The Clearing House
At the Center of Banking Since 1853

Institute of International Bankers

FINANCIAL SERVICES ROUNDTABLE

American Bankers Association
Building Success. Together.

February 2, 2015

Mr. Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Proposed Agency Information Collection Activities; Comment Request: Proposal to Approve the Extension for Three Years, with Revision, the Following Reports: The Complex Institution Liquidity Monitoring Report and the Liquidity Monitoring Report (79 Fed. Reg. 71,416 (December 2, 2014)) – Docket No. R-1503

Mr. Frierson:

The Clearing House Association L.L.C. ("**The Clearing House**"), the Institute of International Bankers (the "**IIB**"), the Financial Services Roundtable (the "**FSR**"), and the American Bankers Association (the "**ABA**", and together, the "**Associations**"),[1] appreciate the opportunity to comment on the Board of Governors of the Federal Reserve System's (the "**Board**") proposed revisions (the "**Proposal**") to the Complex Institution Liquidity Monitoring Report ("**FR 2052a**") and the Liquidity Monitoring Report ("**FR 2052b**", and together with FR 2052a, the "**Reports**"). The proposed changes to the Reports would, among other things, modify the reporting panel, increase the frequency of reporting, revise the reporting platform structure, and increase data item granularity. As currently proposed, these revisions would first become effective beginning on March 31, 2015.

The Associations recognize that the financial crisis highlighted the importance of monitoring liquidity on both an institution-specific and a system-wide basis. Accordingly, the Associations support efforts by the Board and other U.S. and international banking regulators to improve regulatory standards and industry practices with respect to liquidity. Similarly, the Associations appreciate the Board's supervisory role in ensuring the safety and soundness of individual banking institutions and, more generally, enhancing the stability of the financial system as a whole. The Reports form an important part of this supervisory surveillance role.

As more fully described below, the Associations are concerned, however, with several aspects of the Proposal, including: (i) the insufficient implementation timelines provided for in the Proposal; (ii) the short "T+2" window between the submission date and the "as of" date for the FR 2052a; and (iii) the granularity of some of the proposed data elements of the Reports.

---

[1] Descriptions of the Associations can be found in Annex A.

In addition, the Associations support the Board's intent to align data elements of the Reports with those of the final U.S. Liquidity Coverage Ratio ("**LCR**")[2] and strongly encourage the Board to publish additional information regarding the use of FR 2052a for LCR compliance monitoring. In this regard, Annex B of this letter sets forth certain concerns regarding alignment of the data elements of the Reports with the LCR.

I. The Board Should Provide Sufficient Time for Implementation of Reporting on FR 2052a.

A. "Advanced Approaches" Banking Organizations with Less Than $700 Billion in Assets and Firms Subject to the Modified LCR Methodology by the Final LCR Rule Should Not Be Required to Report on FR 2052a Before July 1, 2016.

Under the Proposal, "advanced approaches" banking organizations with less than $700 billion in total consolidated assets would be required to begin reporting on FR 2052a on July 31, 2015. The Associations believe this is an extremely short timeframe, particularly in light of the significant resources currently being devoted to LCR implementation. As the Board is aware, these institutions are in the process of building the information systems and internal processes and procedures necessary to come into compliance with the daily LCR calculation requirement by July 1, 2016. Successful transition to FR 2052a will be heavily dependent on their ability to leverage the same subject matter experts and technology employees within these banking organizations' teams that are currently devoted to projects to identify additional required disclosures and automate the multiple new data feeds necessary for rapid LCR calculation and reporting. Requiring these institutions to begin reporting on FR 2052a by July 31, 2015 would divert these and other important resources from efforts to ensure daily LCR compliance by July 1, 2016 and potentially put those efforts at risk. Because the data collection required by FR 2052a is both broader in scope and more granular in detail than the calculations required for monthly LCR compliance (subject to our comments in Section III of this letter), FR 2052a requires automated data solutions to extract and disaggregate data from source systems in a much more granular fashion than is required for monthly LCR. Therefore, monthly FR 2052a reporting cannot be equated—from a systems and processes and procedures perspective—with meeting the monthly LCR calculation requirement. Consequently, the institutions that would be subject to the proposed July 31, 2015 timeframe face a real prospect of not being operationally prepared to collect, disaggregate, and report the data required for FR 2052a by July 31, 2015, even if it were on a delayed reporting basis. Indeed, we believe that the information systems and related efforts associated with the proposed FR 2052a are, in certain respects, more akin with those that will be included in the calculation of the daily LCR.

For these reasons, we believe that the two efforts (FR 2052a and daily LCR implementation) should be on the same timeline for "advanced approaches" banking organizations with less than $700 billion in assets that are currently reporting liquidity related information on FR 2052b, (which went into effect on November 30, 2014 for these institutions)[3] in order to help ensure successful implementation of both efforts, including the provision of liquidity data of the quality and reliability consistent with regulatory expectations. When finalizing the LCR, the Board and other federal banking agencies recognized the operational difficulties associated with building the systems and infrastructure necessary

---

[2] 79 Fed. Reg. 61440 (October 10, 2014).

[3] 79 Fed. Reg. 48158 (August 15, 2014).

to calculate the LCR on a daily basis and adjusted the transition periods to "address commentators' concerns that the proposed transition periods would not have provided covered companies enough time to establish the required infrastructure to ensure compliance with the proposed rule's requirements including the proposed daily calculation requirement."[4] The Associations respectfully request that the Board also provide more adequate time for the proposed implementation of FR 2052a by "advanced approaches" banking organizations with less than $700 billion in assets that are currently reporting liquidity related information on FR 2052b by extending the implementation date with respect to such firms from July 31, 2015 to July 1, 2016, consistent with the implementation date for daily LCR calculations for such firms.

The Proposal would also require firms subject to the modified LCR methodology by the Final LCR Rule[5] (the "**Modified LCR Banking Organizations**") and certain domestic institutions not currently reporting on either FR 2052a or 2052b to begin reporting on FR 2052a on January 31, 2016. These organizations are in the process of developing the requisite information systems, internal processes and procedures necessary to come into compliance with the monthly LCR calculation, all of which requires substantial effort. Modified LCR Banking Organizations are relatively smaller in size, and thus have comparatively less resources to dedicate to both the LCR and the potential implementation of FR 2052a reporting. Furthermore, institutions not currently reporting on FR 2052a or FR 2052b have more limited systems currently in place from which to transition to FR 2052a reporting. Thus, we respectfully urge the Board to also consider adjusting the implementation date for FR 2052a reporting for Modified LCR Banking Organizations and certain domestic institutions not currently reporting on FR 2052a or 2052b until July 1, 2016.

Since the "advanced approaches" banking organizations with assets less than $700 billion and Modified LCR Banking Organizations would, in the meantime, continue reporting monthly on FR 2052b, we believe the Board would still have sufficient relevant liquidity data concerning these institutions from a supervisory perspective.[6]

B. The Implementation Schedule for Foreign Banking Organizations with U.S. Assets Greater than $50 Billion and U.S. Broker-Dealer Assets Less Than $100 Billion as Stated in the Notice of Proposed Rulemaking is Unrealistic.

Foreign banking organizations ("**FBOs**") with U.S. assets greater than $50 billion and U.S. broker-dealer assets less than $100 billion ("**New FBO FR 2052 Reporters**") would be required under the

4 79 Fed. Reg. 61440, 61444.

5 79 Fed. Reg. 61440.

6 In the event that the Board decides, nevertheless, not to revise implementation of FR 2052a reporting for "advanced approaches" banking organizations with assets less than $700 billion and Modified LCR Banking Organizations, because of the difficulties associated with providing contractual cash flow reporting for principal and interest payments on loan book and similar assets and liabilities and similar products for periods beyond the thirty days required for LCR, the Associations request that in no event should maturity buckets beyond thirty days for such assets be part of these firms' reporting obligations prior to July 1, 2016. The Associations note that current dynamic forecasting systems used as part of these firms' liquidity monitoring efforts will require substantial retooling in order to generate straight contractual cash flow projections.

Proposal to begin reporting on FR 2052a by January 31, 2016 and develop the capability for daily reporting on this form by July 31, 2016. Only some of these institutions have U.S. bank holding company ("**BHC**") subsidiaries currently required to report on FR 2052b (each, an "**FR 2052b Foreign-Owned BHC Reporter**"). None of the FBOs themselves, their other "material entities managed within the U.S."[7] or "material entities actively managed from the U.S."[8] are currently subject to such reporting requirements, however. The challenges described in Part I.A., above, are significantly magnified for New FBO FR 2052 Reporters given that such institutions lack either prior reporting history altogether or, alternatively, prior reporting history for any entity other than their FR 2052b Foreign-Owned BHC Reporter. These FBOs have no prior FR 2052 reporting history for their consolidated U.S. assets, "material entities managed within the U.S." that are not the FR 2052b Foreign-Owned BHC Reporter or material entities actively managed from the U.S.

Moreover, New FBO FR 2052 Reporters are currently working towards coming into compliance with applicable requirements of the enhanced prudential supervision standards of Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("**Dodd-Frank**") and the Board's Regulation YY.[9] Those New FBO FR 2052 Reporters with a FR 2052b Foreign-Owned BHC Reporter or otherwise with U.S. non-branch assets of at least $50 billion will be required under the regulations to form intermediate holding companies ("**IHC**") for their controlled U.S. subsidiaries by July 1, 2016.[10] These FBOs were required to submit their IHC implementation plan by January 5 of this year and are now turning their efforts to the significant task of actually preparing and implementing the transfer of (i) the entire ownership of any U.S. BHC Subsidiary, (ii) any insured depository institution subsidiary, and (iii) U.S. subsidiaries holding at least 90% of the FBO's U.S. non-branch assets to an IHC.[11] In addition, New FBO FR 2052 Reporters are preparing to implement the monthly liquidity stress testing required by Regulation YY.[12]

Finally, the final U.S. LCR rule currently applies only to a subsection of these FBOs, and, for those FBOs to which the final U.S. LCR rule does apply, it applies only with respect to the FR 2052b Foreign-Owned BHC Reporter. The final U.S. LCR rule does not apply to consolidated assets of the New FBO FR 2052 Reporters or their other "material entities managed within the U.S."[13] While it is anticipated that

---

7 79 Fed. Reg. 71416, 71420 (December 2, 2014).

8 Proposed FR 2052a Instructions at 2.

9 12 C.F.R. part 252 *et seq.*

10 12 C.F.R. § 252.153.

11 We note that some New FBO FR 2052 Reporters with FR 2052b Foreign-Owned BHC Reporter subsidiaries may choose to consolidate their U.S. subsidiaries under the existing U.S. BHC subsidiary, but this is not necessarily the case for all New FBO FR 2052 Reporters with FR 2052b Foreign-Owned BHC Reporter subsidiaries. In addition, it is generally expected that the IHCs established by New FR 2052 FBO Reporters, whether or not they have a FR 2052b Foreign-Owned BHC Reporter subsidiary, will include U.S. operations that previously were maintained outside of the U.S. holding company structure.

12 12 C.F.R.§ 252.157.

13 79 Fed. Reg. 71416, 71420.

future rulemaking will cover some of these entities, it will be difficult for these FBOs to plan and budget for U.S. LCR compliance until such time as the final rules are promulgated.

In light of the foregoing significant regulatory burdens already faced by these FBOs over the coming year and a half—all of which will consume substantial management and financial resources—and because of the relative lack of lead time and prior experience these FBOs have had with respect to U.S. LCR compliance and liquidity monitoring reporting as compared to their U.S. chartered counterparts, we believe the implementation timeline in the Proposal for New FBO FR 2052 Reporters is unrealistic. The Associations therefore ask that the Board revise the Proposal to provide time for New FBO FR 2052 Reporters to transition to reporting on FR 2052b before reporting on FR 2052a, consistent with the transition provided for U.S. chartered firms, and to give New FBO FR 2052 Reporters time to understand and implement anticipated rulemaking that will likely apply a U.S. LCR rule to their broader U.S. organization prior to obligating such firms to report on FR 2052a.

Specifically, we ask that New FBO FR 2052 Reporters (i) begin reporting on FR 2052b on a monthly, "T+15" basis with respect to those U.S. operations identified in consultation with the Federal Reserve Staff, with a first "as of" date of July 31, 2016—i.e., so that the onset of monthly FR 2052b reporting would coincide with the time that the IHC-related reorganization required by Regulation YY must be completed—and (ii) begin submitting FR 2052a reports on a monthly basis a year later, with a first "as of" date of July 31, 2017. Until such time, the Associations recommend that FR 2052b Foreign-Owned BHC Reporters continue to submit reports on FR 2052b on a monthly "T+15" basis and that no other FR 2052 reporting be required with respect to these firms without further consultation by the Board following clarification of their position within the FBO's IHC structure and the conclusion of the anticipated future rulemaking regarding the broader application of the LCR rules to FBOs' U.S. operations. We submit that the approach outlined above will give these FBOs time to adjust to their new organizational structures, understand, adjust to, and implement anticipated rulemaking that will likely apply LCR to their broader organization, and transition to FR 2052a reporting in a similar fashion to transition provided for U.S. chartered firms.

II. The Board Should Provide Longer Windows for Data Collection and Reporting.

A. <u>FR 2052a Reports Should Be Due on the Fifth Business Day Following the "As of" Date for "Advanced Approaches" Banking Organizations with less than $700 Billion in Assets and New FBO FR 2052 Reporters and at Close of Business on the Second Business Day for "Advanced Approaches" Banking Organizations with Greater than $700 Billion in Assets</u>.

Under the Proposal, institutions would be required to submit the FR 2052a by noon Eastern Standard Time ("**EST**") on the second business day following the "as of" date. Because of the noon EST deadline, the requirement is effectively a "T+1.5" deadline. The problem is even more exacerbated for institutions headquartered in time zones in the central and western United States.

The Associations are concerned that this window may not allow for necessary and appropriate time to undertake all of the activities that need to be completed prior to submitting a regulatory report, such as extracting data from source systems, aggregating data in a manner that is consistent with the proposed FR 2052a instructions, and undertaking all of the data quality steps that need to be completed in order for management to sign off on a regulatory filing. Once all of this has been done, forecasting contractual cash flows will likely require additional overnight processing. Only then can comprehensive validation be completed. In some cases, data may be extracted from one source system and then combined with data from another source system before the above-mentioned steps can begin. In short, all of these steps are estimated to take at least a few days to complete in order to assure management that the submissions are accurate and complete. If there are any data issues encountered along the way, which is not uncommon when processing such large volumes of data, institutions would have virtually no time to troubleshoot and make corrections before filing a document of the quality that supervisors expect and that their internal control procedures require.

As such, we ask that the Board require that reports be due on the fifth business day following the "as of" date for "advanced approaches" banking organizations with less than $700 billion in total consolidated assets. For similar reasons, we ask that monthly FR 2052a reports of New FBO FR 2052 Reporters be due on the fifth business day following the "as of" date once such institutions are required to report on FR 2052a.

In addition, while "advanced approaches" banking organizations with greater than $700 billion in total consolidated assets have been subject to daily reporting under the current reporting template, there are a number of areas where the Proposal provides for significantly expanded data requirements that in many instances will require aggregation and review of data across multiple booking systems. We ask that such organizations have two full business days following the "as of" date to submit the proposed revised FR 2052a reports.

B. <u>FR 2052a Reports of Modified LCR Banking Organizations Should Be Due on the Fifteenth Day Following the "As of" Date</u>.

The Proposal would require all institutions reporting on FR 2052a to report on the second business day following the "as of" date, regardless of whether such firms are actually subject to the daily LCR calculation requirement. As discussed above, reporting on a "T+2" basis is functionally equivalent, from a systems perspective and in other relevant respects, to requiring daily reporting for institutions that are required to calculate the LCR only on a monthly basis. The Associations respectfully submit that the Board reconsider the proposed submission date and provide instead that institutions not required under the Proposal to report daily on FR 2052a submit such reports on the fifteenth day following the "as of" date. We believe that this change would be more consistent with the implementation of the LCR for these institutions and provide appropriate time for them to complete their month-end financial and accounting closing process and perform necessary analytics and data quality checks. In this manner, domestic firms would avoid having to build the extensive and costly infrastructure to effectively complete daily LCR calculations at the end of each month for purposes of FR 2052a reporting even though the modified LCR was specifically intended to only require daily calculations by larger firms.

III. The Board Should Make Certain Line Items Less Granular for the Revised Reporting Panel.

A. <u>The Final Revised FR 2052a Should Require Less Granularity with Respect to Maturity Buckets for Cash Flows Related to Items Other than Firms' Wholesale Funding Obligations</u>.

While we agree with the proposed requirement in the relevant Reports that firms collect, in granular detail, cash flows related to firms' wholesale funding obligations and capital markets issuances, the Associations respectfully submit that the Board should modify the proposed increase in granularity with respect to loan book cash flows and cash flows related to committed facilities and similar products where the benefits of such granularity are slight and speculative as compared to the additive costs and burdens associated with data production. More specifically:

1. Banking Organizations Should Not Be Required to Project Contractual Principal and Interest Payments on Loan Book and Similar Assets and Liabilities and Cash Flows with Respect to Similar Products Beyond One Year.

Due to the inherently speculative nature of this type of information as time horizons grow longer, we believe that the cost of requiring institutions to provide projections of contractual principal and interest payments on loan book and similar assets and liabilities and cash flows with respect to similar products beyond one year is not appropriate. The Associations note that such projections over extended time horizons will likely be of limited practical utility given the uncertain impact of external factors such as general market conditions and behavioral forces which affect prepayment and other decisions of borrowers. The longer the reporting timeframe, the more such external factors inherently add uncertainty to these estimates to the point that they would become merely speculative in nature and therefore, in our view, not of great supervisory utility. Moreover, projections of straight contractual cash flows are not normally produced by many institutions today in the ordinary course given the limited utility thereof. While firms covered by the Proposal anticipate, as part of the liquidity monitoring obligations imposed by Section 165 of Dodd-Frank, to model cash flows related to such assets one year out in order to appropriately monitor risks associated with contractual maturity mismatches, as well as for the potential application of the Net Stable Funding Ratio, the Associations believe that the undue costs and burdens of such efforts would very well exceed the limited benefit that could be derived from such information up to five years out. Thus, we respectfully submit that the reporting with respect to principal and interest payments on loan book and similar assets and liabilities and cash flows with respect to similar products should be limited to one year.

2. Daily Maturity Buckets for Days 31-60 Should be Phased in over Time Following the Initial Implementation of FR 2052a Reporting.

The Associations also note that many subject banking organizations are currently developing capabilities for daily cash flow maturity buckets for days 1-30 in order to implement LCR. The timelines for teams devoted to this project have already been established and would be disrupted were daily maturity buckets for days 31-60 required by the same date as the implementation of daily LCR. We respectfully submit that the daily maturity buckets for days 31-60 should be phased in over time following July 1, 2016.

B. Daily Maturity Buckets are Inappropriate for Modified LCR Banking Organizations.

When promulgating the final LCR rule,[14] the Board and other federal banking agencies noted that Modified LCR Banking Organizations were "smaller in size, less complex in structure and less reliant on riskier forms of market funding" and further, tended to have "simpler balance sheets, better enabling management and supervisors to take corrective actions more quickly in a stressed scenario than is the

[14] 79 Fed. Reg. 61440.

case with a covered company."[15] Noting that these firms are smaller in size, less complex, less reliant on riskier forms of funding and tend to have simpler balance sheets and the ability to respond more quickly to a stressed scenario, the Board and the other federal banking agencies previously declined to require Modified LCR Banking Organizations to generate a "peak-day" maturity add-on amount for the purposes of their required monthly modified LCR calculations. We believe that subjecting such institutions to daily maturity bucket reporting on FR 2052a is inconsistent with the modified LCR approach and that daily maturity buckets should not be required for Modified LCR Banking Organizations. As such, the Associations ask that the Proposal be modified so that maturity buckets for Modified LCR Banking Organizations are no more frequent than monthly.

C. FR 2052a Should Incorporate Thresholds for Reporting by Major Currency that Align with the International Basel III Liquidity Coverage Ratio Framework's Definition of "Significant Currency".

The Associations recognize that the decision of the Board and the other federal banking agencies to forego the employment of calculation by significant currency as a mechanism of liquidity risk monitoring as part of LCR was, in part at least, a result of the intention to do the same through data collected through other supervisory processes such as FR 2052a.[16] Consistent with that intent, the Proposal would require "internationally active reporting entities [to] report by major currency all data elements denominated in major currencies, while other data elements denominated in non-major currencies would be converted into USD and flagged as converted."[17] We believe that the Board should adopt a threshold for reporting by major currency that is the same as is used for "significant" currency in the final internationally agreed upon liquidity coverage ratio framework published by the Basel Committee on Banking Supervision — that is, when "the aggregate liabilities denominated in that currency amount to 5% or more of the bank's total liabilities."[18]

In addition, before a given currency becomes a "significant currency" for a firm for these purposes, the firm may not have in place the data collection and reporting infrastructure necessary to immediately begin reporting by such currency on FR 2052a. Prior to the currency becoming a "significant currency", a firm's systems will have been designed to convert that currency to USD for both LCR and reporting on FR 2052a. For this reason, the Associations recommend that (i) a currency would only become a "significant currency" for an institution if it met our proposed threshold for four

[15] 79 Fed. Reg. 61440, 61520.

[16] The Associations note that the preamble to the LCR states in relevant part, "[t]he Basel III Revised Liquidity Framework also establishes liquidity risk monitoring mechanisms to strengthen and promote global consistency in liquidity risk supervision. These mechanisms include . . . LCR reporting by significant currency. At this time, the agencies are not implementing these monitoring mechanisms as regulatory standards or requirements. However, the agencies intend to obtain information from covered companies to enable the monitoring of liquidity risk exposure through reporting forms and information the agencies collect through other supervisory processes." 79 Fed Reg 61440, 61445.

[17] 79 Fed. Reg. 71416, 71418.

[18] "Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools'' at 45 (January 2013) available at http://www.bis.org/publ/bcbs238.htm.

consecutive quarters and (ii) there be a window of six months between when a currency becomes a "significant currency" and when the firm must first report in that currency on FR 2052a.

D. Granularity of Derivative Reporting for "Advanced Approaches" Banking Organizations with less than $700 Billion in Assets and Modified LCR Banking Organizations Should Align with the LCR.[19]

The Proposal would require reporting institutions to capture, disaggregate and report on derivative and collateral-related inflows and outflows at a level of granularity that far exceeds what is required for the LCR, Dodd-Frank Section 165 scenarios and general prudent liquidity risk management practices. The LCR allows derivative payments and receipts to be netted against one another, with the net position flowing into the LCR calculator. The Proposal, on the other hand, would require institutions required to report on FR 2052a to segregate receivables and payables (in addition to segregating principal and interest), and further would require segregation among collateralized and uncollateralized positions. We believe this disaggregation is unnecessary given the LCR requirements.

In addition, the Supplemental Information section of the proposed revisions to FR 2052a[20] (the "**Supplemental Information Section**") would require reporting institutions to disaggregate the collateral positions margined against derivatives that far exceeds prudent liquidity risk management practices for "advanced approaches" banking organizations with less than $700 Billion in assets and Modified LCR Banking Organizations. For example, this section would require reporting institutions to break out and report derivative margin positions along such lines as initial versus variation, house versus customer, cleared versus bilateral, rehypothecatable versus non-rehypothecatable, encumbered versus non-encumbered, and various cross permutations of each of these. This section also requires institutions to identify collateral substitution risk and capacity, sleeper collateral and other non-traditional reporting categories. While the Associations recognize that collateral encumbered by derivative positions should be reported and appropriately deducted from HQLA as required by LCR and covered in other sections of the Proposal, we believe that this level of granularity will burden tremendously the collateral tracking systems of firms required to submit on FR 2052a. Substantial investment will be required in order to procure this level of data (on a monthly or daily basis) and we believe that such data will provide limited utility to liquidity risk management efforts. For the foregoing reasons, we respectfully request that the Board revise the Proposal to align the granularity required with respect to derivative reporting with LCR. For example, the Federal Reserve should limit the Supplemental Information Section to material categories such as cash versus securities, and cleared versus bilateral positions, and remove the other categories accordingly.

---

19 The considerations and discussion in this Part III.D. of the letter apply as well to the application of FR 2052a reporting to New FBO FR 2052 Reporters and their U.S. operations.

20 79 Fed. Reg. 71416, 71419.

IV. Data Elements of the Reports Should Align with Those of the LCR.

The Associations fully support the Board's intent to align the Reports' data elements with the LCR.[21] The Associations are concerned, however, that certain data elements of the Reports do not fully align with the requirements of the LCR. Annex B of this letter sets forth our suggestions concerning better alignment of the data elements of the Reports with the LCR. Additionally, consistent with the Board's efforts to align the Reports' data elements with the LCR, the Associations strongly encourage the Board to publish "a description of how the FR 2052a data will be used to monitor LCR compliance."[22]

Finally, under the Proposal, it is unclear how the Board would, in practice, extract and use FR 2052a data to calculate firms' respective LCRs. Thus, we also request that the Board develop and publish an Excel or similar template that would specifically illustrate how the Board would calculate banking organizations' respective LCRs directly from FR 2052a in order to ensure that firms' own LCR calculation efforts actually align with the Board's on a granular level.

* * *

The Associations appreciate the opportunity to provide comments on the Proposal. We greatly appreciate your consideration of our comments and would welcome the opportunity to discuss them further with you at your convenience. If we can facilitate arranging for those discussions, or if you have any questions or need further information, please contact me at (212) 613-9883 (email: david.wagner@theclearinghouse.org), Richard Coffman at (646) 213-1149 (email: rcoffman@iib.org), Richard Foster at (202) 589-2424 (Richard.Foster@FSRoundtable.org) or Alison Touhey (202) 663-5182 at (email: atouhey@aba.com).

Respectfully Submitted,

David Wagner
Executive Managing Director and Head of
Finance, Risk and Audit Affairs
The Clearing House Association L.L.C.

Richard Coffman
General Counsel
Institute of International Bankers

21 The Associations note that the Board states in the Proposal that "[t]he proposed data elements are more detailed and would align with the Liquidity Coverage Ratio (LCR)." 79 Fed. Reg. 71416, 71418.

22 79 Fed. Reg. 71416, 71419.

Rich Foster
Senior Vice President & Senior Counsel for
Regulatory and Legal Affairs
Financial Services Roundtable

Alison Touhey
Senior Regulatory Advisor
American Bankers Association

cc: The Honorable Michael Gibson
Board of Governors of the Federal Reserve System

The Honorable Scott Alvarez
Board of Governors of the Federal Reserve System

Anna Lee Hewko
Board of Governors of the Federal Reserve System

David Emmel
Board of Governors of the Federal Reserve System

Adam Trost
Board of Governors of the Federal Reserve System

Anna Lee Hewko
Board of Governors of the Federal Reserve System

Cynthia Ayouch
Board of Governors of the Federal Reserve System

Phillip Weed
Federal Reserve Bank of New York

Ken Lamar
Federal Reserve Bank of New York

Rick Osterman
Federal Deposit Insurance Corporation

Kyle Hadley
Federal Deposit Insurance Corporation

Jason Cave
Federal Deposit Insurance Corporation

Bob Bean
Federal Deposit Insurance Corporation

Amy Friend
Office of the Comptroller of the Currency

Kerri Corn
Office of the Comptroller of the Currency

Tiffany Eng
Office of the Comptroller of the Currency

Andrew R. Gladin
Sullivan & Cromwell LLP

F. Walton Dumas
Sullivan & Cromwell LLP

Ryan Pozin
The Clearing House

ANNEX A

The Clearing House. Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world's largest commercial banks, which collectively hold more than half of all U.S. deposits and which employ over one million people in the United States and more than two million people worldwide. The Clearing House Association L.L.C. is a nonpartisan advocacy organization that represents the interests of its owner banks by developing and promoting policies to support a safe, sound and competitive banking system that serves customers and communities. Its affiliate, The Clearing House Payments Company L.L.C., which is regulated as a systemically important financial market utility, owns and operates payments technology infrastructure that provides safe and efficient payment, clearing and settlement services to financial institutions, and leads innovation and thought leadership activities for the next generation of payments. It clears almost $2 trillion each day, representing nearly half of all automated clearing house, funds transfer and check-image payments made in the United States. See The Clearing House's web page at www.theclearinghouse.org.

The Institute of International Bankers. IIB is the only national association devoted exclusively to representing and advancing the interests of the international banking community in the United States. Its membership is comprised of internationally headquartered banking and financial institutions from over 35 countries around the world doing business in the United States. The IIB's mission is to help resolve the many special legislative, regulatory, tax and compliance issues confronting internationally headquartered institutions that engage in banking, securities and other financial activities in the United States. Through its advocacy efforts the IIB seeks results that are consistent with the U.S. policy of national treatment and appropriately limit the extraterritorial application of U.S. laws to the global operations of its member institutions. Further information is available at www.iib.org.

Financial Services Roundtable. As *advocates for a strong financial future*™, FSR represents 100 integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. FSR member companies provide fuel for America's economic engine, accounting directly for $98.4 trillion in managed assets, $1.1 trillion in revenue, and 2.4 million jobs.

American Bankers Association. The American Bankers Association is the voice of the nation's $15 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard $11 trillion in deposits and extend more than $8 trillion in loans.

ANNEX B

2052a and 2052b Data Element Alignment Concerns

A. Foreign Central Bank Borrowing:

FR 2052a O.S.6 does not provide the granularity necessary for aligning to LCR (§_.32) (k) outflows (i.e., where a foreign jurisdiction has not specified a central bank borrowing outflow amount in a minimum liquidity standard).

I. Federal Register (Vol. 79, No. 197, 10-27-2014; p. 61535)

(§_.32) (k) Foreign central bank borrowing outflow amount.

A [BANK]'s foreign central bank borrowing outflow amount is, in a foreign jurisdiction where the [BANK] has borrowed from the jurisdiction's central bank, the outflow amount assigned to borrowings from central banks in a minimum liquidity standard established in that jurisdiction. If the foreign jurisdiction has not specified a central bank borrowing outflow amount in a minimum liquidity standard, the foreign central bank borrowing outflow amount must be calculated in accordance with paragraph (j) of this section.

II. FR 2052a (v. 10-27-2014; p. 37/65)

O.S.6: Central Bank Draws

Refers to outstanding secured funding from central banks. The amount borrowed and the fair value of collateral pledged to secure the borrowing should not also be included under product I.A.2: Capacity.

Use the O.S. [Sub-Product] field to further identify the specific source of secured funding provided according to the following groupings:

- FRB (Federal Reserve Bank)
- SNB (Swiss National Bank)
- BOE (Bank of England)
- ECB (European Central Bank)
- BOJ (Bank of Japan)
- RBA (Reserve Bank of Australia)
- BOC (Bank of Canada)
- OCB (Other Central Bank)

B. Non-Regulated Funds

FR 2052a [Counterparty] type of 'Other Financial Entity' does not provide the granularity necessary for aligning to LCR definition of Non-Regulated Fund, which has a specifically defined outflow factor.

I. Federal Register (Vol. 79, No. 197, 10-27-2014; p. 61526)

(§_.3) Definitions.

Non-regulated fund means any hedge fund or private equity fund whose investment adviser is required to file SEC Form PF (Reporting Form for Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors), other than a small business investment company as defined in section 102 of the Small Business Investment Act of 1958 (15 U.S.C. 661 *et seq.*).

II. <u>FR 2052a (v. 10-27-2014; p. 9/65)</u>

Other Financial Entity [Counterparty].

Refers to a private equity fund or hedge fund whose investment advisor is required to file SEC Form PF (other than a small business investment company as defined in section 102 of the Small Business Investment Act of 1958 (15 U.S.C. 661 *et seq.*)), or any mutual fund or financial counterparty that does not fall into any of the above categories.

C. Facilities Classification by Counterparty

FR 2052a O.O.5 requires facilities to certain counterparties to be classified as liquidity (vs. credit) regardless of purpose, which is inconsistent to LCR facility definitions based solely on purpose (e.g., general corporate or working capital vs. refinancing of debt).

I. <u>Federal Register (Vol. 79, No. 197, 10-27-2014; p. 61525-61526)</u>

(§_.3) Definitions.

Credit facility means a legally binding agreement to extend funds if requested at a future date, including a general working capital facility such as a revolving credit facility for general corporate or working capital purposes. A credit facility does not include a legally binding written agreement to extend funds at a future date to a counterparty that is made for the purpose of refinancing the debt of the counterparty when it is unable to obtain a primary or anticipated source of funding.

Liquidity facility means a legally binding written agreement to extend funds at a future date to a counterparty that is made for the purpose of refinancing the debt of the counterparty when it is unable to obtain a primary or anticipated source of funding. A liquidity facility includes an agreement to provide liquidity support to asset-backed commercial paper by lending to, or purchasing assets from, any structure, program or conduit in the event that funds are required to repay maturing asset-backed commercial paper. Liquidity facilities exclude facilities that are established solely for the purpose of general working capital, such as revolving credit facilities for general corporate or working capital purposes. If a facility has characteristics of both credit and liquidity facilities, the facility must be classified as a liquidity facility.

II. <u>FR 2052a (v. 10-27-2014; p. 47/65)</u>

O.O.5: Liquidity Facilities [Note: subset of rule]

Any facilities provided to counterparties such as hedge funds, money market funds and special purpose funding vehicles, or conduits, or other vehicles used to finance the bank's own assets where the vehicles' assets and liabilities are not otherwise consolidated and independently represented with the reporting entity, should be captured in their entirety as a liquidity facility to other legal entities.

D. Escrow Deposits

FR 2052a O.D.4 includes escrow as an operational service, while excluding it from reporting within the line, instead providing for reporting in separate FR 2052a O.D.6.

I. FR 2052a (v. 10-27-2014; p. 42-44/65)

O.D.4: Operational Accounts.

Refers to deposits from counterparties that are not Retail or Small Business customers that facilitate operational services.

Do not include operational escrow deposits reported under product O.D.6: Operational Escrow Accounts.

Operational services means the following services, provided they are performed as part of cash management, clearing, or custody services:

- Payment remittance;
- Administration of payments and cash flows related to the safekeeping of investment assets, not including the purchase or sale of assets;
- Payroll administration and control over the disbursement of funds;
- Transmission, reconciliation, and confirmation of payment orders;
- Daylight overdraft;
- Determination of intra-day and final settlement positions;
- Settlement of securities transactions;
- Transfer of capital distributions and recurring contractual payments;
- Customer subscriptions and redemptions;
- Scheduled distribution of customer funds;
- Escrow, funds transfer, stock transfer, and agency services, including payment and settlement services, payment of fees, taxes, and other expenses; and
- Collection and aggregation of funds.

O.D.6: Operational Escrow Accounts

Refers to an account meeting the definition of an operational deposit that a designated third party (e.g., a servicer) establishes or controls on behalf of another party to process transactions such as the payment of taxes, insurance premiums (including flood insurance), or other charges with respect to a loan or transaction, including charges that the borrower and servicer have voluntarily agreed that the servicer should collect and pay. The definition encompasses any account established for this purpose, including a "trust account", "reserve account", "impound account", or other term in different localities.

With respect to, e.g., mortgage escrow accounts, an "escrow account" includes any arrangement where the servicer adds a portion of the borrower's payments to principal and subsequently deducts from principal the disbursements for escrow account items. For purposes of this section, the term "escrow account" excludes any account that is under the borrower's total control.

E. Revocable Time Deposits:

FR 2052a Deposit lines (O.D. Table) do not provide the granularity necessary for isolating the portion of non-maturity transactions that are subject to LCR outflows, i.e., revocable time deposits.

I. Federal Register (Vol. 79, No. 197, 10-27-2014; p. 61480)

Several commenters requested that the agencies clarify that time deposits that can be withdrawn at any time (subject to the forfeiture of interest) would be subject to the earliest possible maturity date assumption under the proposal, while deposits that cannot be withdrawn (but for death or incompetence) would be assumed to mature on the applicable maturity date. The agencies are clarifying that, for purposes of the final rule, deposits that can only be withdrawn in the event of death or incompetence are assumed to mature on the applicable maturity date, and deposits that can be withdrawn following notice or the forfeiture of interest are subject to the rule's assumptions for non-maturity transactions.

II. FR 2052a (v. 10-27-2014; p. 10 /65)

Maturity Bucket [Note: subset of rule]

Report non-maturity transactions and balances (e.g., retail demand deposits) as "Open".

F. Retail brokered deposits in transactional accounts:

FR 2052a Deposit lines (O.D. Table) do not provide the granularity necessary (as deposits can be classified as Transactional or Brokered, but not both) for aligning to LCR (§_.32) (g) (3) and (g) (4) outflows.

I. Federal Register (Vol. 79, No. 197, 10-27-2014; p. 61534)

(§_.32) (g) Brokered deposit outflow amount for retail customers or counterparties.

(3) 20 percent of all brokered deposits at the [BANK] provided by a retail customer or counterparty that are not described in paragraphs (g)(5) through (9) of this section and which are held in a transactional account with no contractual maturity date, where the entire amount is covered by deposit insurance;

(4) 40 percent of all brokered deposits at the [BANK] provided by a retail customer or counterparty that are not described in paragraphs (g)(5) through (9) of this section and which are held in a transactional account with no contractual maturity date, where less than the entire amount is covered by deposit insurance.

II. FR 2052a (v. 10-27-2014; p. 41-45/65)

O.D.1: Transactional Accounts

Or

O.D.7: Non-Reciprocal Brokered Accounts
O.D.8: Affiliated Sweep Accounts
O.D.9: Non-affiliated Sweep Accounts
O.D.10: Other Product Sweep Accounts
O.D.11: Reciprocal Accounts

G. Operational Excess Applicable to Sweeps:

FR 2052a Sweep Deposit Lines (O.D.8, O.D.9, and O.D.10) do not provide the granularity necessary to separately identify operational excess. Guidance from FRBNY during QIS process was provided by FRB NY to apply excess calculation to all sweep-related products.

I. Federal Register (Vol. 79, No. 197, 10-27-2014; p. 61534)

(§_.32) (g) Brokered deposit outflow amount for retail customers or counterparties.

(7) 10 percent of all brokered sweep deposits at the [BANK] provided by a retail customer or counterparty: (i) That are deposited in accordance with a contract between the retail customer or counterparty and the [BANK], a controlled subsidiary of the [BANK], or a company that is a controlled subsidiary of the same top tier company of which the [BANK] is a controlled subsidiary; and (ii) Where the entire amount of the deposits is covered by deposit insurance;

(8) 25 percent of all brokered sweep deposits at the [BANK] provided by a retail customer or counterparty: (i) That are not deposited in accordance with a contract between the retail customer or counterparty and the [BANK], a controlled subsidiary of the [BANK], or a company that is a controlled subsidiary of the same top tier company of which the [BANK] is a controlled subsidiary; and

(§_.32) (h) Unsecured wholesale funding outflow amount

(1) For unsecured wholesale funding that is not an operational deposit and is not provided by a financial sector entity or consolidated subsidiary of a financial sector entity:

(i) 20 percent of all such funding, where the entire amount is covered by deposit insurance and the funding is not a brokered deposit;

(ii) 40 percent of all such funding, where:

(A) Less than the entire amount is covered by deposit insurance; or

(B) The funding is a brokered deposit;

(2) 100 percent of all unsecured wholesale funding that is not an operational deposit and is not included in paragraph (h)(1) of this section, including:

(i) Funding provided by a company that is a consolidated subsidiary of the same top-tier company of which the [BANK] is a consolidated subsidiary; and

(ii) Debt instruments issued by the [BANK], including such instruments owned by retail customers or counterparties;

(4) 25 percent of all operational deposits not included in paragraph (h)(3) of this section; and

(5) 100 percent of all unsecured wholesale funding that is not otherwise described in this paragraph (h).

II. FR 2052a (v. 10-27-2014; p. 44-45/65)

O.D.8: Affiliated Sweep Accounts

Refers to a deposit held at the reporting entity by a customer or counterparty through a contractual feature that automatically transfers to the reporting entity from an affiliated financial company at the close of each business day amounts identified under the agreement governing the account from which the amount is being transferred. Note: This includes sweep balances that fall under a primary purpose exemption and are not reported as brokered for Call Report purposes.

O.D.9: Non-affiliated Sweep Accounts

Refers to a deposit held at the reporting entity by a customer or counterparty through a contractual feature that automatically transfers to the reporting entity from an unaffiliated financial company at the close of each business day amounts identified under the agreement governing the account from which the amount is being transferred. These accounts involve ongoing activity, rather than one deposit transaction.

O.D.10: Other Product Sweep Accounts

Refers to sweep programs that convert deposits into other products (e.g., CP, Fed Funds, Repo).