February 2, 2015

Via Electronic Mail

Federal Reserve System
Mr. Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW.
Washington, DC 20551

OMB Control Number: 7100-0361

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 ("**FR 2052a**") and the Liquidity Monitoring Report ("**FR 2052b**") (79 Fed. Reg. 71,416 December 2, 2014)

Ladies and Gentlemen

MUFG Americas Holding Corporation ("MUAH", "we" or "us", as applicable), appreciates the opportunity to comment on the proposed revisions (the "**Proposal**") by the Board of Governors of the Federal Reserve System (the "**Federal Reserve**") to revise the Complex Institution Liquidity Monitoring Report ("**FR 2052a**") and the Liquidity Monitoring Report ("**FR 2052b**") (collectively, the "**Reports**") which would (1) revise the reporting panel, (2) increase the frequency of reporting, (3) revise the reporting platform structure and (4) increase data item granularity. As proposed, these revisions would first become effective beginning on March 31, 2015.

MUAH has participated in the preparation of the comment letters submitted by the regional banking organizations ("Regional Bank Letter") and The Clearing House Association L.L.C. ("The Association Letter"). We support the comments and concerns raised by the Regional Bank Letter and the Association Letter. The comments and recommendations in this comment letter are intended to highlight the specific concerns we have as a U.S. Bank Holding Company (BHC) owned by Mitsubishi UFJ Financial Group ("MUFG").

Executive Summary

MUAH supports the implementation in the United States of a reporting requirement of uniform data to be used for assessing the liquidity risk profile of banking organizations and or material legal entities of foreign banking organizations ("FBOs"). We are in favor of harmonized definitions of data and reporting, where possible, as this would contribute to the comparability metrics across firms.

After November 2013, when the 2052 reporting requirement was first announced, MUAH prepared for and implemented a process to ensure compliance with 2052b reporting which commenced on December 15, 2014. However, we will now be challenged with having to prepare for the more significant data and technology requirements of the Proposal with less than twelve months to meet the February 2, 2016 reporting date. In addition, our affiliate entities operating in the U.S., which are described in section I below, previously had neither a U.S. LCR nor FR 2052 requirement to comply with; yet they will now be subject to the more granular reporting and restrictive timing requirements of 2052a as described in the Proposal.

The implications of the Proposal may be exacerbated because of the interaction between the various compliance and reporting requirements relating to the Dodd-Frank Enhanced Prudential Standards for U.S. Bank Holding Companies and Foreign Banking Organizations ("EPS") and the formation of an Intermediate Holding Company ("IHC") by July 1, 2016. As with all areas of regulatory reform, the importance of analyzing the interplay between various regulatory requirements is critical to ensure the revised rules will not add undue burden. For MUAH, the constraints and challenges are compounded as we are preparing for EPS requirements with the formation of an IHC and the transfer of an affiliate broker/dealer as a new subsidiary of the IHC. The multiple requirements that will be imposed upon us are complex and in many cases inter-twined. Therefore, we recommend an orderly transition period with enough time allotted to minimize operational risks and unintended consequences.

Below are the key issues and concerns for MUAH and its affiliated material legal entities operating in the U.S.:

I. Limited time to comply by February 2016 not only for MUAH but especially for other subsidiaries and branches of subsidiaries of MUFG as an FBO operating in the U.S.
II. Timing of 2052a reporting requirements before the required formation of the IHC in July 1, 2016
III. Granularity of data required and T+2 timing of reporting
IV. Additional Request for Clarification

I. <u>EFFECTIVE DATE – COMPLEXITY & CHALLENGES FOR COMPLIANCE WITH NEW REQUIREMENTS</u>

The proposed effective date poses significant challenges for compliance with monthly reporting requirements for several reasons:

- MUAH has just started 2052b reporting with its first filing on December 15, 2014 and continues to monitor the process for data quality issues. Shifting to 2052a with its more granular and expanded data requirements in less than one year would require considerable resources and operational effort to comply by the February 2, 2016 reporting date.
- The Proposal requires that FBOs submit 2052a reports for their consolidated U.S. operations commencing February 2, 2016. In addition to MUAH, MUFG's U.S. operations include: Mitsubishi UFJ Securities (USA) ("MUS USA"); Bank of Tokyo Mitsubishi New York Branch ("BTMU NY"); and Mitsubishi UFJ Trust and Banking New York Branch ("MUTB NY"). The burden of implementing a system capable of supporting 2052a consolidated reporting is particularly acute for the above mentioned entities that were not previously subject to 2052b reporting

requirement or to the Federal Reserve's detailed daily liquidity reporting requirements under its 3G or 4G liquidity reporting program. Moreover, MUAH and the other entities are on different data and technology platforms and therefore the aggregation of data across the entities would require a separate and significant technology effort in terms of costs and FTE resources.

- The Proposal requires 2052a reporting for each material legal entity beginning February 2, 2016 without specifying the characteristics that would define a material legal entity. Similar to the consolidated reporting requirement, this requirement imposes a major burden on individual entities to be prepared in a short time frame, particularly as it is not clear which entities would be considered a material legal entity.

II. 2052a TIMING MISMATCH WITH FORMATION OF IHC

In accordance with the provisions of the EPS, MUAH is expected to be designated as the IHC for MUFG's U.S. subsidiaries on July 1, 2016. Therefore ownership of these subsidiaries will be transferred by their respective parents to MUAH. The Proposal poses significant burden on MUAH and the new subsidiaries of the IHC as it prepares to meet critical milestones prior to and leading up to the IHC compliance date.

- It would seem premature to start requiring the IHC and MUFG's subsidiaries, as well as branches of MUFG's subsidiaries, to report 2052a commencing February 2, 2016 well before July 1 2016, when such subsidiaries and branches become subject to the requirements of the EPS for both the scope of the IHC and the scope of "Combined US Operations" as defined in the EPS. The MUFG subsidiaries and branches of MUFG's subsidiaries have different data and technology infrastructures and previously have not been required to report 2052b. These entities would face a substantial operational challenge and costs to design, align, and develop their data and technology systems to be consistent for individual and consolidated 2052a reporting.
- GSIBs were given a 2-year lead time prior to the implementation of 2052a reporting requirements. Accordingly, we believe it would be appropriate for current 2052b filers and new filers, such as MUS(USA), BTMU NY and MUTB NY, to receive similar lead time, especially for consolidated reporting given that our U.S. operations have different data infrastructures.

III. GRANULARITY OF DATA AND TIMING

The Proposal significantly expands the scope of the existing data elements of the FR 2052a report, including a broader set of transactions, granularity of maturity buckets, and longer contractual cash flows all adding up to 10 distinct data tables.

- The requirement to expand the types of transactions and granularity of maturity buckets, including daily intervals for the first 60 days following the as-of date, requires a more complex level of data capture. In addition, the requirement to provide the contractual principal and interest cash flows on loans as far out in time as 5 years or more from the as-of-date seems to have very little beneficial information since the cash flows will be based only on the current position data and does not take into account balance sheet growth assumptions.

- The Proposal mentions that 2052a data will be used to monitor LCR compliance. However, the scope of the Proposal appears to go well beyond the LCR given the more granular data and extended time horizon which does not align with the 30 day time period of the LCR Rule.

The timing of T+2 would pose a logistical issue where non-finalized month-end data or daily data would be reported with potentially erroneous information.

- The process for finalizing the data either from source systems and General Ledger accounting system requires at least 5 days from the "as of month-end date". The additional time is required to ensure that operational groups have adequately processed new activities (e.g., new loan disbursements, payoffs, new deposits, withdrawals, etc.) that are then captured by downstream systems. The downstream systems include the general ledger system, regulatory reporting, and numerous technology-related analytical systems. A T+2 turn-around requirement would result in reporting data that would be considered preliminary and potentially less accurate.
- For monthly 2052a we recommend a T+15 timing as reasonable in light of other month-end reporting requirements (e.g. FR Y-14M). For daily 2052a reporting, we recommend a T+5 timing in order to provide adequate review and validation.

IV. <u>RECOMMENDATION</u>

For 2052b reporting we recommend as follows:

- Retain the monthly 2052b reporting panel for BHCs under a modified LCR;
- For a BHC currently reporting 2052b and planning to become an IHC, it should continue 2052b reporting along with its subsidiaries and begin consolidated IHC reporting as of July 31, 2016 , consistent with the requirement for formation of the IHC;
- 2052b reporting for Consolidated U.S. Operations should commence as of July 31, 2016 for all FBO entities across the U.S.; and
- Continue 2052b reporting as stated above on a T+15 basis.

For 2052a reporting we recommend as follows:

- Commence 2052a reporting as of July 31, 2017 for the IHC, individual material legal entities outside of the IHC, and for Consolidated U.S. Operations of an FBO to allow sufficient time post EPS effective date to develop and establish the required technology and data systems;
- Report 2052a monthly on a T+15 basis; and
- Report 2052a daily on a T+ 5 basis.

Our proposed dates effectively take into account the timeline for EPS compliance with the official formation of the IHC to provide ample time to prepare and efficiently align its data and technology efforts not only for individual reporting, but also consolidated reporting. In addition, the suggested one year phase-in period from 2052b to 2052a is consistent with the approach taken for U.S. institutions for the more complex 2052a reporting in recent years and will provide FBOs the required time to prepare for consolidated reporting for all U.S. entities.

V. ADDITIONAL REQUESTS FOR CLARIFICATION

The Proposal states that BHCs and other material entities of the FBO will need to report separately and a on a consolidated basis. It further states that it is not just a matter of size, but also that other factors such as complexity would be considered and that respondents should consult their supervisory teams. This appears to be a very qualitative and vague method to address a question that needs an immediate and definitive answer given the time and effort required to meet a very short deadline. It is our understanding that we will need to report on MUAH's bank subsidiary (MUFG Union Bank or "MUB") separately as well as MUAH as an IHC on a consolidated basis. It would be beneficial to provide some kind of quantitative threshold to define a "material legal entity." Furthermore, we would like clarification as to when entities will be officially defined as material, given that such entities will have little preparation time to establish the capability to report 2052a by February 2016.

We appreciate your consideration of our comments on the NPR. Please contact Allan Delossantos at 213-236-6013 or at Allan.Delossantos@unionbank.com with any questions as we would appreciate the opportunity to discuss any part of this letter in greater detail.

Sincerely,

John F. Woods
Chief Financial Officer of the Americas

CC:

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