



November 18, 2013

**Filed by e-mail**

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

Re: Form FR 2052 a and b

Dear Mr. Frierson:

HSBC North America Holdings Inc. ("HNAH") and its U.S. affiliates (collectively, "HSBC") appreciate the opportunity to submit comments regarding 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). As discussed below, we have questions regarding the circumstances under which an organization that files the Form FR 2052b may be required to file the Form FR 2052a, and the process for making the transition between the two forms. "We currently do not produce a full GAAP balance sheet with netting daily, and it would be a significant effort to do so."

We also note that the proposal does not specify a proposed period for implementing the two reports once they are issued in final form. We believe that a generous implementation period would serve the interests of both industry and the Federal Reserve, and suggest that the Federal Reserve consider a period of at least one year.

The General Instructions for the Form FR 2052b state that foreign firms with total U.S. assets greater than \$50 billion and U.S. broker/dealer assets less than \$100 billion should file the form each year. The onsite supervisory team will provide further information on the as-of date of the report.<sup>1</sup> In addition, the General Instructions for the FR 2052a state that foreign banking organizations (FBOs) "that have U.S. broker dealer subsidiaries with aggregate assets of more than \$100 billion report all items of the FR 2052a on occasion at the request of supervisors. In

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<sup>1</sup> Draft General Instructions for submitting Form FR 2052b, p. 2.

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addition, these FBOs also report a subset of the items on the FR 2052a twice a month (as of the 15th and end of the month).”<sup>2</sup>

Thus, it seems clear that the filing obligations of a foreign banking organization with U.S. assets greater than \$50 billion, whether filing a Form FR 2052b annually or filing a Form FR 2052a semi-monthly, will depend on the size of its affiliated U.S. broker-dealer. As the difference between the effort required to file the two proposed forms is large because of the greater complexity and more frequent filing of the Form FR 2052a, we believe that the proposal raises issues about the process of transition between the two forms for a foreign banking organization with U.S. assets greater than \$50 billion affiliated with a broker/dealer of close to \$100 billion in assets. These questions are not addressed by the proposal as currently written.

The threshold question seems to be how is the size of the broker/dealer measured for determining whether it has crossed the \$100 billion mark? Is it actual assets or average assets? And, if the latter, what is the averaging period used? A corollary question is whether a duration factor will be applied to this measure? In other words, is there a minimum period of time that the broker/dealer assets must be over \$100 billion, before the foreign banking organization is required to begin the process of filing Form FR 2052a? Another corollary question is when and how the foreign banking organization must inform the Federal Reserve regarding the size of the broker/dealer assets as the number approaches \$100 billion?

The process of transitioning between the two forms is also not addressed by the proposal. HSBC poses two questions about this process. First, once it is clear that U.S. broker/dealer assets are above \$100 billion, how long will an organization be allowed to make the transition from filing the Form FR 2052b annually to filing the (abbreviated) Form 2052a semi-monthly? Second, once a FBO has begun filing the (abbreviated) Form FR 2052a will it ever be allowed to transition back to annual filing of Form FR 2052b if its broker/dealer assets drop below \$100 billion? Again, will there be a minimum duration required for being below the \$100 billion threshold?

We thank you for the opportunity to comment on the proposed forms and urge the Federal Reserve to consider these questions as it moves to implement these two forms. All FBOs should benefit from clear guidance regarding their obligations under the two proposed forms.

Sincerely,



Steven R. Hageman  
Senior Vice President  
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Cc: Joseph Abdelnour, Federal Reserve Bank of Chicago

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<sup>2</sup> Draft General Instructions for submitting Form FR 2052a, p. 2 (emphasis added).

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