calendar year fiscal year, their home country reporting requirements, their internal and external financial reporting, and their management information systems, are based on that home country convention. Although only a minority of the IIB's members follow a non-calendar year fiscal year, it would involve a significant burden for them to prepare the FR Y-7Q on a calendar year basis, in contradiction to how they prepare reports for their home country. This would require expensive, worldwide operational changes—all for a single form in a host jurisdiction. Such an extraterritorial burden ought to require a stronger policy justification than simply increasing consistency across other Board regulatory reports.

When the Board first proposed the FR Y-7Q in 2002, it gave FBOs the flexibility to file on a fiscal year basis. This was consistent with the Board's longstanding practice, since the Board's deadline for submitting home country regulatory capital information on the FR Y-7 was based on the FBO's fiscal year. In proposing the new FR Y-7Q, the Board stated a "preference" for calendar year-based reporting. The IIB's comment supported the flexibility provided in the form, and additionally expressed its hope that the Board's stated preference for using a calendar year basis would not translate into informal pressure by supervisory staff to compel FBOs to report on a calendar year basis rather than on a fiscal year basis. In its adoption of the final FR Y-7Q, the Board reaffirmed the flexibility to file on a fiscal year basis.¹⁰ The Proposal does not mention this prior history and does not analyze what may have changed from a reporting policy or factual perspective. We would respectfully suggest that the Board would need to justify, beyond what is reflected in the Proposal, a departure from previously well-considered policy determinations in prior rulemakings.

Like the Board's proposed changes to the deadline for filing the FR Y-7Q, the Board's proposed elimination of non-calendar year fiscal year reporting appears inconsistent with the Board's obligations under the Bank Holding Company Act to rely to the extent possible on publicly reported information. FBOs that follow a non-calendar year fiscal year calculate and publicly report home country regulatory capital information based on their fiscal year. The Proposal would impose an additional reporting requirement where existing, fiscal year-based regulatory capital information has not been shown to be inadequate.

In addition, the Proposal's elimination of fiscal year-based reporting for home country regulatory capital information would also be inconsistent with the Board's longstanding policy of providing national treatment and competitive equality for FBOs, most recently mandated in the Dodd-

⁹ 87 Fed. Reg. at 32165.

¹⁰ See 67 Fed. Reg. at 72953.

Frank Wall Street Reform and Consumer Protection Act.¹¹ U.S. bank holding companies are not required to file regulatory capital information on a basis that is different from their home country fiscal year, as the calendar year is the same as their fiscal year. However, the Board’s proposed change would require affected FBOs to do just that, as their fiscal year differs from the calendar year. In this regard, the Proposal treats FBOs differently than domestic banking organizations, which contravenes the principles of national treatment and equality of competitive opportunity.

The Board Should Not Require FBOs in Category “Other” to Report Quarterly Average CUSO Assets on a Daily or Weekly Basis

The Board’s proposed new Line Item 6(b) would impose enormous operational costs on FBOs currently not required to make this calculation, particularly FBOs that are in Category “Other” and FBOs with even smaller CUSOs (i.e., FBOs with U.S. assets of less than \$100 billion and therefore not in Categories II through IV for purposes of the Board’s tailored enhanced prudential standards in Regulation YY).¹² Calculating CUSO asset information for each business day (or alternatively, for each Wednesday) in the reporting period would require many of the Associations’ members to make significant investments in additional management information systems to accurately collect this information. These information technology investments would require substantial resources and take several years to complete.

The Board’s stated rationale for this change—to “track the growth of FBOs in the United States and to make reporting more consistent” with the FR Y-15—appears to us insufficient to impose such a serious burden.¹³ FBOs that are not in Categories II-IV are not required to file the FR Y-15, which has been an extremely costly form to implement for FBOs that are required to file it. It is also unclear from the Proposal why the existing CUSO assets reporting requirement is inadequate to monitor the growth of FBOs in the United States. Requiring a daily or weekly average does not result in the Board obtaining CUSO asset information any more frequently; FBOs would continue filing the FR Y-7Q on a quarterly or yearly basis. If the Board is concerned about monitoring FBOs that are close to reaching the various enhanced prudential standards thresholds under Regulation YY, Line Item 6(b) is not necessary. Furthermore, the current ordinary course examination and continuous monitoring process gives the Board additional visibility into FBOs’ CUSO asset information, and the addition of Line Item 6(b) would not appear to add material information the Board could not already obtain through existing methods.

To the extent that the Board were to adopt a new Line Item 6(b), we would respectfully suggest that it be required only for those FBOs that file the FR Y-15 and are in Categories II and III of the enhanced prudential standards applicable to FBOs under Regulation YY (and potentially FBOs in Category IV that report on-balance sheet items as averages over the reporting period using daily data). Alternatively, the Board could add an equivalent of Line Item 6(b) as an additional line item on Schedule H of the FR Y-15, applicable to the same categories of FBOs. This Schedule already requires FBOs in Categories II and III, and allows FBOs in Category IV, to report on-balance sheet items as averages over the reporting period using daily data.¹⁴

If the Board were to impose a daily or weekly average calculation method on FBOs for reporting CUSO assets, the Board should extend significantly the timetable for the change to the FR Y-7Q. FBOs that are not required to file the FR Y-15 will require years to develop the systems to support producing the required data. FBOs required to file FR Y-15 data for their CUSO were given the better part of a year from the date of the final Regulation YY tailoring rule to the effective as-of date for the

¹¹ Section 165(b)(2)(A); 12 U.S.C. § 5365(b)(2)(A).

¹² 12 C.F.R. Part 252.

¹³ 87 Fed. Reg. at 32165.

¹⁴ See Board, Form FR Y-15 Instructions at H-1.

revised FR Y-15, and most of those institutions already had implemented the FR Y-15 for their intermediate holding companies. FBOs that are not required to file the FR Y-15 are institutions with significantly smaller U.S. operations, more limited U.S. resources, and no experience calculating and reporting FR Y-15 level data for any part of their U.S. operations. Consequently, we would suggest that the Board extend the effective date of any such change to the FR Y-7Q for all FBOs from the submission for the December 31, 2022 as-of date to the submission for the December 31, 2024 as-of date.

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Please contact the Associations if we can provide additional information or assistance.

Very truly yours,



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