February 2, 2015

Via Electronic Mail

Robert deV. 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.[1] 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")[2] 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 that are not G-SIBs.

The Proposal would significantly expand the scope of the existing FR 2052a report to cover all BHCs subject to the Federal Reserve's liquidity coverage ratio ("LCR") rules.[3] One set of those rules—promulgated jointly with the Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") (together with the Federal Reserve, the "Agencies")—establishes an LCR requirement (the "Full LCR") for banking organizations with $250 billion or more in total consolidated assets or $10 billion or more in on-balance sheet foreign exposure.[4] For purposes of this letter, we refer to BHCs subject to the Full LCR and that would be required to report on the revised FR 2052a as "Full LCR BHCs." The Federal

[1] *Proposed Agency Information Collection Activities; Comment Request*, 79 Fed. Reg. 71,416 (Dec. 2, 2014) (hereinafter "Proposal").

[2] Financial Stability Board, *2014 Update of List of Global Systemically Important Banks (G-SIBs)* (Nov. 6, 2014), *available at* http://www.financialstabilityboard.org/wp-content/uploads/r_141106b.pdf (updating the Financial Stability Board's list of G-SIBs using year-end 2013 data and the Basel Committee on Banking Supervision's July 2013 assessment methodology).

[3] *Liquidity Coverage Ratio: Liquidity Risk Measurement Standards; Final Rule*, 79 Fed. Reg. 61,440 (Oct. 10, 2014) (hereinafter "LCR Rules").

[4] The Full LCR applies at the consolidated BHC level as well as to any insured depository institution with total assets of $10 billion or more that is a subsidiary of a BHC subject to the Full LCR.

Reserve's additional set of LCR rules applies a modified LCR (the "Modified LCR") to BHCs that have at least $50 billion in total consolidated assets but are not Full LCR BHCs.[5] 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 significantly expanding the scope of firms required to file the FR 2052a, the Proposal would expand the data elements of the existing FR 2052a to, among other things, collect additional details on a broad range of transactions, including 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. The Proposal indicates that the additional data elements are intended, among other things, to align the FR 2052a with the LCR.

The undersigned institutions are regional banking organizations with total consolidated assets of between $68.9 billion and $391.2 billion, as of September 30, 2014, and include both Full LCR BHCs and Modified LCR BHCs. Our institutions are traditional banking organizations, focused on domestic business activities, whose sizes are modest in relation to both the U.S. banking sector and U.S. economic activity. For example, each of the undersigned, as of September 30, 2014, had a share of national deposits under 3%, total consolidated assets, that represented less than 3% of U.S. GDP, and in the aggregate had fewer assets than the single largest U.S.-based G-SIB. Under the current FR 2052 framework, each of our organizations is required to submit the FR 2052b Liquidity Monitoring Report (and not the FR 2052a) on a monthly basis.[6] The current 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 November 30, 2014, was due on December 15, 2014.

We support the fundamental objectives of the LCR and the Federal Reserve's enhanced liquidity risk management standards for BHCs with total consolidated assets of $50 billion or more,[7] 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.[8] 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.

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[5] Under the Modified LCR, the standardized outflow amounts are set to 70 percent of those under the Full LCR. The Modified LCR applies only at the consolidated BHC level.

[6] Monthly reporting on the FR 2052b took effect on November 30, 2014, with initial submissions due December 15, 2014. *See Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB*, 79 Fed. Reg. 48,158 (Aug. 15, 2014) (finalizing the FR 2052 liquidity monitoring report framework with a November 30, 2014, effective date for banking organizations required to file the FR 2052b on a monthly basis).

[7] 12 C.F.R. §§ 252.34-252.35.

[8] *See, e.g.*, Letter to the Agencies from 14 regional banking organizations regarding the proposed LCR rules (Jan. 31, 2014) (hereinafter "Regional Bank LCR Comment Letter").

However, we believe that several aspects of the Proposal are inconsistent with the transition arrangements of the LCR Rules only recently adopted by the Agencies or otherwise fail to take account of the limited liquidity risks presented by Main Street banks, like the undersigned. The balance sheet, funding profile and international activities of regional banking organizations are very different from the balance sheet, funding profile and international activities of the G-SIBs.[9] Accordingly, we believe it is important to tailor the requirements of the Proposal to appropriately reflect these characteristics of regional banking organizations. In this letter, we provide alternative approaches to aspects of the Proposal that we believe 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 are that the Federal Reserve—

- 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 are required to report the FR 2052a only on a month-end basis. BHCs that are required to start daily LCR calculation in July 2016, should be permitted to submit the FR 2052a on the fifth business day following the as-of date once their daily calculation requirement begins;

- Delay the proposed effective date for reporting on the FR 2052a for all regional banking organizations currently subject to the FR 2052b until July 2016, at the earliest. As of that delayed effective date, Full LCR BHCs would submit the FR 2052a on a daily basis (on the recommended five business day lag), and Modified LCR BHCs would submit the report on a monthly basis (on the recommended 15-day lag). Until the delayed effective date, all regional banking organizations would continue to report on the existing FR 2052b;

- Tailor the requirements of the Proposal to appropriately reflect the less complex and volatile funding profiles of regional banking organizations by aligning the scope of the data requested with the LCR requirements applicable to regional banking organizations. For example, allow Modified LCR BHCs to continue to report on the FR 2052b, with appropriate amendments to reflect the Modified LCR. At a minimum, the Proposal should be revised to—

    - Eliminate the daily maturity buckets for all Modified LCR BHCs and reduce the daily maturity buckets required of Full LCR BHCs under the Proposal to cover only the 30-day period following the as-of date; and

    - Exclude all regional banking organizations from the requirement to report data elements denominated in a major currency by major currency or, in the alternative, apply a materiality threshold for purposes of determining whether FR 2052a data elements denominated in a major currency must be reported by major currency;

- Revise the Proposal to require the reporting of contractual principle and interest payments for loans, securities and derivatives only for those maturity buckets that are one year or less from the as-of date of the report; and

[9] *See* Regional Bank LCR Comment Letter at 6-8.

- Provide an Excel-based reporting template for the FR 2052a to facilitate the transition to the proposed XML format as well as to help reporting entities better understand how the Federal Reserve would use FR 2052a data.

Our organizations also participated in the development of the joint comment letter submitted by The Clearing House Association L.L.C., the Institute of International Bankers, the American Bankers Association and the Financial Services Roundtable (the "Joint Trade Association Comment Letter").[10] We support the comments and concerns reflected in the Joint Trade Association Comment Letter, and the comments and recommendations in this letter are intended to supplement those contained in the Joint Trade Association Comment Letter.

I. Revise the Proposal's Two-Business Day Timeline for Submitting the FR 2052a

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. In addition, this new reporting requirement would become effective as of July 31, 2015, for any banking organization subject to the LCR as of that date. Thus, for example, an institution subject to the LCR in July 2015 would be required to submit a report for the July 2015 reporting period by 12:00 PM (Eastern Time) on August 2, 2015.[11]

This proposed requirement is fundamentally at odds with the transition arrangements under the LCR Rules that were only recently adopted by the Agencies following extensive public comment. Accordingly, and as discussed further below, we strongly urge the Federal Reserve to adopt our recommended alternative to the proposed timeline for submitting the FR 2052a.

A. The Agencies Adopted the Transitional LCR Arrangements Specifically to Address the Operational Challenges Presented by the Daily Calculation Requirement

When the Agencies initially proposed the LCR Rules, the proposal would have required Full LCR BHCs and Modified LCR BHCs to calculate their LCR on a daily basis. Our organizations, as well as trade associations and other banking organizations, submitted extensive comments on that proposal explaining, in detail, the significant operational challenges and burden presented by the daily calculation requirement.[12] For example, the Regional Bank LCR Comment Letter noted that—

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[10] Letter to the Federal Reserve from the Joint Trade Associations (Feb. 2, 2012).

[11] We reference this example from the Proposal for illustrative purposes only. Proposal at 71,420. We note that the July 31, 2015, reporting date would fall on a Friday, meaning that the report, in that case, actually would be submitted on August 4, 2015.

[12] *See, e.g.*, Regional Bank LCR Comment Letter at 6-8; and Letter to the Agencies from The Clearing House Association L.L.C., et al. (Jan. 31, 2014). In a subsequent letter to the Agencies, the trade associations provided additional details on the challenges of developing systems with daily data capabilities, particularly on the short timeframe the Agencies had proposed. *See* Letter to the Agencies from The Clearing House Association L.L.C., et al. (May 19, 2014).

- Implementing and adequately testing systems capable of supporting a daily LCR calculation would be very challenging, expensive and time consuming to develop; and

- The burden of implementing those systems is particularly acute for regional banking organizations that were not previously subject to the Federal Reserve's detailed daily liquidity reporting requirements under its 4G liquidity reporting program or the Federal Reserve's then pending proposal to introduce the FR 2052a Complex Institution Liquidity Monitoring Report.

In light of these and similar concerns raised by other commenters, the Agencies revised the proposed LCR rules by—

- Delaying implementation of the daily LCR calculation for regional banking organizations covered by the Full LCR until July 2016; and

- Eliminating the requirement that Modified LCR BHCs calculate the LCR on a daily basis entirely and delaying the effective date of the Modified LCR until January 2016.

In doing so, the Agencies expressly recognized that implementing a daily calculation requirement for a new regulatory requirement would impose significant operational and technology demands on banking organizations.[13] The transitional arrangements of the final LCR Rules are specifically intended to provide BHCs with appropriate time to upgrade systems, develop controls, and enhance other operational capabilities in order to effectively implement the requirements under those rules.[14]

In September 2013, the Federal Reserve also proposed what became the current FR 2052a/ FR 2052b liquidity reporting framework.[15] This proposal initially would have required BHCs to report the FR 2052b within 10 calendar days of the as-of date. The industry raised concerns regarding the operational challenges and burdens associated with reporting monthly data on a timeframe of less than 15 calendar days.[16] In response to the concerns raised by commenters about the availability and quality of data, the Federal Reserve's final framework—which only recently became effective—provides organizations 15 days after the as-of date to submit the FR 2052b.[17]

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[13] LCR Final Rules at 61,449.

[14] *See* LCR Rules at 61,450 and 61,521.

[15] *Proposed Agency Information Collection Activities; Comment Request*, 78 Fed. Reg. 57,634 (Sept. 19, 2013).

[16] *See* Letter to the Federal Reserve from the Financial Services Roundtable, the American Bankers Association and The Clearing House Association L.L.C. (Nov. 18, 2013) (detailing the challenges presented by the proposed 10 day submission timeframe proposed for the FR 2052b).

[17] *Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB*, 79 Fed. Reg. 48,158, 48,162 (Aug. 15, 2014).

B. The Proposed Two-Business Day Timeline Poses the Same Operational Challenges as the Daily Calculation Requirement

We recognize that the Federal Reserve has attempted to align the proposed FR 2052a reporting requirements with the transition arrangements under the LCR Rules.[18] However, submitting the FR 2052a on the proposed two-business day timeframe poses the same burden and operational challenges for regional banking organizations as the daily LCR calculation because the systems needed to support that timeframe would have to be comparable to those capable of calculating the LCR on a daily basis. Accordingly, the proposed submission timeframe essentially eliminates the remainder of the 18-month transition arrangement for regional banking organizations covered by the Full LCR to implement the daily calculation requirement, and presents an undue burden on Modified LCR BHCs that are never required to calculate the LCR on a daily basis.

The proposed 12:00 PM (Eastern Time) submission deadline effectively provides only one and a half business days to complete and submit the report, or even less time for BHCs not located in the Eastern Time Zone. Accordingly, in order to meet the proposed two-business day submission schedule, a BHC's systems and processes would have to be capable of completing the steps to collect, aggregate and validate the data underlying the report in less than 36 hours—at most. Unless systems are specifically designed and developed with those capabilities and the necessary infrastructure in mind, data simply cannot be processed quickly enough to satisfy a reporting requirement within the proposed timeframe.

The proposed timeframe for submitting the FR 2052a would not allow for sufficient time to undertake the steps required to prepare a regulatory report for submission. These steps include, among others, extracting and combining data from source systems, aggregating data in a manner that is consistent with the proposed reporting instructions, and completing data quality checks. Those steps take several days to complete and must be finished before comprehensive validation of the submission, another multi-day process, can be completed. The process for completing these steps currently cannot be compressed further without substantial lead time to modify systems and processes across a banking organization. Moreover, these processes can only be compressed so much further before the integrity of data would be compromised.

C. Banking Organizations Filing the FR 2052b Had No Reason to Expect the Proposed Two-Business Day Filing Requirement

The FR 2052b liquidity regulatory reporting requirements that currently apply to our banking organizations became effective only recently and the process of building the systems and implementing the processes necessary to report the monthly FR 2052b report is newly completed. The systems and process built to support FR 2052b reporting were specifically

[18] As proposed, regional banking organizations that are Full LCR BHCs would begin monthly reporting on the revised FR 2052a on July 31, 2015, and would begin daily reporting on July 1, 2016, i.e., the date on which the requirement to calculate the LCR on a daily basis takes effect for those regional banking organizations that are Full LCR BHCs. For Modified LCR BHCs, monthly reporting on the revised FR 2052a would begin in January 2016, consistent with the implementation schedule for the Modified LCR.

designed and developed to support submission of that report on the 15 calendar day timeframe the Federal Reserve adopted in response to comments on the FR 2052b proposal.

Based on the recently implemented FR 2052b reporting requirements and the changes and transition arrangement the Agencies adopted in the recently finalized LCR Rules, our organizations had no reason to expect that systems capable of meeting a two-business day reporting timeframe would be required by July 2015—in the case of Full LCR BHCs—or ever in the case of Modified LCR BHCs. While the Agencies signaled their intent to seek comment on proposed regulatory reporting requirements for the LCR in the release of the final LCR Rules,[19] there was no indication in the LCR Rules or the Federal Reserve's release of final FR 2052 reporting requirements that regional banking organizations would be expected to submit liquidity data on as short a timeframe as that contemplated in the Proposal, particularly by July 2015.

D. Recommended Modifications to the Proposal

In light of the foregoing, we respectfully request that the Federal Reserve revise the Proposal to eliminate the problematic two-business day submission timeframe. We urge the Federal Reserve to revise the Proposal so that submission of the month-end FR 2052a would be required by 8:00 PM (Central Time) 15 calendar days following the as-of date. This approach would ensure that banking organizations are not required to develop the systems necessary to support accelerated, near daily reporting until they are required to transition to daily reporting. It would also ensure that Modified LCR BHCs, which are never subject to the daily LCR calculation continue to submit month-end liquidity reports on the timeframe the Federal Reserve has already determined to be appropriate for such reports. Moreover, we believe the 15-day timeframe is reasonable in light of other month-end reporting requirements (e.g., the FR Y-14M).

Once a regional Full LCR BHC transitions to daily calculation of the LCR in July 2016, we believe the organizations should have at least five business days to submit the FR 2052a. We believe his timeframe is reasonable and appropriate in light of numerous and important steps necessary to collect, aggregate and validate the information required to be reported.

The following chart illustrates the proposed modification to the Proposal discussed above:

Frequency of FR 2052a Report	Submission Due	Example
Monthly	8:00 PM (Central Time) 15 calendar days following the as-of date	The submission for the July 31, 2016, as-of date would be due by **8:00 PM (Central Time) August 15, 2016**
Daily	8:00 PM (Central Time) five business days following the as-of date	The submission for the July 31, 2016, as-of date would be due by **8:00 PM (Central Time) on August 5, 2016**

[19] *See, e.g.*, LCR Rules at 61,450.

II. Delay the Proposed Effective Date until No Earlier Than July 2016

As noted above, the Federal Reserve has previously acknowledged concerns raised by our organizations and other commenters that a lack of sufficient time to implement the robust systems, processes and controls necessary to support calculation of the LCR could materially impair the robustness and accuracy of the data provided to the Agencies and potentially the broader financial markets. These concerns apply equally to the proposed implementation schedule of the FR 2052a.[20]

The data elements of the proposed FR 2052a include items that go beyond the scope of the LCR Rules and the Federal Reserve's enhanced liquidity risk management standards and, therefore, present an additional burden for regional banking organizations to collect and report. The data elements are also considerably more extensive and granular than those of the FR 2052b, which regional banking organizations just recently began reporting to the Federal Reserve in December 2014. The proposed FR 2052a would, for example, require regional banking organizations to report very granular information about specific categories of assets, regardless of whether those assets would be included as high quality liquid assets ("HQLA") in the numerator of the LCR ratio or not. As a result, BHCs would be required to disaggregate data elements that, for purposes of calculating the LCR, are aggregated. Disaggregating this data for purposes of reporting on the FR 2052a would take considerable time and resources. Implementing the FR 2052a on the timeline the Federal Reserve has proposed would require Full LCR BHCs to divert resources currently deployed to enhance recently-developed LCR systems in order to calculate the LCR on a daily basis effective July 2016 or, in the case of Modified LCR BHCs, to develop the systems needed to calculate the Modified LCR on a month-end basis starting in January 2016.

Accordingly, we believe the Federal Reserve should delay the implementation of the proposed FR 2052a for all regional banking organizations that just recently began reporting liquidity data on the FR 2052b until, at a minimum, July 2016.[21] The Federal Reserve adopted the final FR 2052b reporting requirements with a delayed effective date (November 30, 2014, rather than December 31, 2013, as originally proposed), acknowledging that the FR 2052b was "substantively more expansive" than data previously collected from regional banking organizations and that the delayed effective date would help reduce the reporting burden.[22] Because the proposed FR 2052a is again substantively more expansive than the FR 2052b regional banking organizations currently report, we believe that a delayed effective date would be appropriate and consistent with the Federal Reserve's prior efforts to implement liquidity reporting requirements.

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[20] *See supra* note 18.

[21] In addition, we believe the Federal Reserve should consider a further transition period of three to six months to allow regional banking organizations subject to the Full LCR's daily calculation requirement as of July 2016 additional time to transition from the month-end to the daily FR 2052a report.

[22] *See supra* note 17.

Delaying the transition to the FR 2052a until July 2016, at a minimum, would allow regional banking organizations an appropriate amount of time to complete the important objectives of building and upgrading systems, developing controls and enhancing operational capabilities to effectively implement the LCR. 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. Tailor the Proposal to Appropriately Reflect the Liquidity Risk Profile of and LCR Requirements Applicable to Regional Banking Organizations

The significantly expanded data elements of the proposed FR 2052a would apply to all BHCs covered by the Proposal, i.e., BHCs identified as G-SIBs, regional banking organizations covered by the Full LCR, and Modified LCR BHCs. The Proposal, therefore, does not adequately take into account the less volatile and complex funding and liquidity risk profiles of regional banking organizations. Nor do proposed reporting requirements align with the LCR requirements applicable to regional banking organizations.

As proposed, the FR 2052a does not align with the requirements of the Modified LCR. For example, data would be required of both the consolidated BHC as well as the top-tier BHC on a standalone basis, which is not consistent with the requirement that Modified LCR BHCs calculate the LCR only for the consolidated BHC.[23] We believe that revising the Proposal to tailor the scope of the required data elements with the components of the LCR Rules regional banking organizations are subject to is important, particularly for Modified LCR BHCs. One approach to ensuring greater alignment of reporting and regulatory requirements would be to allow Modified LCR BHCs to continue to report on the FR 2052b, with appropriate amendments to reflect the requirements of the Modified LCR. At a minimum, we urge the Federal Reserve to revise the data elements and other requirements under the Proposal to more appropriately tailor the Proposal to regional banking organizations as follows.

A. Granularity of Proposed Maturity Buckets

The current version of the FR 2052a requires BHCs to report data elements along a maturity schedule that includes a variety of maturity buckets, including daily maturity buckets for the first five business days of the period following the as-of date for the report. On the other hand, the FR 2052b report on which the undersigned regional banking organizations currently report includes a maturity schedule that is much less granular. For example, the maturity schedule of the FR 2052b includes a maturity bucket for the first business day following the as-of date with subsequent maturity buckets corresponding to much longer intervals of time.

The Proposal would significantly expand the granularity of maturity buckets for reporting data elements on the FR 2052a to include daily intervals for the first 60 days following the as-of date for the report. The Proposal explains that this increased granularity is necessary to eliminate potential near-term contractual maturity mismatches.

[23] *See* 12 C.F.R. Part 249, Subpart G.

The increased granularity of the daily maturity buckets under the Proposal presents a significant burden for regional banking organizations, like the undersigned, that do not report on the current FR 2052a and, therefore, do not currently report data elements along a granular maturity schedule. Moreover, the 60-day time horizon for which daily maturity buckets would be included under the Proposal does not correspond with the 30-day time horizon of the LCR. We urge the Federal Reserve to revise the Proposal to limit the granularity of the maturity schedule applicable to regional banking organization.

We believe that, for regional banking organizations covered by the Full LCR, the Federal Reserve should limit the daily maturity buckets on the FR 2052a to the 30-day period following the as-of date. This recommended alternative would help the Federal Reserve appropriately address concerns about near-term maturity mismatches while reducing the reporting burden on regional banking organizations by aligning the maturity buckets for the FR 2052a with the LCR's 30-day time horizon. For Modified LCR BHCs, on the other hand, which are required to calculate the LCR only on a month-end basis, the Federal Reserve should remove the requirement to report data elements in daily maturity buckets entirely, as breaking FR 2052a data down into daily maturity buckets would be inconsistent with the way Modified LCR BHCs are required to calculate the LCR.

B. Reporting Positions by Major Currency

Under the Proposal, regional banking organizations with less than $250 billion in total consolidated assets and less than $10 billion in on-balance sheet foreign exposure would report all data elements in U.S. Dollars ("USD"). However, regional banking organizations that are subject to the Full LCR would be required to report data elements denominated in a major currency by major currency, while data elements denominated in non-major currencies may be converted into USD and flagged as converted.[24] Reporting by major currency, the Proposal explains, is intended to help identify potential currency mismatches. For the reasons discussed below, we believe the proposed requirement to report all data elements denominated in a major currency by major currency is unnecessary for regional banking organizations.

As previously detailed in the Regional Bank LCR Comment Letter, the foreign activities of regional banking organizations covered by the Full LCR are significantly more limited than, for example, those of the U.S. G-SIBs and are more similar (both in terms of scope and size) to the foreign operations of Modified LCR BHCs, which would not be required to report data elements by major currency. For example, while the average ratio of Average Foreign Loans to Average Total Loans of the G-SIBs is 17%, the same average ratio is only 1% for regional banking organizations covered by the Full LCR and 1% for Modified LCR BHCs. Also, while the average ratio of Total Foreign Deposits to Total Deposits of the G-SIBs is 26%, the same average ratio is only 2% for regional banking organizations covered by the Full LCR and 3% for Modified LCR BHCs.[25] In our view, the foreign activities of regional banking organizations

[24] Major currencies include the USD, Euro, British Pound, Swiss Franc, Japanese Yen, Australian Dollar and Canadian Dollar.

[25] *See* Appendix 1 for a table illustrating these data.

covered by the proposed by-major currency requirement do not present the type or magnitude of risk that warrants imposition of this major currency reporting requirement.

Moreover, there is no requirement that BHCs calculate the LCR by major currency and, therefore, our organizations calculate the LCR only in USD. As a result, our LCR systems generally maintain data, such as inflow and outflow data, only in USD. To the extent a regional banking organization may have an LCR element that is denominated in a foreign currency (e.g., a credit commitment extended to a customer in a foreign currency), these items generally are converted to USD by the organization's LCR systems, with only the source systems of record maintaining records in the foreign currency. In order to report data elements by major currency, regional banking organizations would have to return to source systems to obtain data in the original currency, a process which would result in additional steps to reconcile and validate source system data (as well as requiring additional information technology capabilities, processes and controls to ensure the data's integrity). We believe these additional and significant burdens are unnecessary for regional banking organizations, which as noted above do not engage in significant foreign activities.

Accordingly, we believe the Federal Reserve should amend the Proposal to exclude all regional banking organizations from the requirement to report data elements denominated in a major currency by major currency. Excluding all regional banking organizations from that requirement would appropriately reflect the limited nature of the foreign operations of regional banking organizations. In the alternative, if the Federal Reserve determines that some level of reporting by major currency is necessary for those regional banking organizations that are subject to the Full LCR, we believe the Federal Reserve should require reporting by major currency only if the banking organization's aggregate liabilities denominated in that currency equal 5 percent or more of its total liabilities. We note that adopting this materiality threshold for reporting by major currency would align the proposed FR 2052a with the framework of monitoring tools established under the Basel Committee on Banking Supervision's ("BCBS") LCR framework.[26] For data elements below the materiality threshold, BHCs should, consistent with the requirements for data elements denominated in non-major currencies, only be required to report the data element in USD and to flag the element as converted. We believe that flagging data elements below the recommended materiality threshold as converted to USD would adequately address the Federal Reserve's concerns regarding potential currency mismatches.

C. <u>Data Elements Related to Broker-Dealer Activities and Other Data Elements That Are Not Material to Regional Banking Organizations</u>

The Proposal includes data elements that relate to broker-dealer activities, such as inflows related to margin loans (item I.S.5) and outflows on customer shorts (item O.S.7), among others. The data elements related to broker-dealer activities are generally immaterial to banking

[26] Basel Committee on Banking Supervision, *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools* (Jan. 2013) ¶¶ 209-211, *available at* http://www.bis.org/publ/bcbs238.pdf. Under the BCBS's LCR framework, banking organizations and supervisors should monitor the LCR in significant currencies. A currency is considered a "significant currency" if the banking organization's aggregate liabilities denominated in that currency amount to 5% or more of its total liabilities.

organizations that do not engage in prime brokerage activities. As a result, collecting these data elements for the types of broker-dealer activities that regional banking organizations are engaged in would be of limited utility to the Federal Reserve's liquidity monitoring efforts and would present an unnecessary burden for regional banking organizations. Accordingly, data elements related to broker-dealer activities should only be required of banking organizations that engage in prime brokerage activities.

D. Align the Proposed Granularity of Derivative Reporting with the LCR Rules

The Proposal would require reporting entities 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, the Federal Reserve's enhanced liquidity risk management requirements, and prudent liquidity risk management practices in general. The LCR Rules allow derivative payments and receipts to be netted against one another, with the net position flowing into the calculation. The Proposal, on the other hand, would require reporting entities to segregate receivables and payables (in addition to segregating principal and interest, as noted above), and further requires segregation among collateralized and uncollateralized positions.

This disaggregation, we believe, is unnecessary and unduly burdensome. In addition, the proposed Supplemental-Informational table requires reporting institutions to disaggregate the collateral positions margined against derivatives that far exceeds prudent liquidity risk management. For example, this section requires 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-uncumbered, 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. We recognize that collateral encumbered by derivative positions should be reported and appropriately deducted from HQLA, as required under the LCR Rules and covered in other sections of the Proposal. However, we believe that this unnecessary level of granularity will burden tremendously the collateral tracking systems of regional banking organizations (and likely require substantial investment in order to procure this level of data, especially on a daily basis) and provide limited utility to an institution's liquidity risk management.

Therefore, we respectfully request that the Federal Reserve take the limited nature of regional banking organizations' derivative businesses into account and revise the Proposal to align with the requirements under the LCR Rule. For example, the Federal Reserve might limit the Supplemental-Informational table to material categories, such as cash versus securities, and cleared versus bilateral positions, and remove the other categories accordingly.

IV. Contractual Principal and Interest Payments

The Proposal would require reporting entities to provide contractual principal and interest payments on loans, derivatives and securities 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. Principal payments on loans, derivatives and securities would be reported separately from interest payments on those assets. This aspect of the Proposal presents significant challenges for BHCs to implement. Contractual principal and interest payments would be calculated based on a reporting entity's current outstanding balances, without taking balance sheet growth or other key behavioral assumptions into account. Accordingly, providing this information would seem to have very little, if any utility, to the Federal Reserve in monitoring the liquidity positions of BHCs, especially out further in time.

Accordingly, we respectfully request that the Federal Reserve revise the Proposal to require the reporting of contractual principal and interest payments only for those maturity buckets that are one year or less from the as-of date of the report. This one-year timeframe, although considering contractual cash flows only, would mirror the 12-month scenario under the Federal Reserve's enhanced liquidity risk management standards, as well as the timeframe of the BCBS's Net Stable Funding Ratio standard. Moreover, as the LCR rules do not distinguish between principal and interest payments as inflows and because bifurcating contractual principle and interest inflows is not material to effective liquidity risk management, we urge the Federal Reserve to revise the Proposal so that principal and interest payments may be reported as a single cash flow data element on the FR 2052a.

V. Transition to the Extensible Markup Language ("XML") Reporting Structure

We support the Federal Reserve's objectives in transitioning the FR 2052 reporting framework to an XML format, which would make the analysis and exchange of information more reliable and easier. However, we urge the Federal Reserve to apply lessons learned from the transition of other regulatory reports to the XML format, most recently the FR Y-14A Summary schedule, to facilitate the transition of the FR 2052 reporting framework.

XML format reporting often requires BHCs to enhance their existing data and reporting platforms as well as to augment their information technology capabilities in order to develop the infrastructure needed to support an XML-based submission. Moreover, the design of the data structure and the XML schema or the interpretation and application of the reporting instructions can pose unanticipated challenges. In light of these challenges and lessons learned from recent reporting transitions to the XML format, we respectfully request that the Federal Reserve implement the XML format on a phased-in basis. Such a phased-in approach, which would, for example, transition tables in successive phases, would allow the Federal Reserve and reporting entities an appropriate amount of time to work through challenges, without the need for an extensive edit check process following the initial submissions.

Moreover, we urge the Federal Reserve to make an Excel-based template of the revised FR 2052a available to reporting entities in order to further facilitate the transition to the XML format. 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. We note that, in the context of transitioning the FR Y-14A Summary schedule to the XML format, the Federal Reserve provided a template to facilitate the transition process.

VI. The Federal Reserve Should Describe How FR 2052a Data Will Be Used to Monitor LCR Compliance

The Proposal does not address how the data elements reported on the FR 2052a would be used by the Federal Reserve to, for example, estimate a reporting entity's LCR. In fact, the Proposal specifically seeks comment on whether the Federal Reserve should publish a description of how data reported on the FR 2052a will be used to monitor LCR compliance.[27] We strongly encourage the Federal Reserve to provide a detailed description of how it expects to use FR 2052a data to, among other things, monitor compliance with the LCR.

One way for the Federal Reserve to do so would be to include this description in the reporting template recommended above. Such a template could help 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) and to estimate the reporting entity's LCR. A data template along the lines recommended, together with additional description, would help reporting entities better understand how reported data would be analyzed and utilized by the Federal Reserve.

VII. 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 any of the individuals listed in *Attachment 1* appended hereto.

Sincerely,

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Comerica Incorporated
Fifth Third Bancorp
KeyCorp
M&T Bank Corporation
The PNC Financial Services Group, Inc.
Regions Financial Corporation
SunTrust Banks, Inc.
TD Bank US Holding Company
MUFG Americas Holdings Corporation
U.S. Bancorp

[27] *See* Proposal at 71,419.

Attachment 1

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Appendix 1: Foreign Activities of Regional Banking Organizations

International Activity[28, 29]		
	A	B
Banking Organizations	Total Foreign Deposits / Total Deposits (%)	Avg. Foreign Loans / Avg. Total Loans (%)
U.S. G-SIB – Average	26%	17%
Regional BHCs Covered by Full LCR – Average	2%	1%
Modified LCR BHCs – Average	3%	1%

[28] Average data is for (i) U.S. G-SIBs; (ii) the regional banking organizations listed above that are subject to the Full LCR (i.e., Capital One Financial Corp., The PNC Financial Services Group, Inc., TD Bank US Holding Co., and U.S. Bancorp); and (iii) all banking organizations that we estimate are subject to the Modified LCR.

[29] The source of all information is SNL – FR Y-9C (data as of September 30, 2014). Data reported as 'N/A' was treated as a zero for purposes of these calculations.