May 27, 2021

Via Electronic Mail

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

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

Ladies and Gentlemen:

We, the undersigned Category III banking organizations,[1] appreciate the opportunity to comment on the proposal by the Board of Governors of the Federal Reserve System (the Board) to revise the Complex Institution Liquidity Monitoring Report (FR 2052a)[2] to (i) capture data elements to monitor banking organizations' liquidity positions under the net stable funding ratio (NSFR) final rule and (ii) expand the term "Transactional Accounts" to include the subset of transaction accounts as defined under the Board's Regulation D (the Proposal).[3]

We appreciate the Board's efforts to utilize the FR 2052a to collect information and data related to the requirements of the NSFR final rule and to monitor compliance with the Liquidity Coverage Ratio (LCR) rule and Liquidity Risk Measurement (LRM) Standards. Below we offer recommendations that would allow the Board to achieve these goals while providing firms with the ability to meet the requisite expectations around data quality, governance, and controls. We note that these recommendations do not limit any firm's ability to meet and demonstrate the compliance requirements of the NSFR final rule when it becomes effective on July 1, 2021, and for which the Board can continue to monitor through its current supervisory process.

The timeline for implementation of reporting requirements and approach to non-NSFR-related elements in the FR 2052a should be modified. We support the comment letter submitted by the joint trades on April 12, 2021 (Joint Trades Letter), urging the Board to extend the implementation timeline to no earlier than April 1, 2022 for proposed FR 2052a items necessary to calculate the NSFR, and no earlier than October 1, 2022 for the remaining changes.[4] We also support the bifurcation of reporting requirements for NSFR-related and non-NSFR-related data elements that

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[1] Category III banking organizations, as defined under 12 CFR 252.5(d), are (1) U.S. bank holding companies or U.S. intermediate holding companies with $250 billion or more in average total consolidated assets; (2) foreign banking organizations with $250 billion or more in average combined U.S. assets; or (3) U.S. bank holding companies, U.S. intermediate holding companies, or foreign banking organizations with $100 billion in assets that meet certain tests related to nonbank assets, short-term wholesale funding, or off-balance sheet exposures.
[2] 86 Fed. Reg. 16365 (March 29, 2021).
[3] 12 C.F.R. Part 204—Reserve Requirements of Depository Institutions.
[4] *See* Joint Trades Letter, Revisions to the Complex Institution Liquidity Monitoring Report (FR 2052a; OMB Control Number 7100-0361), submitted April 12, 2021.

more broadly assist with monitoring of aggregate liquidity risk across the financial system. This modified approach would be particularly appropriate for Category III firms, which are subject to the NSFR but do not present the same level of liquidity risk to the U.S. financial system as more complex firms, and whose operations, processes, and governance are appropriately tailored to that risk.

Given these considerations:

- The compliance date for reporting NSFR-related elements should be extended until no earlier than April 1, 2022, to enable covered companies sufficient time to build out these elements in their data programs and supporting technology infrastructure in a manner that meets supervisory expectations for completeness and sustainability through controls, testing, and governance.
- The compliance date for reporting non-NSFR-related elements should be extended until no earlier than October 1, 2022, to enable covered companies sufficient time to build out non-NSFR-related elements in their data programs and supporting technology infrastructure in a manner that meets supervisory expectations for completeness and sustainability through controls, testing, and governance.
- Implementation of new FR 2052a requirements should be bifurcated into NSFR-related data element changes and non-NSFR-related data element changes to simplify the critical path to delivering NSFR-related data via FR 2052a reporting.
- The Board should provide additional clarification on T+2 versus T+15 reporting requirements.

I. <u>Extension of compliance date for reporting new FR 2052a requirements</u>

We request that the Board modify the compliance date for reporting the new FR 2052a requirements. The proposed implementation timeline of July 1, 2021, even assuming the proposed requirements are not modified, does not provide adequate time for firms to incorporate multiple new data elements, implement significant systems changes, build and test new XML schemas once released by the Board, ensure proper data governance, and test third-party vendor platforms. Furthermore, the Board is likely to make adjustments to these requirements and related forms and instructions after the comment deadline of May 28, 2021, in response to public feedback. We anticipate that any release of final forms and instructions, as well as FAQs clarifying a number of technical questions, would not take place until June 2021. This would leave firms only days to review, implement, and test in advance of the July 1, 2021 implementation timeline.

We, and our prudential regulators, have high expectations for data quality, governance, and controls, and we are concerned that the proposed expedited compliance timeline may threaten the integrity of our existing liquidity regulatory reporting programs. As such, we feel it is imperative that the Board extends the proposed implementation utilizing a staggered timeline, wherein the data elements related to the NSFR are implemented first and additional time is given for the implementation of items not related to the calculation of the NSFR.

Consistent with the Joint Trades Letter, we urge the Board to extend the implementation timeline to no earlier than April 1, 2022, for proposed FR 2052a items related to the calculation of the NSFR, and October 1, 2022, for the remaining changes. We furthermore recognize the potential bottleneck that would be created by 41 FR 2052a filers testing new XML submissions simultaneously in such a short period of time. The extension of the timeline and bifurcation of reporting requirements would be especially appropriate for Category III firms because of the meaningful differences in the liquidity risk profiles of these banking organizations relative to larger, more complex banking organizations.

Lastly, we urge the Board to consider the impact of the release of final forms and instructions on firms and their third-party vendors as it relates to the implementation timeline. Only after the forms and instructions are finalized can covered companies complete internal data buildouts and testing. And, for those firms that engage third party vendor solutions to assist in setting up their systems to report on the FR 2052a, appropriate time is needed to finalize technical requirements and client-specific configurations across multiple systems, and appropriate time is required to develop and test their regulatory reporting solutions. This development effort is separate and distinct from internal data governance but also a critical element to successful delivery of the NSFR via FR 2052a reporting. Any decision on final implementation deadlines should therefore account for the development and testing needs of covered companies and their respective third-party vendors. Given the understood priority of NSFR-related data reporting, allowing covered companies and third-party information system vendors to focus on the most critical data elements first would lead to a more robust and sustainable outcome.

We would emphasize that extension of the compliance dates for reporting these elements would not impact the ability of our firms to comply with the NSFR rule as of July 1, 2021. Our firms also would be able to demonstrate this compliance through the normal supervisory monitoring and through existing data reporting processes. The extension of the implementation timelines for the FR 2052a revisions would simply allow covered companies to comply with existing supervisory expectations and applicable regulatory requirements for testing, data quality, governance, and controls for the data elements once reported.

II. Bifurcation of NSFR and non-NSFR 2052a reporting requirements

We support the use of the FR 2052a as a mechanism to monitor compliance with the NSFR and LCR rules, as well as for compliance with other LRM standards. Accordingly, we recommend that the Board separate the compliance date for reporting NSFR-related critical data from the compliance date for reporting non-NSFR-related data. This would allow covered companies to "stand-up" NSFR reporting through FR 2052a on an expedited basis and focus on the appropriate development and testing cycle that is commensurate to such a large data gathering exercise. Moreover, covered companies could then prioritize reporting for the more critical of these two data sets, the NSFR-related elements.

Bifurcation of the reporting compliance dates for NSFR- and non-NSFR-related elements is appropriate because of the less essential nature of the non-NSFR-related elements and their potential to impact the ability of covered companies to implement the NSFR-related elements. In addition to more effective implementation of requirements, separation of timelines for reporting these elements would enable more comparable historical trend analysis.

Currently we estimate approximately 45% of prior FR 2052a data elements will require rework because of the renumbering and remapping of Product Identification (PIDs) in the proposed instructions. In addition, the Proposal contains several instances where multiple, existing PIDs are changed to accommodate the addition of new non-NSFR-related-PIDs, creating an additional and less critical need for systems rework. Furthermore, new counterparty and product elements will require data enhancements to be made at the individual record level across multiple systems to accurately capture requested changes. To the extent that new PIDs are necessary, they should be added to the end of the existing PID sequence to mitigate disruption to existing MIS.

The proposed design changes necessary to implement non-NSFR-related data elements could complicate historical trend analysis, inhibit implementation, and produce significant upstream impacts to update data tags and mapping, as well as significant downstream impacts to the broader liquidity program that leverages FR 2052a data, such as Internal Liquidity Stress Testing, limits reporting, resolution and recovery planning and other internal technology infrastructure. Moreover, none of the changes mentioned directly above is critical to the implementation of FR 2052a reporting as the delivery mechanism for NSFR compliance. As such, we urge the Board to isolate and prioritize the changes related to the operationalization of the NSFR while addressing reporting enhancements that do not directly support the implementation of NSFR a short time thereafter.

III. FR 2052a (T+2) and the Supplemental-Balance Sheet (T+15)

The proposed delayed (T+15) submission timing of the Supplemental-Balance Sheet (S.B.) creates a scenario where firms could have multiple NSFR results for a single day. For instance, the NSFR public disclosure requirements mandate the use of simple daily averages for public disclosure, necessitating a daily NSFR calculation. The daily NSFR calculation will inherently be different from an NSFR calculated on a finalized (T+15) balance sheet and reported in field S.L.10 (Net Stable Funding Ratio). We urge the Board to clarify the expectations for a daily NSFR calculation, how the delayed (T+15) NSFR will be utilized and monitored, and whether the delayed NSFR calculation should supersede the daily calculation. This clarification should also consider potential reconciliation differences between the T+15 NSFR and other regulatory reports that are submitted later than T+15, such as the FR Y-9C and the Call Reports.

The undersigned Category III banking organizations appreciate the opportunity to comment on the Proposal and respectfully ask for consideration of the recommendations and suggestions in this letter. If you have any questions regarding the content of this letter or would like more information on our recommendations, please do not hesitate to contact any of the individuals listed in Attachment 1 to this letter.

Sincerely,

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Charles Schwab Corporation
HSBC North America Holdings, Inc.
Royal Bank of Canada
TD Group US Holdings LLC
The PNC Financial Services Group, Inc.
Truist Financial Corporation
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Attachment 1

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