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## **FEDERAL RESERVE SYSTEM**

### **12 CFR Part 249**

**[Regulation WW; Docket No. 1525]**

**RIN 7100 AE-39**

### **Liquidity Coverage Ratio: Public Disclosure Requirements; Extension of Compliance Period for Certain Companies to Meet the Liquidity Coverage Ratio Requirements**

**AGENCY:** Board of Governors of the Federal Reserve System (Board).

**ACTION:** Notice of proposed rulemaking with request for public comment

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**SUMMARY:** The Board invites public comment on a proposed rule that would implement public disclosure requirements regarding the liquidity coverage ratio (LCR) of large, internationally active banking organizations and certain smaller, less complex banking organizations. The proposed rule would apply to all depository institution holding companies and covered nonbank companies that are required to calculate the LCR (covered companies). A covered company would be required to publicly disclose on a quarterly basis quantitative information about its LCR calculation, as well as a discussion of certain features of its LCR results. The proposed rule also would amend the LCR Rule to provide a full year for certain companies to come into compliance.

**DATES:** Comments on this notice of proposed rulemaking must be received by February 2, 2016.

**ADDRESSES:** When submitting comments, please consider submitting your comments by e-mail or fax because paper mail in the Washington, DC area and at the Board may be subject to delay. You may submit comments, identified by Docket No. R-1525, RIN

7100 AE 39, by any of the following methods:

- Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include docket number in the subject line of the message.
- Fax: (202) 452-3819 or (202) 452-3102.
- Mail: Robert de V. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

All public comments are available from the Board's website at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street NW. (between 18th and 19th Street NW.), Washington, DC 20006 between 9:00 a.m. and 5:00 p.m. on weekdays.

**FOR FURTHER INFORMATION CONTACT:** Gwendolyn Collins, Assistant Director, (202) 912-4311, Peter Clifford, Manager, (202) 785-6057, Adam S. Trost, Senior Supervisory Financial Analyst, (202) 452-3814, J. Kevin Littler, Senior Supervisory Financial Analyst, (202) 475-6677, SoRelle Peat, Financial Analyst, (202) 452-2543, Risk Policy, Division of Banking Supervision and Regulation; Dafina Stewart, Counsel, (202) 452-3876, or Adam Cohen, Counsel, (202) 912-4658, Legal Division, Board of Governors of the Federal Reserve System, 20th and C Streets NW.,

Washington, DC 20551. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), (202) 263-4869.

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**I. Overview of Proposed Rule**

**A. LCR Rule**

On September 3, 2014, the Board of Governors of the Federal Reserve System (Board), the Office of the Comptroller of the Currency, and the Federal Deposit

Insurance Corporation (collectively, the agencies) adopted a final rule (LCR Rule) to implement a quantitative liquidity requirement, the liquidity coverage ratio<sup>1</sup> (LCR), for certain companies. The LCR is designed to promote the short-term resilience of the liquidity risk profile of large and internationally active banking organizations, thereby improving the financial sector's ability to absorb shocks arising from financial and economic stress, and to further improve the measurement and management of liquidity risk. The LCR Rule requires a company subject to the rule to maintain an amount of high-quality liquid assets (HQLA) (the numerator of the ratio)<sup>2</sup> that is no less than 100 percent of its total net cash outflows over a prospective 30 calendar-day period of stress (the denominator of the ratio).<sup>3</sup>

The LCR Rule applies to large and internationally active banking organizations, generally, (1) bank holding companies, certain savings and loan holding companies, and depository institutions that, in each case, have \$250 billion or more in total consolidated assets or \$10 billion or more in on-balance sheet foreign exposure; (2) depository institutions with \$10 billion or more in total consolidated assets that are consolidated subsidiaries of such bank holding companies and savings and loan holding companies; and (3) nonbank financial companies designated by the Financial Stability Oversight Council for Board supervision to which the Board has applied the LCR Rule by rule or

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<sup>1</sup> 79 FR 61440 (October 10, 2014). The LCR is consistent with the liquidity coverage ratio standard established by the Basel Committee on Banking Supervision (Basel III Liquidity Framework). See Basel Committee on Banking Supervision, "Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools" (January 2013), available at <http://www.bis.org/publ/bcbs238.htm>.

<sup>2</sup> A company's HQLA amount is calculated according to 12 CFR 249.21.

<sup>3</sup> A company's total net cash outflows is calculated according to 12 CFR 249.30 or 249.63.

order. The LCR Rule also applies, via a final rule adopted by the Board (modified LCR Rule) that implemented a modified LCR requirement (modified LCR), to bank holding companies and certain savings and loan holding companies that, in each case, have \$50 billion or more in total consolidated assets but that do not meet the threshold for large and internationally active firms (modified LCR holding companies). Community banking organizations are not subject to the LCR Rule.

### **B. Proposed LCR Disclosure Requirements**

One of the key lessons of the recent financial crisis was that market participants did not have adequate access to information about the liquidity risk profiles of large banking organizations. In the Supplementary Information to the LCR Rule, the agencies indicated their plans to seek comment on “instructions pertaining to a covered company’s disclosure of the final rule’s LCR.”<sup>4</sup> Such public disclosures would facilitate transparency and help to promote market discipline by providing investors and other stakeholders with comparable information about the liquidity risk profiles of those companies.

The proposed rule would apply to the following companies subject to the LCR Rule: (1) all bank holding companies and certain savings and loan holding companies that, in each case, have \$250 billion or more in total consolidated assets or \$10 billion or more in on-balance sheet foreign exposure; (2) nonbank financial companies designated by the Financial Stability Oversight Council for Board supervision to which the Board

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<sup>4</sup> 79 FR 61440, 61445 (October 10, 2014).

has applied the LCR Rule by rule or order (covered nonbank company);<sup>5</sup> and (3) modified LCR holding companies (collectively, covered companies). The proposed rule would not apply to depository institutions.

The proposed rule would require a covered company to publicly disclose information about certain components of its LCR calculation in a standardized tabular format (LCR disclosure template) and discuss certain features of its LCR results.<sup>6</sup> Under the proposed rule, a covered company would be required to provide timely public disclosures, including the LCR disclosure template, each calendar quarter in a direct and prominent manner on its public internet site or in a public financial or other public regulatory report. Such disclosures would need to remain available to the public for at least five years from the time of initial disclosure.<sup>7</sup>

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<sup>5</sup> At this time, General Electric Capital Corporation is the only nonbank financial company designated by the Financial Stability Oversight Council for Board supervision to which the Board has applied the LCR Rule. See 80 FR 4411 (July 24, 2015).

<sup>6</sup> The Basel Committee on Banking Supervision (BCBS) published liquidity coverage ratio disclosure standards in January 2014 and revised the standards in March 2014 (BCBS disclosure standards). Basel Committee on Banking Supervision, “Liquidity coverage ratio disclosure standards” (March 2014), available at <http://www.bis.org/publ/bcbs272.htm>. The BCBS disclosure standards include a common disclosure template (BCBS common template) intended to improve the transparency of regulatory liquidity requirements, enhance market discipline, and reduce uncertainty in the markets. This proposed rule would implement public disclosure requirements that are consistent with the BCBS disclosure standards and the BCBS common template with some modifications to require more granularity and to reflect ways in which the LCR Rule differs from the BCBS standard. The differences between the proposed rule and the BCBS disclosure standards relate primarily to the enhancements implemented in the LCR Rule. The disclosure requirements contained in the proposed rule generally will ensure comparability of components of the liquidity coverage ratio calculations on an international basis.

<sup>7</sup> Although the proposed rule would apply only to covered companies, in the future the Board, along with the other agencies, may develop a different or modified reporting form that would be required for both covered companies and depository institutions subject to

Each of the proposed disclosure requirements is designed to highlight important aspects of a covered company's liquidity position. Public disclosure of information about covered company LCR calculations would help market participants and other parties consistently assess the liquidity risk profile of covered companies. In designing the proposed disclosure requirements, the Board has considered the burden of the proposed disclosures relative to the public interest served by requiring their disclosure. All the required quantitative disclosures reflect data that covered companies are already required to compute under the LCR Rule. Moreover, the disclosure requirements for a discussion of certain features of covered companies' LCR results largely reflect information that covered companies already should have prepared to meet the liquidity risk management standards and practices required by the agencies through other applicable liquidity regulations and described in guidance. The Board invites comment on all aspects of the proposed rule, including what changes, if any, could improve the clarity and utility of the disclosure.

## **II. Quantitative Disclosure Requirements**

As noted above, under the proposed rule, a covered company would be required to publicly disclose certain components of its LCR calculation in a standardized tabular format. The proposed standardized tabular format will help market participants compare the LCRs of covered companies across the U.S. banking industry and international jurisdictions.

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the LCR Rule. The Board anticipates that it would solicit public comment on any such new reporting form.

The proposed LCR disclosure template is similar to a common disclosure template developed by the BCBS; however as discussed in more detail in sections II.A through II.D of this Supplementary Information, the proposed rule reflects differences between the LCR Rule and the Basel III Liquidity Framework.

The proposed rule includes a number of requirements designed to help ensure the comparability of data across companies. Under the proposed rule, a covered company would be required to calculate all disclosed amounts as simple averages of the components used to calculate its daily LCR over a quarterly reporting period, except that modified LCR holding companies would be required to calculate all disclosed amounts as simple averages of the components used to calculate their monthly modified LCR. In addition, a covered company would be required to calculate all disclosed amounts on a consolidated basis; express the results in millions of U.S. dollars or as a percentage, as applicable; and clearly indicate the date range covered by the disclosure by indicating the beginning and end-date of the reporting period on the LCR disclosure template. The proposed rule would require a covered company to disclose both average unweighted amounts and average weighted amounts for the covered company's HQLA, cash outflow amounts, and cash inflow amounts. The proposed rule includes cross-references to the applicable sections of the LCR Rule and to each numbered row of the proposed LCR disclosure template.

*1. What, if any, unintended consequences might result from a covered company publicly disclosing its LCR and the components used to calculate its LCR, specifically in terms of liquidity risk?*

#### **A. Disclosure of Eligible HQLA**



The proposed rule, like the BCBS common template, would require a covered company to disclose its average eligible HQLA.<sup>8</sup> In addition, the proposed rule would require disclosure of the average amounts of a covered company's eligible HQLA that qualify as eligible level 1, level 2A, and level 2B liquid assets to assist market participants and other parties to assess the quality and composition of a covered company's HQLA amount.<sup>9</sup>

The proposed rule would require the disclosure of both average unweighted amounts and average weighted amounts of eligible HQLA and each of its component levels of assets (i.e., level 1, level 2A, and level 2B liquid assets). The average unweighted amounts would be calculated prior to applying the haircuts required under 12 CFR 249.21(b) to the asset amounts. The average weighted amounts would be calculated after applying the haircuts required under 12 CFR 249.21(b) to the asset amounts.

#### **B. Disclosure of Cash Outflows**

The proposed rule would require a covered company to disclose its cash outflows, including both the average unweighted amounts and average weighted amounts. This information is important to understand the ongoing funding risks facing a firm, and in particular, potential sources of strain during a 30 calendar-day period of market volatility. The average unweighted amounts of cash outflows would be calculated prior to applying the outflow rates specified in 12 CFR 249.32. The average weighted amounts of cash

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<sup>8</sup> Eligible HQLA are high-quality liquid assets that meet the requirements set forth in 12 CFR 249.22.

<sup>9</sup> See 12 CFR 249.20 and 249.22.

outflows would be calculated after the application of the outflow rates specified in 12 CFR 249.32.

The proposed disclosure requirements for cash outflows are consistent with the BCBS common template, with a few modifications. First, the proposed rule adjusts some of the cash outflow category titles from those in the BCBS common template for consistency with the terminology used in the LCR Rule. For example, the proposed rule would have an outflow title that includes “unconsolidated structured transactions” and “mortgage commitments” because those items are separate outflow provisions in the LCR Rule.

Second, in the Supplementary Information section of the LCR Rule, the agencies explained that certain types of retail brokered deposits could result in greater liquidity risks and, as a result, the LCR Rule provides outflow rates tailored to these types of retail brokered deposits in 12 CFR 249.32(g).<sup>10</sup> Given the LCR Rule’s treatment of retail brokered deposits, the proposed rule would require the unweighted and weighted average amounts of cash outflows from retail brokered deposits to be disclosed separately from other retail deposits.

Third, the proposed rule would require disclosure of both the average unweighted and average weighted amounts of secured wholesale funding (e.g., repurchase agreements) and asset exchange outflows as specified in 12 CFR 249.32(j). Although the BCBS common template includes only disclosure of the weighted amount of secured wholesale funding, disclosure of the average unweighted value will allow market

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<sup>10</sup> See 79 FR 61440, 61490 – 61494.

participants and other parties to better understand the composition of assets supporting these types of transactions.

### **C. Disclosure of Cash Inflows**

The proposed rule would require a covered company to disclose its cash inflows, including both average unweighted amounts and average weighted amounts. As with information regarding cash outflows, information regarding cash inflows is important to understand the ongoing funding risks facing a firm. Similar to the requirements for cash outflows, the average unweighted amounts of cash inflows would be calculated prior to applying the inflow rates specified in 12 CFR 249.33. The average weighted amounts of cash inflows would be calculated after the application of the inflow rates specified in 12 CFR 249.33.

The proposed disclosure requirements for cash inflows are similar to the BCBS common template, with a few modifications. As with outflows, the proposed rule adjusts some of the cash inflow category titles from those used in the BCBS common template to make the terminology consistent with the LCR Rule and to disaggregate certain categories. For instance, the proposed rule would require “net derivative cash inflow,” “securities cash inflow,” “broker-dealer segregated account inflow,” and “other cash inflow” amounts each to be disclosed separately. In contrast, these inflow amounts are aggregated in the BCBS common template.

### **D. Disclosure of HQLA Amount, Total Net Cash Outflow Amount, Maturity Mismatch Add-on, and Liquidity Coverage Ratio**

The proposed rule would require a covered company to disclose its average HQLA amount, average total net cash outflow amount, and the average LCR as measured over the quarterly reporting period. A covered company’s HQLA amount and total net

cash outflow amount are the numerator and the denominator of the LCR, respectively, and thus, are important to help market participants and other parties understand the liquidity risk profile of a covered company and compare profiles across companies.

A covered company is required to calculate its HQLA amount pursuant to 12 CFR 249.21. The HQLA amount is equal to the covered company's eligible HQLA, minus the appropriate amount to comply with the caps on the inclusion of certain assets as specified in the LCR Rule.

A covered company is required to calculate its total net cash outflow amount pursuant to 12 CFR 249.30. In order to determine a covered company's total net cash outflow amount, the LCR Rule requires covered companies, except modified LCR holding companies, to calculate a maturity mismatch add-on under 12 CFR 249.30(b) to address liquidity risks posed by maturity mismatches between a covered company's outflows and inflows during the 30 calendar-day period.<sup>11</sup> To show the effect of the maturity mismatch add-on calculation on the total net cash outflow amount, the proposed rule would require separate disclosure of this calculation. Because a modified LCR holding company is not required to calculate a maturity mismatch add-on, these companies are not subject to the requirement to disclose the maturity mismatch add-on calculation.

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<sup>11</sup> In order to calculate the maturity mismatch add-on, a covered company first must identify the largest single-day maturity mismatch within the 30 calendar-day LCR period by calculating the daily difference in cumulative outflows and inflows that have set maturity dates, as specified by 12 CFR 249.31, within the 30 calendar-day period. The day with the largest difference reflects the net cumulative peak day. The covered company then must calculate the difference between that peak day amount and the net cumulative outflow amount on the last day of the 30 calendar-day period for those same outflow and inflow categories that have maturity dates within the 30 calendar-day period. This difference equals the maturity mismatch add-on.

Pursuant to § 249.63 of the modified LCR Rule (12 CFR 249.63) a modified LCR holding company is required to calculate its total net cash outflow by multiplying its net cash outflow by a factor of 0.7. Consistent with this calculation of the modified LCR, the proposed rule would require a modified LCR holding company to disclose its average cash outflows and inflows before applying the factor of 0.7, but to disclose its average total net cash outflow after applying the factor of 0.7.

Under the proposed rule, the average values disclosed for HQLA amount, total net cash outflow amount, and the LCR (rows 29, 32, and 33) may not equal the calculation of those values using component values reported in rows 1 through 28. This lack of equivalence is due to technical factors such as the application of the level 2 liquid asset caps, the total inflow cap, and for modified LCR holding companies, the application of the 0.7 factor to total net cash outflows. The application of the asset and inflow caps and modified LCR 0.7 factor may affect a covered company's LCR calculation in varying degrees across the calculation dates used to determine the average values that would be disclosed in rows 29, 32, and 33, and thus, would affect the averages for the HQLA amount, total net cash outflow amount, and the LCR. The proposed LCR disclosure template includes a footnote that would highlight this difference.

### **III. Qualitative Disclosure Requirements**

The proposed rule would require a covered company to provide a discussion of certain features of its LCR results, which is consistent with the BCBS disclosure standards. The discussion of a covered company's LCR results will facilitate an understanding by market participants and other parties of the covered company's LCR and certain components used to calculate its LCR. A covered company's discussion of

its LCR results may include, but does not have to be limited to, the following items: (1) the main drivers of the LCR results; (2) changes in the LCR results over time; (3) the composition of eligible HQLA; (4) concentration of funding sources; (5) derivative exposures and potential collateral calls; (6) currency mismatch in the LCR; (7) the covered company's centralized liquidity management function and its interaction with other functional areas of the covered company; and (8) other inflows and outflows in the LCR that are not specifically identified by the required quantitative disclosures, but that the covered company considers to be relevant to facilitate an understanding of its liquidity risk profile. The proposed rule also would require that a covered company provide a brief discussion of any significant changes that occur such that current or previous quantitative disclosures are no longer reflective of a covered company's current liquidity risk profile.

#### **IV. Frequency of Disclosure**

The proposed rule would require a covered company to provide timely public disclosures after each calendar quarter. Disclosure on a quarterly basis is appropriate to meet the objectives of the public disclosure requirements by providing information that will help market participants and other parties assess the liquidity risk profiles of covered companies over the previous quarter while not destabilizing covered companies, which could occur with more frequent public disclosure such as daily disclosure. The Board acknowledges that the timing of disclosures under the federal banking laws may not always coincide with the timing of disclosures required under other federal law, including disclosures required under the federal securities laws and their implementing regulations by the Securities and Exchange Commission (SEC). For calendar quarters that do not

correspond to a covered company's fiscal year-end, the Board would consider those disclosures that are made within 45 days of the end of the calendar quarter (or within 60 days for the limited purpose of the covered company's first reporting period in which it is subject to the proposed rule's disclosure requirements) as timely. In general, where a covered company's fiscal year-end coincides with the end of a calendar quarter, the Board considers disclosures to be timely if they are made no later than the applicable SEC disclosure deadline for the corresponding Form 10-K annual report. In cases where a covered company's fiscal year-end does not coincide with the end of a calendar quarter, the Board would consider the timeliness of disclosures on a case-by-case basis.

This approach to timely disclosures is consistent with the approach to public disclosures that the Board has taken in the context of other regulatory reporting and disclosure requirements. For example, the Board has used the same indicia of timeliness with respect to the public disclosures required under its regulatory capital rules.<sup>12</sup>

*2. Under what circumstances, if any, should the Board require more frequent or less frequent disclosures of a covered company's LCR and certain components used to calculate its LCR? What negative effects may result should the Board require a covered company to disclose qualitative or quantitative information about its LCR or certain components used to calculate its LCR with 30 days prior written notice?*

## **V. Transition and Timing**

For covered companies that currently are subject to the LCR Rule, the proposed effective dates for the proposed public disclosure requirements would differ based on the size, complexity, and potential systemic impact of those companies. The proposed rule

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<sup>12</sup> See 78 FR 62018, 62129 (October 11, 2013).

would require covered companies that have \$700 billion or more in total consolidated assets or \$10 trillion or more in assets under custody and that are subject to the transition period in 12 CFR 249.50(a) to comply with the proposed public disclosure requirements beginning on July 1, 2016. Other covered companies (that are subject to the transition period in 12 CFR 249.50(b)) would be required to comply with the proposed public disclosure requirements on July 1, 2017. These proposed compliance dates would provide covered companies that are currently subject to the LCR Rule one year from the date that the covered companies are required to calculate their LCR on a daily basis to comply with the proposed public disclosure requirements. In addition, for modified LCR holding companies, the proposed rule would require the covered companies to comply with the public disclosure requirements on January 1, 2018. This proposed compliance date would provide modified LCR holding companies that are currently subject to the modified LCR Rule one year from the date that the modified LCR holding companies are required to calculate and maintain, on a monthly basis, an LCR equal to or greater than 1.0, to comply with the proposed public disclosure requirements.

For a covered company that becomes subject to the LCR Rule pursuant to 12 CFR 249.1(b)(2)(ii) after the effective date of the rule, the covered company would be required to make its first disclosures for the reporting period that starts on the date the company is required to begin to comply with the LCR Rule, which would be three months after the date that the covered company becomes subject to the LCR Rule under 12 CFR 249.1(b)(1). During the time such company is required to calculate the LCR monthly



pursuant to 12 CFR 249.1(b)(2)(ii),<sup>13</sup> the company would be required to calculate all disclosed amounts as simple averages of the components used to calculate its monthly LCR over a quarterly reporting period. For a modified LCR holding company that becomes subject to the modified LCR Rule pursuant to 12 CFR 249.60(c)(2)<sup>14</sup> after the effective date of the modified LCR Rule, the proposed rule would require the company to comply with the public disclosure requirements 18 months after the date it becomes subject to the modified LCR Rule. For example, if a modified holding company becomes subject to the modified LCR Rule beginning in December 2016, the proposed rule would require that company to comply with public disclosure requirements beginning July 1, 2018.

## **VI. Amendment to the Modified LCR**

For a modified LCR holding company that becomes subject to the modified LCR Rule after the rule's effective date, subpart G of the rule currently applies on the first day of the first quarter after which the company's total consolidated assets equal \$50 billion or more. This compliance date may not provide sufficient time for these companies to build the systems required to calculate the modified LCR. In light of this operational challenge, the Board proposes to amend the modified LCR Rule to provide these companies with a full year to come into compliance with the rule.

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<sup>13</sup> Under 12 CFR 249.1(b)(2)(ii), a covered company that becomes subject to the LCR Rule after the rule's effective date must calculate the LCR on a monthly basis from April 1 to December 31 of the year in which the covered company becomes subject to the LCR Rule, and thereafter the covered company must calculate the LCR on a daily basis.

<sup>14</sup> As discussed in section VI below, the proposed rule provides that modified LCR holding companies that become subject to the modified LCR Rule after the rule's effective date will have a full year to comply with the rule.

*3. What, if any, particular operational challenges remain given the proposed one-year extension to the compliance date for modified LCR holding companies that become newly subject to the modified LCR Rule?*

## **VII. Plain Language**

Section 722 of the Gramm-Leach Bliley Act<sup>15</sup> requires the Board to use plain language in all proposed and final rules published after January 1, 2000. The Board invites your comments on how to make this proposal easier to understand. For example:

- Has the Board organized the material to suit your needs? If not, how could this material be better organized?
- Are the requirements in the proposed rule clearly stated? If not, how could the proposed rule be more clearly stated?
- Does the proposed rule contain language or jargon that is not clear? If so, which language requires clarification?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the proposed rule easier to understand? If so, what changes to the format would make the proposed rule easier to understand?
- What else could the Board do to make the regulation easier to understand?

## **VIII. Regulatory Flexibility Act**

The Regulatory Flexibility Act<sup>16</sup> (RFA), requires an agency to either provide an initial regulatory flexibility analysis with a proposed rule for which a general notice of proposed rulemaking is required or to certify that the proposed rule will not have a

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<sup>15</sup> Pub L. 106-102, 113 Stat. 1338, 1471, 12 U.S.C. 4809.

<sup>16</sup> 5 U.S.C. 601 et seq.

significant economic impact on a substantial number of small entities (defined for purposes of the RFA to include banks with assets less than or equal to \$550 million). In accordance with section 3(a) of the RFA, the Board is publishing an initial regulatory flexibility analysis with respect to the proposed rule. Based on its analysis and for the reasons stated below, the Board believes that this proposed rule will not have a significant economic impact on a substantial number of small entities. Nevertheless, the Board is publishing an initial regulatory flexibility analysis. A final regulatory flexibility analysis will be conducted after comments received during the public comment period have been considered.

As discussed above, the proposed rule would establish a public disclosure requirement for the LCR applicable to all top-tier depository institution holding companies and nonbank financial companies required to calculate the LCR. The proposed rule would require a covered company to publicly disclose on a quarterly basis quantitative information about certain components of its LCR calculation in a standardized tabular format and a discussion of certain features of its LCR results.

Under regulations issued by the Small Business Administration, a “small entity” includes a depository institution, bank holding company, or savings and loan holding company with total assets of \$550 million or less (a small banking organization). As of June 30, 2015, there were approximately 628 small state member banks, 3,676 small bank holding companies, and 257 small savings and loan holding companies.

The proposed rule would not apply to “small entities” and would apply only to (1) bank holding companies and certain savings and loan holding companies that, in each case, have \$250 billion or more in total consolidated assets or \$10 billion or more in on-

balance sheet foreign exposure and (2) nonbank financial companies designated by the Financial Stability Oversight Council for Board supervision to which the Board has applied the LCR Rule by rule or order. The proposed rule also would apply to bank holding companies and certain savings and loan holding companies with \$50 billion or more in total consolidated assets, which are subject to the modified LCR Rule.

Companies that are subject to the proposed rule therefore substantially exceed the \$550 million asset threshold at which a banking entity is considered a “small entity” under SBA regulations.

As noted above, because the proposed rule is not likely to apply to any company with assets of \$550 million or less, if adopted in final form, it is not expected to apply to any small entity for purposes of the RFA. The Board is aware of no other Federal rules that duplicate, overlap, or conflict with the proposed rule. In light of the foregoing, the Board does not believe that the proposed rule, if adopted in final form, would have a significant economic impact on a substantial number of small entities supervised and therefore believes that there are no significant alternatives to the proposed rule that would reduce the economic impact on small banking organizations supervised by the Board.

The Board welcomes comment on all aspects of its analysis. A final regulatory flexibility analysis will be conducted after consideration of comments received during the public comment period.

## **IX. Paperwork Reduction Act**

Certain provisions of the proposed rule contain “collection of information” requirements within the meaning of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501-3521). In accordance with the requirements of the PRA, the Board may not conduct or

sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Board's OMB control number is 7100-0367 and will be extended, with revision. The Board reviewed the proposed rule under the authority delegated to the Board by OMB. The proposed rule contains requirements subject to the PRA. The disclosure requirements are found in §§ 249.66, 249.90, and 249.91.

Comments are invited on:

(a) Whether the collections of information are necessary for the proper performance of the Board's functions, including whether the information has practical utility;

(b) The accuracy of the estimates of the burden of the information collections, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

All comments will become a matter of public record. Commenters may submit comments on aspects of this notice that may affect burden estimates at the addresses listed in

the ADDRESSES section. A copy of the comments may also be submitted to the OMB desk officer by mail to U.S. Office of Management and Budget, 725 17<sup>th</sup> Street, NW, Room 10235, Washington, DC 20503; by facsimile to 202-395-6974; or by e-mail to oira\_submission@omb.eop.gov. Attention, Federal Banking Agency Desk Officer.

*Proposed Information Collection*

Title of Information Collection: Reporting, Recordkeeping, and Disclosure Requirements Associated with the Liquidity Risk Measurement Standards (Regulation WW).

Frequency of Response: Event generated, quarterly.

Affected Public: Insured state member banks, bank holding companies, savings and loan holding companies, and nonbank financial companies supervised by the Board, and any subsidiary thereof.

Abstract: The proposed rule would require a depository institution holding company and nonbank financial company subject to the LCR (covered company) to publicly disclose information about certain components of its LCR calculation in a standardized tabular format and include a discussion of certain features its LCR results. Public disclosure of information about covered company LCR calculations would help market participants and other parties consistently assess the liquidity risk profile of covered companies. Under the proposed rule, a covered company would be required to provide timely public disclosures each calendar quarter. A covered company would be required to include the completed disclosure template on its public internet site or in a public financial or other public regulatory report and make its disclosures available to the public for at least five years from the time of the initial disclosure.

A covered company must publicly disclose the information required under subpart J beginning on July 1, 2016, if the covered company is subject to the transition period under § 249.50(a) or July 1, 2017, if the covered company is subject to the transition period under § 249.50(b). For modified LCR holding companies, the proposed rule would require them to comply with the public disclosure requirements beginning on January 1, 2018.

Under the proposed rule, quantitative disclosures will convey information about a covered company's high-quality liquid assets and short-term cash flows, thereby providing insight into a covered company's liquidity risk profile. Consistent with the BCBS common template, the proposed rule would require a covered company to disclose both average unweighted amounts and average weighted amounts for the covered company's HQLA, cash outflow amounts, and cash inflow amounts. A covered company would also be required to calculate all disclosed amounts as simple averages of the components used to calculate its daily LCR over a quarterly reporting period, except that modified LCR holding companies would be required to calculate all disclosed amounts as simple averages of the components used to calculate their monthly modified LCR. A covered company would be required to calculate all disclosed amounts on a consolidated basis and express the results in millions of U.S. dollars or as a percentage, as applicable.

In addition, the proposed rule would require a covered company to provide a discussion of certain features of its LCR results. A covered company's qualitative discussion may include, but does not have to be limited to, the following items: (1) the main drivers of the LCR results; (2) changes in the LCR results over time; (3) the composition of eligible HQLA; (4) concentration of funding sources; (5) derivative exposures and potential collateral calls; (6)

currency mismatch in the LCR; (7) the covered company's centralized liquidity management function and its interaction with other functional areas of the covered company; and (8) other inflows and outflows in the LCR that are not specifically identified by the required quantitative disclosures, but that the covered company considers to be relevant to facilitate an understanding of its liquidity risk profile. The proposed rule also would require that a covered company provide a brief discussion of any significant changes that occur such that current or previous quantitative disclosures are no longer reflective of a covered company's current liquidity risk profile.

Estimated Paperwork Burden

Estimated Burden Per Response: reporting – 0.25 hours; recordkeeping – 10 hours and 100 hours; disclosure – 24 hours.

Frequency: reporting – monthly, quarterly, and annual; recordkeeping – annual; disclosure – quarterly.

Estimated Number of Respondents: 42.

Current Total Estimated Annual Burden: reporting – 13 hours; recordkeeping – 1,140 hours.

Proposed Total Estimated Annual Burden: reporting – 13 hours; recordkeeping – 1,140 hours; disclosure – 4,032 hours.



**List of Subjects in 12 CFR Part 249**

Administrative practice and procedure; Banks, banking; Federal Reserve System; Holding companies; Liquidity; Reporting and recordkeeping requirements.

**Authority and Issuance**

For the reasons stated in the preamble, the Board proposes to amend part 249 of chapter II of title 12 of the Code of Federal Regulations as follows:

**PART 249—LIQUIDITY RISK MEASUREMENT STANDARDS (REGULATION WW)**

1. The authority citation for part 249 continues to read as follows:

**Authority:** 12 U.S.C. 248(a), 321-338a, 481-486, 1467a(g)(1), 1818, 1828, 1831p-1, 1831o-1, 1844(b), 5365, 5366, 5368.

2. Amend § 249.60 by revising paragraph (c)(2) to read as follows:

**§ 249.60 Applicability.**

\* \* \* \* \*

(c) \* \* \*

(2) A Board-regulated institution that first meets the threshold for applicability of this subpart under paragraph (a) of this section after September 30, 2014, must comply with the requirements of this subpart one year after the date it meets the threshold set forth in paragraph (a).

\* \* \* \* \*

3. Add § 249.64 to subpart G to read as follows:

**§ 249.64 Disclosures.**

(a) Effective January 1, 2018, a covered depository institution holding company subject to this subpart must publicly disclose the information required under subpart J of this part each calendar quarter, except as provided in paragraph (b) of this section.

(b) Effective 18 months after a covered depository institution holding company first becomes subject to this subpart pursuant to § 249.60(c)(2), the covered depository

institution holding company must provide the disclosures required under subpart J of this part each calendar quarter.

**Subparts H and I [Reserved]**

4. Add reserved subparts H and I.

5. Add subpart J, consisting of §§ 249.90 and 249.91, to read as follows:

**Subpart J – Disclosures**

**Sec.**

**249.90 Timing, method and retention of disclosures.**

**249.91 Disclosure requirements.**

**§ 249.90 Timing, method and retention of disclosures.**

(a) Applicability. A covered depository institution holding company or covered nonbank company that is subject to the minimum liquidity standards and other requirements of this part under § 249.1, must publicly disclose all the information required under this subpart.

(b) Timing of disclosure. (1) A covered depository institution holding company or covered nonbank company subject to this subpart must provide timely public disclosures each calendar quarter of all the information required under this subpart.

(2) A covered depository institution holding company or covered nonbank company subject to this subpart must provide the disclosures required by this subpart for the reporting period beginning on:

(i) July 1, 2016, and thereafter if the covered depository institution holding company is subject to the transition period under § 249.50(a); or

(ii) July 1, 2017, and thereafter if the covered depository institution holding company or covered nonbank holding company is subject to the transition period under § 249.50(b).

(3) A covered depository institution holding company or covered nonbank company that is subject to the minimum liquidity standard and other requirements of this part pursuant to § 249.1(b)(2)(ii), must provide the disclosures required by this subpart for the first

reporting period beginning no later than the date they are first required comply with the requirements of this part pursuant to § 249.1(b)(2)(ii).

(c) Disclosure method. A covered depository institution holding company or covered nonbank company subject to this subpart must publicly disclose, in a direct and prominent manner, the information required under this subpart on its public internet site or in its public financial or other public regulatory reports.

(d) Availability. The disclosures provided under this subpart must remain publicly available for at least five years after the initial disclosure date.

**§ 249.91 Disclosure requirements.**

(a) General. A covered depository institution holding company or covered nonbank company subject to this subpart must publicly disclose the information required by paragraph (b) of this section in the format provided in the following table.

Table 1 to § 249.91(a) – Disclosure Template

<b>XX/XX/XXXX to YY/YY/YYYY</b> <b>In millions of U.S. Dollars</b>		<b>Average Unweighted Amount</b>	<b>Average Weighted Amount</b>
<b>HIGH-QUALITY LIQUID ASSETS</b>			
1	Total eligible high-quality liquid assets (HQLA), of which:		
2	Eligible level 1 liquid assets		
3	Eligible level 2A liquid assets		
4	Eligible level 2B liquid assets		
<b>CASH OUTFLOW AMOUNTS</b>			
5	Deposit outflow from retail customers and counterparties, of which:		
6	Stable retail deposit outflow		
7	Other retail funding		
8	Brokered deposit outflow		
9	Unsecured wholesale funding outflow, of which:		
10	Operational deposit outflow		
11	Non-operational funding outflow		
12	Unsecured debt outflow		
13	Secured wholesale funding and asset exchange outflow		
14	Additional outflow requirements, of which:		
15	Outflow related to derivative exposures and other collateral requirements		
16	Outflow related to credit and liquidity facilities including unconsolidated structured transactions and mortgage commitments		
17	Other contractual funding obligation outflow		
18	Other contingent funding obligations outflow		
<b>19</b>	<b>TOTAL CASH OUTFLOW</b>		
<b>CASH INFLOW AMOUNTS</b>			
20	Secured lending and asset exchange cash inflow		
21	Retail cash inflow		
22	Unsecured wholesale cash inflow		
23	Other cash inflows, of which:		

24	Net derivative cash inflow		
25	Securities cash inflow		
26	Broker-dealer segregated account inflow		
27	Other cash inflow		
28	<b>TOTAL CASH INFLOW</b>		
			<b>Average Amount<sup>1</sup></b>
29	<b>HQLA AMOUNT</b>		
30	<b>TOTAL NET CASH OUTFLOW AMOUNT EXCLUDING THE MATURITY MISMATCH ADD-ON</b>		
31	<b>MATURITY MISMATCH ADD-ON</b>		
32	<b>TOTAL NET CASH OUTFLOW AMOUNT</b>		
33	<b>LIQUIDITY COVERAGE RATIO (%)</b>		
<sup>1</sup> The amounts reported in this column may not equal the calculation of those amounts using component amounts reported in rows 1-28 due to technical factors such as the application of the level 2 liquid asset caps, the total inflow cap, and for depository institution holding companies subject to subpart G of this part, the application of the modification to total net cash outflows.			

(b) Calculation of disclosed average amounts—(1) General. (i) A covered depository institution holding company or covered nonbank company subject to this subpart must calculate its disclosed average amounts:

(A) On a consolidated basis and presented in millions of U.S. dollars or as a percentage, as applicable; and

(B) With the exception of amounts disclosed pursuant to paragraphs (c)(1), (5), (9), (14), (19), (23), and (28) of this section, as simple averages of daily calculations over a quarterly reporting period;

(ii) A covered depository institution holding company that is required to calculate its liquidity coverage ratio on a monthly basis pursuant to § 249.61, must calculate its disclosed average amounts as provided in paragraph (b)(1)(i) of this section, except that those amounts must be calculated as simple averages of monthly calculations over a quarterly reporting period;

(iii) A covered depository institution holding company or covered nonbank company subject to this subpart must disclose the beginning date and end date for each quarterly reporting period.

(2) Calculation of average unweighted amounts. (i) A covered depository institution holding company or covered nonbank company subject to this subpart must calculate the average unweighted amount of HQLA as the average amount of eligible HQLA that meet the requirements specified in §§ 249.20 and 249.22 and is calculated prior to applying the haircuts required under § 249.21(b) to the amounts of eligible HQLA.

(ii) A covered depository institution holding company or covered nonbank company subject to this subpart must calculate the average unweighted amount of cash outflows and cash inflows before applying the outflow and inflow rates specified in §§ 249.32 and 249.33, respectively.

(3) Calculation of average weighted amounts. (i) A covered depository institution holding company or covered nonbank company subject to this subpart must calculate the average weighted amount of high-quality liquid assets after applying the haircuts required under § 249.21(b) to the amounts of eligible HQLA.

(ii) A covered depository institution holding company or covered nonbank company subject to this subpart must calculate the average weighted amount of cash outflows and cash inflows after applying the outflow and inflow rates specified in §§ 249.32 and 249.33, respectively.

(c) Quantitative disclosures. A covered depository institution holding company or covered nonbank company subject to this subpart must disclose all the information required under Table 1 to § 249.91(a) – Disclosure Template, including:

(1) The sum of the average unweighted amounts and average weighted amounts reported under paragraphs (c)(2) through (4) of this section (row 1);

(2) The average unweighted amount and average weighted amount of level 1 liquid assets that are eligible HQLA under § 249.21(b)(1) (row 2);

(3) The average unweighted amount and average weighted amount of level 2A liquid assets that are eligible HQLA under § 249.21(b)(2) (row 3);

(4) The average unweighted amount and average weighted amount of level 2B liquid assets that are eligible HQLA under § 249.21(b)(3) (row 4);

(5) The sum of the average unweighted amounts and average weighted amounts of cash outflows reported under paragraphs (c)(6) through (8) of this section (row 5);

(6) The average unweighted amount and average weighted amount of cash outflows under § 249.32(a)(1) (row 6);

(7) The average unweighted amount and average weighted amount of cash outflows under § 249.32(a)(2) through (5) (row 7);

(8) The average unweighted amount and average weighted amount of cash outflows under § 249.32(g) (row 8);

(9) The sum of the average unweighted amounts and average weighted amounts of cash outflows reported under paragraphs (c)(10) through (12) of this section (row 9);

(10) The average unweighted amount and average weighted amount of cash outflows under § 249.32(h)(3) and (4) (row 10);

(11) The average unweighted amount and average weighted amount of cash outflows under § 249.32(h)(1), (2), and (5), excluding paragraph (h)(2)(ii) (row 11);

(12) The average unweighted amount and average weighted amount of cash outflows under § 249.32(h)(2)(ii) (row 12);

(13) The average unweighted amount and average weighted amount of cash outflows under § 249.32(j) and (k) (row 13);

(14) The sum of the average unweighted amounts and average weighted amounts of cash outflows reported under paragraphs (c)(15) and (16) of this section (row 14);

(15) The average unweighted amount and average weighted amount of cash outflows under § 249.32(c) and (f) (row 15);

(16) The average unweighted amount and average weighted amount of cash outflows under § 249.32(b), (d), and (e) (row 16);

(17) The average unweighted amount and average weighted amount of cash outflows under § 249.32(l) (row 17);

(18) The average unweighted amount and average weighted amount of cash outflows under § 249.32(i) (row 18);

(19) The sum of average unweighted amounts and average weighted amounts of cash outflows reported under paragraphs (c)(5), (9), (13), (14), (17), and (18) of this section (row 19);

(20) The average unweighted amount and average weighted amount of cash inflows under § 249.33(f) (row 20);

(21) The average unweighted amount and average weighted amount of cash inflows under § 249.33(c) (row 21);

(22) The average unweighted amount and average weighted amount of cash inflows under § 249.33(d) (row 22);



(23) The sum of average unweighted amounts and average weighted amounts of cash inflows reported under paragraphs (c)(24) through (27) of this section (row 23);

(24) The average unweighted amount and average weighted amount of cash inflows under § 249.33(b) (row 24);

(25) The average unweighted amount and average weighted amount of cash inflows under § 249.33(e) (row 25);

(26) The average unweighted amount and average weighted amount of cash inflows under § 249.33(g) (row 26);

(27) The average unweighted amount and average weighted amount of cash inflows under § 249.33(h) (row 27);

(28) The sum of average unweighted amounts and average weighted amounts of cash inflows reported under paragraphs (c)(20) through (23) of this section (row 28);

(29) The average amount of the HQLA amounts as calculated under § 249.21(a) (row 29);

(30) The average amount of the total net cash outflow amounts excluding the maturity mismatch add-on as calculated under § 249.30(a)(1) and (2) (row 30);

(31) The average amount of the maturity mismatch add-ons as calculated under § 249.30(b) (row 31);

(32) The average amount of the total net cash outflow amounts as calculated under § 249.30 or § 249.63, as applicable (row 32);

(33) The average of the liquidity coverage ratios as calculated under § 249.10(b) (row 33).

(d) Qualitative disclosures. (1) A covered depository institution holding company or covered nonbank company subject to this subpart must provide a qualitative discussion of its liquidity coverage ratio results. The qualitative discussion may include, but does not have to be limited to the following items to the extent they are significant to the liquidity coverage ratio results of the covered depository institution holding company or covered nonbank company, and facilitate an understanding of the data provided:

- (i) The main drivers of the liquidity coverage ratio results;
- (ii) Changes in the liquidity coverage ratio results over time;
- (iii) The composition of eligible HQLA;
- (iv) Concentration of funding sources;
- (v) Derivative exposures and potential collateral calls;
- (vi) Currency mismatch in the liquidity coverage ratio;

(vii) The centralized liquidity management function of the covered depository institution holding company or covered nonbank company and its interaction with other functional areas of the covered depository institution holding company or covered nonbank company; or

(viii) Other inflows, outflows, or other factors in the liquidity coverage ratio calculation that are not captured in the disclosures required by paragraph (b) of this section, but which the covered depository institution holding company or covered nonbank company considers to be relevant to facilitate an understanding of its liquidity risk profile.

(2) If a significant change occurs such that the disclosed amounts or previously disclosed amounts are no longer reflective of the current liquidity profile of the covered

depository institution holding company or covered nonbank company, then the company must provide a brief discussion of this change and its likely impact.

By order of the Board of Governors of the Federal Reserve System, November 20, 2015.

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Robert deV. Frierson,  
Secretary of the Board.

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