CENTER FOR CAPITAL MARKETS COMPETITIVENESS

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

Re: Liquidity Coverage Ratio: Public Disclosure Requirements; Extension of Compliance Period for Certain Companies To Meet the Liquidity Coverage Ratio Requirements, RIN 7100 AE–39, 12 CFR Part 249

Dear Mr. de V. Frierson and To Whom It May Concern:

The U.S. Chamber of Commerce ("Chamber")[1] created the Center for Capital Markets Competitiveness ("CCMC") to promote a modern and effective regulatory structure for capital markets to fully function in a 21st century economy. The CCMC has commented[2] extensively on capital, leverage, and liquidity rules issued by the Board of Governors of the Federal Reserve (the "Federal Reserve") and other banking regulators in the past. We believe that allowing suitable levels of risk-taking is a necessary element needed to fuel growth and innovation within the overall economy.

In addition to the concerns raised in our previous comment letter on the liquidity coverage ratio,[3] we wish to raise a number of concerns relating to the Federal

[1] The Chamber is the world's largest federation of businesses and associations, representing the interests of more than three million U.S. businesses and professional organizations of every size and in every economic sector. These members are users, preparers, and auditors of financial information.
[2] *See* also letter of June 14, 2011 from the Chamber to Federal Reserve Chairman Ben Bernanke on G-SIFI surcharges, letter of October 22, 2012 from the Chamber to the regulators commenting on the proposed Basel III regulations, letter of September 19, 2013 from the Chamber to the Bank of International Settlements commenting on *Revised Basel III leverage ratio framework and disclosure requirements,* and letter of September 23, 2013 from the Chamber to the regulators on *Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and their Subsidiary Insured Depository Institutions.*
[3] *See* letter of January 31, 2014 from the Chamber to Federal Reserve on *Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards and Monitoring.*

Reserve's proposed rule on public disclosure requirements for the liquidity coverage ratio (the "Proposed Rule"). Broadly, we believe that several improvements can be made to the rule to improve its workability and consistency with similar disclosure requirements under regulatory disclosures required under the Basel III capital rules to help minimize the potential for disruptive market responses

Discussion

As a general matter, the Chamber notes that the computation of the liquidity coverage ratio ("LCR") in the United States is significantly different from the internationally agreed upon Basel III standards, as the standard finalized in the United States focused on potential manipulation of high-quality liquid assets held by an insured depository institution or nonbank supervised by the Federal Reserve. Since the implementation of the LCR, several concerns have also arisen about the mechanics of the LCR calculation. The Office of Financial Research, for instance, has released a study indicating that adding a "time dimension" to the calculation through the maturity mismatch add-on term in the denominator has made the calculation of the LCR more volatile and difficult to interpret.[4]

Consequently, our comments are meant to make the public disclosure of the LCR more consistent while mitigating any undue burdens that may distort or make such reporting excessively difficult or costly. In this respect, we strongly believe that the reporting requirements outlined in the Proposed Rule should not be applied in the future separately to depository institution subsidiaries of advanced approaches bank holding companies ("BHCs") or savings and loan holding companies in a different or modified reporting form. This requirement would impose unnecessary costs at the depository institution level that may not be relevant or decision-useful for those reviewing LCR disclosure requirements, particularly when such requirements are already disclosed at the parent entity level.

With respect to the disclosures required under the Proposed Rule, we believe that there are certain categories of information that would either be confusing to a reader of the LCR disclosures or may subject a reporting institution to unnecessary

[4] *See* Jill Cetina and Katherine Gleason, OFR Working Paper, The Difficult Business of Measuring Banks' Liquidity: Understanding the Liquidity Coverage Ratio (Oct. 2015), *available at* https://financialresearch.gov/working-papers/files/OFRwp-2015-20_Measuring-Banks-Liquidity.pdf.

costs. For example, the requirement to disclose a qualitative discussion of "other inflows, outflows, or other factors in the LCR calculation that are not captured in the quantitative disclosures required by the Proposed Rule, but which the covered company considers relevant to facilitate an understanding of it liquidity risk profile" could potentially open up the covered company to litigation risk to the extent there are differences of opinion on what should be considered relevant to understanding a liquidity risk profile. We also believe that the requirement that the qualitative discussion focus on issues "to the extent they are significant" may be confusing to those preparing an LCR disclosure and would suggest a materiality standard instead.

We also believe that the Proposed Rule should be harmonized with the required regulatory disclosures under the Basel III capital rules with respect to an exemption from disclosure for certain confidential commercial or financial information. Instead, a covered institution should be permitted to disclose more general information about the subject matter and why such information has not been directly disclosed.

Finally, we believe that the placement of the required disclosures should not be subject to a "direct and prominent" standard on a covered company's public website or in public financial or other regulatory reports. We believe that interested market participants and other parties will easily be able to obtain such publicly disclosed information without the disclosure of such information being subject to a "direct and prominent" standard, particularly given its standardized template approach.

Conclusion

We thank you for your consideration of these comments and would be happy to discuss these issues further with you or your staff.

Sincerely,

Tom Quaadman