



May 27, 2021

*Via Electronic Mail*

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, D.C. 20551

Re: Revisions to the Complex Institution Liquidity Monitoring Report (FR 2052a; OMB Control Number 7100-0361)

To Whom it May Concern:

The Bank Policy Institute, the Securities Industry and Financial Markets Association, the American Bankers Association, the Institute of International Bankers, and the Financial Services Forum (collectively, the Associations)<sup>1</sup> appreciate the opportunity to comment on the proposal by the Board of Governors of the Federal Reserve System to revise the Complex Institution Liquidity Monitoring Report (FR 2052a).<sup>2</sup> The Associations understand the need to revise the FR 2052a reporting forms and instructions to reflect and capture data elements relevant to the Net Stable Funding Ratio (NSFR) final rule “to monitor bank organizations’ liquidity positions and compliance with the Liquidity Risk Measurement (LRM) Standards”<sup>3</sup> and the importance of timely compliance with the NSFR, however the proposed reporting revisions are substantial and encompass the collection of information outside the scope of the final NSFR rule.

The Associations previously submitted a comment letter on the proposal on April 12<sup>th</sup> advocating for a longer, bifurcated implementation timeline of no earlier than April 1, 2022 for those proposed FR 2052a items necessary for the Federal Reserve to calculate the NSFR and no earlier than October 1, 2022 for the remaining changes to the FR 2052a.<sup>4</sup> Our comments contained herein are provided in addition to the request for an extended, and bifurcated, implementation timeline expressed in the Associations’ April 12<sup>th</sup> letter, as there are several areas in the proposal requiring clarification, particularly with respect to the proposed differences in submission timing of various elements. Further,

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<sup>1</sup> See Appendix A for descriptions of the Associations.

<sup>2</sup> 86 Fed. Reg. 16365 (March 29, 2021).

<sup>3</sup> Id at 16366.

<sup>4</sup> The Associations, *Revisions to the Complex Institution Liquidity Monitoring Report (FR 2052a; OMB Control Number 7100-0361)* (April 12, 2021).

our letter includes recommendations with respect to mapping of the FR 2052a to U.S. GAAP balance sheet reporting, as well as requests for clarification related to the Federal Reserve's expectations for monitoring firms' compliance with the NSFR and the interseries validation requirements. Additionally, our letter includes recommendations with respect to the applicability of certain non-NSFR and Liquidity Risk Measurement (LRM) related data elements and additional considerations specific to firms that are either not subject to a minimum NSFR requirement or are foreign banking organization respondents. The Associations have also included other recommendations, technical questions, and requests for clarification on the proposed changes in Appendix B.

## **I. Executive Summary**

- The submission timing differences in the proposed FR 2052a reporting revisions raise questions that require clarification.
  - The due dates for firms' monthly and quarterly submissions of FR 2052a data should be based on business days and not calendar days.
  - Clarification is needed with respect to the Federal Reserve's expectations for monitoring firms' NSFR compliance and upcoming public disclosure requirements in light of the proposed differences in submission timing.
  - Clarification is needed with respect to which FR 2052a data elements respondents should submit on daily or monthly submissions, compared to monthly and quarterly submissions of the Supplemental Reporting Items.
  - The differences in the proposed submission timeline of various data elements of the FR 2052a create challenges for respondents.
- The Federal Reserve should provide comprehensive mapping of the FR 2052a to U.S. GAAP balance sheet and further clarify aspects of the proposed balance sheet adjustments.
- A validation package for FR 2052a reporting should be provided to the extent that interseries reconciliation with the FR 2052a will be required, as well as a revised edit checks listing.
- Certain of the proposed data elements unrelated to the calculation of the NSFR should be excluded from the final FR 2052a in some cases and significantly reduced in scope for others.
  - The final FR 2052a should exclude certain proposed data items unrelated to the NSFR.
  - Certain proposed FR 2052a items, unrelated to the NSFR calculation, should be reduced in scope.
- The NSFR-specific products and data elements of the FR 2052a should only be required for respondents' material entities that are subject to NSFR requirements.
- The instructions to the FR 2052a should be clarified so that only the IHCs of foreign banking organizations are required to report NSFR-specific data elements.

- Implementation of the proposed FR 2052a revisions should be delayed until October 1, 2022 for firms not subject to the NSFR.
- The Federal Reserve should rely on comparable data elements from other regulatory reports for firms not subject to minimum NSFR requirements, rather than requiring such firms to report these data items on the FR 2052a.
- Incomplete mapping and certain other detailed questions, requests for clarification, and recommendations.

**II. The submission timing differences in the proposed FR 2052a reporting revisions raise questions that require clarification.**

The proposed revisions to the FR 2052a would require the provision of data for a single as-of date to be reported in multiple FR 2052a submissions that are due on different timelines. Generally, most data items are required to be reported daily on a T+2 business day basis for Category I, II, and certain Category III firms, monthly on a T+2 basis for Category III firms with less than \$75 billion in wSTWF, and monthly on a T+10 calendar day basis for Category IV respondents. The remaining items, including the NSFR Supplemental Products S.L7-S.L.10 and the S.B. table (Supplemental Reporting Items) are proposed to be reportable quarterly for Category IV firms with less than \$50 billion in wSTWF and monthly for all other firms, in both cases on a T+15 calendar day basis. As a result, the majority of the FR 2052a is due on a T+2 basis for firms in Categories I, II and III, whereas the Supplemental Balance Sheet table (S.B.) (with the exception of S.B.5 for Category I firms), and certain elements of the Supplemental Liquidity Risk Measurement table are refreshed at T+15 calendar days after the last business day of the month.<sup>5</sup>

**A. The due dates for firms' monthly and quarterly submissions of FR 2052a data should be based on business days and not calendar days.**

The due dates for both the Supplemental Reporting Items for all respondents, as well as the regular submissions for Category IV respondents, are based on calendar days as opposed to business days. As a result, there will be fluctuations in the time allotted for institutions to complete and submit FR 2052a reporting depending on holidays and which day of the week month-end occurs. Certain T+10 and T+15 monthly or quarterly submissions, as applicable, will therefore have a shorter turn-around time than others, impacting firms' abilities to maintain a consistent process for validation and controls. For example, had the proposed revisions already been in place over the last year, for the reports as of May 31, 2021, submissions due on T+10 calendar days would provide 8 business days and those due on T+15 would provide 11 business days. Whereas for submissions as of December 31, 2020, the time allotted by T+10 and T+15 calendar days amounts to 5 and 10 business days, respectively. Firms build submission timelines into their reporting infrastructures and these timing variations therefore make establishing the necessary reporting processes more difficult. Further, most firms' processes for closing their books are based around business days and not calendar days. We therefore recommend that monthly submissions be due on a T+10 or T+15 *business* day cadence, as opposed to a calendar day

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<sup>5</sup> During the May 6<sup>th</sup> "Ask the Fed" session on the FR 2052a, the Federal Reserve appeared to confirm that the proposed revisions would require two separate submissions for the same as-of date and respondents would be required to provide the applicable Supplemental Reporting Items on a T+15 basis.

basis. This would also better align with firms' existing internal processes for closing their books which are based on business days and would be consistent with the T+2 business days cadence used for daily reporting on the FR 2052a.

**B. Clarification is needed with respect to the Federal Reserve's expectations for monitoring firms' NSFR compliance and upcoming public disclosure requirements in light of the proposed differences in submission timing.**

The Associations are supportive of not requiring the daily submission of all the Supplemental Reporting Items for purposes of FR 2052a reporting, particularly as many of these data elements are not currently calculated or updated into the reporting systems daily. However, the approach of having bifurcated data submissions for a single as-of date, raises questions regarding the frequency with which supervisors will be utilizing FR 2052a data to monitor firms' compliance with the NSFR, as well as how firms' NSFR calculations using the FR 2052a dataset and related mapping appendix should be utilized for purposes of the upcoming NSFR public disclosure requirements.

As the Supplemental Reporting Items are only required to be submitted on monthly basis, it is not clear how the Federal Reserve intends to monitor firms' compliance with the NSFR, which is required to be greater than 1.0 "on an ongoing basis."<sup>6</sup> For instance, will the Federal Reserve calculate a firm's NSFR daily by using a combination of data elements submitted daily at T+2 /monthly T+2 /monthly T+10 frequencies and the prior month's "stale" Supplemental Reporting Items in those calculations? If so, the timing mismatch between T+2 and T+15 data elements that are required to calculate firms' NSFR would result in material differences between a firm's actual daily NSFR versus its NSFR that would be calculated based on FR 2052a reporting.

Alternatively, would the Federal Reserve calculate a firm's NSFR only monthly for purposes of monitoring compliance "on an ongoing basis"? Similarly, would use of the monthly Supplemental Reporting Items in the NSFR calculation fulfil a firm's obligation to publicly disclose its NSFR calculation on a semi-annual basis "as simple averages of daily amounts"? Or will firms be required to utilize daily information to calculate the NSFR, even if such information is not required to be submitted daily in the FR 2052a? We would note that the Prudential Regulation Authority (PRA) in its February 2021 consultation paper clarified its reporting expectations with respect to NSFR compliance for the firms it regulates. In the paper, the PRA states that while firms are required to maintain an NSFR ratio of 100% on an "ongoing basis," "it would not be proportionate to require firms to provide or be capable of providing daily NSFR reporting, as the data provided by this return is unlikely to change with a frequency that justifies its provision on a daily basis."<sup>7</sup> It is critical that the Federal Reserve provide transparency on how it plans to utilize FR 2052a data to monitor compliance with the NSFR, including a mapping of the Federal Reserve's calculation of the NSFR to the FR 2052a, as well as the supervisory expectations regarding firms' own NSFR calculations and ultimate public disclosures.

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<sup>6</sup> 86 Fed. Reg. 9120 (February 11, 2021) at 9202.

<sup>7</sup> Bank of England Prudential Regulation Authority, *Consultation Paper CP5/21- Implementation of Basel Standards* (February 2021) at page 47, available at <https://www.bankofengland.co.uk/prudential-regulation/publication/2021/february/implementation-of-basel-standards>.

**C. Clarification is needed with respect to which FR 2052a data elements respondents should submit on daily or monthly submissions, compared to monthly and quarterly submissions of the Supplemental Reporting Items.**

Relatedly, clarification is needed with respect to the reporting approach that should be used for data elements that are reportable at a reduced frequency. For example, with respect to daily submissions, it is not clear if firms will be required to report the Supplemental Reporting Items daily using data from the prior month end, in advance of the required monthly refresh of these items provided on a T+15 basis. Additionally, for firms' submission of the Supplemental Reporting Items provided on a T+15 basis, it is not clear if firms should also expect to provide refreshed balances of the previously submitted daily items with the same as-of date, and whether these supplemental inputs should be prepared based on a firm's final or estimated month-end balance sheet. For example, the proposed FR 2052a instructions indicate that in the Supplemental Balance Sheet table, PIDs S.B.1 through 6 should be provided as of the last business day of each calendar month on a T+15 basis, with the exception of S.B.5 Counterparty Netting, which is expected to be populated for each as-of date for Category I firms.<sup>8</sup> If required daily on a T+2 cadence, S.B.5 would be required to be based on a firm's estimated daily balance sheet. If the remaining items are required to be provided based on the month-end balance sheet, this could result in potential discrepancies between balance sheet adjustments determined based on estimated versus final month-end balance sheet data.

There are also certain data elements that are not available at the frequency required by the proposed revisions. As a specific example, the proposed risk weight attribute would be required for data items that are submitted either daily or monthly, depending on the category of the respondent firm. In order to calculate the NSFR, these data items that are now segmented by risk weight, would then be combined with data from the Supplemental Reporting Items, which "may be reported at a lesser frequency and with a longer delay as compared to the general frequency and timing of the report."<sup>9</sup> However, risk weights are otherwise generally provided on the FR Y-9C on a *quarterly* basis. The Federal Reserve's expectation on the updated frequency for risk weights in the FR 2052a, whether daily or monthly, is therefore inconsistent with the requirements of other existing regulatory reports. We therefore recommend that the Federal Reserve clarify the appropriate reporting approach for these items proposed to be reported at a reduced frequency, including specific examples provided concurrently with the issuance of final forms and instructions to demonstrate its expectations for reporting by respondents.

**D. The differences in the proposed submission timeline of various data elements of the FR 2052a create challenges for respondents.**

Pending responses to the questions above in Sections II.B and II.C, with the proposed differences in the timing of submission for FR 2052a data elements, firms may not be able to rely on the FR 2052a reporting systems, processes, and data elements for the NSFR ongoing monitoring and quantitative disclosure requirements. This would therefore drive establishment and maintenance of an entirely separate, but parallel, reporting process to support these requirements. While firms subject to

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<sup>8</sup> See Federal Reserve, *Draft FR 2052a Instructions - NSFR updates* at page 83, available at <https://www.federalreserve.gov/reportforms/formsreview/FR%202052a%20Draft%20Instructions%20.pdf>.

<sup>9</sup> Id.

the NSFR have been preparing to calculate a daily NSFR, many of these firms planned for any dual reporting to cease upon the effectiveness of the revised FR 2052a and publication of related NSFR calculation guidance, as opposed to the continued maintenance of two separate reporting processes, particularly in light of the importance and integration of the FR 2052a.<sup>10</sup>

Management of parallel NSFR reporting processes presents unique operational challenges. Existing operating models are geared toward producing a daily NSFR calculation, based on daily data elements where possible, to allow for monitoring of the ratio on an ongoing basis consistent with the NSFR final rule. The proposed FR 2052a reporting instructions and staggered submission of NSFR reporting elements present unique challenges for respondents with respect to reconciliation, as well as reporting controls relative to existing daily reporting processes, thereby increasing the operational burden.

Clarification on the items in Section II.B and II.C. will help minimize the burden described herein and ensure that firms are able to implement the final revisions to the FR 2052a in a strategic and operationally sound manner, consistent with their own expectations and those of their supervisors. To the extent that firms would need to revise their control processes to account for staggered submission of data elements with a single as-of date, or to simultaneously run two parallel processes, these difficulties would stand in addition to those contained in the Associations' April 12<sup>th</sup> letter and further support the Associations' request for an extension of the effective date for the FR 2052a of no earlier than April 1, 2022 for the proposed FR 2052a items necessary for the Federal Reserve to calculate the NSFR and no earlier than October 1, 2022 for the remaining changes to the FR 2052a.

### **III. The Federal Reserve should provide comprehensive mapping of the FR 2052a to U.S. GAAP balance sheet and further clarify aspects of the proposed balance sheet adjustments.**

As noted in the preamble to the NSFR final rule, "[t]he NSFR is a balance-sheet metric and its calculations would generally be based on the carrying value, as determined under GAAP, of a covered company's assets, liabilities, and equity."<sup>11</sup> However, current reporting on the FR 2052a does not align with U.S. GAAP balance sheet reporting and the way in which the proposal would achieve such alignment would entail significant burden for respondents.

In the absence of a more complete balance sheet mapping for the proposed revisions to the FR 2052a, there is no clear guidance as to how firms are expected to reconcile the entirety of their balance sheet to the FR 2052a. While the appendices to the FR 2052a instructions provide partial mapping, and the May 6<sup>th</sup> "Ask the Fed" session on the FR 2052a and relevant materials provide basic mapping of balance sheet elements,<sup>12</sup> these materials do not directly address all of the relevant items leading to a number of questions that in turn can have significant implications on firms' NSFR calculations.

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<sup>10</sup> As detailed in the Associations' April 12<sup>th</sup> comment letter, firms have established policies and procedures around their regulatory reporting to ensure they meet the Federal Reserve's, and their own, high expectations for testing, data quality, governance, and controls. This is particularly true for the FR 2052a, which in addition to its utility as a regulatory report, is also integrated into the liquidity risk monitoring, management, and stress testing at many firms.

<sup>11</sup> 86 Fed. Reg. 9120 (February 11, 2021).

<sup>12</sup> Federal Reserve, *Ask the Fed Session Presentation* at pages 7-8, available at <https://bsr.stlouisfed.org/askthefed/Home/DeliverFile/1893>.

For example, the calculation of a firm's RSF requirement associated with encumbered on- and off-balance sheet assets under Sections .106(c) and .106(d) of the NSFR rule is dependent on determining: (1) the value of the on-balance sheet asset that may be subject to a higher RSF requirement as a result of encumbrance, (2) the liability in which on- or off-balance sheet collateral is encumbered in, and (3) if the liability is an "NSFR Liability." While the NSFR mapping in Appendix VIII indicates that the additional fields in the Supplemental Balance Sheet table structure will be used to map adjustments to each respective ASF and RSF element identified in the mapping tables, the mapping document does not specifically clarify how the Supplemental Balance Sheet table adjustments will be applied to ASF and RSF elements in order to appropriately calculate firms' RSF requirements under Sections .106(c) and (d). The application of these adjustments to assets and liabilities may have significant impacts on a firm's NSFR calculation and may impact firms' current interpretation of the final NSFR rule.

Further, the proposed revisions to the FR 2052a and related instructions include a new Supplemental Balance Sheet table that captures the adjustments to carrying value and netting that are required to arrive at a balance sheet view required by the NSFR. The draft instructions for the "Carrying Value Adjustment" and note that it "[r]efers to all other adjustments to the value of FR 2052a balance sheet products necessary to arrive at the carrying value consistent with section 102 of the LRM Standards." The recent "Ask the Fed" session on the FR 2052a included a question on application of the "Carrying Value Adjustment" noted that this value, along with the value for "Counterparty Netting," would be applied to each table in Appendix VIII as necessary to comply with the NSFR's rules on construction. While we agree that monitoring compliance with the NSFR rule would require FR 2052a alignment with balance sheet reporting, using the approach of an adjustment to tie the FR 2052a data items back to the balance sheet would require such adjustments be made essentially on a transaction-by-transaction basis, introducing significant additional burden, complexity, and granularity to the already detailed FR 2052a reporting. For example, utilizing the "Counterparty Netting" field to report the necessary balance sheet adjustments to the relevant data items would at least double the number of line items that firms would need to submit.<sup>13</sup> Reconciliation of the FR 2052a with balance sheet reporting through these adjustments would also require a great deal of reconfiguration to integrate the carrying value and netting adjustments into reporting systems at the granular level required for the FR 2052a. Providing adjustments to arrive at the balance sheet amount when the FR 2052a amount differs from the balance sheet amount is a complex process that had not been contemplated by most firms in preparing for implementation of the NSFR. This is further complicated by the differences in submission timing of the proposed revisions, as discussed in further detail in Section II above, as firms will not only have to gather and apply these adjustments to the appropriate FR 2052a data item but also allow for accurate reporting of these values on the appropriate submission date.

We therefore recommend that the Federal Reserve provide a comprehensive listing of the items required to be reported on the FR 2052a and how those items map to balance sheet components. For example, the FR Y-9C balance sheet format could be used as a starting point, where the Federal Reserve could map the products and attributes that are required in each of the tables in the FR 2052a, as well as demonstrate how firms are expected to populate and apply the carrying value adjustments. Without

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<sup>13</sup> In line with the clarification requests contained in Section II.B herein, additional clarification should be provided on the daily requirement to submit data related to the netting adjustment, as several of the balance sheet items are only submitted monthly on a T+15 basis, to allow respondents to understand how the daily netting adjustment data will be used for monitoring.

such a document, balance sheet mapping and reconciliation would be left to interpretation, which could result in potential inconsistencies across firms.

Similarly, FR 2052a data is largely based on settlement date, whereas certain components of the balance sheet are based on trade date. The proposed instructions do not provide sufficient clarity or granularity on how firms should report reconciliations between settlement date versus trade date positions in the Supplemental Balance Sheet table. This clarification is notably important to ensure that data used in the FR 2052a can be accurately used in order to calculate funding requirements associated with asset positions that are reported based on trade date on balance sheet.

In light of the significant burden associated with the proposed addition of the S.B.6 Carrying Value Adjustment product to achieve to a balance sheet view required by the NSFR, we would recommend that the Federal Reserve consider an alternative approach of adding a new amount field for carrying value that would be submitted in each of the respective tables in which the positions are reported. Collecting this information in a new amount field for each table would eliminate some of the complexity associated with making adjustments to transactions and data elements through a separate table. Further, we would recommend that firms be given the option of limiting this extra field to the monthly T+15 cadence, consistent with the timing of the proposed adjustments. This alternative would in turn significantly reduce the additional reporting burden, as it would require roughly half of the line items that firms would have to submit compared to the approach contained in the proposal, while still providing the same information.

**IV. A validation package for FR 2052a reporting should be provided to the extent that interseries reconciliation with the FR 2052a will be required, as well as a revised edit checks listing.**

The extent of interseries reconciliation that is expected of respondents for the revised FR 2052a is unclear based on the information contained in the proposal. During the recent “Ask the Fed” session, Federal Reserve staff indicated that *in general*, interseries validation is implemented “where practicable to promote data quality.”<sup>14</sup> If the Federal Reserve is expecting such validations to be completed for the revised FR 2052a, we recommend provision of a validation package that provides specific interseries reconciliation edit checks, consistent with other reports, and that such package be provided at the time that final forms and instructions are released. A validation package would present respondent firms with discrete requirements that would clarify the scope of which reports are required to be reconciled with the FR 2052a and how firms should approach such reconciliations. This explicit guidance will also help eliminate some of the confusion associated with reconciliation of FR 2052a to U.S. GAAP balance sheet reporting described in Section II above.

Additionally, a new list of edit checks incorporating revisions related to the proposed additions to the FR 2052a should be provided to respondents. To the extent that the proposed new FR 2052a items will be subject to edit checks, firms will require sufficient time to build such checks into their automated reporting systems, while simultaneously generating the proposed new FR 2052a report. Firms therefore will require more information with respect to these checks in the form of a revised list of edit checks and consistent with our recommendation above with respect to the validation package, such list should be provided concurrently with the release of final forms and instructions.

Additionally, for a number of the proposed “Other” products noted in the draft instructions, there is a requirement for firms to “[u]se the comments table to provide a general description of other”

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<sup>14</sup> Federal Reserve, *Ask the Fed Session*, <https://bsr.stlouisfed.org/askthefed/Home/ArchiveCall/306>.



items included in the relevant product. However, adding comments daily across numerous products will increase production times and would be labor intensive for respondent firms. We therefore recommend that these “Other” products be shared monthly as part of the recommended Federal Reserve validation packs.

**V. Certain of the proposed data elements unrelated to the calculation of the NSFR should be excluded from the final FR 2052a in some cases and significantly reduced in scope for others.**

The proposal notes that a number of the revisions to the FR 2052a serve to “accurately reflect the NSFR final rule and to capture other data elements necessary to monitor banking organizations’ liquidity positions and compliance with Liquidity Risk Measurement (LRM) Standards.”<sup>15</sup> However, included in these proposed revisions to the FR 2052a are a number of new data items that are unrelated to the NSFR and LCR and have no bearing on the calculation of the required regulatory minimum ratios or the LRM Standards.<sup>16</sup> For many respondents, their reporting systems do not currently capture the information required to comply with the proposed revisions with sufficient granularity. In order to make the necessary systems changes, banks would first need to undertake significant analysis, including data sourcing, and expansion of their FR 2052a reporting infrastructure. As a result of the significance of the changes and expanded scope, firms would also need to consider implementation and testing of enhanced controls to ensure continued data accuracy. Some of these data elements may also require standalone mapping and manual updates, which stand in contrast to the desired approach of more strategic implementation, including enhanced data governance, data lineage and data accuracy, expected for regulatory reporting.

**A. The final FR 2052a should exclude certain proposed data items unrelated to the NSFR.**

Some of the proposed data items of the FR 2052a pose concerns outside of liquidity management. A specific example is the proposed G-SIB field, which requires Category I FR 2052a filers to identify data elements where the underlying counterparty is a G-SIB and to report the G-SIB name.<sup>17</sup> While supervisors may request specific counterparty information on a need-to-know basis as a part of the examination process, collecting specific counterparty information on a standardized daily report from multiple institutions raises concerns. Due to the granularity of the data reported on the FR 2052a, combined with the frequency of submission, this information can be highly sensitive in nature revealing intimate business interactions between major financial institutions, while at the same time it is not needed for calculating the liquidity metrics and would provide only limited value for safety and soundness monitoring. To the extent particularly sensitive data such as this is collected, it should therefore be subject to additional controls to ensure that it is kept confidential and only shared on a need-to-know basis at the Federal Reserve. A similar example is the proposed requirement to specify transactions with the Fixed Income Clearing Corporation (FICC) as a counterparty.

An additional proposed revision that would appear to fall outside of the scope of those changes related to liquidity risk monitoring, is the proposed collection of information on whether a transaction is

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<sup>15</sup> 86 Fed. Reg. 16365 at 16366.

<sup>16</sup> As defined on page 9 of the draft FR 2052a Instructions.

<sup>17</sup> See Federal Reserve, *Draft FR 2052a Instructions - NSFR updates* at page 35, available at <https://www.federalreserve.gov/reportforms/formsreview/FR%202052a%20Draft%20Instructions%20.pdf>.

undercollateralized, fully collateralized, or overcollateralized, in order to supplement proposed S.DC.1 data, 2 and 4 through 6. This revision would add significant burden driven largely by minor changes in value within established contractual tolerances, which would result in a significant burden for limited regulatory value. Similarly, the proposed requirement to identify which instruments reported in the Wholesale table qualify as TLAC instruments has no implications with respect to respondent firms' NSFR or underlying liquidity risks within business lines, which is the stated purpose of the data collected by the FR 2052a.<sup>18</sup> Similarly, the proposal would require respondent firms "to identify the accounting designation applicable to each asset reported under products I.A.1: Unencumbered Assets and I.A.2: Capacity."<sup>19</sup> This added attribute much like the TLAC identification requirement, is unrelated to the monitoring of respondents' liquidity positions and the underlying liquidity ratios.

Finally, the proposed revisions would require firms "to designate the business line responsible for or associated with all applicable exposures."<sup>20</sup> This proposed field would be applicable to all tables with the exception of the Supplemental Liquidity Risk Measurement table. The business line data item is similarly outside of the scope of data elements relevant to the liquidity standards. Further, this particular data element is not comparable across the industry and therefore would provide limited utility, making use of this information difficult.

As the abovementioned proposed data elements would have no impact on firms' calculation of the NSFR and compliance with LRM Standards, we recommend that these data elements and attributes not be included in the final FR 2052a. To the extent that the Federal Reserve would like to increase the frequency of which capital elements and related requirements are monitored, such data items should be proposed through a separate notice and comment process.

**B. Certain proposed FR 2052a items, unrelated to the NSFR calculation, should be reduced in scope.**

In addition to those items noted in Section V.A, the proposal includes the expansion of the scope of a number of data elements many of which are unrelated to the calculation and monitoring of the NSFR and other LRM Standards, the stated goal in the proposal. As such they should be reduced in scope for FR 2052a reporting to help minimize the need for data sourcing and alleviate implementation and reporting burden for respondent firms.

Specifically, the proposal would expand Counterparty segmentation to now include Pension Fund; Broker-Dealer; Investment Company or Advisor; Financial Market Utility; Other Supervised Non-Bank Financial Entity; and Non-Regulated Fund. Similarly, the proposal would also expand collateral classes to now include ETFs listed on U.S. and non-U.S. exchanges, U.S. and non-U.S. mutual fund shares (items E-5 to E-8 of Appendix III), and Equity investment in affiliates. This proposed broadening in the scope of

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<sup>18</sup> See Federal Reserve, *Supporting Statement for the Complex Institution Liquidity Monitoring Report*, available at <https://www.federalreserve.gov/reportforms/formsreview/FR%202052a%20OMB%20SS.pdf>.

<sup>19</sup> Federal Reserve, *Draft FR 2052a instructions - NSFR updates* at page 34, available at <https://www.federalreserve.gov/reportforms/formsreview/FR%202052a%20Draft%20Instructions%20.pdf>.

<sup>20</sup> See Federal Reserve, *Draft FR 2052a instructions - NSFR updates* at page 28, available at <https://www.federalreserve.gov/reportforms/formsreview/FR%202052a%20Draft%20Instructions%20.pdf>.

counterparty segments and collateral classes is not necessary for monitoring of liquidity risk or calculation of NSFR, wSTWF or LCR, and would add significant burden to FR 2052a reporting related to data sourcing, daily reporting controls and validations. The incremental burden associated with these expansions exceeds any potential added value and therefore should be reduced to exclude these new counterparty segments and ETFs listed on U.S. and non-U.S. exchanges, U.S. and non-U.S. mutual fund shares (items E-5 to E-8 of Appendix III), and Equity investment in affiliates.

**VI. The NSFR-specific products and data elements of the FR 2052a should only be required for respondents' material entities that are subject to NSFR requirements.**

The FR 2052a instructions require U.S. Category I, II, and III respondent firms as well as foreign banking organizations to submit data at the consolidated level, as well as separately, at a material entity level. The instructions are unclear as to whether firms are expected to produce all data elements, inclusive of those data elements specific to the NSFR like the new balance sheet items plus the carrying value adjustment, at the same level, even if such entities are not subject to a minimum NSFR requirement. As discussed in Section III above, applying the carrying value adjustment, which has been proposed to facilitate balance sheet reconciliation for the purposes of the NSFR consistent with Section 102 of the Liquidity Risk Measurement Standards, is a significant and burdensome requirement. This burden increases substantially if such adjustments established for compliance with the NSFR rule are applied to all material entities, including those that do not have a minimum NSFR requirement.

We therefore recommend that these NSFR-specific products and data elements should only be required to be reported for a material entity if the material entity has an underlying NSFR requirement, otherwise firms should be permitted to report them solely at the consolidated level. This would include removing the application of these items, such as Regulatory Capital Element (S.B.1) and Risk Weight, to the U.S. branches of foreign banking organizations, as discussed in further detail below in Section VII.

**VII. The instructions to the FR 2052a should be clarified so that only the IHCs of foreign banking organizations are required to report NSFR-specific data elements.**

Foreign banking organizations with more than \$100 billion in combined U.S. assets are required to file the FR 2052a for their consolidated U.S. operations (CUSO), and separately for any material entity. However, further clarification is needed with respect to those particular NSFR-specific data elements of the FR 2052a that foreign banking organizations must submit. For example, while the draft instructions for the NSFR supplemental products (S.L.7-10) note that reporting of these items is only required for the intermediate holding company (IHC) of a foreign banking organization, there are other NSFR-related data items for which this clarity is currently lacking, as applicability is based on the tailoring categorization of the reporting firm, without specifying whether the relevant categorization is that of the IHC or the CUSO.

This clarification is necessary because, pursuant to the final tailoring rules, foreign banking organizations receive categorizations both for the CUSO, as well as separately for the IHC.<sup>21</sup> For instance, the proposed revisions afford U.S. Category IV firms with less than \$50 billion in wSTWF the option of not reporting NSFR related items, which is consistent with the fact that such U.S. firms do not have minimum NSFR requirements. With respect to the foreign banking organizations, the draft instructions should differentiate between the category of a foreign banking organization's CUSO and IHC. For

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<sup>21</sup> See 84 Fed. Reg. 59032 (November 1, 2019).

example, the general instructions to the Supplemental Liquidity Risk Measurement table merely state the requirements for “FBOs that are identified as Category IV foreign banking organizations and have average weighted short-term wholesale funding of less than \$50 billion have the option of not reporting products in this table.” We recommend that these instructions be revised to state “FBOs with an IHC that is identified as Category IV ...”

These clarifications would align the reporting instructions with the fact that, under the tailoring rules, the NSFR requirements are only applicable to a foreign banking organizations’ IHC of a certain category. It would further avoid misinterpretations that could result in filers erroneously seeking to report these data elements for the CUSO, which in turn would be misaligned with the applicability of NSFR requirements. Absent this clarification, the proposed revisions could otherwise be read to require data to be produced for entities within a foreign banking organization’s CUSO that are not otherwise required to produce such data, such as a requirement for U.S. branches of a foreign banking organization to designate the standardized risk weight of unsecured and secured lending transactions on the FR 2052a in a manner consistent with 12 CFR §217 subpart D.

**VIII. Implementation of the proposed FR 2052a revisions should be delayed until October 1, 2022 for firms not subject to the NSFR.**

As discussed in the Associations’ April 12<sup>th</sup> comment letter, a short implementation timeline would jeopardize the years of quality improvement and report control enhancements that firms have invested in FR 2052a reporting efforts due to the collection’s importance to both firms’ processes as well as those of the regulators. As noted in the OMB supporting statement to the proposed revisions, “[t]he Board’s supervisory surveillance program relies on this data, which provide timely information about firm-specific liquidity risks during periods of stress. The Board uses analyses of liquidity risk to inform its supervisory processes, including the preparation of analytical reports that detail funding vulnerabilities. FR 2052a data also contribute to the Board’s supervisory monitoring efforts by identifying potential impediments to the movement of liquidity across legal entities. In addition, the FR 2052a provides detailed information that the Board uses to monitor compliance with its Liquidity Coverage Ratio (LCR) and NSFR rules.”<sup>22</sup> Given the importance of FR 2052a reporting and the breadth of its application to the Federal Reserve’s supervisory processes, maintaining a high level of data quality, governance, and controls is paramount for the FR 2052a. Firms therefore need sufficient time for implementation of the proposed revisions to allow respondents to effectively test their systems and controls, to meet the high data quality expectations.

In addition to the other significant issues discussed in the Associations’ April 12<sup>th</sup> comment letter that impact all FR 2052a respondents, there are further considerations for firms that are not subject to the NSFR. Given the lack of underlying NSFR requirement, these institutions have not been preparing for the July 1, 2021 NSFR effective date, including preparing for modifications to their reporting systems. However, the newly proposed revisions essentially require all FR 2052a respondents to put an NSFR framework into place, at least for reporting, even if they are not subject to the underlying requirement. While these firms were anticipating some revisions to the FR 2052a, they were not working toward a FR

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<sup>22</sup> Federal Reserve, *OMB Supporting Statement for the Complex Institution Liquidity Monitoring Report* at page 2, available at <https://www.federalreserve.gov/reportforms/formsreview/FR%202052a%20OMB%20SS.pdf>.

2052a buildout in line with the sheer volume of changes currently proposed and therefore these firms must build out their FR 2052a reporting systems from the ground up.

We therefore recommend that implementation of the proposed reporting requirements for those firms not subject to minimum NSFR requirements be delayed until at least October 1, 2022.

**IX. The Federal Reserve should rely on comparable data elements from other regulatory reports for firms not subject to minimum NSFR requirements rather than requiring such firms to report these data items on the FR 2052a.**

Several of the new data elements that would be required in the proposed revisions to the FR 2052a are available on existing regulatory reports already filed by respondents. One way to alleviate the additional burden imposed by the proposed revisions would be reliance on these existing regulatory reports, to the extent possible, to gather the new NSFR-specific datapoints. This is particularly appropriate for firms that are required to report on the FR 2052a, however have no underlying NSFR requirement. Several of the new FR 2052a data elements can be pulled from the FR Y-9C. For example:

- S.B.1 – Regulatory Capital Element: similar data is available using Line 5 (CET 1 Capital), Line 23 (Additional Tied 1 Capital), and Line 42a (Tier 2 Capital) from Schedule HC-R Part I of the FR Y-9C
- S.B.2 – Other Liabilities: comparable data is available on the FR Y-9C Schedule HC-G, Line Item 5 (Total – Other liabilities)
- S.B.3 – Non-Performing Assets: similar data can be obtained from the sum of Columns B and C of Line 9 (Total Loans and Leases) and Line 10 (Debt securities and other assets (exclude other real estate owned and other repossessed assets)) of the FR Y-9C Schedule HC-N
- S.B.4 – Other Assets: comparable data is available in the FR Y-9C, Schedule HC-F Line 7 (Total – Other Assets)

While sourcing some of these elements from the FR Y-9C may lack some of the granularity that would be required on the FR 2052a (i.e., S.B.2 Other Liabilities and S.B.4 Other Assets), the nature of these exposures may allow the Federal Reserve to make conservative or simplifying assumptions for firms without an NSFR requirement. Other products such as S.B.1 and S.B.3 can be directly mapped to the FR Y-9C given their use in discrete boxes of the Appendix VIII NSFR calculation. Utilizing these existing regulatory filings would further permit institutions to utilize their established controls and repeatable processes in their production and reducing the additional burden on banks. Additionally, doing so would eliminate the need for firms to establish and perform further controls for the proposed data points added to the FR 2052a that would be required to be reported at a higher frequency.

Requiring those firms that are not subject to the NSFR final rule to disclose these amounts on a quarterly basis, nearly 30 days earlier than in established reports, introduces unnecessary risks and undue burden while providing limited potential benefits. Utilizing these existing data sources would be in furtherance of the requirement contained in the Paperwork Reduction Act that a data collection “is not unnecessarily duplicative of information otherwise reasonably accessible to the agency.”<sup>23</sup> We therefore recommend that the Federal Reserve rely on comparable data elements

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<sup>23</sup> U.S. Code § 3506(c)(3)(b).

from other regulatory reports for firms not subject to minimum NSFR requirements rather than requiring such firms to report these data items on the FR 2052a.

**X. Incomplete mapping and certain other detailed questions, requests for clarification, and recommendations.**

In addition to the draft instructions, the proposal provides a number of draft appendices mapping unique data identifiers reported on the FR 2052a to provisions related to the NSFR, wSTWF, and LCR. While these appendices are helpful in providing additional clarity on the proposed revisions to respondents, there are aspects of the mapping that appear incomplete or require further clarification. Appendix B to this letter includes several of these technical recommendations and requests for clarification, including those related to the FR 2052a mapping.

\* \* \* \* \*

The Associations appreciate the opportunity to comment on the proposal. If you have any questions, please contact the undersigned at [brett.waxman@bpi.com](mailto:brett.waxman@bpi.com), [pryan@sifma.org](mailto:pryan@sifma.org), [atouhey@aba.com](mailto:atouhey@aba.com), [swebster@iib.org](mailto:swebster@iib.org), or [scampbell@fsforum.com](mailto:scampbell@fsforum.com).

Respectfully submitted,



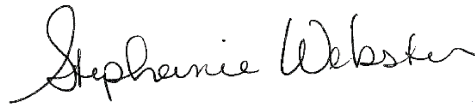
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Board of Governors of the Federal Reserve System

Maryann Kennedy  
Jonathan Gould  
Office of the Comptroller of the Currency

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Federal Deposit Insurance Corporation

## **Appendix A**

### **The Bank Policy Institute**

The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

### **The Securities Industry and Financial Markets Association**

SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

### **The American Bankers Association**

The American Bankers Association is the voice of the nation's \$21.9 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard \$17 trillion in deposits, and extend more than \$11 trillion in loans. Learn more at [www.aba.com](http://www.aba.com).

### **The Institute of International Bankers**

The Institute of International Bankers 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.

### **The Financial Services Forum**

The Financial Services Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a leading source of lending and investment in the United States and serve millions of consumers, businesses, investors, and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace, and a sound financial system.



## Appendix B

### Overarching requests for clarification, questions, and recommendations:

1. **Historical Filings:** When necessary, the Federal Reserve requests that firms resubmit historical filings with updated information. After implementation of the proposed revisions to the FR 2052a, if the Federal Reserve requests resubmission of an as-of date prior to effectiveness of the revised FR 2052a, would the Federal Reserve request the resubmission based on the 2052a requirements in effect as of the earlier date, or would they also require the new data elements? The answer to this will inform the information technology strategy as one entails, at a minimum, maintaining two separate reporting environments simultaneously. Submitting historical filings using the revised template would be difficult, as firms will have to retroactively conform prior submissions to the revised form and as additional data sourcing would be needed; however, submitting historical filings using the template in place at the time of the filing would also create challenges, as once firms implement a new reporting structure they “turn off” obsolete systems and therefore the automation used for prior historical filings would no longer exist. Due to these potential challenges, and as the difficulties can vary from firm to firm, we therefore recommend that the Federal Reserve give respondent firms the option to submit historical filings using the template of firms’ choosing.
2. **Effective Maturity Bucket:** The effective maturity bucket field “is only relevant for data elements in the Inflows--Assets, Inflows-Unsecured, Inflows-Secured table, Supplemental-Derivatives & Collateral and Supplemental-Balance Sheet tables,” while previously, this field only applied to inflows-secured. More clarity is needed on how this field is to be utilized for the new tables to which it will now be applied.
3. **Maturity Buckets:** How should the FR 2052a Time Buckets be mapped to the NSFR < 6 Months and ≥ 6 Months, < 1 year and ≥ 1-year buckets?
  - a. Appendix IVa of the FR 2052a instructions continues to reflect one FR 2052a maturity bucket for 151-180 days and another for 181-270 days. As such, Firms would need to equate < 6 Months to < 181 days.
  - b. Similarly, there is one FR 2052a maturity bucket for 271 Days – 1 year and another for > 1 year ≤ 2 year. As such, Firms would not be able to meet the ≥ 1-year NSFR bucket requirement.
4. **Maturity Optionality:**
  - a. **“Evergreen” & “Extendible”:** Clarity is needed on the treatment of products that have features of both “Evergreen” and “Extendible.” For example, if a contract has terms including “options to extend the maturity” and that “require either or both parties to provide a minimum number of days’ notice before the transaction can contractually mature,” would the treatment of such contract or product be “Evergreen” or “Extendible”?

- b. **“Not Accelerated”**: The draft instructions note that “Not Accelerated” “[r]efers to all other transactions with embedded optionality that could accelerate the maturity of an instrument, but that maturity is not assumed to be accelerated as per the requirements for reporting of the [Maturity Bucket] field.” Clarity is needed on the definition of “not accelerated” and firms would find specific examples beneficial.
5. **Counterparty Classifications**: the 2052a-NSFR Mapping Appendix treats Debt Issuing special purpose entities (SPEs) as Non-Financial Wholesale Entities, however, the 2052a-STWF and LCR Mapping Appendices continue to treat Debt Issuing SPEs as Financial Sector Entities. Specifically, Appendix VI tables (32(h)(2)) and 104 (33(d)(1)) include Debt Issuing SPE within the Financial Counterparty Segments and Appendix VII table 16 includes Debt Issuing SPE with wholesale funding obtained within the financial sector. Clarification is needed that this is an oversight and Debt Issuing SPEs should receive the same treatment on the three appendices.
6. **Collateral Classes**: The collateral class “IG-2-Q” is described in the instructions as “Investment Grade Municipal Obligations,” while the collateral class “IG-2” is described as “Investment Grade US Municipal General Obligations.” Is this distinction deliberate and can the Federal Reserve provide additional clarification as to the intent and differences between the two collateral classes?
7. **Encumbrance Type**: How should firms report the “encumbrance type” for an asset that has been used to source a new asset through an asset exchange that is pledged as initial margin? For example, use an on-balance sheet non-HQLA equity security to source an HQLA security through a > 6-month asset exchange, which is pledged as initial margin.
  - a. In accordance with Sections .106 and .107 of the final NSFR, if an on-balance sheet asset is used as initial margin, the RSF requirement that is applied is the higher of: (1) 85 percent RSF for initial margin provided under Section .107, or (2) the RSF factor assigned to that asset under Section .106. This ensures that there is, no double count applied for the funding raised to source the asset, which is used to meet a firm’s initial margin requirement. The proposed FR 2052a instructions and mapping to NSFR is consistent with firms’ interpretation of the final NSFR rule, whereby if an on-balance sheet asset is provided as initial margin, it is reported with an encumbrance type = Derivative IM or DFC. Separately, total firm initial margin provided would be reported under S.D.5. In this example, total firm initial margin provided would be mapped to Table 106 and receive an 85 percent funding requirement, and the on-balance sheet asset would only be mapped to an NSFR section if its RSF factor under Section .106 is higher than 85 percent.

However, the proposed FR 2052a instructions and mapping to NSFR imply a different interpretation of the final NSFR rule where a firm uses an on-balance sheet asset in an asset exchange, and the asset received is provided as initial margin.

Our interpretation of the final rule is that the RSF requirement for the on-balance sheet asset should be the higher of: (1) 85 percent, or (2) the RSF factor for the asset on-balance sheet. For example, a firm has \$100 of a non-HQLA asset, which is

used to source an HQLA asset in an asset exchange. Firms use the HQLA asset to meet initial margin requirements. Our interpretation of the final NSFR rule is that firms should look through to the end use of the collateral received in the asset exchange to determine the RSF factor for the on-balance sheet asset. Therefore, the RSF should be the higher of: (1) \$85 for initial margin provided, or (2) \$85 for the non-HQLA asset on a firm's balance sheet. This principle is consistent with the principles set forth under Section .106(d)(2), where firms are required to look through to the end use of collateral received in an asset exchange to determine the appropriate RSF factor for the on-balance sheet asset provided in the asset exchange.

However, based on our understanding of the proposed FR 2052a instructions, the transaction would be reported as follows:

- i. The on-balance sheet non-HQLA asset in I.A.7 with an "encumbrance type" of "Securities financing transaction." This would map to Table 82 in the NSFR mapping and receive an 85% RSF funding requirement.
- ii. The off-balance sheet asset received in the asset exchange would be reported in I.S.4 with encumbrance type "Derivative IM or DFC." This does not map to the NSFR mapping.
- iii. Total firm initial margin provided would be reported in S.D.5. This would map to Table 106 in the NSFR mapping and receive an 85% funding requirement.

Therefore, when the FR 2052a is mapped to NSFR, this would result in an \$85 RSF requirement applied twice, totaling \$170 for: (1) RSF applied to the non-HQLA on-balance sheet asset, and (2) RSF applied to initial margin provided, resulting in an inaccurate representation of the total funding the firm would need to meet its initial margin requirement and maintain the on-balance sheet non-HQLA asset on its balance sheet, and divergence from our interpretation of the final NSFR rule.

Please confirm if in this example, when determining the "encumbrance type" for the on-balance sheet asset, respondents can look through to the end use of the collateral received in the asset exchange, i.e., populate as Derivatives IM and DFC, in order to ensure NSFR calculated based on FR 2052a appropriately calculates the funding requirements associated with this transaction chain.

#### **Table-Specific Questions, Requests for Clarification, and Recommendations**

##### **1. I.A: Inflows-Assets**

- a. **I.A.3 – Unrestricted Reserve Balances:** For I.A.3, there is a reference to "other cash" in the instructions, however, the "other cash" option has been removed and replaced with "Currency and Coin." The instructions should be revised to state "Currency and Coin" consistent with the other revisions to the applicable section.

- b. **I.A.7— Encumbered Assets:** The instructions to I.A.7 state that the Encumbered Assets product “[r]efers to encumbered assets, of which the reporting entity is the beneficial owner (i.e., the assets are represented on the accounting balance sheet), that are not otherwise captured under other FR 2052a balance sheet products in the I.A, I.U or I.S tables.” Clarity is needed with respect to which products should be included in I.A.7 and examples of such transactions would be helpful.
2. **I.U: Inflows-Unsecured**
- a. **I.U.8 – Unposted Debits:** It is unclear as to the nature of transactions and/or products that would give rise to accounting entries on the balance sheet that would then fit with the definition of the “Unposted Debits” PID. Clarification is needed as to what products this PID is intended to capture, and specific examples would be beneficial for respondents.
3. **I.O: Inflows-Other**
- a. **I.O.6 – Interest Dividends and Receivables:**
- i. Is interest receivable to be reported both under the I.U tables (aggregated with Principal) and under Interest and Dividends Receivable (I.O.6)? The instructions for the I.U. table require principal and interest and the I.S. table now only requires principal, as interest is now stricken from the instructions. As I.O.6 appears to require all interest, which creates a double count on interest for unsecured items.
- ii. The instructions for I.O.6 require that the Counterparty field designate the recipient of the interest. Is there an expected distinction between the reporting entity, which is also the recipient of the interest, and the entity that is to be reported within the Counterparty field?
4. **O.D: Outflows-Deposits**
- a. **O.D.7 – Operational Escrow Accounts:** The revised FR 2052a added to the definition of “Operational Escrow Accounts” an example of an account excluded from the term “escrow account” because it is under the *borrower’s* total control: “For purposes of this section, the term ‘escrow account’ excludes any account that is under the borrower's total control (e.g., payments collected by depository institution secured by real estate and other loans serviced for others that have not yet been remitted to owners of the loans).” The recently added Question 5 of the FR 2052a FAQ Volume 12 uses the exact same example for an account that is excluded from the term “escrow account” because it is under the *servicer’s* total control. Clarification should be provided on whether a servicer’s total control or borrower’s total control excludes the account from the term “escrow account,” and more generally, whether principal and interest payments secured by real estate and other loans serviced for others that have not yet been remitted to owners of the loans may be categorized as escrow accounts depending on the control of the account.

5. **O.O: Outflows-Other**

- a. **O.O.19 – Interest & Dividends Payable:** The revised 2052a instructions note “For equity dividends, report a [Collateral Class] of “Y-4”.” In Appendix III, “Y-4” is defined as Equity investments in affiliates. Do these instructions refer to solely to intercompany equity dividends or to all equity dividends?

6. **I.S: Inflows - Secured /O.S: Outflows- Secured**

- a. **GAAP Netting for applicable SFTs:** There is not consistency in the language for I.S/O.S. in terms of whether firms are expected to disclose gross values, with adjustments to tie back gross SFTs to the balance sheet being reported as subtractive values in the S.B table. Clarification is needed on the netting process given that GAAP netting is applied to the on-balance sheet cash legs. For any process of allocation of the collateral, guidance is needed in terms of the extent that the collateral value on the trade would be greater than the ‘netted’ cash leg and potentially made up of more than one instrument. Additionally, for those SFTs for which the Fair Value Option (FVO) has been chosen by the reporting entity – what is the maturity value to be disclosed? Is it the amortized cost LESS any projected interest (out to 30 days) with the value difference, to tie back to the balance sheet, disclosed in the BS table under ‘Carrying Values’?

7. **S.DC: Supplemental-Derivatives & Collateral**

- a. **Encumbrance type:** The proposed instructions should specify which S.D.C products will require the reporting of an Encumbrance Type and those products for which the Encumbrance Type are optional.
- b. **S.DC.21 – Other Collateral Substitution Capacity:** With respect to the revised instructions for this product, clarity is needed on the following:
  - i. Can the reporting entity disclose capacity based upon assets eligible for substitution that are owned outright and currently encumbered, but will become unencumbered after the first good business day following the current reporting date? If not, it appears that for S.DC.21, the only possible values of Maturity Bucket are either Open or the bucket corresponding to the first Business Day.
  - ii. Can the reporting entity disclose capacity by assuming assets are transferrable amongst entities? As an example, Entity A has pledged USTs to a \$100 funding transaction with a residual maturity of 3 months that also accepts non-HQLA securities per the transaction’s collateral schedule. Entity A does not have Non-HQLA securities eligible to substitute Entity B does have Non-HQLA securities eligible to substitute. Can Entity A disclose capacity by assuming transfer of the Non-HQLA securities from Entity B to Entity A?

- iii. The instructions state “[r]eport only values in USD, representing the difference between the fair value of the collateral held and the fair value of the collateral that could be posted, after applying the haircut factors prescribed in the LCR Rule.” Could the Federal Reserve therefore please clarify the expected value to be reported based on the example provided in FAQ Volume 12 Response 1? Is it the difference between the USTs posted (\$25 at 100%) and the Non-HQLA collateral that could be posted (\$25 at 0%), i.e., \$25?

8. **S.L: Supplemental-Liquidity Risk Measurement (LRM)**

- a. **S.L.1 – Subsidiary Liquidity that Cannot be Transferred:** Can Subsidiary Liquidity that Cannot be Transferred (per LCR rules) be excluded from the parent-entity’s RSF since such assets are not available to the parent-entity?
- b. **S.L.9 – Additional Funding Requirement for Off-Balance Sheet Rehypothecated Assets:** Please clarify the reporting instruction for this line item, as it currently seems incomplete: “Refers to a reporting entity’s required stable funding amount under Section .106(d)(3) of the LRM Standards. Use the [Collateral Class] field to indicate the type of asset that.”

9. **S.B: Supplemental-Balance Sheet**

- a. **S.B.1 – Regulatory Capital Element:** The instructions note that S.B.1 should include the carrying value of regulatory capital, excluding capital instruments already reported in the O.W. table. Therefore, amounts reported in S.B.1 would exclude any Tier 2 Capital qualifying subordinated debt instruments reported in the O.W. table. However, in the NSFR final rule, an NSFR regulatory capital element means any capital element included in a national bank’s or Federal savings association’s common equity tier 1 capital, additional tier 1 capital, and tier 2 capital...prior to application of capital adjustments or deductions. Additionally, in the Appendix VIII NSFR Mapping, ID (1) only references S.B.1, without any reference to any Tier 2 Capital subordinated debt items reported in the O.W. table. Clarification is therefore needed on how S.B.1 would appropriately capture all NSFR regulatory capital elements.
- b. **S.B.2 – Other Liabilities & S.B.4 - Other Assets:** The instructions note that S.B.2 and S.B.4 would include all other assets and liabilities “not otherwise captured under other FR 2052a balance sheet products.” Clarification is needed as to whether Non-Cash items should be included for these elements.
- c. **S.B.5 – Counterparty Netting:**
  - i. S.B.5 Counterparty Netting requires firms to show subtractive/offsetting values for related PIDs (such as I.S.1--Reverse Repo) and O.S.1--Repo). Are these amounts equivalent to the U.S. GAAP netting that is allowed for financial reporting or are there additional conditions to be considered

before deriving these figures for NSFR (such as encumbrance or collateral first and then netting)? For example, how should firms allocate RSF factors to a SFT netting set, if the netting set includes reverse repos with underlying securities collateral received of different RSF factors (i.e., Level 1 (0%) versus non-Level 1 (15%))? Additionally, how would this granularity to be captured in the supplemental balance sheet table across the reference attributes given the netting criteria for U.S. GAAP can differ to the NSFR netting requirements? Below are potential approaches:

1. Approach 1 (Netting only within same RSF factor): The European Banking Authority has a prescribed netting approach and applies the SFT netting set at the level of securities collateral with the same RSF factor only.
  2. Approach 2 (Netting by applying an allocation approach across RSF factor): The covered company should apply the zero percent RSF factor and 15 percent RSF factor to the net receivable's carrying value based on the proportionate share of the secured lending transactions secured by rehypothecatable level 1 liquid assets (level 1 reverse repurchase agreement) and secured lending transactions secured by other collateral (non-level 1 reverse repurchase agreement) (pre-netting).
- ii. As the instructions provide for Carrying Value Adjustments to allow for adjustments from market values to carrying values, is a separate product for Counterparty Netting necessary and is the expectation that the amounts reported under Carrying Value Adjustments should exclude amounts reported under Counterparty Netting?
- d. **Data Tables:** Field definitions specify for all firms (with the exception of Category III or IV firms) to report currency for all assets, liabilities, and other informational data elements. However, in "Appendix I: FR 2052a Data Format, Tables, and Fields," the updated Data tables section starting on page 99 of the instructions no longer include currency. Can the Federal Reserve confirm that this is a required field?

#### **FR 2052a Mapping Questions and Requests for Clarification**

1. **FR 2052a-LCR mapping (Appendix VI):**
  - a. Appendix VI Tables 48 and 49 relate to non-operational deposits. However, the mapping states to include PID O.D.5 "Excess Balances in Operational Accounts." Is this an oversight and should mapping include PID O.D.6 only?
  - b. Proposed collateral swap mapping Tables 92-95 are revised to use "Maturity Amount" rather than "Collateral Value," whereas Tables 83-91, which also relate to collateral swaps, continue to use the "Collateral Value" field. Is this calculation field inconsistency for the same product intended?

- c. The draft FR 2052a instructions now include fee-based transactions where collateral has been received and no collateral has been pledged in I.S.4 Collateral Swaps, with a sub-product of No Collateral Pledged. These transactions are now mapped in Appendix VI Tables 86, 89, 91, with outflow rates ranging from 50-100%. However, for fee-based loans reported in O.S.4 Collateral Swaps with a sub-product of No Collateral Received, these transactions have not been mapped to any IDs in Appendix VI. If the firm is contractually due back collateral that has been pledged in a fee-based loan transaction that matures within 30 days, can you clarify why such a transaction would not be mapped to the LCR?
  - d. **Secured Funding Transactions:** The NSFR final rule revised the definition of Secured Transaction Funding. The revised definition now includes any funding transaction that is subject to a legally binding agreement that gives rise to a cash obligation of the Board-regulated institution to a wholesale customer or counterparty that is secured under applicable law by a lien on securities or loans provided by the Board-regulated institution, which gives the wholesale customer or counterparty, as holder of the lien, priority over the securities or loans in the event the Board-regulated institution enters into receivership, bankruptcy, insolvency, liquidation, resolution, or similar proceeding. Secured funding transactions include repurchase transactions, securities lending transactions, other secured loans, and borrowings from a Federal Reserve Bank. Secured funding transactions do not include securities. As a result of this revised definition, should securitization P&I outflows to Investors be remapped to Table 18 Structured Transaction Outflow Amount 32(b), another section, or can they continue to be mapped to Table 76 Secured Funding Non-HQLA 32(j)(1)(vi)?
2. **FR 2052a-STWF Mapping (Appendix VII):** Within Appendix VII there is inconsistent use of collateral swap PIDs being proposed. For example, mapping Table 11 (STWF line 2b) continues to use O.S.4, yet Table 15 (STWF line 3b) has been revised to use I.S.4 instead of O.S.4. Is the inconsistent use of PIDs for the same product intended?
3. **Appendix VI & Appendix VII:** For Appendix VI and Appendix VII, some mappings now use a filter for collateral class of “NULL or not securities or loans.” Should this be interpreted as all collateral classes except: NULL/C-1/P-1/P-2/LC-1/LC-2/Z-1?
4. **FR 2052a-NSFR Mapping (Appendix VIII):**
  - a. **Incomplete Mapping:** The current mapping provided in Appendix VIII does not provide a complete mapping of the FR 2052a reporting requirements with the NSFR’s calculation required under the NSFR final rule. There are a number of items that seem to have been missed in the mapping document and it is unclear whether the exclusion of these items is intentional or not.
    - i. Appendix VIII includes unsettled asset purchases in Table 52, however there is no reference in the mapping documents for the treatment of unsettled asset sales. In light of this, it is not clear whether banks are expected to capture these transactions in other “catch all” lines, or if this is an oversight that will be corrected in final instructions.



- ii. Section .106(d)(3) of the NSFR final rule indicates that an “encumbrance penalty” only applies when off-balance sheet collateral is used in an NSFR liability (i.e., the strict rule text indicates that if off-balance sheet collateral is used in an off-balance sheet liability, the encumbrance penalty would not apply). For example, customer margin received from a margin loan is off-balance sheet collateral. If the customer margin is encumbered in a > 6-month repurchase agreement (NSFR liability), the encumbrance penalty would apply (Example 1). However, if the customer margin is encumbered in a > 6-month asset exchange, the rule text would indicate that the encumbrance penalty does not apply (Example 2). In the FR 2052a-NSFR mapping, however, for Example 2, this would be reported in I.S.5 with a maturity bucket > 6 months and encumbrance type = securities financing transaction, which does not differentiate between on- or off-balance sheet transactions and would map to Table 96 (and receive a 50% RSF), which is more punitive than the rule. Clarification is needed that this interpretation of the final rule is in line with the Federal Reserve’s expectations, and if so, the encumbrance type field and associated NSFR mapping should be updated to differentiate between encumbrance in a NSFR liability vs. non-NSFR liability.
- iii. Appendix VIII does not include mapping for O.D.14 Other Third-Party Deposits with Retail Counterparty in the NSFR ASF Mapping tables. By contrast, Tables 12 and 13 in Appendix VI includes such mapping for placed retail deposits. We request that the Federal Reserve correct Appendix VIII to remedy this inconsistency across the NSFR and LCR mapping tables.
- iv. Appendix VIII prescribes the following treatment for O.D.8 non-reciprocal non-sweep brokered deposits:
  - 1. Table 15 assigns 90% ASF per Section .104(c)(4) of the NSFR rule for deposits maturing  $\geq$  1 year
  - 2. Table 26 assigns a 50% ASF per Section .104(d)(7)
  - 3. Table 35 assigns of 0% ASF per Section .104(e)(2) for deposits maturing in less than 6 months

However, Sections .104(c)(4) and .104(e)(2) of the NSFR final rule are specifically applicable to non-reciprocal non-sweep brokered deposit balances that are not held in transactional accounts, while Section .104(d)(7) may apply to both transactional and non-transactional accounts that mature within 6 months – 1 year. Given that the FR 2052a does not segment O.D.8 non-reciprocal non-sweep brokered deposits between transactional and non-transactional accounts, can the Federal Reserve clarify how the data should be mapped in order to achieve the prescribed NSFR treatment?

- b. **Mapping inconsistencies and ambiguities:** There are a number of inconsistencies between the proposed instructions and Appendix VIII, where in the draft instructions, certain elements are not required for various PIDs, however, such elements are applicable or required for NSFR mapping. Clarification is therefore needed on whether these inconsistencies are intentional and if so, how firms are expected to reconcile such differences.
- i. Counterparty requirements included within 'Appendix II-b: FR 2052a Counterparty Requirements' do not specify the need to capture counterparty for either (a) O.O.19 Interest & Dividends Payable and (b) I.O.6 Interest and Dividends Receivable, however the new 'Appendix VIII NSFR to FR 2052a Mapping' requires counterparty type.
  - ii. In the Appendix VI LCR mapping, O.W.3 Collateralized Commercial Paper, is treated as secured funding under (32)(j) of the LCR rule, as outlined in Tables 64, 67, 73 and 78 of the appendix. However, in the Appendix VIII NSFR mapping, this is treated as wholesale debt issued by the firm rather than secured funding, with reference to Sections .104(a)(2), .104(d)(5) and .104(e)(3) of the NSFR rule, as outlined in Tables 3, 24, and 36 of the appendix. Clarification is needed on why there is difference in treatment of O.W.3 Collateralized Commercial Paper across the LCR and NSFR calculations.
  - iii. **Table 3** – It is unclear why O.W.15 Structured Notes should not be excluded from Table 3. While Structured Notes are mapped to Table 24 if between 6 months and 1 year, it is unclear why those greater than 1 year would not also be mapped to Table 3. Also, it is unclear how firms can have free credits with a term over 1 year.
  - iv. **Table 46** - Derivative balances in I.U.7 Cash Items in the Process of Collection are explicitly excluded and are not mapped anywhere in Section 107. It is unclear if derivative balances are expected to be mapped to I.U.7.
  - v. **Table 54, 57, and 62** – It is unclear why Table 54 requires a Q and Tables 57 and 62 do not. Clarification is needed as to where Level 1 HQLA eligible assets that do not receive a "Q" should be mapped.
  - vi. **Table 55 and 60** – Clarification is needed as to why I.S.7: Outstanding Draws on Secured Revolving Facilities that have a specific term should be excluded from Section .106(a)(1)(vii).
  - vii. **Table 66** – It is unclear why this is limited to non-Level 1.
  - viii. **Table 69** – Clarity is needed as to why Financial Sector Entity is not excluded from Table 69.

- ix. **Table 83 and 84-** I.A.5: Unsettled Asset Purchases should be mapped to Section .106(a)(1)(v) getting 0% RSF instead of Section .106(a)(6)(iv) getting 85% RSF.
- x. **Table 93** –Examples of the I.U.7 Cash Items in the Process of Collection that are > 6 months and not forwards that are intended to be mapped to encumbered assets should be provided.
- xi. **Table 104, 113, and 115** – Confirmation is needed that variation margin received and posted is a cumulative amount based on both ins and outs.
- xii. **Tables 112 to 115** – There appears to be a typo where these tables should reference Section .107 instead of Section .106.
- xiii. **Table 113** – An example should be provided of how the overcollateralized field should be applied to this table.
- xiv. **Table 115** - There appears to be a typo where the table references S.DC.10: Variation Margin Received instead of S.DC.8: Variation Margin Posted - House
- xv. The Counterparty of Retail/Small business is not applicable for:
  - 1. O.S.1/O.S.2/O.S.3/O.S.11 – However it is required for NSFR mapping into Table 29 Other secured funding from retail customers (Section .104(d)(9))
  - 2. I.S.1/I.S.2/I.S.3 – However it is required for NSFR mapping into Table 66 Secured lending to non-financials maturing in < 1 year (Section .106(a)(4)(iv))
  - 3. I.U.1/I.U.2 – However it is required for NSFR mapping into Table 67 Unsecured lending to non-financials maturing in < 1 year (Section .106(a)(4)(iv))
- c. **Duplication in Mapping:** It appears there is a duplication in the treatment of O.D.4 Operational Account Balances and O.D.7 Operational Escrow Accounts. Deposits reported in O.D.4 and O.D.7 with maturity of  $\geq 1$  year are mapped to item (4) with reference to Section .104(a)(2) at 100%, as well as to item (25), with reference to Section .104(d)(6) at 50% ASF. However, the NSFR rule clarifies that the ASF assigned to operational deposits are based on “... the operational relationship with the depositor rather than the contractual tenor of the funding or the type of wholesale counterparty.” Clarification is therefore needed on the appropriate mapping of the O.D.4 in the mapping appendix.