March 1, 2016

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
Attn: 1557-0244
400 7th Street, S.W., Suite 3E-218
Mail Stop 9W-11
Washington DC 20219

Subject**: Renewal of Information Collection: Funding and Liquidity Risk Management**

This letter is in response to the Office of the Comptroller of the Currency's (OCC) request for comment on the agency's proposal to extend, without revision, the currently approved collection of information. Comments must be received by April 29, 2016. I appreciate the OCC's request for public comment. I fully support the agency's quest to reduce paperwork and unnecessary burden.

The OCC invites comments on the following:

1. Whether the collection of the proposed information is necessary for the proper performance of the OCC and whether the information has practical utility
2. The accuracy of the OCC's estimate of burden
3. Ways to enhance the quality, utility and clarity of the information
4. Ways to minimize burden on respondents via the use of technology
5. Estimates of capital or start-up costs or cost of operation

My comments relate to topics #1 and #3.

SOME PROPOSED INFORMATION COLLECTION IS BURDENSOME WITH NO PRACTICAL UTILITY

Section 14 of the Policy Statement states that financial institutions should consider "*the risk in internal product pricing, performance measurement, and new product approval process* ...". These three enumerated regulatory expectations are nebulous, derivative, burdensome, and have no practical utility.

The *Comptroller's Handbook* on Liquidity (page 3) defines "liquidity risk" as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability (or perceived inability) to meet its obligations. This is a good definition. However, it is difficult to understand how an error (risk) in performance measurement (say, an error in the calculation of the return on equity capital, or the return on average assets) will adversely impact liquidity or the ability of the bank to meet its obligations. For example, if a spreadsheet error results in an incorrect calculation of a performance measure, how does that impact liquidity risk? Is there any empirical evidence to show the association between inaccurate "performance measurements" and liquidity risk? And if the bank does incur errors and glitches in performance measurements and internal approval processes, is that not Operational Risk? (i.e., not liquidity risk).

Finally, while the *Comptroller's Handbook* discusses liquidity risk at length, it does not discuss how product pricing, performance measurement and internal approval processes impact liquidity risk. In fact, there is no OCC Bulletin, Alert, or Advisory Letter that mentions the liquidity risk associated with product pricing, performance measurement, and approval processes. This is likely because there is no clear and direct connection between these factors and the bank's ability to meet its obligations. For example, there is no clear and direct connection between mispricing an overdraft fee (product pricing) to liquidity risk. There is no clear and direct connection between flaws in an internal approval process (say, failure to obtain the signoff of the Legal Department) to liquidity risk. If somehow there were a relationship between these estranged matters and liquidity risk, it would be a third- or fourth-order knock-on effect whose impact could not be estimated *a priori*.

Action Item: In the OCC's extension of the information collection, the OCC should either delete this part of the Policy Statement ("*the risk in internal product pricing, performance measurement, and new product approval process* ...") or provide the industry with definitions, explanations or examples of what it means by the (liquidity) risk in product pricing, performance measurement, and internal approval processes.

PLEASE CONSIDER ALL PUBLIC COMMENTS

The OCC improves the quality, utility and clarity of information when it attentively responds to all significant public comments before finalizing rules.

Presidential Executive Order 13563 (January 18, 2011) sets forth the general principles of regulation. Section 2 of the Order requires regulations to be adopted through a process involving public participation. To that end, regulations are to be based, to the extent feasible, on the open exchange of information and perspectives among affected stakeholders and the public. Federal agencies are to base their reasoning and conclusions on the rulemaking record, consistent of the comments, scientific data, expert opinions, and facts accumulated during the pre-rule and proposed rule stages. [1]

If the OCC and American people are to benefit from a process of public comments, it is important for the public to know whether the OCC considered all comments, and if the views or evidence presented was accepted or rejected by the agency. When the OCC leaves unclear whether it considered comments, the public record is incomplete and the OCC creates the perception that it makes final decisions on rules without considering the data, views, and arguments of others. The opportunity to comment on proposed regulation is meaningless unless the OCC responds to germane points raised by the public.

I appreciate the opportunity to comment on the OCC's proposal. I wish the agency the best of luck.

Sincerely,

Sandra A. Holly
Hyattsville, MD

[1] If the rulemaking record contains persuasive new data or policy arguments, or contains difficult questions, there is a presumption that the agency will amend aspects of the rule to reflect these new issues, or terminate the rulemaking.