

June 8, 2015

***Submitted Electronically***

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

Re: FR 2420 Report of Selected Money Market Rates

Dear Sir:

The American Bankers Association<sup>1</sup> (ABA) appreciates the opportunity to comment on the proposed revision to FR 2420, *Report of Selected Money Market Rates* (Proposal). FR 2420 (Report) collects daily information on the level and pricing of certain bank liabilities, including federal funds, certificates of deposits, and Eurodollar deposits. FR 2420 data are currently used to analyze and monitor money market conditions. The Proposal seeks to expand the Report by increasing the number of institutions covered by the Report, collecting additional data elements, and modifying certain definitions. Additionally, the Proposal would broaden the usage of the data collection from money market monitoring to calculation of the Federal Funds Effective Rate (FFER), production of an overnight bank funding rate, and monitoring firm liquidity risk.

ABA understands and appreciates the Federal Reserve's need to collect robust data to implement monetary policy objectives and monitor money market activity. However, the Federal Reserve must take into account that collection of data is not without significant costs, which should in all cases be avoided if the additional collection does little to enhance the Federal Reserve's ability to conduct monetary policy and/or fulfill its responsibilities for monitoring the markets. Does the marginal increase in information outweigh the more than marginal increase in costs and burden on the additional institutions affected by the proposal? We see no evidence that it does. While we appreciate the Federal Reserve's proposal to except institutions from the reporting if the institution can demonstrate it has an "ongoing business model that results in negligible activity in these markets,"<sup>2</sup> it is currently unclear how and with what frequency an institution can apply for this exception, which would still impose unnecessary costs on covered institutions. We believe

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<sup>1</sup> The American Bankers Association is the voice of the nation's \$15 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard \$11 trillion in deposits and extend more than \$8 trillion in loans.

<sup>2</sup> 80 Fed. Reg. 18622 (April 7, 2015)

that the burden should rest with the Federal Reserve to demonstrate convincingly that this additional information is indeed needed by the Federal Reserve to do its job.

We believe that a better approach would be for the Federal Reserve to be more targeted in identifying which institutions should submit the Report, based upon the clear and demonstrable value and need of such reporting to the Federal Reserve. For example, the Federal Reserve should focus more on level of activity pertinent to the reporting purposes, instead of relying upon the largely irrelevant measure of an institution's level of assets. We believe an activity focused approach would achieve a balance between the Federal Reserve's need for data and the costs of imposing reporting burdens on institutions that have minimal presence in the markets for which the Federal Reserve is seeking data.

Moreover, we wish to articulate our concerns with the broadening of the reporting panel, the proposed transition time, and use of the Report for supervisory purposes. We would also note our support for the recommendations offered in the comment letter submitted by The Clearing House Association L.L.C., which requests definitional clarification and calls for a formalized FAQ process.

#### **I. The Federal Reserve should focus its data requests on information that is necessary to meet the purposes of the request**

Under the proposal, the asset threshold used for determining which institutions would be required to submit the Report would be reduced from \$26 billion to \$15 billion. ABA has significant concerns about the proposed lowering of the asset threshold, which we believe is an arbitrary measure of whether an institution has the information needed for the Federal Reserve's stated purposes.

According to Call Report data, institutions with between \$15 billion and \$26 billion in assets hold only about five percent of total federal funds purchased, not enough taken together, and certainly not enough individually, to affect monetary policy or move markets.<sup>3</sup> Moreover, as we have noted before, the FR 2420, and particularly its daily 7 a.m. deadline, imposes significant administrative cost for covered institutions.<sup>4</sup> These costs are magnified, on a relative basis, for smaller institutions, which have fewer resources. Since many of the institutions the Federal Reserve proposes to include in the reporting have limited money market activities, the Proposal would require the use of resources to build reporting systems for collection and submission of data, which in the end will provide the Federal Reserve with negligible, if any, additional information.<sup>5</sup>

Due to the cost of filing the Report relative to the additional benefit to the Federal Reserve, we strongly encourage the Federal Reserve to establish a more targeted approach to identifying institutions required to file the report. The Proposal would require institutions with between \$5 billion and \$10 billion to file the Report only if they meet certain market activity thresholds, in

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<sup>3</sup> March 31, 2015, Call Report

<sup>4</sup> Comment letter filed by ABA, The Clearinghouse and the Institute of International Bankers  
<http://www.aba.com/Advocacy/commentletters/Documents/JointTradeFR2420.pdf>

<sup>5</sup> Using the total federal funds purchased data on the December 31, 2014, Call Report data show that institutions in this size range hold about five percent of federal funds purchased outstanding.

recognition that a “modest” number of these institutions are active borrowers of federal funds. This is a more reasonable approach, which we strongly support. The Federal Reserve should embrace such an approach with regard to any institution to which it intends to extend reporting requirements, in order to prevent imposing unnecessary costs and burdens on institutions with limited activities in these markets and also to ensure that Federal Reserve resources are more focused where significant activity of interest takes place.

## **II. The Federal Reserve Should Extend the Transition Period**

The Proposal would require covered institutions to begin submitting the revised Report on September 9, 2015. Given that the comment period closes on June 8th and the Federal Reserve will have to review comments and publish a final notice, the proposed timeframe is unrealistic. The Proposal would add several line items and redefine others, which would require institutions currently covered under the Report to modify and validate their systems - a process that takes more the couple of months allotted under the Proposal. Moreover, those institutions that the Federal Reserve proposes to add to the Report would have less than a quarter to build and test the reporting systems necessary to comply with the Proposal. No less than two quarters would be needed after the final requirement is released for currently covered institutions to comply and any newly covered institutions would need at least a year.

## **III. The FR 2420 should not be used for liquidity risk monitoring**

We object to the broadening of the purpose of the Report from purely monetary policy implementation to one with a supervisory component. While we acknowledge the added benefit an understanding of an institution’s liabilities pricing adds to liquidity risk monitoring, we have significant concerns regarding the appropriateness of using the Report for supervisory purposes. Typically, supervisory data are compiled and submitted within strict internal control, audit, and governance protocols. The timing and frequency of the Report, however, mean that it is not possible for covered institutions to subject their data to proper regulatory reporting controls and ensure that the data submitted to supervisors are properly consolidated, reconciled, and verified for reasonableness. The proper forum for supervisory evaluation of an institution’s cost of funding is via the normal examination and supervisory process. Accordingly, we urge the Federal Reserve to use the supervisory and reporting framework already in place to monitor individual firm liquidity positions.

Additionally, we appreciate the effort to streamline the Report with the 2052a, the Complex Institution Monitoring Report. However, given that the Federal Reserve is currently implementing significant changes to the 2052a, we do not have enough information to comment on whether or not the reports are duplicative or complimentary. Further, we request clarification on the interaction between the Report and the FR 2052b. It is unclear why the Federal Reserve would require daily reporting from institutions in the \$15-26 billion dollar asset range, after acknowledging through the FR 2052b implementation process that daily reporting is burdensome and unnecessary for these institutions. Moreover, not all institutions that would be required to file the Report have to file the FR 2052b. Accordingly, for supervisory purposes, the Federal Reserve would have very limited data on which to evaluate the liquidity position of smaller banks. Given that the data collections encompass institutions for whom that Federal Reserve is

not the primary regulator, it is unclear by which process the Federal Reserve will coordinate with the other banking agencies

We appreciate your consideration of these comments and would welcome the opportunity to discuss them further. If you have any question or need further information, please contact the undersigned at 202-663-5182 or [atouhey@aba.com](mailto:atouhey@aba.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Alison T.", with a long horizontal flourish extending to the right.

Alison Touhey  
Senior Regulatory Advisor