data are also used to create aggregate statistics on consumer loan terms that are published in the Federal Reserve's monthly statistical releases, G.19 Consumer Credit and G.20 Finance Companies, and in the Federal Reserve Bulletin. Some of the aggregates are used by the Board in the calculation of the aggregate household debt service and financial obligations ratios for the Federal Reserve's quarterly Household Debt Service and Financial Obligations Ratios statistical release and by the Bureau of Economic Analysis to calculate interest paid by households as part of the National Income and Product Accounts.

Frequency: Quarterly.

Respondents: The FR 2835 panel comprises a sample of commercial banks. The FR 2835a panel comprises a sample of commercial banks with $1 billion or more in credit card receivables and a representative group of smaller issuers.

Total estimated number of respondents: 200.

Total estimated annual burden hours: 274.[1]

Board of Governors of the Federal Reserve System, November 7, 2023.

Michele Taylor Fennell,

Deputy Associate Secretary of the Board.

[FR Doc. 2023–25094 Filed 11–13–23; 8:45 am]

BILLING CODE 6210–01–P

[1] More detailed information regarding this collection, including more detailed burden estimates, can be found in the OMB Supporting Statement posted at *https://www.federalreserve.gov/apps/reportingforms/home/review.* On the page displayed at the link, you can find the OMB Supporting Statement by referencing the collection identifiers, FR 2835 and FR 2835a.

FINANCIAL STABILITY OVERSIGHT COUNCIL

Analytic Framework for Financial Stability Risk Identification, Assessment, and Response

AGENCY: Financial Stability Oversight Council.

ACTION: Publication of analytic framework.

SUMMARY: The Financial Stability Oversight Council (Council) is publishing an analytic framework that describes the approach the Council expects to take in identifying, assessing, and responding to certain potential risks to U.S. financial stability.

DATES: *Effective Date:* November 14, 2023.

FOR FURTHER INFORMATION CONTACT: Eric Froman, Office of the General Counsel, Treasury, at (202) 622–1942; Devin Mauney, Office of the General Counsel, Treasury, at (202) 622–2537; or Priya Agarwal, Office of the General Counsel, Treasury, at (202) 622–3773.

SUPPLEMENTARY INFORMATION:

I. Background

Section 111 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) established the Financial Stability Oversight Council (the Council).[1] The statutory purposes of the Council are ''(A) to identify risks to the financial stability of the United States that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace; (B) to promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the Government will shield them from losses in the event of failure; and (C) to respond to emerging threats to the stability of the United States financial system.'' [2]

The Council's duties under section 112 of the Dodd-Frank Act reflect the range of approaches the Council may consider to identify, assess, and respond to potential threats to U.S. financial stability, which include collecting information from regulators, requesting data and analyses from the Office of Financial Research (the OFR), monitoring the financial services marketplace and financial regulatory developments, facilitating information sharing and coordination among regulators, recommending to the Council member agencies general supervisory priorities and principles, identifying regulatory gaps, making recommendations to the Board of Governors of the Federal Reserve System (the Federal Reserve) or other primary financial regulatory agencies,[3] and designating certain entities or payment, clearing, and settlement activities for additional regulation.

The Council's Analytic Framework for Financial Stability Risk Identification, Assessment, and Response (the Analytic Framework) describes the approach the Council expects to take in identifying, assessing, and responding to certain potential risks to U.S. financial stability. The Analytic Framework is intended to help market participants, stakeholders, and other members of the public better understand how the Council expects to perform certain of its duties. It is not a binding rule and does not establish rights or obligations applicable to any person or entity.

The Council issued for public comment the Proposed Analytic Framework for Financial Stability Risk Identification, Assessment, and Response (the Proposed Framework) on April 21, 2023.[4] The comment period was initially set to close after 60 days; however, in response to public requests for additional time to review and comment on the Proposed Framework, the Council extended the comment period by 30 days,[5] to July 27, 2023. Having carefully considered the comments it received, the Council voted to adopt the Analytic Framework at a public meeting on November 3, 2023.

At the same time as the publication of the Proposed Framework, the Council also published proposed interpretive guidance (the Proposed Guidance) regarding its procedures for designating nonbank financial companies for prudential standards and Federal Reserve supervision under section 113 of the Dodd-Frank Act. At its public meeting on November 3, 2023, the Council also adopted a final version of those procedures (the Final Guidance).

In response to its request for public input, the Council received 37 comments on the Proposed Framework, of which nine were from companies or trade associations in the investment management industry, two were from trade associations in the insurance industry, six were from other companies or trade associations, 10 were from various advocacy groups, five were from current or former state or federal government officials, two were from groups of academics, and three were from individuals.[6] Most public comments submitted with respect to the Proposed Framework also commented

[1] Dodd-Frank Act section 111, 12 U.S.C. 5321.

[2] Dodd-Frank Act section 112(a)(1), 12 U.S.C. 5322(a)(1).

[3] ''Primary financial regulatory agency'' is defined in section 2(12) of the Dodd-Frank Act, 12 U.S.C. 5301(12).

[4] 88 FR 26305 (Apr. 28, 2023). In a rule codified at 12 CFR 1310.3, the Council voluntarily committed that it would not amend or rescind certain guidance regarding nonbank financial company determinations set forth in Appendix A to 12 CFR part 1310 without providing the public with notice and an opportunity to comment in accordance with the procedures applicable to legislative rules under 5 U.S.C. 553. Section 1310.3 does not apply to the Council's issuance of rules, guidance, procedures, or other documents that do not amend or rescind Appendix A, and accordingly, it does not apply to the Analytic Framework. Nonetheless, in the interest of transparency and accountability, the Council chose to publish the Proposed Framework and provide an opportunity for public comment.

[5] 88 FR 41616 (June 27, 2023).

[6] The comment letters are available at *https://www.regulations.gov/docket/FSOC-2023-0001.*

on the Proposed Guidance. For the convenience of the public, the Council addresses many of the issues raised in such dual comments in the preamble to the Final Guidance.

II. Adoption of the Analytic Framework Following Public Comment

The Analytic Framework provides a narrative description of the approach the Council expects to take in identifying, assessing, and responding to certain potential risks to U.S. financial stability. Accordingly, this preamble omits a duplicative description of the Analytic Framework's content and instead focuses on key changes from the Proposed Framework and on comments received in response to the Proposed Framework. Members of the public should refer directly to the Analytic Framework for greater detail regarding the Council's approach.

A. Key Changes From the Proposed Framework

Following consideration of public comments on the Proposed Framework, the Analytic Framework reflects several key changes from the Proposed Framework, each as discussed further below:

- *Description of ''threat to financial stability.''* To provide additional transparency regarding how the Council expects to interpret the phrase ''threat to the financial stability of the United States,'' which is used in several instances in the Dodd-Frank Act related to the Council's authorities, the Analytic Framework includes an interpretation of this term that is based on the interpretation of ''financial stability'' that was included in the Proposed Framework.
- *Additional sample metrics to assess vulnerabilities.* To provide more public transparency on the Analytic Framework's description of how the Council assesses vulnerabilities that contribute to risks to financial stability, the Council has added more examples of the types of quantitative metrics it may consider in its analyses.
- *Expanded discussion of transmission channels.* To further clarify the Council's consideration of the channels that it has identified as being most likely to transmit risk through the financial system, the Analytic Framework now identifies vulnerabilities that may be particularly relevant to each of four listed transmission channels and includes more detailed discussions of examples and analyses relevant to the transmission channels.
- *Emphasis on the Council's engagement with regulators.* To align more closely with the Council's practice and expectations, the Analytic Framework includes additional emphasis on the Council's extensive engagement with state and federal financial regulatory agencies regarding potential risks and the extent to which existing regulation may mitigate those risks.

B. Consideration of Public Comments

The Analytic Framework, like the Proposed Framework, describes the approach the Council expects to take to identify, assess, and respond to potential risks to U.S. financial stability and contains three substantive subsections addressing these steps.

Approximately half of the comments on the Proposed Framework were generally supportive, noting that the Proposed Framework's eight listed vulnerabilities, associated sample metrics, and four transmission channels were well chosen, were supported by expert research and analysis, and provide appropriate transparency. A number of commenters were supportive of the Council's proposal to issue the Analytic Framework as a stand-alone document separate from procedures applicable to specific authorities such as nonbank financial company designation under section 113 of the Dodd-Frank Act.

Other commenters were generally critical of the Proposed Framework, stating that its listed vulnerabilities and transmission channels, as well as the interpretation of financial stability, were overly broad or unclear. Several commenters stated that the Proposed Framework did not adequately describe how the Council intended to use the listed vulnerabilities, sample metrics, and transmission channels to assess nonbank financial companies, activities, or risks. Some commenters also noted that the 10 considerations that the Council is required to take into account in a nonbank financial company designation under section 113 of the Dodd-Frank Act differ from the Proposed Framework's listed vulnerabilities.

The Council appreciates and has considered the public comments as described below, organized by the relevant section of the Analytic Framework.

1. Introduction

The Analytic Framework's introduction generally describes the Council's statutory purposes and duties, explains the Analytic Framework's role and purpose, and provides background information relevant to the sections that follow. This section of the Proposed Framework included an interpretation of ''financial stability'' but did not separately provide an interpretation of a ''threat'' to financial stability. Public comments addressing the Proposed Framework's introduction section focused on this element.

The Analytic Framework interprets ''financial stability'' as ''the financial system being resilient to events or conditions that could impair its ability to support economic activity, such as by intermediating financial transactions, facilitating payments, allocating resources, and managing risks.'' Some commenters were supportive of the Proposed Framework's interpretation of financial stability, stating that it appropriately accounts for key ways in which the financial system supports economic activity and that it encourages financial regulators to take action before events or conditions undermine financial stability. Some commenters stated that the Analytic Framework (or the Final Guidance) [7] should include the Council's interpretation of the phrase ''threat to the financial stability of the United States,'' which is an element of the standard for designating nonbank financial companies for prudential standards and Federal Reserve supervision under section 113 of the Dodd-Frank Act, and which (or close variations of which) are also used elsewhere in the Dodd-Frank Act related to the Council's other authorities.[8] Some of these commenters stated that the Proposed Framework's interpretation of ''financial stability,'' read in isolation, implied that even insubstantial impairments to the financial system's ability to support economic activity could constitute threats to financial stability. One commenter suggested adopting specific contrasting definitions of financial instability and financial stability.

The Council continues to support the interpretation of ''financial stability'' as proposed, which accurately captures generally accepted aspects of this concept. However, the Council recognizes that the ''financial stability'' interpretation does not include an indicator of significance, which may be important in cases where the Council is considering that term in connection with a potential exercise of one or more of its authorities. Therefore, in response

[7] The preamble to the Final Guidance contains a discussion of the Council's reasons for removing a previous interpretation of ''threat to the financial stability of the United States'' from its nonbank financial company designation procedures and not including an interpretation of that phrase in the Final Guidance.

[8] See Dodd-Frank Act sections 112 and 120, 12 U.S.C. 5322 and 5330.

to public comments, the Analytic Framework includes an interpretation of ''threat to financial stability'' that builds on the proposed interpretation of ''financial stability.'' Specifically, the Analytic Framework interprets ''threat to financial stability'' to mean events or conditions that could ''substantially impair'' the financial system's ability to support economic activity. This interpretation is consistent with the view of commenters who recommended that ''threat to financial stability'' should be interpreted consistently with the Council's statutory purposes and duties, which direct it to respond to potential and emerging, not just entrenched or imminent, threats to financial stability.[9]

2. Identifying Potential Risks

Section II.a of the Analytic Framework, like the Proposed Framework, describes how the Council expects to identify potential risks to financial stability and provides examples of the broad range of asset classes, institutions, and activities that the Council monitors for potential risks.

A number of commenters expressed their support for the Proposed Framework's discussion of risk monitoring, noting that the Proposed Framework is broad enough to cover a variety of events and conditions that may pose risks to the financial stability of the United States. Other commenters stated that the activities, products, and practices listed in the Proposed Framework were overly broad or overlapping and suggested changes to this section, including the incorporation of certain aspects of the Council's guidance on nonbank financial company designations issued in 2019, more detail on how risk identification will be connected to the list of vulnerabilities in the Proposed Framework, and additional sector-specific information. One commenter suggested specifically describing how the asset classes, institutions, and activities listed in the Proposed Framework relate to the identification of risk in the asset management industry. Additional commenters suggested that this section of the Analytic Framework should address in greater detail certain climate-related financial risks or risks to the credit needs of underserved communities.[10]

The Council's statutory mission is broad: It encompasses risks to financial stability irrespective of the source of the risk or the specific sector of the financial system that could be affected. Therefore, the Council's monitoring is similarly broad, and in response to comments suggesting the addition of further examples, the Council has added ''private funds'' to its list of financial entities in this section. The list of asset classes, institutions, and activities in the Analytic Framework is not intended to be exclusive or exhaustive, but instead to reflect the Council's broad statutory mandate. As discussed in section II.B.5 below, the purpose of the Analytic Framework is to describe the Council's overarching approach to financial stability risks, so sector-specific discussion would not provide useful clarity. The Council encourages members of the public who are interested in the Council's specific areas of focus to review the Council's regular public statements, including its annual reports, public meeting minutes, and other public reports, which describe in detail the Council's analyses of various risks.

3. Assessing Potential Risks

The Analytic Framework describes how the Council expects to evaluate potential risks to financial stability to determine whether they merit further review or action. Section II.b of the Analytic Framework sets forth a non-exhaustive and non-exclusive list of vulnerabilities that most commonly contribute to risks to financial stability and sample quantitative metrics that may be used to measure these vulnerabilities.

(a) Vulnerabilities and Sample Metrics

The Council received a variety of feedback on the vulnerabilities and sample metrics described in Section II.b of the Proposed Framework. Some commenters supported the specified vulnerabilities and sample metrics, stating that they were well chosen, were supported by expert research and analysis, and provided appropriate transparency. One commenter supported the inclusion of the ''interconnections'' and ''destabilizing activities'' vulnerabilities, noting that these vulnerabilities can arise even when the underlying activities are undertaken intentionally and permitted by law. Some commenters also supported the descriptions of the vulnerabilities in the Proposed Framework. Several commenters noted that the Proposed Framework offered the Council flexibility to conduct analyses of financial sectors and their interconnections as well as more focused assessments of risks related to individual firms. Some commenters commended the Council for issuing the Proposed Framework separately from the Proposed Guidance, as this approach allows the Council to decide which authority to exercise, if any, without committing itself in advance to a particular response.

Other commenters stated that the listed vulnerabilities were vague or did not clarify the language of the Dodd-Frank Act. The Council believes that by describing the Council's analytic approach without regard to the origin of a particular risk, the Analytic Framework provides new public transparency into how the Council expects to consider risks to financial stability. Several commenters addressed whether issuing the Proposed Framework separately from the Proposed Guidance was useful. The Council believes that separately issuing the Analytic Framework and the Final Guidance provides more clarity because they serve different purposes. The Final Guidance describes the Council's procedures related only to nonbank financial company designations, while the Analytic Framework explains how the Council analyzes risks to financial stability across the range of risks that arise and the authorities the Council may use to respond to those risks.

Several commenters recommended that the Analytic Framework establish specific thresholds at which vulnerabilities would be deemed to rise to the level of a threat to financial stability. One commenter suggested that the Analytic Framework include examples of how vulnerabilities will be assessed individually and in combination with each other. Other commenters proposed that the Council provide a sliding scale with minimum quantitative thresholds, where an assessment that results in a score closer to the minimum threshold would require a more rigorous qualitative assessment to determine whether a risk to U.S. financial stability exists than a higher score would. In contrast, some commenters expressed concern with the use of metrics generally to assess vulnerabilities, because systemic risk analysis methods rapidly evolve and specified metrics may become obsolete. One commenter suggested omitting the sample metrics and instead expanding the descriptions of the vulnerabilities in other ways. Some commenters stated that that the metrics in the Proposed Framework were tailored to banks and not appropriate for nonbank financial companies.

The Council believes that the vulnerabilities and sample metrics in the Analytic Framework provide transparency regarding how the Council

[9] See Dodd-Frank Act section 112(a), 12 U.S.C. 5322(a).

[10] These comments are discussed further in section II.B.5 below.

assesses risks to financial stability across a range of issues and sectors. As described in the Analytic Framework, the Council routinely uses quantitative metrics and other data in its analyses, in addition to qualitative factors. Further, in some circumstances, such as evaluations of risks within a specific financial sector, the application of particular metrics, tailored to the relevant sector and to the risks under evaluation, can be beneficial. Accordingly, the Analytic Framework describes risk factors and sample quantitative metrics. However, the Council does not believe that uniform thresholds, ''sliding scales,'' or other weighting schemes adequately capture the wide range of potential risks to financial stability that can arise across the financial system. As some commenters noted, financial risks vary across sectors, and thresholds that provide helpful insight into risks in one sector may be irrelevant to another sector. While it would not be feasible to generate an exhaustive list of metrics to measure the full range of potential financial stability risks, the Council believes that the sample metrics in the Analytic Framework offer helpful clarity to understanding the listed vulnerabilities. Therefore, the Analytic Framework sets forth sample metrics and does not provide the types of thresholds suggested by some commenters.

Some commenters raised issues regarding specific vulnerabilities addressed in the Proposed Framework. One commenter expressed concern that the ''operational risks'' vulnerability would capture risks associated with commercial companies. Another commenter questioned how the Council would determine that vulnerabilities were not related to normal market fluctuations. The Council is mindful of its purpose ''to respond to emerging threats to the stability of the United States financial system,'' and the vulnerabilities described in the Analytic Framework are intended to support the identification and assessment of potential risks to financial stability.

Some commenters were critical of the ''destabilizing activities'' vulnerability. Several commenters stated that this vulnerability was circular or conclusory. Other commenters recommended that the Council clarify this vulnerability. One commenter suggested that this vulnerability would be measured better by qualitative factors rather than quantitative measures. The Analytic Framework provides examples of ''destabilizing activities''—trading practices that substantially increase volatility in one or more financial markets, or activities that involve moral hazard or conflicts of interest that result in the creation and transmission of significant risks—to provide insight into this vulnerability. As with other vulnerabilities, the Council expects its assessment of risks arising from destabilizing activities to be rigorous and analytical.

One commenter stated that the ''liquidity risk and maturity mismatch'' vulnerability did not explain how the mismatch between short-term liabilities and longer-term assets is relevant for different types of nonbank financial companies. While the Analytic Framework is not focused on the assessment of individual nonbank financial companies or sectors, the Council has further clarified this vulnerability by including two additional sample metrics: the scale of financial obligations that are short-term or can become due in a short period, and amounts of transactions that may require the posting of additional margin or collateral.

Some commenters stated that the Council should provide more detail on how it considers other vulnerabilities listed in the Analytic Framework. In response, the Analytic Framework includes additional examples of the types of metrics the Council may consider with respect to complexity or opacity (the extent of intercompany or interaffiliate dependencies for liquidity, funding, operations, and risk management) and inadequate risk management (levels of exposures to particular types of financial instruments or asset classes).

One commenter stated that the sample metrics may incentivize firms to manage their operations with respect to the metrics rather than mitigating risk. To the extent that the vulnerabilities, sample metrics, and transmission channels in the Analytic Framework provide insights that enable firms or other stakeholders to take action to mitigate potential risks to financial stability, those steps could help accomplish the Council's statutory purposes of identifying risks to financial stability, promoting market discipline, and responding to emerging threats to financial stability.

A number of commenters suggested additional metrics for inclusion in the Analytic Framework. For example, several commenters suggested additional sample metrics for the ''operational risks'' vulnerability. The sample metrics included in the Analytic Framework are quantitative only, to provide further clarity as a supplement to the qualitative descriptions of the listed vulnerabilities. Some of the metrics recommended by commenters were not quantitative in nature and are not suitable for inclusion in the Analytic Framework. Other recommended metrics are not included because they would not be broadly applicable across the financial system. One commenter recommended that the Analytic Framework include a ''metric'' for existing regulatory frameworks. One commenter suggested adding specific mitigating factors as metrics. Both the Proposed Framework and the Analytic Framework note explicitly that the Council takes into account existing laws and regulations that have mitigated a potential risk to U.S. financial stability. Additionally, as the Proposed Framework noted, the sample metrics provided are indicative of how the Council expects to consider the vulnerabilities but are not meant to be an exhaustive or exclusive list of factors. While the Council expects to consider factors that are likely to mitigate potential risks to financial stability, it does not believe the inclusion of potential mitigants would enhance the Analytic Framework. To the extent that mitigating factors exist, they are reflected in the analysis of the risk itself, because they reduce vulnerabilities or the transmission of risks.

Some commenters addressed the relationship between the vulnerabilities and sample metrics in the Proposed Framework, on one hand, and the statutory standard or considerations for designating nonbank financial companies under section 113 of the Dodd-Frank Act, on the other hand. As noted above, the Analytic Framework describes the Council's analytic approach without regard to the origin of a particular risk, including whether the risk arises from widely conducted activities or from individual entities, and regardless of which of the Council's authorities may be used to respond to the risk. With respect to nonbank financial company designations, the Dodd-Frank Act sets forth the standard for designations and certain specific considerations that the Council must take into account in making any determination under section 113. Consistent with the statutory requirements, the Council will apply the statutory standard and each of the 10 statutory considerations in any evaluation of a nonbank financial company for potential designation. The vulnerabilities, sample metrics, and transmission channels described in the Analytic Framework will inform the Council's assessment of the designation standard and mandatory considerations under section 113. Some commenters also addressed whether the vulnerabilities, sample metrics, or transmission channels in the Analytic Framework take into account the likelihood of a nonbank financial company's material financial distress (referred to by some commenters as a company's ''vulnerability'' to financial distress), including in the context of a designation under section 113 of the Dodd-Frank Act. As also discussed in the preamble to the Final Guidance, the Council does not intend to construe any of the vulnerabilities, sample metrics, transmission channels, or other factors described in the Analytic Framework as contemplating or requiring an assessment of the likelihood of, or vulnerability to, material financial distress, including in the context of a potential designation under section 113 of the Dodd-Frank Act.

(b) Transmission Channels

The Analytic Framework includes a detailed discussion, expanded from the Proposed Framework, regarding the Council's consideration of how the adverse effects of potential risks could be transmitted to financial markets or market participants and what impact the potential risks could have on the financial system. The Analytic Framework notes that such a transmission of risk can occur through various mechanisms, or channels, and describes four transmission channels that the Council has identified as most likely to facilitate the transmission of the negative effects of a risk to financial stability.

Some commenters stated that the Proposed Framework's discussion of the four transmission channels provided insufficient detail to elucidate the Council's analyses. For example, one commenter suggested adding a discussion that would map specific activities, products, and practices that may pose risks onto each of the identified transmission channels. Another commenter stated that the Council should specify the value of daily losses or asset sales that would give rise to a threat to financial stability. Other commenters stated that the relationship between the transmission channels and the vulnerabilities described above was unclear. Some commenters suggested adding more analyses or requirements to the Council's consideration of the transmission channels, including to address how the transmission channels may spread risks to low-income, minority, or underserved communities; to mandate that the Council focus on some channels more than others; or to notify market participants when the transmission of risks becomes serious enough to pose a potential threat to financial stability.

One commenter stated that the transmission channels do not relate to specific Council authorities under the Dodd-Frank Act and are therefore inappropriate for the Council to consider. However, under section 112 of the Dodd-Frank Act, one of the Council's purposes is ''to respond to emerging threats to the stability of the United States financial system,'' and among the Council's relevant duties is to ''monitor the financial services marketplace in order to identify potential threats to the financial stability of the United States.'' Accordingly, consideration of the channels most likely to transmit risk through the financial system is well within the Council's remit.

In response to the public comments, the Analytic Framework contains two types of additional information with respect to the transmission channels. First, to clarify the relationship between the vulnerabilities and the transmission channels described in the Analytic Framework, each of the four transmission channel discussions now highlights certain vulnerabilities that may be particularly relevant to that channel. These explanations are intended to further clarify, for the public, how the vulnerabilities and transmission channels will be considered together. Second, the Analytic Framework includes expanded discussions of the transmission channels, compared to the Proposed Framework, to provide further insight into the Council's analyses under those channels. The ''exposures'' transmission channel discussion now includes additional examples of potentially relevant asset classes. Consistent with input from a number of commenters, the Analytic Framework also notes that risks arising from exposures to assets managed by a company on behalf of third parties are distinct from exposures to assets owned by, or liabilities issued by, the company itself. The discussion of the ''asset liquidation'' transmission channel now provides greater detail on the features of certain assets, liabilities, and market behavior that could affect the Council's analysis and further describes how actions by market participants or financial regulators may influence the transmission of risks through asset liquidation. Finally, the Analytic Framework's discussion of the ''critical function or service'' transmission channel further elaborates on the Council's analysis with respect to this channel.

The Council recognizes that some commenters recommended that even further detail be included in the transmission channel discussion. The Council believes that this discussion in the Analytic Framework, including the additional descriptions compared to the proposal, provides the public with insight into the Council's assessments of potential risks to financial stability, while maintaining the flexibility needed for the Council to be able to respond to diverse and evolving risks.

4. Addressing Potential Risks

Section II.c of the Analytic Framework describes approaches the Council may take to respond to risks and multiple tools the Council may use to mitigate risks. As described in the Analytic Framework, these approaches may include interagency information sharing and collaboration, recommendations to agencies and Congress, and designation of certain entities or activities for supervision and regulation.

Some commenters suggested that the Council should add further detail to the Analytic Framework regarding how the Council intends to use the tools described in this section. However, the Analytic Framework is designed to describe how the Council evaluates and responds to potential risks to financial stability in general, rather than a process for using any specific authority. The Council has issued separate documents, such as the Final Guidance, that describe in detail the procedures the Council expects to follow when employing certain statutory authorities.

Several commenters stated that the Analytic Framework should include a more detailed description of how the Council will collaborate with primary financial regulatory agencies to respond to risks to U.S. financial stability. Others stated that the framework should address how the Council considers the existing regulations that primary financial regulatory agencies administer and require that the Council only act when existing regulation is insufficient.

The Council has a long history of close engagement with financial regulatory agencies and intends to continue to consult and coordinate with regulators. The Proposed Framework referred numerous times to the Council's consultation and coordination with primary financial regulatory agencies, and noted that the Council works with relevant financial regulators at the federal and state levels. The Proposed Framework also noted that if existing regulators can address a risk to financial stability in a sufficient and timely way, the Council generally encourages those regulators to do so. The Council routinely works with federal and state financial regulatory agencies to identify, assess, and respond to risks to financial stability, as noted in the Proposed Framework's section on addressing potential risks. In response to the public comments, the Analytic Framework further emphasizes the importance of the Council's engagement with state and federal financial regulators as it assesses potential risks. The Analytic Framework now includes an additional statement that the Council engages extensively with state and federal financial regulatory agencies, including those represented on the Council, regarding potential risks and the extent to which existing regulation may mitigate those risks.

One commenter suggested that the Council clarify that the emphasis on engaging with existing regulators to address risks to financial stability does not require the Council to prioritize interagency coordination and information sharing over its other authorities, including under sections 113 and 120 of the Dodd-Frank Act. The Council agrees that such engagement does not imply, much less require, prioritization of any of the Council's authorities over others. The Council intends for all of its statutory tools to be available, as appropriate, to respond to risks to financial stability.

5. Other Comments

In addition to comments regarding specific sections of the Proposed Framework, the Council also received a number of more general or cross-cutting comments. Several commenters stated that the Analytic Framework should specifically address unique features of their industries, including traditional asset managers, alternative investment managers, life insurers, and payment and digital asset providers. The Council affirms that its analyses of potential risks to financial stability will account for relevant differences among various financial sectors. For example, as noted in the Analytic Framework, under the exposures transmission channel, risks arising from exposures to assets managed by a company on behalf of third parties are distinct from exposures to assets owned by, or liabilities issued by, the company itself. The Analytic Framework also notes that the Council's analyses take into account market participants' risk profiles and business models. But the Analytic Framework's purpose is not to address such sector-specific distinctions; instead, it describes the Council's overarching approach to financial stability risks regardless of their origin.

The Council also received comments commending the Proposed Framework for providing transparency and clarity with respect to the Council's holistic and deliberative process for identifying, assessing, and addressing risks. Other commenters recommended greater transparency or detail, or stated that nonbank financial companies could not take informed action based on the Proposed Framework to avoid designation under section 113 of the Dodd-Frank Act. Commenters suggested that the Council provide nonbank financial companies with additional guidance on risk mitigants and corrective steps they could undertake to avoid designation. One commenter indicated that the Proposed Framework should take into account different accounting standards when applying metrics and, in particular, incorporate certain accounting standards described by the Council in the nonbank financial company designation context in 2015.[11] The Council believes that the Analytic Framework provides the public and industry participants with considerable transparency into how the Council identifies, assesses, and addresses potential risks to financial stability, regardless of whether the risks stem from widely conducted activities or from individual entities. The Council also believes that nonbank financial companies, market participants, and other interested parties should be able to assess potential risks to financial stability based on the vulnerabilities, sample metrics, and transmission channels described in the Analytic Framework. For example, while the Analytic Framework does not seek to establish a bright-line test for the level of leverage or liquidity risk that could constitute a risk to financial stability, the Analytic Framework identifies these vulnerabilities, explains how the Council evaluates them, provides sample metrics for their quantitative measurement, and describes the channels through which those risks could create risks to financial stability, including through the exposures and asset liquidation transmission channels. The Council believes that the Analytic Framework provides a transparent and constructive explanation of how the Council considers risks to financial stability.

Some commenters recommended that the Analytic Framework specifically address climate-related financial risk, such as by incorporating climate-related financial risk into the Council's interpretation of financial stability, or explicitly accounting for climate-related risks among the Analytic Framework's listed vulnerabilities, sample metrics, or transmission channels. The Council appreciates these comments and has published a number of analyses regarding the emerging and increasing risks that climate change poses to the financial system. However, the Council believes that potential risks related to climate change may be assessed under the vulnerabilities, sample metrics, and transmission channels in the Analytic Framework. For example, to the extent that climate-related financial risks could result in defaults on a company's outstanding obligations, those risks may be considered, in part, through the ''interconnections'' vulnerability and the ''exposures'' transmission channel.

Similarly, some commenters recommended that the Analytic Framework discuss risks to the financial needs of underserved families and communities. As with climate-related financial risks, the Council agrees that risks to financial stability that affect the availability of credit to underserved populations are important, and the Council expects to consider such risks, as appropriate, as part of the approach described in the Analytic Framework. For example, the Council would expect to monitor markets for consumer financial products and services for potential risks under the Analytic Framework's first section; in assessing potential risks, the ''critical function or service'' transmission channel may be particularly relevant to risks concerning the availability of financial services to underserved populations; and to respond to an identified risk, the Council could take an action described in section II.c of the Analytic Framework, including promoting interagency coordination or making recommendations to primary financial regulatory agencies.

Some commenters suggested adding certain other factors to the Analytic Framework. These included assessments regarding the effects of existing regulations, statements prioritizing certain approaches to risk responses and statutory tools over others, and requirements to perform cost-benefit analyses when assessing or responding to certain risks to financial stability. Some of these suggestions were primarily directed at the Proposed

[11] The Council rescinded the referenced guidance in 2019. See Financial Stability Oversight Council, Staff Guidance, Methodologies Relating to Stage 1 Thresholds (June 8, 2015), available at *https://home.treasury.gov/system/files/261/Staff%20Guidance%20Methodologies%20Relating%20to%20Stage%201%20Thresholds.pdf;* Minutes of the Council (Dec. 4, 2019), available at *https://home.treasury.gov/system/files/261/December-4-2019.pdf.*

Guidance and are addressed in the preamble to the Final Guidance. Some were already reflected in the Proposed Framework, including its discussions of the effects of existing regulation. Certain of these comments were beyond the scope of the Analytic Framework.

III. Legal Authority of the Council and Status of the Analytic Framework

The Council has numerous authorities and tools under the Dodd-Frank Act to carry out its statutory purposes.[12] As an agency charged by Congress with broad-ranging responsibilities under the Dodd-Frank Act, the Council has the inherent authority to promulgate interpretive guidance that explains the approach the Council expects to take in identifying, assessing, and responding to certain potential risks to U.S. financial stability.[13] The Council also has authority to issue policy statements.[14] The Analytic Framework provides transparency to the public as to how the Council intends to exercise its discretionary authorities. The Analytic Framework does not have binding effect; does not impose duties on, or alter the rights or interests of, any person; and does not change the statutory standards for the Council's actions.

IV. Executive Orders 12866, 13563, 14094

Executive Orders 12866, 13563, and 14094 direct certain agencies to assess costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Pursuant to section 3(f) of Executive Order 12866, as amended by Executive Order 14094, the Office of Information and Regulatory Affairs within the Office of Management and Budget has determined that the Analytic Framework is not a ''significant regulatory action.''

[12] See, for example, Dodd-Frank Act sections 112(a)(2), 113, 115, 120, and 804, 12 U.S.C. 5322(a)(2), 5323, 5325, 5330, and 5463.

[13] Courts have recognized that ''an agency charged with a duty to enforce or administer a statute has inherent authority to issue interpretive rules informing the public of the procedures and standards it intends to apply in exercising its discretion.'' See, for example, *Prod. Tool* v. *Employment & Training Admin.*, 688 F.2d 1161, 1166 (7th Cir. 1982). The Supreme Court has acknowledged that ''whether or not they enjoy any express delegation of authority on a particular question, agencies charged with applying a statute necessarily make all sorts of interpretive choices.'' *U.S.* v. *Mead,* 533 U.S. 218, 227 (2001).

[14] See *Ass'n of Flight Attendants-CWA, AFL–CIO* v. *Huerta,* 785 F.3d 710 (D.C. Cir. 2015).

Financial Stability Oversight Council

Analytic Framework for Financial Stability Risk Identification, Assessment, and Response

I. Introduction

This document describes the approach the Financial Stability Oversight Council (Council) expects to take in identifying, assessing, and responding to certain potential risks to U.S. financial stability.

The Council's practices set forth in this document are among the methods the Council uses to satisfy its statutory purposes: (1) to identify risks to U.S. financial stability that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace; (2) to promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the government will shield them from losses in the event of failure; and (3) to respond to emerging threats to the stability of the U.S. financial system.[1] The Council's specific statutory duties include monitoring the financial services marketplace in order to identify potential threats to U.S. financial stability and identifying gaps in regulation that could pose risks to U.S. financial stability, among others.[2]

Financial stability can be defined as the financial system being resilient to events or conditions that could impair its ability to support economic activity, such as by intermediating financial transactions, facilitating payments, allocating resources, and managing risks. Events or conditions that could substantially impair such ability would constitute a threat to financial stability. Adverse events, or shocks, can arise from within the financial system or from external sources. Vulnerabilities in the financial system can amplify the impact of a shock, potentially leading to substantial disruptions in the provision of financial services. The Council seeks to identify and respond to risks to financial stability that could impair the financial system's ability to perform its functions to a degree that could harm the economy. Risks to financial stability can arise from widely conducted activities or from individual entities, and from long-term vulnerabilities or from sources that are new or evolving.

This document describes the Council's analytic framework for identifying, assessing, and responding to potential risks to financial stability. The Council seeks to reduce the risk of a shock arising from within the financial system, to improve resilience against shocks that could affect the financial system, and to mitigate financial vulnerabilities that may increase risks to financial stability. The actions the Council may take depend on the nature of the vulnerability. For example, vulnerabilities originating from activities that may be widely conducted in a particular sector or market over which a regulator has adequate existing authority may be addressed through an activity-based or industry-wide response; in contrast, in cases where the financial system relies on the ongoing financial activities of a small number of entities, such that the impairment of one of the entities could threaten financial stability, or where a particular financial company's material financial distress or activities could pose a threat to financial stability, entity-based action may be appropriate. The Council's authorities, some of which are described in section II.c, are complementary, and the Council may select one or more of those authorities to address a particular risk.

Among the many lessons of financial crises are that risks to financial stability can be diverse and build up over time, dislocations in financial markets and failures of financial companies can be sudden and unpredictable, and regulatory gaps can increase risks to financial stability. The Council was created in the aftermath of the 2007–2009 financial crisis and is statutorily responsible for identifying and preemptively acting to address potential risks to financial stability. Many of the same factors, such as leverage, liquidity risk, and operational risks, regularly recur in different forms and under different conditions to generate risks to financial stability. At the same time, the U.S. financial system is large, diverse, and continually evolving, so the Council's analytic methodologies adapt to address evolving developments and risks.

This document is not a binding rule, but is intended to help market participants, stakeholders, and other members of the public better understand how the Council expects to perform certain of its duties. The Council may consider factors relevant to the assessment of a potential risk or threat to U.S. financial stability on a case-by-case basis, subject to applicable statutory requirements. The Council's

[1] Dodd-Frank Act Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) section 112(a)(1), 12 U.S.C. 5322(a)(1).

[2] Dodd-Frank Act section 112(a)(2), 12 U.S.C. 5322(a)(2).

annual reports describe the Council's work in implementing its responsibilities.

II. Identifying, Assessing, and Addressing Potential Risks to Financial Stability

a. Identifying Potential Risks

To enable the Council to identify potential risks to U.S. financial stability, the Council, in consultation with relevant U.S. and foreign financial regulatory agencies,[3] monitors financial markets, entities, and market developments to identify potential risks to U.S. financial stability.

In light of the Council's broad statutory mandate, the Council's monitoring for potential risks to financial stability may cover an expansive range of asset classes, institutions, and activities, such as:

- markets for debt, loans, short-term funding, equity securities, commodities, digital assets, derivatives, and other institutional and consumer financial products and services;
- central counterparties and payment, clearing, and settlement activities;
- financial entities, including banking organizations, broker-dealers, asset managers, investment companies, private funds, insurance companies, mortgage originators and servicers, and specialty finance companies;
- new or evolving financial products and practices; and
- developments affecting the resiliency of the financial system, such as cybersecurity and climate-related financial risks.

Sectors and activities that may impact U.S. financial stability are often described in the Council's annual reports. The Council reviews information such as historical data, research regarding the behavior of financial markets and financial market participants, and new developments that arise in evolving marketplaces. The Council relies on data, research, and analysis including information from Council member agencies, the Office of Financial Research, primary financial regulatory agencies, industry participants, and other sources.[4]

b. Assessing Potential Risks

The Council works with relevant financial regulatory agencies to evaluate potential risks to financial stability to determine whether they merit further review or action. The evaluation of any potential risk to financial stability will be highly fact-specific, but the Council has identified certain vulnerabilities that most commonly contribute to such risks. The Council has also identified certain sample quantitative metrics that are commonly used to measure these vulnerabilities, although the Council may assess each of these vulnerabilities using a variety of quantitative and qualitative factors. The following list is not exhaustive or exclusive, but is indicative of the vulnerabilities and metrics the Council expects to consider.

- *Leverage.* Leverage can amplify risks by reducing market participants' ability to satisfy their obligations and by increasing the potential for sudden liquidity strains. Leverage can arise from debt, derivatives, off-balance sheet obligations, and other arrangements. Leverage can arise broadly within a market or at a limited number of firms in a market. Quantitative metrics relevant for assessing leverage may include ratios of assets, risk-weighted assets, debt, derivatives liabilities or exposures, and off-balance sheet obligations to equity.
- *Liquidity risk and maturity mismatch.* A shortfall of sufficient liquidity to satisfy short-term needs, or reliance on short-term liabilities to finance longer-term assets, can subject market participants to rollover or refinancing risk. These risks may force entities to sell assets rapidly at stressed market prices, which can contribute to broader stresses. Relevant quantitative metrics may include the scale of financial obligations that are short-term or can become due in a short period, the ratio of short-term debt to unencumbered short-term high-quality liquid assets, amounts of funding available to meet unexpected reductions in available short-term funding, and amounts of transactions that may require the posting of additional margin or collateral.
- *Interconnections.* Direct or indirect financial interconnections, such as exposures of creditors, counterparties, investors, and borrowers, can increase the potential negative effect of dislocations or financial distress. Relevant quantitative metrics may include total assets, off-balance-sheet assets or liabilities, total debt, derivatives exposures, values of securities financing transactions, and the size of potential requirements to post margin or collateral. Metrics related to the concentration of holdings of a class of financial assets may also be relevant.
- *Operational risks.* Risks can arise from the impairment or failure of financial market infrastructures, processes, or systems, including due to cybersecurity vulnerabilities. Relevant quantitative metrics may include statistics on cybersecurity incidents or the scale of critical infrastructure.
- *Complexity or opacity.* A risk may be exacerbated if a market, activity, or firm is complex or opaque, such as if financial transactions occur outside of regulated sectors or if the structure and operations of market participants cannot readily be determined. In addition, risks may be aggravated by the complexity of the legal structure of market participants and their activities, by the unavailability of data due to lack of regulatory or public disclosure requirements, and by obstacles to the rapid and orderly resolution of market participants. Factors that generally increase the risks associated with complexity or opacity may include a large size or scope of activities, a complex legal or operational structure, activities or entities subject to the jurisdiction of multiple regulators, and complex funding structures. Relevant quantitative metrics may include the extent of intercompany or interaffiliate dependencies for liquidity, funding, operations, and risk management; the number of jurisdictions in which activities are conducted; and numbers of affiliates.
- *Inadequate risk management.* A risk may be exacerbated if it is conducted without effective risk-management practices, including the absence of appropriate regulatory authority and requirements. In contrast, existing regulatory requirements or market practices may reduce risks by, for example, limiting exposures or leverage, increasing capital and liquidity, enhancing risk-management practices, restricting excessive risk-taking, providing consolidated prudential regulation and supervision, or increasing regulatory or public transparency. Relevant quantitative metrics may include levels of exposures to particular types of financial instruments or asset classes and amounts of capital and liquidity.
- *Concentration.* A risk may be amplified if financial exposures or important services are highly concentrated in a small number of entities, creating a risk of widespread losses or the risk that the service could not be replaced in a timely manner at a similar price and volume if existing providers withdrew from the market. Relevant quantitative metrics may include market shares in segments of applicable financial markets.

[3] References in this document to ''financial regulatory agencies'' may encompass a broader range of regulators than those included in the statutory definition of ''primary financial regulatory agency'' under section 2(12) of the Dodd-Frank Act, 12 U.S.C. 5301(12).

[4] See Dodd-Frank Act section 112(d), 12 U.S.C. 5322(d).

• *Destabilizing activities.* Certain activities, by their nature, particularly those that are sizeable and interconnected with the financial system, can destabilize markets for particular types of financial instruments or impair financial institutions. This risk may arise even when those activities are intentional and permitted by applicable law, such as trading practices that substantially increase volatility in one or more financial markets, or activities that involve moral hazard or conflicts of interest that result in the creation and transmission of significant risks.

The vulnerabilities and sample metrics listed above identify risks that may arise from broadly conducted activities or from a small number of entities; they do not dictate the use of a specific authority by the Council. Risks to financial stability can arise from widely conducted activities or from a smaller number of entities, and the Council's evaluations and actions will depend on the nature of a vulnerability. While risks from individual entities may be assessed using these types of metrics, the Council also evaluates broader risks, such as by calculating these metrics on an aggregate basis within a particular financial sector. For example, in some cases, risks arising from widespread and substantial leverage in a particular market may be evaluated or addressed on a sector-wide basis, while in other cases risks from a single company whose leverage is outsized relative to other firms in its market may be considered for an entity-specific response.

In addition, in most cases the identification and assessment of a potential risk to financial stability involves consideration of multiple quantitative metrics and qualitative factors. Therefore, the Council uses metrics such as those cited above individually and in combination, as well as other factors, in its analyses.

The Council considers how the adverse effects of potential risks could be transmitted to financial markets or market participants and what impact the potential risk could have on the financial system. Such a transmission of risk can occur through various mechanisms, or ''channels.'' The Council has identified four transmission channels that are most likely to facilitate the transmission of the negative effects of a risk to financial stability. These transmission channels are:

• *Exposures.* Direct and indirect exposures of creditors, counterparties, investors, and other market participants can result in losses in the event of a default or decreases in asset valuations. In particular, market participants' exposures to a particular financial instrument or asset class, such as equity, debt, derivatives, or securities financing transactions, could impair those market participants if there is a default on or other reduction in the value of the instrument or assets. In evaluating this transmission channel, risks arising from exposures to assets managed by a company on behalf of third parties are distinct from exposures to assets owned by, or liabilities issued by, the company itself. The potential risk to U.S. financial stability will generally be greater if the amounts of exposures are larger; if transaction terms provide less protection for counterparties; if exposures are correlated, concentrated, or interconnected with other instruments or asset classes; or if entities with significant exposures include large financial institutions. The leverage, interconnections, and concentration vulnerabilities described above may be particularly relevant to this transmission channel.

• *Asset liquidation.* A rapid liquidation of financial assets can pose a risk to U.S. financial stability when it causes a significant fall in asset prices that disrupts trading or funding in key markets or causes losses or funding problems for market participants holding those or related assets. Rapid liquidations can result from a deterioration in asset prices or market functioning that could pressure firms to sell their holdings of affected assets to maintain adequate capital and liquidity, which, in turn, could produce a cycle of asset sales that lead to further market disruptions. This analysis takes into account amounts and types of liabilities that are or could become short-term in nature, amounts of assets that could be rapidly liquidated to satisfy obligations, and the potential effects of a rapid asset liquidation on markets and market participants. The potential risk is greater, for example, if leverage or reliance on short-term funding is higher, if assets are riskier and may experience a reduction in market liquidity in times of broader market stress, and if asset price volatility could lead to significant margin calls. Actions that market participants or financial regulators may take to impose stays on counterparty terminations or withdrawals may reduce the risks of rapid asset liquidations, although such actions could potentially increase risks through the exposures transmission channel if they result in potential losses or delayed payments or through the contagion transmission channel if there is a loss of market confidence. The leverage and liquidity risk and maturity mismatch vulnerabilities described above may be particularly relevant to this transmission channel.

• *Critical function or service.* A risk to financial stability can arise if there could be a disruption of a critical function or service that is relied upon by market participants and for which there are no ready substitutes that could provide the function or service at a similar price and quantity. This channel is commonly referred to as ''substitutability.'' Substitutability risks can arise in situations where a small number of entities are the primary or dominant providers of critical services in a market that the Council determines to be essential to U.S. financial stability. Concern about a potential lack of substitutability could be greater if providers of a critical function or service are likely to experience stress at the same time because they are exposed to the same risks. This channel is more prominent when the critical function or service is interconnected or large, when operations are opaque, when the function or service uses or relies on leverage to support its activities, or when risk-management practices related to operational risks are not sufficient. The interconnections, operational risks, and concentration vulnerabilities described above may be particularly relevant to this transmission channel.

• *Contagion.* Even without direct or indirect exposures, contagion can arise from the perception of common vulnerabilities or exposures, such as business models or asset holdings that are similar or highly correlated. Such contagion can spread stress quickly and unexpectedly, particularly in circumstances where there is limited transparency into investment risks, correlated markets, or greater operational risks. Contagion can also arise when there is a loss of confidence in financial instruments that are treated as substitutes for money. In these circumstances, market dislocations or fire sales may result in a loss of confidence in other financial market sectors or participants, propagating further market dislocations or fire sales. The interconnections and complexity or opacity vulnerabilities described above may be particularly relevant to this transmission channel.

The presence of any of the vulnerabilities listed above may increase the potential for risks to be transmitted to financial markets or market participants through these or other transmission channels. The Council may consider these vulnerabilities and transmission channels, as well as others that may be relevant, in identifying financial markets, activities, and entities that could pose risks to U.S. financial stability.

The Council may assess risks as they could arise in the context of a period of overall stress in the financial services industry and in a weak macroeconomic environment, with market developments such as increased counterparty defaults, decreased funding availability, and decreased asset prices, because in such a context, the risks may have a greater effect on U.S. financial stability.

The Council's work often includes efforts such as sharing data, research, and analysis among Council members and member agencies and their staffs; consulting with regulators and other experts regarding the scope of potential risks and factors that may mitigate those risks; and collaboratively developing analyses for consideration by the Council. As part of this work, the Council may also engage with market participants and other members of the public as it assesses potential risks. In its evaluations, the Council takes into account existing laws and regulations that have mitigated a potential risk to U.S. financial stability. The Council also engages extensively with state and federal financial regulatory agencies, including those represented on the Council, regarding potential risks and the extent to which existing regulation may mitigate those risks. The Council also takes into account the risk profiles and business models of market participants. Empirical data may not be available regarding all potential risks. The type and scope of the Council's analysis will be based on the potential risk under consideration. In many cases, the Council provides information regarding its work in its annual reports.

c. Addressing Potential Risks

In light of the varying sources of risk described above (such as activities, entities, exogenous circumstances, and existing or emerging practices or conditions), the Council may take different approaches to respond to a risk, and may use multiple tools to mitigate a risk. These approaches may include acting to reduce the risk of a shock arising from within the financial system, to mitigate financial vulnerabilities that may increase risks to financial stability, or to improve the resilience of the financial system to shocks. The actions the Council takes may depend on the circumstances. When a potential risk to financial stability is identified, the Council's Deputies Committee will generally direct one or more of the Council's staff-level committees or working groups to consider potential policy approaches or actions the Council could take to assess and address the risk. Those committees and working groups may consider the utility of any of the Council's authorities to respond to risks to U.S. financial stability, including but not limited to those described below.

Interagency coordination and information sharing. In many cases, the Council works with the relevant financial regulatory agencies at the federal and state levels to seek the implementation of appropriate actions to ensure a potential risk is adequately addressed.[5] If they have adequate authority, existing regulators could take actions to mitigate potential risks to U.S. financial stability identified by the Council. There may be various approaches existing regulators could take, based on their authorities and the urgency of the risk, such as enhancing their regulation or supervision of companies or markets under their jurisdiction, restricting or prohibiting the offering of a product, or requiring market participants to take additional risk-management steps. If existing regulators can address a risk to financial stability in a sufficient and timely way, the Council generally encourages those regulators to do so.

Recommendations to agencies or Congress. The Council may also make formal public recommendations to primary financial regulatory agencies under section 120 of the Dodd-Frank Act. Under section 120, the Council may provide for more stringent regulation of a financial activity by issuing nonbinding recommendations to the primary financial regulatory agencies to apply new or heightened standards and safeguards for a financial activity or practice conducted by bank holding companies or nonbank financial companies under their jurisdiction.[6] In addition, in any case in which no primary financial regulatory agency exists for nonbank financial companies conducting financial activities or practices identified by the Council as posing risks, the Council can consider reporting to Congress on recommendations for legislation that would prevent such activities or practices from threatening U.S. financial stability.[7] The Council will make these recommendations only if it determines that the conduct, scope, nature, size, scale, concentration, or interconnectedness of the activity or practice could create or increase the risk of significant liquidity, credit, or other problems spreading among bank holding companies and nonbank financial companies, U.S. financial markets, or low-income, minority, or underserved communities.[8] The new or heightened standards and safeguards for a financial activity or practice recommended by the Council will take costs to long-term economic growth into account, and may include prescribing the conduct of the activity or practice in specific ways (such as by limiting its scope, or applying particular capital or risk-management requirements to the conduct of the activity) or prohibiting the activity or practice.[9] In its recommendations under section 120, the Council may suggest broad approaches to address the risks it has identified. When appropriate, the Council may make a more specific recommendation. Prior to issuing a recommendation under section 120, the Council will consult with the relevant primary financial regulatory agency and provide notice to the public and opportunity for comment as required by section 120.[10]

Nonbank financial company determinations. In certain cases, the Council may evaluate one or more nonbank financial companies for an entity-specific determination under section 113 of the Dodd-Frank Act. Under section 113, the Council may determine, by a vote of not fewer than two-thirds of the voting members of the Council then serving, including an affirmative vote by the Chairperson of the Council, that a nonbank financial company will be supervised by the Federal Reserve Board and be subject to prudential standards if the Council determines that (1) material financial distress at the nonbank financial company could pose a threat to the

[5] See Dodd-Frank Act sections 112(a)(2)(A), (D), (E), and (F), 12 U.S.C. 5322(a)(2)(A), (D), (E), and (F).

[6] Dodd-Frank Act section 120(a), 12 U.S.C. 5330(a).

[7] Dodd-Frank Act section 120(d)(3), 12 U.S.C. 5330(d)(3).

[8] Dodd-Frank Act section 120(a), 12 U.S.C. 5330(a).

[9] Dodd-Frank Act section 120(b)(2), 12 U.S.C. 5330(b)(2).

[10] See Dodd-Frank Act section 120(b)(1), 12 U.S.C. 5330(b)(1). The Council also has authority to issue recommendations to the Board of Governors of the Federal Reserve System (Federal Reserve Board) regarding the establishment and refinement of prudential standards and reporting and disclosure requirements applicable to nonbank financial companies subject to Federal Reserve Board supervision and large, interconnected bank holding companies (Dodd-Frank Act section 115, 12 U.S.C. 5325); recommendations to regulators, Congress, or firms in its annual reports (Dodd-Frank Act section 112(a)(2)(N), 12 U.S.C. 5322(a)(2)(N)); and other recommendations to Congress or Council member agencies (Dodd-Frank Act sections 112(a)(2)(D) and (F), 12 U.S.C. 5322(a)(2)(D) and (F)).

financial stability of the United States or (2) the nature, scope, size, scale, concentration, interconnectedness, or mix of the activities of the nonbank financial company could pose a threat to the financial stability of the United States. The Council has issued a procedural rule and interpretive guidance regarding its process for considering a nonbank financial company for potential designation under section 113.[11] The Dodd-Frank Act requires the Council to consider 10 specific considerations, including the company's leverage, relationships with other significant financial companies, and existing regulation by primary financial regulatory agencies, when determining whether a nonbank financial company satisfies either of the determination standards.[12] Due to the unique threat that each nonbank financial company could pose to U.S. financial stability and the nature of the inquiry required by the statutory considerations set forth in section 113, the Council expects that its evaluations of nonbank financial companies under section 113 will be firm-specific and may include an assessment of quantitative and qualitative information that the Council deems relevant to a particular nonbank financial company. The factors described above are not exhaustive or exclusive and may not apply to all nonbank financial companies under evaluation.

Payment, clearing, and settlement activity designations. The Council also has authority to designate certain payment, clearing, and settlement (PCS) activities ''that the Council determines are, or are likely to become, systemically important'' under Title VIII of the Dodd-Frank Act.[13] PCS activities are defined as activities carried out by one or more financial institutions to facilitate the completion of financial transactions such as funds transfers, securities contracts, futures, forwards, repurchase agreements, swaps, foreign exchange contracts, and financial derivatives. Under the Dodd-Frank Act, PCS activities may include (1) the calculation and communication of unsettled financial transactions between counterparties; (2) the netting of transactions; (3) provision and maintenance of trade, contract, or instrument information; (4) the management of risks and activities associated with continuing financial transactions; (5) transmittal and storage of payment instructions; (6) the movement of funds; (7) the final settlement of financial transactions; and (8) other similar functions that the Council may determine.[14] Before designating a PCS activity, the Council must consult with certain regulatory agencies and must provide financial institutions with advance notice of the proposed designation by **Federal Register** publication. A financial institution engaged in the PCS activity may request an opportunity for a written or, at the sole discretion of the Council, oral hearing before the Council to demonstrate that the proposed designation is not supported by substantial evidence. The Council may waive the notice and hearing requirements in certain emergency circumstances.[15] Following any designation of a PCS activity, the appropriate federal regulator will establish risk-management standards governing the conduct of the activity by financial institutions.[16] The objectives and principles for these risk-management standards will be to promote robust risk management, promote safety and soundness, reduce systemic risks, and support the stability of the broader financial system.[17] The risk-management standards may address areas such as risk-management policies and procedures, margin and collateral requirements, participant or counterparty default policies and procedures, the ability to complete timely clearing and settlement of financial transactions, and capital and financial resource requirements for designated financial market utilities, among other things.[18]

Financial market utility designations. In addition, the Council has authority to designate financial market utilities (FMUs) that it determines are, or are likely to become, systemically important.[19] Subject to certain statutory exclusions, an FMU is defined as any person that manages or operates a multilateral system for the purpose of transferring, clearing, or settling payments, securities, or other financial transactions among financial institutions or between financial institutions and the person.[20] The Council has issued a procedural rule regarding its authority to designate FMUs.[21] In determining whether designation of a given FMU is warranted, the Council must consider (1) the aggregate monetary value of transactions processed by the FMU; (2) the FMU's aggregate exposure to its counterparties; (3) the relationship, interdependencies, or other interactions of the FMU with other FMUs or PCS activities; (4) the effect that the failure of or a disruption to the FMU would have on critical markets, financial institutions, or the broader financial system; and (5) any other factors that the Council deems appropriate.[22] A designated FMU is subject to the supervisory framework of Title VIII of the Dodd-Frank Act. Section 805(a)(1)(A) requires the Federal Reserve Board to prescribe risk-management standards governing the FMU's operations related to its PCS activities unless the FMU is a derivatives clearing organization or clearing agency.[23] Specifically, section 805(a)(2) grants the Commodity Futures Trading Commission or the Securities and Exchange Commission, respectively, the authority to prescribe such risk-management standards for a designated FMU that is a derivatives clearing organization registered under section 5b of the Commodity Exchange Act or a clearing agency registered under section 17A of the Securities Act of 1934.[24] Such standards are intended to promote robust risk management, promote safety and soundness, reduce systemic risks, and support the stability of the broader financial system.[25] In addition, the Federal Reserve Board may authorize a Federal Reserve Bank to establish and maintain an account for a designated FMU or provide the designated FMU with access, in unusual or exigent circumstances, to the discount window.[26] A designated FMU is subject to examinations at least once

[11] See 12 CFR part 1310.

[12] Dodd-Frank Act sections 113(a)(2) and (b)(2), 12 U.S.C. 5323(a)(2) and (b)(2).

[13] See Dodd-Frank Act section 804(a)(1), 12 U.S.C. 5463(a)(1).

[14] Dodd-Frank Act section 803(7), 12 U.S.C. 5462(7).

[15] Dodd-Frank Act section 804(c), 12 U.S.C. 5463(c).

[16] Dodd-Frank Act section 805(a), 12 U.S.C. 5464(a).

[17] Dodd-Frank Act section 805(b), 12 U.S.C. 5464(b).

[18] Dodd-Frank Act section 805(c), 12 U.S.C. 5464(c).

[19] Dodd-Frank Act section 804(a)(1), 12 U.S.C. 5463(a)(1).

[20] Dodd-Frank Act section 803(6), 12 U.S.C. 5462(6).

[21] 12 CFR part 1320.

[22] Dodd-Frank Act section 804(a)(2), 12 U.S.C. 5463(a)(2). See also 12 CFR 1320.10.

[23] Dodd-Frank Act section 805(a)(1)(A), 12 U.S.C. 5464(a)(1).

[24] Dodd-Frank Act section 805(a)(2), 12 U.S.C. 5464(a)(2); see also Dodd-Frank Act section 803(8), 12 U.S.C. 5462(8).

[25] Dodd-Frank Act section 805(b), 12 U.S.C. 5464(b).

[26] Dodd-Frank Act sections 806(a) and (b), 12 U.S.C. 5465(a) and (b).

annually by the relevant federal supervisory agency.[27]

Nellie Liang,

Under Secretary for Domestic Finance.

[FR Doc. 2023–25055 Filed 11–13–23; 8:45 am]

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DEPARTMENT OF DEFENSE

GENERAL SERVICES ADMINISTRATION

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

[OMB Control No. 9000–0157; Docket No. 2023–0053; Sequence No. 7]

Submission for OMB Review; Architect-Engineer Qualifications (SF–330)

AGENCY: Department of Defense (DOD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

ACTION: Notice.

SUMMARY: Under the provisions of the Paperwork Reduction Act, the Regulatory Secretariat Division has submitted to the Office of Management and Budget (OMB) a request to review and approve an extension of a previously approved information collection requirement regarding architect-engineer qualifications (Standard Form (SF) 330).

DATES: Submit comments on or before December 14, 2023.

ADDRESSES: Written comments and recommendations for this information collection should be sent within 30 days of publication of this notice to *www.reginfo.gov/public/do/PRAMain.* Find this particular information collection by selecting ''Currently under Review—Open for Public Comments'' or by using the search function.

FOR FURTHER INFORMATION CONTACT: Zenaida Delgado, Procurement Analyst, at telephone 202–969–7207, or *zenaida.delgado@gsa.gov.*

SUPPLEMENTARY INFORMATION:

A. OMB Control Number, Title, and Any Associated Form(s)

9000–0157, Architect-Engineer Qualifications, SF–330.

B. Need and Uses

This clearance covers the information that offerors must submit to comply with the following Federal Acquisition Regulation (FAR) requirement:

Standard Form (SF) 330, Architect-Engineer Qualifications. As specified in FAR 36.702(b), an architect-engineer firm must provide information about its qualifications for a specific contract when the contract amount is expected to exceed the simplified acquisition threshold (SAT).

Part I—Contract-Specific Qualifications. The information on the form is reviewed by a selection panel composed of professionals and assists the panel in selecting the most qualified architect-engineer firm to perform the specific project. The form is designed to provide a uniform method for architect-engineer firms to submit information on experience, personnel, and capabilities of the architect-engineer firm to perform along with information on the consultants they expect to collaborate with on the specific project. Part I of the SF 330 may be used when the contract amount is expected to be at or below the SAT, if the contracting officer determines that its use is appropriate.

Part II—General Qualifications. The information obtained on this form is used to determine if a firm should be solicited for architect-engineer projects. Architect-engineer firms are encouraged to update the form annually. Part II of the SF 330 is used to obtain information from an architect-engineer firm about its general professional qualifications.

The SF 330 accomplishes the following:

- Expands essential information about qualifications and experience data including:
- An organizational chart of all participating firms and key personnel.
- For all key personnel, a description of their experience in 5 relevant projects.
- A description of each example project performed by the project team (or some elements of the project team) and its relevance to the agency's proposed contract.
- A matrix of key personnel who participated in the example projects. This matrix graphically illustrates the degree to which the proposed key personnel have worked together before on similar projects.
- Reflects current architect-engineer disciplines, experience types and technology.
- Permits limited submission length thereby reducing costs for both the architect-engineer industry and the Government. Lengthy submissions do not necessarily lead to a better decision on the best-qualified firm. The proposed SF 330 indicates that agencies may limit the length of a firm's submissions, either certain sections or the entire package. The Government's right to impose such limitations was established in case law (Coffman Specialties, Inc., B–284546. N–284546/2, 2000 U.S. Comp. Gen. LEXIS 58, May 10, 2000).

The contracting officer uses the information provided on the SF 330 to evaluate firms to select an architect-engineer firm for a contract.

C. Annual Burden

Respondents: 682.

Total Annual Responses: 2,728.

Total Burden Hours: 79,112.

D. Public Comment

A 60-day notice was published in the **Federal Register** at 88 FR 60209, on August 31, 2023. Two identical comments were received in *Regulations.gov* but not posted to be publicly viewable because they were not relevant or responsive to the request for comments. The identical comments seem to be unsolicited bulk email.

Obtaining Copies: Requesters may obtain a copy of the information collection documents from the GSA Regulatory Secretariat Division, by calling 202–501–4755 or emailing *GSARegSec@gsa.gov.* Please cite OMB Control No. 9000–0157, Architect-Engineer Qualifications (SF–330).

Janet Fry,

Director, Federal Acquisition Policy Division, Office of Governmentwide Acquisition Policy, Office of Acquisition Policy, Office of Governmentwide Policy.

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BILLING CODE 6820–EP–P

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Disease Control and Prevention

[60Day-24–24AZ; Docket No. CDC–2023–0092]

Proposed Data Collection Submitted for Public Comment and Recommendations

AGENCY: Centers for Disease Control and Prevention (CDC), Department of Health and Human Services (HHS).

ACTION: Notice with comment period.

SUMMARY: The Centers for Disease Control and Prevention (CDC), as part of its continuing effort to reduce public burden and maximize the utility of government information, invites the general public and other federal agencies the opportunity to comment on a proposed information collection, as required by the Paperwork Reduction Act of 1995. This notice invites comment on a proposed information

[27] Dodd-Frank Act section 807, 12 U.S.C. 5466.