



**FINANCIAL
SERVICES
FORUM**



Meeting with Federal Reserve Board Staff SA-CCR Comment Letter

May 21, 2019



About the Financial Services Forum

The Financial Services Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a primary source of lending and investment in the United States and serve millions of consumers, businesses, investors, and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace, and a sound financial system.

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Comprehensive Impact Study

QIS Needed to Analyze Cumulative Impacts

Recommendation: A comprehensive impact study is needed to analyze how the proposal fits with the broader regulatory capital framework.

- The Forum is conducting a data collection effort to gather information that will consider the comprehensive impact of Basel III finalization, stress capital buffer and other pending or outstanding proposals.
- This type of analysis is necessary for an informed approach to finalizing the broader capital framework for GSIBs.

Recommendation: Accordingly, SA-CCR should be mandatorily effective *no earlier than* the effective date of the Basel III finalization, which should follow only after a comprehensive data study has been conducted. Once the proposal has been finalized, firms should have the ability to early-adopt SA-CCR before the implementation date of the Basel III finalization (the NPR contemplates early adoption before the mandatory effective date).

Coherence of Framework

The SA-CCR framework should be used consistently across prudential standards and due consideration should be given to how its implementation would impact other regulatory requirements (e.g. stress testing).

Recommendation: The SA-CCR framework should be used consistently throughout the agencies' prudential standards.

- The proposal does not discuss whether the SA-CCR framework also would be used to measure counterparty credit risk in certain other contexts (FR Y-15, CVA capital, stress tests, etc.).
- The proposal also does not discuss whether the modeling and other assumptions implicit in the proposal would be applied to the agencies' other frameworks (e.g., CCAR LCPD).
- See timeline in Appendix.

SA-CCR Calibration

The calibration of the SA-CCR framework should reflect industry comments to ensure that it is appropriately risk sensitive and consistent with Congressional intent.

Recommendation: The proposal should be revised to be consistent with the Congressional determination to avoid unnecessary costs for commercial end users.

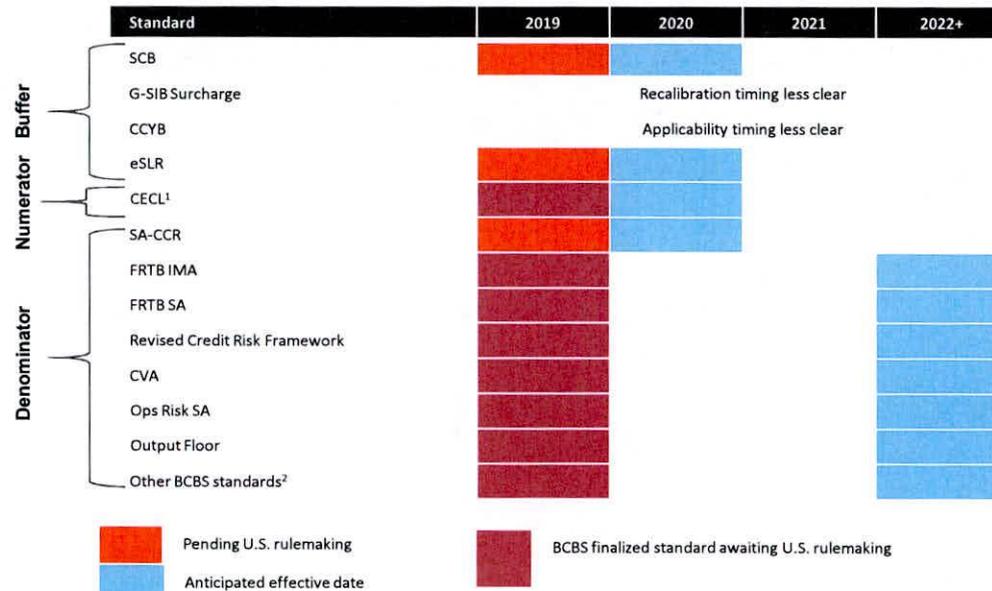
- We support ISDA's recommendations in this regard and therefore recommend that the 1.4 alpha factor should not apply to such transactions.

Recommendation: The agencies should revisit the calibration of certain aspects of SA-CCR in order to avoid the substantial increase in capital requirements as highlighted in the ISDA data study. In particular, agencies should avoid any "gold plating" of the Basel Committee's framework. We support ISDA's recommendations in this regard and key examples include:

- Application and calibration of the alpha factor;
- Calibration of the supervisory factors for commodity derivatives and equity derivatives; and
- Increase in risk-sensitivity with respect to recognition of collateral and diversification, among others.

Appendix

SA-CCR Implementation as a Component of Basel III Finalization



¹ Awaiting U.S. specific guidance on CCAR application

² Securitization framework, Long-term treatment of provisions, IRRBB, Investment fund framework