

Response Document – Large Financial Institution Rating System (Docket No. R-1569, RIN 7100 AE82)

1. Need for Composite Rating along with component ratings

The proposed document on LFI rating system explicitly states that it doesn't provide a composite rating of the firms under supervision. However, my suggestion would be that it would be beneficial in having an overall rating (composite rating) of the firms along with individual component ratings.

A composite rating should be given based on the analysis of the firms' annual resolution plans (living wills) along with the assessment of individual ratings. Since the resolution plans cover assessment of most of the components of the LFI rating system (capital, liquidity and governance, operational) along with other aspects like trading and legal entity rationalization, providing a composite rating based on the assessment of firms' annual resolution plans and individual ratings would give a holistic picture of the firms' safety and soundness in the financial industry.

2. Need for Public Disclosure

Since the results of CCAR, Living Wills are publicly disclosed by the Federal Reserve and even the key components of LCR results are publicly disclosed by the firms on a quarterly basis, my suggestion would be that the Federal Reserve should publicly disclose the composite LFI rating (based on the suggestion in point 1) and individual component LFI ratings. The details of these ratings can be kept confidential and communicated only to the respective firms, but the ratings as such should be disclosed publicly. This would help investors and public in actively assessing the firms' safety and soundness (like the results of CCAR and Living Wills which are actively tracked by the investors).

3. Timing of rating cycle

The proposed document on LFI rating system highlights that the LFI rating assessment would be done on an annual basis. It provides a timeframe of not more than 18 months for the firms which receive "Satisfactory Watch" rating to resolve the issues. Though the document states that post initial LFI rating cycle, individual component ratings would be assigned on a rolling basis, it doesn't explicitly mention the specific timeframe for firms which receive "Deficient-1" or "Deficient-2" rating to remediate the issues.

Also, would the Federal Reserve reassign the overall composite rating (as suggested in point 1 and if the Federal Reserve adopts the suggestion) outside of its annual assessment cycle based on the remediation of issues by the firms which receive "Deficient-1" or "Deficient-2" composite rating?