### OVERVIEW
- U.S. based top-tier advanced approaches bank holding companies (“BHCs”) ($250b or more in total consolidated assets or $10b in on-balance sheet foreign exposures) must determine whether they are G-SIBs by calculating their systemic risk scores
- G-SIBs are subject to risk-based capital surcharges (expected to range from 1.0% to 4.5%, based on estimates from data as of December 31, 2014)

### G-SIB DETERMINATION
Each advanced approaches BHC must calculate its method 1 systemic risk score annually

**Method 1:** calculation derived from Basel G-SIB Framework

- Method 1 systemic risk score = the sum of an institution's scores across 12 systemic indicators, comprising five categories (categories, systemic indicators and % systemic indicator weights included below):
  - Size – total exposures (20%)
  - Interconnectedness – intra-financial system assets (6.67%), intra-financial system liabilities (6.67%) and securities outstanding (6.67%)
  - Substitutability (score capped at 100 basis points) – payments activity (6.67%), assets under custody (6.67%) and underwritten transactions in debt and equity markets (6.67%)
  - Complexity – notional amount of OTC derivatives (6.67%), trading and available-for-sale securities (6.67%) and level 3 assets (6.67%)
  - Cross-Jurisdictional Activity – cross-jurisdictional claims (10%) and cross-jurisdictional liabilities (10%)

Each systemic indicator score = \[
\frac{\text{Amount of that indicator (as reported by the institution on its most recent FR Y-15)}}{\text{Aggregate global indicator amount for that indicator}} \times 10,000 \times \text{relevant systemic indicator weight}
\]

- Aggregate global indicator amount for each systemic indicator = sum of the systemic indicator values of (i) the 75 largest global banking organizations, as measured by the BCBS, and (ii) any other organization included by the BCBS for that year

BHCs with method 1 scores of ≥ 130 are G-SIBs

### G-SIB SURCHARGE

**G-SIB Surcharge:**
- G-SIBs must calculate their G-SIB surcharges on an annual basis by determining their method 1 and method 2 systemic risk scores
- Bands of method 1 and method 2 systemic risk scores correlate to different capital surcharges
- G-SIB surcharge = the greater of the method 1 and method 2 surcharges
Method 2: the “substitutability” category and its systemic indicators from method 1 are replaced by a short-term wholesale funding (“STWF”) score

- Method 2 systemic risk score = the sum of the nine systemic indicator scores (from the size, interconnectedness, complexity and cross-jurisdictional activity categories) and the STWF score

Each systemic indicator score = Amount of that indicator (as reported by the institution on its most recent FR Y-15) \( \times \) relevant coefficient value

- Method 2 scores are expected to be higher than method 1 scores due to G-SIBs’ reliance on short-term funding

STWF Score:

\[
\text{STWF score} = \frac{\text{Average weighted STWF amount}}{\text{Average risk weighted assets}} \times \text{Fixed conversion factor of 350}
\]

- Average weighted STWF amount – G-SIB must calculate the amount of its STWF on a consolidated basis for each business day in the previous calendar year and weight the following components of its STWF using the maturity assumptions in the Liquidity Coverage Ratio final rule (“LCR”):
  - Funds that must be paid under secured funding transactions (as defined in LCR), other than operational deposits, with a remaining maturity of one year or less
  - Funds that must be paid under unsecured wholesale funding transactions (as defined in the LCR), other than operational deposits, with a remaining maturity of one year or less
  - GAAP fair value of an asset that must be returned under a covered asset exchange with a remaining maturity of one year or less
  - GAAP fair value of an asset that must be returned under a short position, so long as the borrowed asset is not a Level 1 or Level 2A liquid asset (each as defined in the LCR)
  - Brokered deposits (as defined in the LCR) held at the G-SIB provided by a retail customer or counterparty
  - Any other component of STWF

- The components of STWF are classified into four categories and weightings are assigned based on the category and the time remaining to maturity
  - The same component may belong to more than one category (e.g., depending if a Level 1 liquid asset or a Level 2 liquid asset is involved)
  - Weightings increase as the time to maturity for a component decreases

- The fixed conversion factor is meant to weight the STWF score evenly with the nine systemic indicators in method 2

G-SIB SURCHARGE AND OTHER CAPITAL RULES

- The G-SIB surcharge increases a G-SIB’s capital conservation buffer amount
- Phase-in for U.S. BHCS from January 1, 2016 to January 1, 2019 in 25% increments
  - On January 1, 2019, a G-SIB will be required to hold a minimum ratio of 4.5% of common equity tier 1 capital to risk-weighted assets, an additional 2.5% capital conservation buffer and the relevant G-SIB surcharge
  - Failure to meet the required capital level will result in the imposition of limitations on capital distributions and certain discretionary bonus payments

Note: This is intended to be a brief summary of the final rule adopted in July 2015 and is qualified in its entirety by reference to Regulatory Capital Rules: Implementation of Risk-based Capital Surcharges for Global Systemically Important Bank Holding Companies, 12 CFR Part 217.