FIFTH THIRD BANK

Via Electronic Mail February 2, 2015

Robert de V. Frierson, Secretary
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, NW
Washington, DC 20551
regs.comments@federalreserve.gov
OMB 7100-0361

Re: Proposed Agency Information Collection Activities; Comment Request – Complex Institution Liquidity Monitoring Report (FR 2052a)

Dear Mr. Frierson:

We appreciate the opportunity to respond to the Board of Governors of the Federal Reserve System's (the "Federal Reserve") proposed revisions (the "Proposal") to its FR 2052 Liquidity Monitoring Report Framework. The existing framework comprises the FR 2052a Complex Institution Liquidity Monitoring Report (the "FR 2052a")—required only of U.S. bank holding companies ("BHCs") identified as Global Systemically Important Banks ("G-SIBs") and foreign banking organizations ("FBOs") with U.S. broker-dealer assets greater than $100 billion—and the FR 2052b Liquidity Monitoring Report, which generally covers U.S. BHCs with total consolidated assets of $10 billion or more but are not G-SIBs.

The Proposal would expand the scope of the existing FR 2052a report to cover all BHCs subject to the Federal Reserve's liquidity coverage ratio ("LCR") rules. For purposes of this letter, we refer to BHCs subject to the Modified LCR and that would be required to report on the revised FR 2052a as "Modified LCR BHCs."

In addition to expanding the scope of the FR 2052a, the proposal would expand the data elements of the existing FR 2052a to, among other things, collect additional details regarding securities financing transactions, unsecured wholesale funding, deposits, loans, unfunded commitments, collateral, derivatives and foreign exchange transactions. The Proposal would also significantly expand the granularity of maturity buckets for reporting data elements on the FR 2052a. It is our understanding that the additional data elements are intended, among other things, to align the FR 2052a with the LCR.

We support the fundamental objectives of the LCR and the Federal Reserve's enhanced liquidity risk management standards for BHCs with consolidated assets of $50 billion or more, which are designed to help improve the banking sector's ability to absorb shocks arising from financial and economic stress and improve the measurement and management of liquidity risk. Moreover, we recognize that regulatory reporting plays an important role in supporting the Federal Reserve's supervisory monitoring of BHCs' liquidity positions and liquidity risk management processes.

However, we believe several aspects of the Proposal are inconsistent with the transition arrangements of the LCR rules adopted by the Agencies or would otherwise pose undue burden on regional banking organizations, such as Fifth Third. The purpose of this letter is to provide alternative approaches to aspects of the Proposal that would allow the Federal Reserve to achieve its important regulatory objectives, while helping avoid unintended consequences and unnecessary burden. As discussed in detail below, our most important recommendations for the Proposal are that the Federal Reserve—

I. Retain the current 15-day period between the as-of date and the submission date for all BHCs that currently report on the FR 2052b for as long as those BHCs would be required to report the FR 2052a on a month-end basis. However, if the 15-day period is considered an unreasonable reporting delay in order to meet the objectives of the Federal Reserve, additional discussion is provided related to the minimum time needed to aggregate, validate and file the data.

II. Delay the implementation date by one year to January 2017.

III. Reduce the daily maturity buckets required under the Proposal to cover only the 30-day period following the as-of date and limit forecasted contractual cash flows to one year.

IV. Provide an Excel-based reporting template for the FR 2052a to help reporting entities better understand how the Federal Reserve would use the data to calculate the Liquidity Coverage Ratio and to facilitate the transition to the proposed XML format.

V. Consistent with the final rules for Modified LCR BHCs, reduce the scope of the required reporting entities to only include the global consolidated entity.

VI. Clarify the use of the collateral value and class data fields.

Fifth Third also participated in the development of the joint comment letter submitted by The Clearing House Association L.L.C. [and the American Bankers Association] (the "Joint Trade Association Comment Letter") and the comment letter submitted by the Regional Bank Group. We support the comments and concerns reflected in these letters, and the comments and recommendations in this letter are intended to supplement those letters.

I. Retain the current 15-day period between the as-of date and the submission date for all BHCs that currently report on the FR 2052b

Under the Proposal, all BHCs covered by the FR 2052a would—regardless of monthly or daily reporting frequency—be required to submit the report no later than 12:00 PM (Eastern Time) on the second business day following the as-of date. Fifth Third currently reports the FR 2052b on a monthly basis. The FR 2052b must be submitted to the Federal Reserve by 8:00 PM (Central

Time) 15 days following the month-end as-of date, e.g., the FR 2052b for the November 30, 2014, as-of date was due on December 15, 2014.

While Fifth Third's systems capture and report much of the required data on a daily basis, the 2-day requirement does not allow for adequate quality assurance processes that need to be performed to ensure the integrity of the data being provided as part of this formal reporting requirement. For many of the data fields required, transactions are not processed within the source systems on a same day basis. While daily reporting is available, certain system data is only available on a 1-2 day lag basis. In order to be able to submit the FR 2052a two business days following the as-of date, Fifth Third system data would have to be submitted without any review or validation. The industry has previously detailed for the Federal Reserve the challenges of developing systems and processes associated with daily data reporting capabilities, particularly on a very short timeframe.

Over the last year, Fifth Third has been developing financial reporting capabilities to satisfy its requirements under the final LCR rules and 2052b, which are less burdensome than the 2052a requirements. The initiatives, which required substantial modifications and enhancements in data collection and aggregation, were carried out with the objective to provide daily management reporting for the LCR, and satisfy the 15-day reporting requirement for 2052b. Even with these enhancements, Fifth Third would not be able to provide 2052b data on a 2-day timeline with the level of quality control appropriate for a regulatory filing. 2052a data elements are significantly more detailed in granularity and duration relative to the LCR and 2052b, and would require more time to ensure an appropriate level of quality control and accuracy.

Fifth Third believes that it should deliver the highest quality of data in any and all regulatory reporting requirements. Fifth Third understands that the 15-day timeline may create significant processing delays in achieving the purpose of the 2052a data, but believes any additional time beyond the proposed 2-day requirement would greatly improve data quality and reliability for assessing Modified LCR BHCs liquidity positions.

II. Delay the implementation date by one year to January 2017

Fifth Third and other regional banks were not subject to the Federal Reserve's detailed daily liquidity reporting requirements under its 4G liquidity reporting program and, based on the requirements and transitional arrangement under the final LCR rules and the recently adopted 2052b reporting requirements, had no reason to believe that systems capable of delivering the highest quality data on a daily basis would be required in such an advanced timeline.

The data elements of the proposed FR 2052a are considerably more extensive and granular than those of the FR 2052b, which Fifth Third just recently began reporting to the Federal Reserve in December 2014. The proposed data elements appear to include items that go beyond the scope of the LCR rules and the Federal Reserve's enhanced liquidity risk management standards.

Accordingly, we believe the Federal Reserve should delay the implementation of the proposed FR 2052a for all Modified LCR BHCs, such as Fifth Third, by one year to January 2017. The timing of the transition to the FR 2052a should be adequate to allow regional banking organizations an appropriate amount of time to enhance IT solutions and reporting processes that would be required to meet this Proposal. The currently proposed implementation in January 2016 will place significant stress on resources being utilized to finalize the significant system and process updates associated with the implementation of the final LCR rules. While we are in a position to be compliant with the final LCR rules, work is still being completed to better automate the data aggregation process and improve the control infrastructure. A January 2016 implementation date for the FR 2052a reporting would require the same internal resources and would not allow for the appropriate level of focus to complete either the LCR or the FR 2052a projects without risk of reducing the quality of both implementations. By allowing for a more sequential implementation of the two requirements, banking organizations would be able to better design and implement system solutions to satisfy both requirements while leveraging lessons learned from the work performed on the LCR implementation.

In the meantime, reporting of liquidity monitoring data would continue on the FR 2052b. We believe this approach would strike an appropriate balance between the burden of transitioning from the FR 2052b to the FR 2052a (while implementation of the LCR remains ongoing) and the Federal Reserve's liquidity monitoring objectives.

III. Reduce the daily maturity buckets required under the Proposal to cover only the 30-day period following the as-of date and limit forecasted contractual cash flows to one year

Fifth Third supports the comments made in the Joint Trade Associations and the Regional Banking Group comment letters with regards to the granularity of the proposed data elements. In particular, Fifth Third would like to emphasize the following items:

- For Modified LCR BHCs, the requirement to report data elements in daily maturity buckets is a dramatic expansion of data and is inconsistent with the information needed to calculate the LCR under the final rules. Fifth Third proposes that the maturity bucket requirements be aligned with the final LCR rules for Modified LCR BHCs.
- The Proposal would require reporting entities to provide contractual principal and/or interest payments on loans, securities and derivatives along the granular maturity schedule specified in the Proposal, including as far out in time as five years or more from the as-of date. Given the nature of these instruments, the forecasting of contractual payments beyond a near-term horizon provides little value in assessing the liquidity risk of a banking organization due to the impact that economic conditions have on the variability of these cash flows over time. Fifth Third believes limiting the horizon to one year would accomplish the desired objectives of the Proposal without requiring the aggregation and retention of a large amount of data that provides an inaccurate view of the liquidity profile of these cash flows. This approach would also be consistent with the enhanced liquidity risk management standards and the final Basel Committee net stable funding ratio.

IV. Provide an Excel-based reporting template for the FR 2052a to help reporting entities better understand how the Federal Reserve would use the data to calculate

the Liquidity Coverage Ratio and to facilitate the transition to the proposed XML format

We support the Federal Reserve's objectives in transitioning the FR 2052 reporting framework to an XML format, including making the analysis and exchange of information more reliable and easier. However, we urge the Federal Reserve to make an Excel-based template of the revised FR 2052a available to reporting entities. Excel-based templates, which feature a familiar and easily understood format for presenting data, facilitate internal review and validation of the data underlying the report. Moreover, the Proposal does not address how the data elements that would be required to be reported on the FR 2052a would be aggregated to, for example, calculate a reporting entity's LCR. Accordingly, the FR 2052a reporting template should illustrate how the Federal Reserve would, among other things, aggregate the proposed data elements to determine components of the LCR (e.g., cumulative cash outflows and cumulative cash inflows) or to calculate the reporting entity's LCR. A data template along these lines would help reporting entities better understand how reported data would be analyzed and utilized by the Federal Reserve. Additionally, the Federal Reserve should provide clear explanations related to each data element to ensure banking organizations are providing the appropriate information.

By providing banking organizations with more detailed explanations of the data elements and transparency with regards to data usage, banking organizations will be better equipped to provide quality information as part of the reporting requirements.

V. Scope of Reporting Entities

The Proposal would require the parent company for those firms with less than $250 billion in total consolidated assets and with less than $10 billion of on-balance sheet foreign exposure to submit data for the global consolidated entity and the parent only (ignoring consolidated subsidiaries). In addition, supervisory teams can determine if an entity should report any consolidated banks or non-banks separately that are material contributors to the firm's funding and liquidity operations.

Based on the requirements of and transition arrangements under the final LCR rules, Fifth Third had no reason to expect that systems capable of maintaining daily liquidity data would be required at any reporting level other than the global consolidated entity.

The systems and process built to support management reporting and monitoring of the LCR were specifically designed and developed to support the calculation at the global consolidated entity. The operational impact of modifying our systems to include other reporting levels is a significant operational task. We urge the Federal Reserve to revise the Proposal so that required reporting entities are consistent with the requirements of the final LCR rule for Modified LCR BHCs.

VI. Clarify the use of the collateral value and class data fields

The Proposal requires fields defined as "Collateral Value" and "Collateral Class" in the majority of the data tables. Fifth Third believes the Federal Reserve should further explain the guidelines associated with populating these data elements, particularly with regard to non-investment securities collateral. Any further explanation should address how to handle common issues associated with collateral, such as the cross-collateralization of multiple loans or the use of all business assets as collateral.

Conclusion

We thank the Federal Reserve for the opportunity to comment on the Proposal and respectfully ask for consideration of the recommendations and suggestions in this letter. If you have any questions regarding the content of this letter or would like more information on our concerns or recommended alternatives, please do not hesitate to contact me.

Sincerely,

James C Leonard

James C. Leonard
Fifth Third Bancorp
Treasurer, Senior Vice President