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regs.comments@federalreserve.gov

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

Re: Request for Comment on Proposed Liquidity Monitoring Reports –
Forms FR 2052a and 2052b (OMB Control Number 7100-to-be-assigned)

Dear Mr. Frierson:

The Institute of International Bankers (“IIB”) appreciates the opportunity to comment on the proposal by the Board of Governors of the Federal Reserve System (the “Board”) to adopt two new reporting forms to facilitate its ongoing supervisory efforts with respect to liquidity risk management issues: the “Complex Institution Liquidity Monitoring Report” (Form FR 2052a) and the “Liquidity Monitoring Report” (Form FR 2052b).¹ Our comments in this letter are directed at the application of the proposed reporting requirements to foreign banking organizations (“FBOs”) and their U.S. operations. Each FBO that would be subject to the FR 2052 reporting requirements is a member of the IIB.

The IIB and its member institutions support the heightened supervisory focus on liquidity that has developed in the aftermath of the financial crisis, and we acknowledge the need that supervisory authorities with responsibility for internationally active banking institutions have for timely data to identify and monitor liquidity risks both at individual institutions and in the aggregate across the financial system. In assessing the Proposal from this perspective, we emphasize as a threshold matter the critical need to consider the cumulative impact of the various data collection initiatives and reporting requirements to which FBOs with a significant U.S. presence are or soon will be subject and the very substantial practical challenges they confront in terms of developing and implementing the systems and governance mechanisms necessary to ensure compliance with these requirements.

¹ See 78 Fed. Reg. 57634 (Sept. 19, 2013) (together with the draft instructions to proposed Forms 2052a and 2052b, each dated September 4, 2013 – respectively, the “Draft FR 2052a Instructions” and the “Draft FR 2052b Instructions” (collectively, the “Draft Instructions”) – the “Proposal”).



Equally important, consideration must be given to the relationship between the Proposal and the pending adoption of final rules implementing the enhanced prudential supervision (“EPS”) provisions of Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Section 165”) for large FBOs (the “FBO Section 165 Rulemaking”) and the recently proposed rules to implement a liquidity coverage ratio (“LCR”) that is “super-equivalent” to the Basel Committee’s LCR standard.

We discuss these threshold considerations and their implications for the Proposal in Section I below. In Section II we request clarification of certain aspects of the Proposal as it is intended to apply to FBOs and their U.S. operations. Section III discusses, and recommends ways to address, our more particular concerns regarding the proposed timeframes for FR 2052 reporting and certification requirements. The Appendix identifies specific line item in the forms for which clarification is requested.

I. The Proposal Should Be Revised To Mitigate the Cumulative Impact of Its Reporting Requirements When Considered in Combination with Other Reporting Requirements; It Is Equally Important To Take into Account Its Relationship To Other Regulatory Initiatives To Enhance U.S. Financial Stability

A. Mitigating the Cumulative Impact of Reporting Requirements

Whether required to submit Form FR 2052a reports or FR 2052b reports, FBOs that are subject to the Proposal (such FBOs hereinafter are referred to, respectively, as “FR 2052a Reporting FBOs” and “FR 2052b Reporting FBOs”) will be required to allocate additional resources and develop the systems, controls and governance processes necessary to ensure compliance. This undertaking would be daunting in and of itself; the challenges presented are only compounded by having to do so while at the same time putting in place and operationalizing other equally new and complex additional reporting requirements. For example, many of the FBOs that are subject to the Proposal (each, a “Reporting FBO”) control U.S. bank holding company (“BHC”) subsidiaries that are now subject for the first time to Form FR Y-14 and FR Y-15 reporting requirements, both of which demand the commitment of substantial time and resources. In addition, to a large degree the same personnel involved in these reporting processes also will be deeply involved in the parent Reporting FBO’s FR 2052 reporting processes.

Our point is not to question the proposed liquidity reporting requirements *per se*, but rather to emphasize the importance of applying a more holistic perspective when developing and prescribing individual reporting requirements and thereby factoring into this process an awareness and appreciation that (i) separately prescribed requirements do not operate in isolation and (ii) when combined with other equally if not more challenging reporting requirements, the cumulative impact on an institution’s reporting capacity can be profound. As discussed below in Section III.A, with respect to the Proposal these considerations in particular call for significant revision to the timeframe for submission of the “abbreviated” Form FR 2052a reports.



B. Taking into Account Other Regulatory Actions

Significant concerns also arise when considering the larger regulatory context in which the Proposal is made. As discussed below in Section II, Reporting FBOs' U.S. nonbranch operations are within the scope of the FR 2052 reporting regime as applied to FBOs. The FBO Section 165 Rulemaking would require many Reporting FBOs to reconfigure the organization of their U.S. nonbranch operations into a U.S. intermediate holding company ("IHC") structure by July 1, 2015. We believe there is a realistic prospect that these new IHCs would be treated as "material entities" that would be within the scope of FR 2052 reporting requirements (whether or not they also would be reporting entities themselves). Further, it is reasonable to anticipate that formation of an IHC will require modifications to whatever reporting systems and governance structures and processes a Reporting FBO will have put in place under the Proposal and/or the development of new systems, structures and processes.

We urge the Board to take these considerations into account not only when finalizing the Proposal, but also in finalizing its Section 165 rulemaking. Specifically, we urge the Board to delay the effective date for the inclusion of IHCs in the FR 2052 reporting regime for an appropriate period of time following the effective date of any IHC requirement to enable Reporting FBOs to take the actions necessary to ensure compliance with FR 2052 reporting requirements as applied to IHCs. More generally, we respectfully request that the Board publish for comment a proposal for incorporating IHCs into the Section 2052 reporting regime only after the issuance of final rules requiring creation of IHCs.

In addition to these concerns regarding the inclusion of IHCs in the FR 2052 reporting regime, questions arise regarding the provisions of the FBO Section 165 Rulemaking that specifically address liquidity. Specifically, we respectfully request clarification of the intended relationships between FR 2052 reporting and the liquidity stress testing reporting that would be required under the EPS proposal (for example, the degree to which it is contemplated that the items included in FR 2052 reports (and as defined for purposes of the FR 2052 reports) would be included in the determination of the liquidity buffer as reported under the EPS proposal).

In a similar vein, we share the concerns expressed in the comment letter on the Proposal being submitted jointly by The Financial Services Roundtable, the American Bankers Association and The Clearing House Association L.L.C. (the "Joint Trades Letter") regarding avoiding duplicative and unnecessary reporting requirements under the recent LCR proposal and urge the Board to clarify the intended relationship between the two and to take appropriate steps to avoid any such requirements. Likewise, it is important that there be consistency between FR 2052 and LCR reporting requirements (for example, the application of the same definitions or distinguishing criteria) to the extent that their requirements necessarily overlap.



II. Clarifying the Reporting Requirements Applicable to FBOs and Their U.S. Operations

We strongly support limiting the scope of FR 2052 reporting by FBOs to their U.S. operations. As discussed below, however, we are deeply concerned by the significant ambiguities resulting from the discussion of the FBO-related aspects of the proposed FR 2052 reporting regime in the Proposal and the OMB Supporting Statement accompanying the Proposal (the “FR 2052 Supporting Statement”). Briefly, there is considerable uncertainty surrounding two threshold questions:

- Does FR 2052 reporting encompass the entirety of a Reporting FBO’s U.S. operations or only those parts of that are considered to be “material” for liquidity monitoring purposes (setting aside, for the moment, how “material entities” might be determined)?
- Is it contemplated that a Reporting FBO would submit a single FR 2052 report covering the entirety of whatever part of its U.S. operations is within scope or, assuming reporting for U.S. operations would be based on material entities, would separate reports be submitted for each part? With respect to reporting limited to material entities, is it further contemplated that the FR 2052 reporting entity would be the material entity itself?

The answers to these questions are fundamental to our ability to render a fully informed assessment of the Proposal. For example, the submission of a single, “all-inclusive” report – whether for the entirety of a Reporting FBO’s U.S. operations or the entirety of some subset of those operations (*i.e.*, “material entities”) – presents significantly greater challenges and burdens than would the submission of separate reports for specifically identified “material entities” (understanding that the challenges and burdens of this “lesser” degree of reporting are themselves substantial). Should the Board require a single filing, we would respectfully request that Reporting FBOs be given the option, in lieu thereof, of having their material entities (*e.g.*, a U.S. BHC subsidiary and U.S. branches/agencies) each file separately (if the Reporting FBO has multiple U.S. offices, there would be the further option to file a single, combined report with respect to their operations).

We note as well that the scope of the reporting requirement is essential to assessing whether those reports required to be certified should be certified by a Reporting FBO itself – as opposed to, for example, by a duly authorized officer of a material entity covered by the report.

A. Form FR 2052a

Scope of U.S. Operations Included in the Report. Under the Proposal, reporting on Form FR 2052a would be required for (i) U.S.-headquartered banking organizations that have been designated as global systemically important banks (“G-SIBs”) by the Financial Stability Board and (ii) FBOs with U.S. broker-dealer subsidiaries that have greater than \$100 billion in



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assets (*i.e.*, FR 2052a Reporting FBOs).² According to the FR 2052 Supporting Statement, the Board estimates there are eight FR 2052a Reporting FBOs. The General Instructions to the Draft FR 2052a Instructions state that “FBOs should report for their consolidated U.S. operations,^[3] as well as for material entities managed within the U.S.”, and direct Reporting FBOs to consult with their onsite supervisory teams to determine which of such “managed material entities” are within scope.

By comparison, the FR 2052 Supporting Statement states that:

[FR 2052a Reporting FBOs], *at a minimum*, would report the material subsidiary entities, including branches and agencies, of their U.S. operations. Branch (and agency bank) networks would include for example, NY, NY IBF (International Banking Facility), offices fully or partially managed by U.S.-based operations, commercial paper issuing subsidiaries within the U.S., and foreign-owned domestic banking institutions. [Emphasis added.]

This statement suggests that the scope of FR 2052a Reporting FBOs’ reporting requirements is intended to be narrower than their “consolidated U.S. operations”. However, the qualification that this is only a minimum requirement calls into question exactly how broad the scope of required reporting is intended to be. We agree it is appropriate to limit the scope of the U.S. entities covered by the FR 2052a reports and respectfully request that the Board clarify which parts of an FR 2052a Reporting FBO’s U.S. operations must be included. In this regard, we believe it would be appropriate to limit this category to those U.S. entities identified as “material” in a Reporting FBO’s most recent resolution plan submitted under Section 165(d). In addition, we request confirmation that intercompany transactions should be eliminated regardless of the scope of the U.S. operations included in the reports.

Uncertainty also characterizes the reference to “material entities managed within the United States” in the Draft FR 2052a Instructions. We assume that these “material entities” are intended to be the same as what is referred to in the FR 2052 Supporting Statement as “offices fully or partially managed by U.S.-based operations,” but this is not clear. We note, however, that the Draft FR 2052b Instructions state that “[b]ranch network (example: International Banking Facility, Cayman, and Nassau) activities managed from the US” are among the “U.S. operations” that FR 2052b Reporting FBOs should report “at a minimum”. We believe the

² We assume, but request confirmation, that the reporting thresholds based on broker-dealer assets refer to a broker-dealer’s consolidated assets.

³ The discussion under the caption “Scope of the Consolidated Entity” in the General Instructions to the Draft FR 2052a Instructions refers only to SEC- and U.S. GAAP-based consolidation principles applicable to U.S. G-SIBs and their consolidated entities. Read in this context, the question arises whether the reference to FR 2052a Reporting FBOs reporting for “their consolidated U.S. operations” is intended to equate the scope of the U.S. operations included in the FR 2052a reports with the scope of the U.S. operations whose “total combined assets” FR 2052a Reporting FBOs (and other FBOs) will be required to report on the recently revised Form FR Y-7Q commencing with the quarterly report as of March 31, 2014. We respectfully request clarification of this point.



parenthetical reference to “Cayman and Nassau” branches is indicative of what constitutes “offices fully or partially managed by U.S.-based operations” for purposes of FR 2052a reporting. Taking note of the anomaly of consulting, in the absence of any cross-reference, the instructions to a different form to determine the scope of reporting under another, we respectfully request clarification of the extent to which such offices are intended to be included within the scope of reporting by FR 2052a Reporting FBOs.⁴ Further, we request confirmation that non-U.S. offices of FR 2052a Reporting FBOs are treated as “external counterparties” for purposes of all FR 2052a reports.

More generally, we request that, whatever the scope of the FR 2052a reporting requirement and the principles of consolidation applicable to FR 2052a Reporting FBOs, they be set forth and explained directly and solely in the final Form FR 2052a Instructions.

Frequency and Timing of Reporting. The Draft FR 2052a Instructions state that FR 2052a Reporting FBOs would be required to submit (i) a complete FR 2052a report “on occasion at the request of supervisors” and (ii) a subset of the items on the FR 2052a report (specifically, those items listed in Appendix C to the draft Form FR 2052a (such report, an “Abbreviated FR 2052a Report”)) twice a month as of the 15th and end of the month. The Draft FR 2052a Instructions do not discuss the “as-of” date that applies to the complete FR 2052a Report nor do they specify the first submission date for either of the reports.

The FR 2052 Supporting Statement indicates it is intended that (i) FR 2052a Reporting FBOs will submit a full FR 2052a report on an annual basis, with the “as-of” date and the first submission date “to be determined” and (ii) twice-a-month reporting of Abbreviated FR 2052a Reports will commence on January 17, 2014 with a January 15, 2014 as-of date.⁵

We respectfully request that the required frequency of reporting and the as-of dates and first submission dates for reporting be set forth and explained directly in the final FR 2052a Instructions. For purposes of this letter, we will assume that the requirements for Abbreviated FR 2052a Reports are intended to be those set forth in the FR 2052 Supporting Statement. As discussed below in Section III.A, we believe these requirements are unrealistic and urge the Board to delay the as-of date for commencement of such reporting to at least June 30, 2014.

⁴ For example, it may be appropriate to clarify the matter by referring to offices of the FR 2052a Reporting FBO outside the United States that are “managed or controlled” by a U.S. branch or agency as defined in Section 211.24(g)(2) of the Board’s Regulation K and confirming that reporting on Form FR 2052a with respect to such offices is limited to those parts of their operations that are subject to such management or control.

⁵ Neither the Proposal nor the FR 2052 Supporting Statement addresses whether the Board would contemplate requiring submission of a complete FR 2052 on a more frequent basis based on the circumstances of a particular FR 2052a Reporting FBO and/or market conditions. We respectfully request the Board to clarify whether such reporting is contemplated. If such is the case, we would urge the Board to provide FR 2052a Reporting FBOs adequate advance notice and to accept such reports on an uncertified basis.



Regarding the commencement and timing of complete FR 2052a reporting, it is difficult to provide meaningful comment in the absence of a more definite sense of what the Board has in mind. As discussed below in Section III.A, we would welcome the opportunity to discuss with the Board the establishment of a timeframe for annual submission of the complete FR 2052a report that best accommodates the Board's purposes and the FR 2052a Reporting FBOs' concerns.

Ad-Hoc Data Collections. The Proposal mentions the intention to include the FR 2052a Reporting FBOs in a series of ad-hoc collections of daily liquidity data covering approximately 65 items not reported on the FR 2052a. The FR 2052 Supporting Statement refers to a three-stage process for conducting the ad-hoc collections but leaves unanswered questions regarding important matters such as when the ad-hoc collections will begin, the period of time allocated for each stage, the amount of time FR 2052a Reporting FBOs will be provided to submit their responses at each stage and the Board's expectations regarding the standard to which the banks will be held in providing their responses throughout the process (for example, whether or not such responses would have to be certified – we assume they would not, but urge the Board to confirm the point). We would welcome the opportunity to discuss the ad-hoc data collection process with the Board prior to its roll-out.

The ad-hoc data collection exercise proposal raises the same questions raised above regarding the scope of operations that must be included in the response to each such request, and we respectfully request that the Board clarify these matters in this context as well

B. Form FR 2052b

Regarding FR 2052b Reporting FBOs, we have the same questions regarding the scope of U.S. operations that would be included in each report as discussed above with respect to FR 2052a Reporting FBOs. As described in the Proposal, an FBO is an FR 2052b Reporting FBO if (i) it has total U.S. assets of greater than \$50 billion⁶ and (ii) it has a U.S. broker-dealer subsidiary with less than \$100 billion in assets.⁷ Accordingly, an FBO that does not have a U.S.

⁶ Inasmuch as it appears that offshore branches managed or controlled by a U.S. branch or agency are intended to be within the scope of operations included in FBOs' FR 2052 reports (see the discussion above in the text accompanying note 4), the question arises whether the assets of such offshore branches should be included in the calculation of the \$50 billion threshold. We do not believe such inclusion is appropriate or necessary and respectfully request the Board's confirmation of this point.

⁷ We note that neither the Proposal nor the FR 2052 Supporting Statement discusses the consequences in the event the assets of a Reporting FBO's U.S. broker-dealer subsidiary either fall below the \$100 billion threshold (previously having been above it) or crossover that threshold (previously having been below it) subsequent to the commencement of the FR 2052 reporting regime. We respectfully request clarification of this point.



broker-dealer subsidiary is not subject to FR 2052b reporting requirements.⁸ While the existence of a U.S. broker-dealer subsidiary thus is required to trigger FR 2052b reporting requirements,⁹ we respectfully recommend that the asset size of an FR 2052b Reporting FBO's U.S. broker-dealer subsidiary be given strong weight in determining whether the subsidiary should be treated as a "material entity" (assuming reporting is limited to identified "material entities").

As provided in the Draft FR 2052b Instructions, FR 2052b Reporting FBOs would be required to submit their FR 2052b reports on an annual basis, with the as-of date of such reports to be determined by each FBO's on-site supervisory team.¹⁰ The date of the first submission of these reports is not addressed. The uncertainty regarding the as-of and first submission dates presents the same concerns discussed above with respect to the submission of complete FR 2052a reports. As discussed below in Section III.A, we believe it would be appropriate to base annual FR 2052b reporting on the same timeframe applicable to the annual submission of complete FR 2052a reports.

Regarding the information that FR 2052b Reporting FBOs would be required to include in their reports, it is our understanding, based on the Draft FR 2052b Instructions, that they would limit their responses to the information requested in the consolidated reporting tab and would not provide any of the information requested in either the parent company only or contingency-pricing reporting tabs. We respectfully request confirmation of this understanding.

⁸ The Draft FR 2052a Instructions state that "[a]ll other FBOs [*i.e.*, those that are not FR 2052a Reporting FBOs] with total aggregate U.S. assets of greater than \$50 billion report on the FR 2052b as instructed." Taking note again of the anomaly of referring to the instructions for one form to help determine the requirements for another form, we believe the absence of any reference in that statement to the assets of a U.S. broker-dealer subsidiary as part of the criteria for identifying FR 2052b Reporting FBOs is inadvertent. A contrary reading would be inconsistent with Federal Register notice of the Proposal, the Draft FR 2052b Instructions themselves and the number of FBOs estimated to be subject FR 2052b reporting in the FR 2052 Supporting Statement.

⁹ We note that the FR 2052 Supporting Statement indicates that 7 FBOs are estimated to be within the scope of the FR 2052b reporting requirement.

¹⁰ The annual reporting requirement is consistent with what is reported in the "estimate of respondent burden" section of the FR 2052 Supporting Statement, but we note that the discussion in the "reporting panel and frequency of submissions" section states that FR 2052b Reporting FBOs would submit their FR 2052b reports "on occasion." We believe this discrepancy is inadvertent and that, given the requirement that FR 2052b Reporting FBOs submit FR 2052b reports, reporting on an annual basis would be appropriate. We note too that the discussion in footnote 5 above regarding the possibility of submission of complete FR 2052a reports more frequently than annually is equally applicable the possibility of submitting FR 2052b reports more frequently than annually.



III. The Proposed Timeframes Should Be Extended and the Certification Requirements Modified¹¹

The discussion in this section is limited to application of the Proposal to the current structure of Reporting FBOs' U.S. operations. As discussed above in Section I.B, additional questions arise regarding application of the proposed FR 2052 reporting regime to IHCs which cannot be meaningfully addressed until both the Proposal and the FBO Section 165 Rulemaking have been finalized.

A. Submission of FR 2052 Reports

Abbreviated FR 2052a Reports. Simply put, FR 2052a Reporting FBOs will not be able to meet the proposed timeframe for commencing submission of Abbreviated FR 2052a Reports. Notwithstanding the “abbreviated” nature of these reports, this is an entirely new reporting requirement for FBOs, one which they cannot begin to implement until the scope of the reporting has been clarified and the specific requirements have been finalized. Among other things, in order to report the information in the specified format it will be necessary to determine and then secure the budget necessary to support the effort, develop systems and processes to compile the information and remediate potential information gaps, and install appropriate controls and governance processes. Moreover, the Proposal appears to contemplate that all of this can be accomplished at a time when new systems initiatives are in suspension in connection with undertaking regular year-end reporting. In fact, it cannot.

Further to the point, the Proposal does not explain the rationale for requiring submission of the first Abbreviated FR 2052a Reports two days after the proposed January 15, 2014 as-of date or for requiring such reporting, whenever it commences, on a twice-a-month basis. As discussed above, we do not question the decision to require FR 2052 reporting, but we fail to see the urgency in putting this requirement in place on such an accelerated timeframe. We respectfully submit that what might be ideal in terms of reporting is not necessarily coextensive with what is feasible in practice or what will produce information that is meaningful from a supervisory perspective.

We strongly urge the Board to reconsider the proposed timeframe and delay the as-of date for commencement of such reporting to at least June 30, 2014. In addition, we believe there

¹¹ We note that the Draft Instructions do not address the confidentiality of the FR 2052 reports, but this subject is addressed in the Federal Register notice of the proposal. We recommend that it be addressed directly in the final instructions as well. In addition, we request clarification of which items in the FR 2052 reports are considered “individual financial institution information” (and thus protected as confidential supervisory information) and which are considered “institution information”(and thus protected as trade secrets or commercial or financial information) . More generally, we request clarification of why, in light of the purposes of the FR 2052 reporting regime, all items in the FR 2052 reports are not protected as confidential supervisory information.



is merit to implementing the requirement on a more phased basis whereby, for example, an Abbreviated FR 2052a Report initially would be required only once a month, after which reporting twice a month would commence (again, in both cases, with the as-of date to be determined), and would welcome the opportunity to discuss possible such options further with the Board. Such a phased approach would be especially appropriate depending on the Board's final determination regarding the scope of FR 2052a Reporting FBOs' U.S. operations.

Complete FR 2052a Reports and FR 2052b Reports. Even greater challenges are presented by the complete FR 2052a reporting requirement, with a concomitant need for special awareness for prescribing a feasible timeframe.¹² The Proposal also presents important challenges for FR 2052b Reporting FBOs. Given our understanding that the Proposal contemplates that FR 2052b Reporting FBOs would report annually, we believe it would be appropriate to base annual FR 2052b reporting on the same timeframe applicable to the annual submission of complete FR 2052a reports. In this regard we would welcome the opportunity to discuss with the Board establishing a timeframe for annual submission of the complete FR 2052a and the FR 2052b reports that best accommodates the Board's purposes and the Reporting FBOs' concerns.

B. Certification Requirements

Read in connection with the FR 2052 Supporting Statement, the Proposal appears to call for certification of the complete FR 2052a report and the FR 2052b report (each of which would be submitted annually) but not the Abbreviated FR 2052a Reports. As an initial matter, we respectfully recommend that the certification requirements, whatever they might be, be set forth directly in the relevant instructions. More generally, we request clarification of the following:

- The identity of the individual required to make the certification. For Reporting FBOs, we believe it is appropriate to provide a Reporting FBO flexibility to determine who within its structure is best situated to certify the FR 2052 report – so that it would be sufficient to require certification by an “authorized official” of the Reporting FBO, which would include duly authorized personnel of its U.S. operations.
- The precise language of the certification should be set forth in the instructions.

¹² While certain FR 2052a Reporting FBOs have been providing so-called 3G liquidity information, we understand that the complete FR 2052a report goes significantly beyond what has been required from them to date. Moreover, it is unclear what the relationship might be between the proposed reporting requirements and what we understand to be the impending so-called 5G liquidity information reporting, and we agree with the discussion of the this subject in the Joint Trades Letter.



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In addition, we respectfully recommend that certification, where required, be delayed for an appropriate period of time to enable Reporting FBOs to correct any deficiencies in their systems. With respect to annual reporting of Form FR 2052a and Form 2052b we believe an appropriate period would be at least one year – *i.e.*, certification would be required commencing no earlier than with the second submission of these reports. As a corollary, we further recommend that the standard applied to the submission of uncertified reports be set forth directly in the instructions to each form and that this standard call for the submission of “reasonable estimates” on a “best efforts” basis.

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We appreciate the Board’s consideration of our comments. Please contact the undersigned if we can provide any additional information or assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Coffman', written over a horizontal line.

Richard Coffman
General Counsel

cc: Office of Information and Regulatory Affairs
Office of Management and Budget
New Executive Office Building, Room 10235
725 17th Street, N.W.
Washington D.C. 20503
Attn: Shagufta Ahmed



APPENDIX:

SPECIFIC ITEMS FOR WHICH CLARIFICATION IS REQUESTED

Unencumbered Assets. The Glossaries to the Draft Instructions define the term “unencumbered assets” as securities that meet the following conditions: (a) they should be under the control of the function that manages the liquidity risk of the firm; (b) they should be managed with the clear and sole intent for use as source of contingent funds; (c) they should not be held as a hedge for any other exposure; (d) they should not be pledged in any way; (e) they cannot have any legal, regulatory or operational restriction that limit their use as source of contingent funds. The instructions for the unencumbered assets item state that reverse repos should be excluded since they should be reported in the specific reverse repo item.

Question: Does this mean that firm own inventory, securities borrowed and securities reversed in should only be considered unencumbered securities if the firm meets the requirements mentioned above, including the intent to be used as a source of contingent fund (i.e. liquidity buffer), regardless of whether or not they are actually available for pledge?

Question: Should it also exclude securities borrowed, or only reverse repos?

Non-Rehypothecated Collateral. Item 3.10 in the Draft FR 2052a Instructions (“Repo Conducted with Non-Rehypothecated Collateral”) states: “Report all repurchase agreements where the firm provides non-rehypothecated collateral, i.e., collateral that the firm owns ...”. It seems that the Board is defining non-rehypothecated collateral as own inventory and reverse repoed securities, but excluding customer collateral that the firm has the legal right to utilize, which would be reported in Item 3.20 (“Repo Conducted with Rehypothecated Collateral”). In addition, Items 3.11 and 3.13 seem to be looking for repos done with reverse repoed securities, and items 3.12 and 3.14 seem to be looking for repos done with own inventory.

Question: Does the term “non-rehypothecated securities” include all firm own inventory and securities reversed in, but exclude customer securities?

Question: Should lines 3.11 and 3.13 of the FR2052a include only repo trades done with securities reversed in and firm own inventory, both not earmarked as for the purposes of contingent funds?

Lockup Cash Flows. Item 12.10 in the Draft FR 2052a Instructions (“Prime Brokerage Free Credits”) asks for the cash balances segregated for SEC Rule 15c3-3 or other regulations to protect client assets.

Question: Does the term “cash” include securities (firm own inventory, securities borrowed or securities reversed in) which are segregated or only actual cash?



Trapped Liquidity due to Legal Ring Fencing. Item 14.91 in the Draft FR 2052a Instructions (“Trapped Liquidity due to Legal Fencing”) and Item 18.1 in the Draft FR 2052b Instructions (“Restricted Liquidity (funds that have legal Ring Fencing constraints)”) ask for balances that are trapped and subject to legal or regulatory restrictions on movement.

Question: The Draft FR 2052a Instructions ask for “known” balances” but not in the Draft FR 2052b Instructions ask only for balances. Is this distinction merely inadvertent? If not, what is intended?

Question: Do these Items include cash and securities segregated for the benefit of customers (i.e., pursuant to SEC Rule 15c3-3 and CFTC requirements)?

Question: What is the definition of “trapped liquidity” for this purpose as applied to Reporting FBOs?

Debt bought back on day T. Item 15.21 in the Draft FR2052a Instructions (“Debt Bought back on Day T”) asks for the amount of the debt issued by the firm that the firm repurchased on day T.

Question: A firm, for example, as part of its market making activity may purchase and sell the same debt during day T without holding any position at the end of day T, so should the firm report in this line the gross or the net amount between purchases and sales during the day?

Funding Pricing. Item 16.30 in the Draft FR2052a Instructions (“Secured Funding Pricing”) asks for the weighted average pricing of repurchase financing.

Question: What is the time period to calculate the weighted average pricing? Would it be the two weeks prior to the submission?

Loan and Leases. Section 4 in the Draft FR 2052b Instructions (“Loans and Leases”) provides a general description of “commercial and industrial loans”.

Question: Is this item limited to loans that are reported as “C&I” loans for Call Report purposes?

ABCP Exposure. Section 11 in the Draft FR 2052b Instructions (“ABCP Exposure”) calls for reporting of outstanding ABCP issues based on remaining maturity.

Observation: The draft Form 2052b does not have columns for maturity.