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Blackline: U.S. Liquidity Coverage Ratio Proposal Rule Text

Federal Register Version (scheduled for publication on Nov. 29)
vs.
Federal Reserve's Draft Version (Oct. 24)

Text of the Proposed Common Rules (All Agencies)

The text of the proposed common rules appears below:

PART [INSERT PART] – LIQUIDITY RISK MEASUREMENT, STANDARDS AND MONITORING

Subpart A General Provisions

§ __.1 Purpose and applicability.

§ __.2 Reservation of authority.

§ __.3 Definitions.

§ __.4 Certain operational requirements.

Subpart B Liquidity Coverage Ratio

§ __.10 Liquidity coverage ratio.

Subpart C High-Quality Liquid Assets

§ __.20 High-Quality Liquid Asset Criteria.

§ __.21 High-Quality Liquid Asset Amount.

Subpart D Total Net Cash Outflow

§ __.30 Total net cash outflow amount.

§ __.31 Determining maturity.

§ __.32 Outflow amounts.

§ __.33 Inflow amounts.

Subpart E Liquidity Coverage Shortfall

§ __.40 Liquidity coverage shortfall: supervisory framework.

Subpart F Transitions

§ __.50 Transitions.

Text of Common Rule

Subpart A – General Provisions

§ __.1 Purpose and applicability.

(a) Purpose. This part establishes a minimum liquidity standard and disclosure requirements for certain [BANK]s, as set forth herein.

(b) Applicability. (1) A [BANK] is subject to the minimum liquidity standard and other requirements of this part if:

(i) It has consolidated total assets equal to $250 billion or more, as reported on the most recent year-end [REGULATORY REPORT];

(ii) It has consolidated total on-balance sheet foreign exposure at the most recent year-end equal to $10 billion or more (where total on-balance sheet foreign exposure equals total cross-border claims less claims with a head office or guarantor located in another country plus redistributed guaranteed amounts to the country of head office or guarantor plus local country claims on local residents plus revaluation gains on foreign exchange and derivative transaction products, calculated in accordance with the Federal Financial Institutions Examination Council (FFIEC) 009 Country Exposure Report);

(iii) It is a depository institution that is a consolidated subsidiary of a company described in paragraphs (b)(1)(i) or (b)(1)(ii) of this section and has consolidated total assets equal to $10 billion or more, as reported on the most recent year-end Consolidated Report of Condition and Income; or

(iv) The [AGENCY] has determined that application of this part is appropriate in light of the [BANK]'s asset size, level of complexity, risk profile, scope of operations, affiliation with foreign or domestic covered entities, or risk to the financial system.

(2) This part does not apply to:

(i) A bridge financial company as defined in 12 U.S.C. 5381(a)(3), or a subsidiary of a bridge financial company; or

(ii) A new depository institution or a bridge depository institution, as defined in 12 U.S.C. 1813(i).

(3) A [BANK] subject to a minimum liquidity standard under this part shall remain subject until the [AGENCY] determines in writing that application of this part to the [BANK] is not appropriate in light of the [BANK]'s asset size, level of complexity, risk profile, scope of operations, affiliation with foreign or domestic covered entities, or risk to the financial system.

(4) In making a determination under paragraphs (b)(1)(iv) or (3) of this section, the

[AGENCY] will apply notice and response procedures in the same manner and to the same extent as the notice and response procedures in [12 CFR 3.404 (OCC), 12 CFR 263.202 (Board), and 12

CFR 324.5 (FDIC)].

§ __.2 Reservation of authority.

(a) The [AGENCY] may require a [BANK] to hold an amount of high-quality liquid assets (HQLA) greater than otherwise required under this part, or to take any other measure to improve the [BANK]'s liquidity risk profile, if the [AGENCY] determines that the [BANK]'s liquidity requirements as calculated under this part are not commensurate with the [BANK]'s liquidity risks. In making determinations under this section, the [AGENCY] will apply notice and response procedures as set forth in [12 CFR 3.404 (OCC), 12 CFR 263.202 (Board), and 12 CFR 324.5 (FDIC)].

(b) Nothing in this part limits the authority of the [AGENCY] under any other provision of law or regulation to take supervisory or enforcement action, including action to address unsafe or unsound practices or conditions, deficient liquidity levels, or violations of law.

§ __.3 Definitions.

For the purposes of this part:

Affiliated depository institution means with respect to a [BANK] that is a depository institution, another depository institution that is a consolidated subsidiary of a bank holding company or savings and loan holding company of which the [BANK] is also a consolidated subsidiary.

Asset exchange means a transaction that requires the counterparties to exchange non-cash assets at a future date. Asset exchanges do not include secured funding and secured lending transactions.

Bank holding company is defined in section 2 of the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 et seq.).

Brokered deposit means any deposit held at the [BANK] that is obtained, directly or indirectly, from or through the mediation or assistance of a deposit broker as that term is defined in section 29 of the Federal Deposit Insurance Act (12 U.S.C. 1831f(g)), and includes a reciprocal brokered deposit and a brokered sweep deposit.

Brokered sweep deposit means a deposit held at the [BANK] by a customer or counterparty through a contractual feature that automatically transfers to the [BANK] from another regulated financial company at the close of each business day amounts identified under the agreement governing the account from which the amount is being transferred.

Calculation date means any date on which a [BANK] calculates its liquidity coverage ratio under § __.10.

Client pool security means a security that is owned by a customer of the [BANK] and is not an asset of the [BANK] regardless of a [BANK]'s hypothecation rights to the security.

Committed means, with respect to a credit facility or liquidity facility, that under the terms of the legally binding agreement governing the facility~~,~~ :

(1) The [BANK] may not refuse to extend credit or funding under the facility; or

(2) The [BANK] may refuse to extend credit under the facility (to the extent permitted under applicable law) only upon the satisfaction or occurrence of one or more specified conditions not including change in financial condition of the borrower, customary notice, or administrative conditions.

Company means a corporation, partnership, limited liability company, depository institution, business trust, special purpose entity, association, or similar organization.

Consolidated subsidiary means a company that is consolidated on a [BANK]'s balance sheet under GAAP.

Covered depository institution holding company means a top-tier bank holding company or savings and loan holding company domiciled in the United States other than:

(1) A top-tier savings and loan holding company that is:

(i) A grandfathered unitary savings and loan holding company as defined in section 10(c)(9)(A) of the Home Owners' Loan Act (12 U.S.C. 1461 et seq.); and

(ii) As of June 30 of the previous calendar year, derived 50 percent or more of its total consolidated assets or 50 percent of its total revenues on an enterprise-wide basis (as calculated under GAAP) from activities that are not financial in nature under section 4(k) of the Bank Holding Company Act (12 U.S.C. 1842(k));

(2) A top-tier depository institution holding company that is an insurance underwriting company; or

(3)(i) A top-tier depository institution holding company that, as of June 30 of the previous calendar year, held 25 percent or more of its total consolidated assets in subsidiaries that are insurance underwriting companies (other than assets associated with insurance for credit risk); and

(ii) For purposes of paragraph 3(i~~),~~) of this definition, the company must calculate its total consolidated assets in accordance with GAAP, or if the company does not calculate its total consolidated assets under GAAP for any regulatory purpose (including compliance with applicable securities laws), the company may estimate its total consolidated assets, subject to review and adjustment by the Board.

Covered nonbank company means a company that the Financial Stability Oversight Council has determined under section 113 of the Dodd-Frank Act (12 U.S.C. 5323) shall be supervised by the Board and for which such determination is still in effect (designated company) other than:

(1) A designated company that is an insurance underwriting company; or (2)(i) A designated company that, as of June 30 of the previous calendar year, held 25 percent or more of its total consolidated assets in subsidiaries that are insurance underwriting companies (other than assets associated with insurance for credit risk); and

(ii) For purposes of paragraph 2(i~~),~~) of this definition, the company must calculate its total consolidated assets in accordance with GAAP, or if the company does not calculate its total consolidated assets under GAAP for any regulatory purpose (including compliance with applicable securities laws), the company may estimate its total consolidated assets, subject to review and adjustment by the Board.

Credit facility means a legally binding agreement to extend funds if requested at a future date, including a general working capital facility such as a revolving credit facility for general corporate or working capital purposes. Credit facilities do not include facilities extended expressly for the purpose of refinancing the debt of a counterparty that is otherwise unable to meet its obligations in the ordinary course of business (including through its usual sources of funding or other anticipated sources of funding). See liquidity facility.

Deposit means “deposit” as defined in section 3(*l*) of the Federal Deposit Insurance Act (12 U.S.C. 1813(*l*)) or an equivalent liability of the [BANK] in a jurisdiction outside of the United States.

Depository institution is defined in section 3(c) of the Federal Deposit Insurance Act (12 U.S.C. 1813(c)).

Depository institution holding company means a bank holding company or savings and loan holding company.

Deposit insurance means deposit insurance provided by the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.).

Derivative transaction means a financial contract whose value is derived from the values of one or more underlying assets, reference rates, or indices of asset values or reference rates. Derivative contracts include interest rate derivative contracts, exchange rate derivative contracts, equity derivative contracts, commodity derivative contracts, credit derivative contracts, and any other instrument that poses similar counterparty credit risks. Derivative contracts also include unsettled securities, commodities, and foreign currency exchange transactions with a contractual settlement or delivery lag that is longer than the lesser of the market standard for the particular instrument or five business days. A derivative does not include any identified banking product, as that term is defined in section 402(b) of the Legal Certainty for Bank Products Act of 2000 (7 U.S.C. 27(b)), that is subject to section 403(a) of that Act (7 U.S.C. 27a(a)).

Dodd-Frank Act means the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111–203, 124 Stat. 1376 (2010).

Foreign withdrawable reserves means a [BANK]'s balances held by or on behalf of the [BANK] at a foreign central bank that are not subject to restrictions on the [BANK]'s ability to use the reserves.

GAAP means generally accepted accounting principles as used in the United States.

High-quality liquid asset (HQLA) means an asset that meets the requirements for level 1 liquid assets, level 2A liquid assets, or level 2B liquid assets, as set forth in subpart C of this part.

HQLA amount means the HQLA amount as calculated under § __.21.

Identified company means any company that the [AGENCY] has determined should be treated the same for the purposes of this part as a regulated financial company, investment company, non-regulated fund, pension fund, or investment adviser, based on activities similar in scope, nature, or operations to those entities.

Individual means a natural person, and does not include a sole proprietorship.

Investment adviser means a company registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 (15 U.S.C. 80b-1 et seq.), or foreign equivalents of such company.

Investment company means a company registered with the SEC under the Investment Company Act of 1940 (15 U.S.C. 80a-1 et seq.) or foreign equivalents of such company.

Liquid and readily-marketable means, with respect to a security, that the security is traded in an active secondary market with~~-~~:

(1) More than two committed market makers;

(2) A large number of non-market maker participants on both the buying and selling sides of transactions;

(3) Timely and observable market prices; and

(4) A high trading volume.

Liquidity facility means a legally binding agreement to extend funds at a future date to a counterparty that is made expressly for the purpose of refinancing the debt of the counterparty when it is unable to obtain a primary or anticipated source of funding. A liquidity facility includes an agreement to provide liquidity support to asset-backed commercial paper by lending to, or purchasing assets from, any structure, program or conduit in the event that funds are required to repay maturing asset-backed commercial paper. Liquidity facilities exclude facilities that are established solely for the purpose of general working capital, such as revolving credit facilities for general corporate or working capital purposes. See credit facility.

Multilateral development bank means the International Bank for Reconstruction and Development, the Multilateral Investment Guarantee Agency, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the European Investment Fund, the Nordic Investment Bank, the Caribbean Development Bank, the Islamic Development Bank, the Council of Europe Development Bank, and any other entity that provides financing for national or regional development in which the U.S. government is a shareholder or contributing member or which the [AGENCY] determines poses comparable credit risk.

Non-regulated fund means any hedge fund or private equity fund whose investment adviser is required to file SEC Form PF (Reporting Form for Investment Advisers to Private Funds and Certain Commodity Pool Operators and Commodity Trading Advisors), and any consolidated subsidiary of such fund, other than a small business investment company as defined in section 102 of the Small Business Investment Act of 1958 (15 U.S.C. 661 et seq.).

Nonperforming exposure means an exposure that is past due by more than 90 days or nonaccrual.

Operational deposit means unsecured wholesale funding that is required for the [BANK] to provide operational services as an independent third-party intermediary to the wholesale customer or counterparty providing the unsecured wholesale funding. In order to recognize a deposit as an operational deposit for purposes of this part, a [BANK] must comply with the requirements of §__.4(b) with respect to that deposit.

Operational services means the following services, provided they are performed as part of cash management, clearing, or custody services:

(1) Payment remittance;

(2) Payroll administration and control over the disbursement of funds;
(3) Transmission, reconciliation, and confirmation of payment orders;
(4) Daylight overdraft;
(5) Determination of intra-day and final settlement positions;
(6) Settlement of securities transactions;
(7) Transfer of recurring contractual payments;
(8) Client subscriptions and redemptions;
(9) Scheduled distribution of client funds;

(10) Escrow, funds transfer, stock transfer, and agency services, including payment and settlement services, payment of fees, taxes, and other expenses; and

(11) Collection and aggregation of funds.

Pension fund means an employee benefit plan as defined in paragraphs (3) and (32) of section 3 of the Employee Retirement Income and Security Act of 1974 (29 U.S.C. 1001 et seq.), a "governmental plan" (as defined in 29 U.S.C. 1002(32)) that complies with the tax deferral qualification requirements provided in the Internal Revenue Code, or any similar employee benefit plan established under the laws of a foreign jurisdiction.

Public sector entity means a state, local authority, or other governmental subdivision below the sovereign entity level.

Publicly traded means, with respect to a security, that the security is traded on:

(1) Any exchange registered with the SEC as a national securities exchange under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f); or

(2) Any non-U.S.-based securities exchange that:

(i) Is registered with, or approved by, a national securities regulatory authority; and

(ii) Provides a liquid, two-way market for the security in question.

Qualifying master netting agreement (1) Means a written, legally binding agreement that:
(i) Creates a single obligation for all individual transactions covered by the agreement upon an event of default, including upon an event of receivership, insolvency, liquidation, or similar proceeding, of the counterparty;

(ii) Provides the [BANK] the right to accelerate, terminate, and close out on a net basis all transactions under the agreement and to liquidate or set-off collateral promptly upon an event of default, including upon an event of receivership, insolvency, liquidation, or similar proceeding, of the counterparty, provided that, in any such case, any exercise of rights under the agreement will not be stayed or avoided under applicable law in the relevant jurisdictions, other than in receivership, conservatorship, resolution under the Federal Deposit Insurance Act, Title II of the Dodd-Frank Act, or under any similar insolvency law applicable to U.S. government-sponsored enterprises;

(iii) Does not contain a walkaway clause (that is, a provision that permits a non-defaulting counterparty to make a lower payment than it otherwise would make under the agreement, or no payment at all, to a defaulter or the estate of a defaulter, even if the defaulter or the estate of the defaulter is a net creditor under the agreement); and

(2) In order to recognize an agreement as a qualifying master netting agreement for purposes of this part, a [BANK] must comply with the requirements of §__.4(a) with respect to that agreement.

Reciprocal brokered deposit means a brokered deposit that a [BANK] receives through a deposit placement network on a reciprocal basis, such that:

(1) For any deposit received, the [BANK] (as agent for the depositors) places the same amount with other depository institutions through the network; and

(2) Each member of the network sets the interest rate to be paid on the entire amount of funds it places with other network members.

Regulated financial company means:

(1) A bank holding company; savings and loan holding company (as defined in section 10(a)(1)(D) of the Home Owners' Loan Act (12 U.S.C. 1467a(a)(1)(D)); nonbank financial institution supervised by the Board of Governors of the Federal Reserve System under Title I of the Dodd-Frank Act (12 U.S.C. 5323);

(2) A company included in the organization chart of a depository institution holding company on the Form FR Y-6, as listed in the hierarchy report of the depository institution holding company produced by the National Information Center (NIC) Web site,[1] provided that the top-tier depository institution holding company is subject to a minimum liquidity standard under this part;

(3) A depository institution; foreign bank; credit union; industrial loan company, industrial bank, or other similar institution described in section 2 of the Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 et seq.); national bank, state member bank, or state non-member bank that is not a depository institution;

(4) An insurance company;

(5) A securities holding company as defined in section 618 of the Dodd-Frank Act (12 U.S.C. 1850a); broker or dealer registered with the SEC under section 15 of the Securities Exchange Act (15 U.S.C. 78o); futures commission merchant as defined in section 1a of the Commodity Exchange Act of 1936 (7 U.S.C. 1 et seq.); swap dealer as defined in section 1a of the Commodity Exchange Act (7 U.S.C. 1a); or security-based swap dealer as defined in section 3 of the Securities Exchange Act (15 U.S.C. 78c);

(6) A designated financial market utility, as defined in section 803 of the Dodd-Frank Act (12 U.S.C. 5462); and

(7) Any company not domiciled in the United States (or a political subdivision thereof) that is supervised and regulated in a manner similar to entities described in paragraphs (1) through (6) of this definition (e.g., a foreign banking organization, foreign insurance company, foreign securities broker or dealer or foreign designated financial market utility).

(8) A regulated financial institution does not include:
(~~1~~i) U.S. government-sponsored enterprises;

[1] http://www.ffiec.gov/nicpubweb/nicweb/NicHome.aspx.

~~(2~~(ii) Small business investment companies, as defined in section 102 of the Small Business Investment Act of 1958 (15 U.S.C. 661 et seq.);

(~~3~~iii) Entities designated as Community Development Financial Institutions (CDFIs) under 12 U.S.C. 4701 et seq. and 12 CFR part 1805; or

(~~4~~iv) Central banks, the Bank for International Settlements, the International Monetary Fund, or a multilateral development bank.

Reserve Bank balances means:

(1) Balances held in a master account of the [BANK] at a Federal Reserve Bank, less any balances that are attributable to any respondent of the [BANK] if the [BANK] is a correspondent for a pass-through account as defined in section 204.2(l) of Regulation D (12 CFR 204.2(l));

(2) Balances held in a master account of a correspondent of the [BANK] that are attributable to the [BANK] if the [BANK] is a respondent for a pass-through account as defined in section 204.2(l) of Regulation D;

(3) “Excess balances” of the [BANK] as defined in section 204.2(z) of Regulation D (12CFR 204.2(z)) that are maintained in an “excess balance account” as defined in section 204.2(aa)of Regulation D (12 CFR 204.2(aa)) if the [BANK] is an excess balance account participant; and

(4) “Term deposits” of the [BANK] as defined in section 204.2(dd) of Regulation D (12CFR 204.2(dd)) if such term deposits are offered and maintained pursuant to terms and conditions that:

(i) Explicitly and contractually permit such term deposits to be withdrawn upon demand prior to the expiration of the term, or that

(ii) Permit such term deposits to be pledged as collateral for term or automatically-renewing overnight advances from the Reserve Bank.

Retail customer or counterparty means a customer or counterparty that is:

(1) An individual; or

(2) A business customer, but solely if and to the extent that:

(i) The [BANK] manages its transactions with the business customer, including deposits, unsecured funding, and credit facility and liquidity facility transactions, in the same way it manages its transactions with individuals;

(ii) Transactions with the business customer have liquidity risk characteristics that are similar to comparable transactions with individuals; and

(iii) The total aggregate funding raised from the business customer is less than $1.5 million.

Retail deposit means a demand or term deposit that is placed with the [BANK] by a retail customer or counterparty, other than a brokered deposit.

Retail mortgage means a mortgage that is primarily secured by a first or subsequent lien on one-to-four family residential property.

Savings and loan holding company means a savings and loan holding company as defined in section 10 of the Home Owners' Loan Act (12 U.S.C. 1467a).

SEC means the Securities and Exchange Commission.

Secured funding transaction means any funding transaction that gives rise to a cash obligation of the [BANK] to a counterparty that is secured under applicable law by a lien on specifically designated assets owned by the [BANK] that gives the counterparty, as holder of the lien, priority over the assets in the case of bankruptcy, insolvency, liquidation, or resolution, including repurchase transactions, loans of collateral to the [BANK]'s customers to effect short positions, and other secured loans. Secured funding transactions also include borrowings from a Federal Reserve Bank.

Secured lending transaction means any lending transaction that gives rise to a cash obligation of a counterparty to the [BANK] that is secured under applicable law by a lien on specifically designated assets owned by the counterparty and included in the [BANK]'s HQLA amount that gives the [BANK], as holder of the lien, priority over the assets in the case of bankruptcy, insolvency, liquidation, or resolution, including reverse repurchase transactions and securities borrowing transactions. If the specifically designated assets are not included in the [BANK]'s HQLA amount but are still held by the [BANK], then the transaction is an unsecured wholesale funding transaction. *See unsecured wholesale funding*.

Securities Exchange Act means the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.).

Short position means a legally binding agreement to deliver a non-cash asset to a counterparty in the future.

Sovereign entity means a central government (including the U.S. government) or an agency, department, ministry, or central bank of a central government.

Special purpose entity means a company organized for a specific purpose, the activities of which are significantly limited to those appropriate to accomplish a specific purpose, and the structure of which is intended to isolate the credit risk of the special purpose entity.

Stable retail deposit means a retail deposit that is entirely covered by deposit insurance and:

(1) Is held by the depositor in a transactional account; or

(2) The depositor that holds the account has another established relationship with the [BANK] such as another deposit account, a loan, bill payment services, or any similar service or product provided to the depositor that the [BANK] demonstrates to the satisfaction of the [AGENCY] would make deposit withdrawal highly unlikely during a liquidity stress event.

Structured security means a security whose cash flow characteristics depend upon one or more indices or that have imbedded forwards, options, or other derivatives or a security where an investor's investment return and the issuer's payment obligations are contingent on, or highly sensitive to, changes in the value of underlying assets, indices, interest rates or cash flows.

Structured transaction means a secured transaction in which repayment of obligations and other exposures to the transaction is largely derived, directly or indirectly, from the cash flow generated by the pool of assets that secures the obligations and other exposures to the transaction.

Two-way market means a market where there are independent bona fide offers to buy and sell so that a price reasonably related to the last sales price or current bona fide competitive bid and offer quotations can be determined within one day and settled at that price within a relatively short time frame conforming to trade custom.

U.S. government-sponsored enterprise means an entity established or chartered by the Federal government to serve public purposes specified by the United States Congress, but whose debt obligations are not explicitly guaranteed by the full faith and credit of the United States government.

Unsecured wholesale funding means a liability or general obligation of the [BANK] to a wholesale customer or counterparty that is not secured under applicable law by a lien on specifically designated assets owned by the [BANK], including a wholesale deposit.

Wholesale customer or counterparty means a customer or counterparty that is not a retail customer or counterparty.

Wholesale deposit means a demand or term deposit that is provided by a wholesale customer or counterparty.

§___.4 Certain operational requirements.

(a) *Qualifying Master netting agreements*. In order to recognize an agreement as a qualifying master netting agreement as defined in §__.3, a [BANK] must:

(1) Conduct sufficient legal review to conclude with a well-founded basis (and maintain sufficient written documentation of that legal review) that:

(i) The agreement meets the requirements of the definition of qualifying master netting agreement in §__.3; and

(ii) In the event of a legal challenge (including one resulting from default or from receivership, insolvency, liquidation, or similar proceeding) the relevant judicial and administrative authorities would find the agreement to be legal, valid, binding, and enforceable under the law of the relevant jurisdictions; and

(2) Establish and maintain written procedures to monitor possible changes in relevant law and to ensure that the agreement continues to satisfy the requirements of the definition of qualifying master netting agreement in §__.3.

(b) *Operational deposits*. In order to recognize a deposit as an operational deposit as defined in §__.3:

(1) The deposit must be held pursuant to a legally binding written agreement, the termination of which is subject to a minimum 30 calendar-day notice period or significant termination costs are borne by the customer providing the deposit if a majority of the deposit balance is withdrawn from the operational deposit prior to the end of a 30 calendar-day notice period;

(2) There must not be significant volatility in the average balance of the deposit;

(3) The deposit must be held in an account designated as an operational account;

(4) The customer must hold the deposit at the [BANK] for the primary purpose of obtaining the operational services provided by the [BANK];

(5) The deposit account must not be designed to create an economic incentive for the customer to maintain excess funds therein through increased revenue, reduction in fees, or other offered economic incentives;

(6) The [BANK] must demonstrate that the deposit is empirically linked to the operational services and that it has a methodology for identifying any excess amount, which must be excluded from the operational deposit amount;

(7) The deposit must not be provided in connection with the [BANK]'s provision of operational services to an investment company, non-regulated fund, or investment adviser; and

(8) The deposits must not be for correspondent banking arrangements pursuant to which the [BANK] (as correspondent) holds deposits owned by another depository institution bank (as respondent) and the respondent temporarily places excess funds in an overnight deposit with the [BANK].

Subpart B – Liquidity Coverage Ratio

§ __.10 Liquidity coverage ratio.

(a) *Minimum liquidity coverage ratio requirement*. Subject to the transition provisions in subpart F of this part, a [BANK] must calculate and maintain a liquidity coverage ratio that is equal to or greater than 1.0 on each business day in accordance with this part. A [BANK] must calculate its liquidity coverage ratio as of the same time on each business day (elected calculation time). The [BANK] must select this time by written notice to the [AGENCY] prior to the effective date of this rule. The [BANK] may not thereafter change its elected calculation time without written approval from the [AGENCY].

(b) *Calculation of the liquidity coverage ratio*. A [BANK]'s liquidity coverage ratio equals:

(1) The [BANK]'s HQLA amount as of the calculation date, calculated under subpart C of this part; *divided by*

(2) The [BANK]'s total net cash outflow amount as of the calculation date, calculated under subpart D of this part.

Subpart C – High-Quality Liquid Assets

§ __.20 High-Quality Liquid Asset Criteria.

(a) *Level 1 liquid assets*. An asset is a level 1 liquid asset if it meets all of the criteria set forth in paragraphs (d) and (e) of this section and is one of the following types of assets:

(1) Reserve Bank balances;

(2) Foreign withdrawable reserves;

(3) A security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, the U.S. Department of the Treasury;

(4) A security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, a U.S. government agency (other than the U.S. Department of the Treasury) whose obligations are fully and explicitly guaranteed by the full faith and credit of the United States government, provided that the security is liquid and readily-marketable;

(5) A security that is issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, a sovereign entity, the Bank for International Settlements, the International Monetary Fund, the European Central Bank and European Community, or a multilateral development bank, that is:

(i) Assigned a 0 percent risk weight under subpart D of [AGENCY CAPITAL REGULATION] as of the calculation date;

(ii) Liquid and readily-marketable;

(iii) Issued by an entity whose obligations have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions;

(iv) Not an obligation of a regulated financial company, investment company, non-regulated fund, pension fund, investment adviser, or identified company, and not an obligation of a consolidated subsidiary of any of the foregoing; and

(6) A security issued by, or unconditionally guaranteed as to the timely payment of principal and interest by, a sovereign entity that is not assigned a 0 percent risk weight under subpart D of [AGENCY CAPITAL REGULATION], where the sovereign entity issues the security in its own currency, the security is liquid and readily-marketable, and the [BANK] holds the security in order to meet its net cash outflows in the jurisdiction of the sovereign entity, as calculated under subpart D~~.~~ of [AGENCY CAPITAL REGULATION].

(b) *Level 2A liquid assets*. An asset is a level 2A liquid asset if the asset is liquid and readily-marketable, meets all of the criteria set forth in paragraphs (d) and (e) of this section, and is one of the following types of assets:

(1) A security issued by, or guaranteed as to the timely payment of principal and interest by, a U.S. government-sponsored enterprise, that is investment grade under 12 CFR part 1 as of the calculation date, provided that the claim is senior to preferred stock;

(2) A security that is issued by, or guaranteed as to the timely payment of principal and interest by, a sovereign entity or multilateral development bank that is:

(i) Not included in level 1 liquid assets;

(ii) Assigned no higher than a 20 percent risk weight under subpart D of [AGENCY CAPITAL REGULATION] as of the calculation date;

(iii) Issued by an entity whose obligations have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions demonstrated by:

(A) The market price of the security or equivalent securities of the issuer declining by no more than 10 percent during a 30 calendar-day period of significant stress, or

(B) The market haircut demanded by counterparties to secured lending and secured funding transactions that are collateralized by the security or equivalent securities of the issuer increasing by no more than 10 percentage points during a 30 calendar-day period of significant stress; and

(iv) Not an obligation of a regulated financial company, investment company, non-regulated fund, pension fund, investment adviser, or identified company, and not an obligation of a consolidated subsidiary of any of the foregoing.

(c) *Level 2B liquid assets*. An asset is a level 2B liquid asset if the asset is liquid and readily-marketable, meets all of the criteria set forth in paragraphs (d) and (e) of this section, and is one of the following types of assets:

(1) A publicly traded corporate debt security that is:

(i) Investment grade under 12 CFR part 1 as of the calculation date;

(ii) Issued by an entity whose obligations have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions, demonstrated by:

(A) The market price of the publicly traded corporate debt security or equivalent securities of the issuer declining by no more than 20 percent during a 30 calendar-day period of significant stress, or

(B) The market haircut demanded by counterparties to secured lending and secured funding transactions that are collateralized by the publicly traded corporate debt security or equivalent securities of the issuer increasing by no more than 20 percentage points during a 30 calendar-day period of significant stress; and

(iii) Not an obligation of a regulated financial company, investment company, non-regulated fund, pension fund, investment adviser, or identified company, and not an obligation of a consolidated subsidiary of any of the foregoing; or

(2) A publicly traded common equity share that is:

(i) Included in:

(A) The Standard & Poor's 500 Index;

(B) An index that a [BANK]'s supervisor in a foreign jurisdiction recognizes for purposes of including equity shares in level 2B liquid assets under applicable regulatory policy, if the share is held in that foreign jurisdiction; or

(C) Any other index for which the [BANK] can demonstrate to the satisfaction of the [AGENCY] that the equities represented in the index are as liquid and readily marketable as equities included in the Standard & Poor's 500 Index;

(ii) Issued in:

(A) U.S. dollars; or

(B) In the currency of a jurisdiction where the [BANK] operates and the [BANK] holds the common equity share in order to cover its net cash outflows in that jurisdiction, as calculated under subpart D of this part;

(iii) Issued by an entity whose publicly traded common equity shares have a proven record as a reliable source of liquidity in repurchase or sales markets during stressed market conditions, demonstrated by:

(A) The market price of the security or equivalent securities of the issuer declining by no more than 40 percent during a 30 calendar-day period of significant stress, or

(B) The market haircut demanded by counterparties to securities borrowing and lending transactions that are collateralized by the publicly traded common equity shares or equivalent securities of the issuer increasing by no more than 40 percentage points, during a 30 calendar day period of significant stress;

(iv) Not issued by a regulated financial company, investment company, non-regulated fund, pension fund, investment adviser, or identified company, and not issued by a consolidated subsidiary of any of the foregoing;

(v) If held by a depository institution, is not acquired in satisfaction of a debt previously contracted (DPC); and

(vi) If held by a consolidated subsidiary of a depository institution, the depository institution can include the publicly traded common equity share in its level 2B liquid assets only if the share is held to cover net cash outflows of the depository institution's consolidated subsidiary, as calculated by the [BANK] under this part.

(d) *Operational requirements for HQLA.* With respect to each asset that a [BANK] includes in its HQLA amount, a [BANK] must meet all of the following operational requirements:

(1) The [BANK] must have the operational capability to monetize the HQLA by:

(i) Implementing and maintaining appropriate procedures and systems to monetize any HQLA at any time in accordance with relevant standard settlement periods and procedures; and

(ii) Periodically monetize a sample of HQLA that reasonably reflects the composition of the [BANK]'s HQLA amount, including with respect to asset type, maturity, and counterparty characteristics;

(2) The [BANK] must implement policies that require all HQLA to be under the control of the management function in the [BANK] that is charged with managing liquidity risk, and this management function evidences its control over the HQLA by either:

(i) Segregating the assets from other assets, with the sole intent to use the assets as a source of liquidity; or

(ii) Demonstrating the ability to monetize the assets and making the proceeds available to the liquidity management function without conflicting with a business risk or management strategy of the [BANK];

(3) The [BANK] must include in its total net cash outflow amount under subpart D of this part the amount of cash outflows that would result from the termination of any specific transaction hedging HQLA included in its HQLA amount; and

(4) The [BANK] must implement and maintain policies and procedures that determine the composition of the assets in its HQLA amount on a daily basis, by:

(i) Identifying where its HQLA is held by legal entity, geographical location, currency, custodial or bank account, or other relevant identifying factor as of the calculation date;

(ii) Determining HQLA included in the [BANK]'s HQLA amount meet the criteria set forth in this section; and

(iii) Ensuring the appropriate diversification of the assets included in the [BANK]'s HQLA amount by asset type, counterparty, issuer, currency, borrowing capacity, or other factors associated with the liquidity risk of the assets.

(e) *Generally applicable criteria for HQLA.* Assets that a [BANK] includes in its HQLA amount must meet all of the following criteria:

(1) The assets are unencumbered in accordance with the following criteria:

(i) The assets are free of legal, regulatory, contractual, or other restrictions on the ability of the [BANK] to monetize the asset; and

(ii) The assets are not pledged, explicitly or implicitly, to secure or to provide credit enhancement to any transaction, except that the assets may be pledged to a central bank or a U.S. government-sponsored enterprise if potential credit secured by the assets is not currently extended to the [BANK] or its consolidated subsidiaries.

(2) The asset is not:

(i) A client pool security held in a segregated account; or

(ii) Cash received from a secured funding transaction involving client pool securities that were held in a segregated account.

(3) For HQLA held in a legal entity that is a U.S. consolidated subsidiary of a [BANK]:

(i) If the U.S. consolidated subsidiary is subject to a minimum liquidity standard under this part, the [BANK] may include the assets in its HQLA amount up to:

(A) The amount of net cash outflows of the U.S. consolidated subsidiary calculated by the U.S. consolidated subsidiary for its own minimum liquidity standard under this part; plus

(B) Any additional amount of assets, including proceeds from the monetization of assets, that would be available for transfer to the top-tier [BANK] during times of stress without statutory, regulatory, contractual, or supervisory restrictions, including sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 12 U.S.C. 371c-1) and Regulation W (12 CFR part 223);

(ii) If the U.S. consolidated subsidiary is not subject to a minimum liquidity standard under this part, the [BANK] may include the assets in its HQLA amount up to:

(A) The amount of the net cash outflows of the U.S. consolidated subsidiary as of the

30th calendar day after the calculation date, as calculated by the [BANK] for the [BANK]'s minimum liquidity standard under this part; plus

(B) Any additional amount of assets, including proceeds from the monetization of assets, that would be available for transfer to the top-tier [BANK] during times of stress without statutory, regulatory, contractual, or supervisory restrictions, including sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 12 U.S.C. 371c-1) and Regulation W (12 CFR part 223); and

(4) For HQLA held by a consolidated subsidiary of the [BANK] that is organized under the laws of a foreign jurisdiction, the [BANK] may only include the assets in its HQLA amount up to:

(i) The amount of net cash outflows of the consolidated subsidiary as of the 30th calendar day after the calculation date, as calculated by the [BANK] for the [BANK]'s minimum liquidity standard under this part; plus

(ii) Any additional amount of assets that are available for transfer to the top-tier [BANK] during times of stress without statutory, regulatory, contractual, or supervisory restrictions.

(5) The [BANK] must not include in its HQLA amount any assets, or HQLA generated from an asset, that it received under a rehypothecation right if the beneficial owner has a contractual right to withdraw the assets without remuneration at any time during the 30 calendar days following the calculation date;

(6) The [BANK] has not designated the assets to cover operational costs.

(f) *Maintenance of U.S. HQLA.* A [BANK] is generally expected to maintain in the United States an amount and type of HQLA that is sufficient to meet its total net cash outflow amount in the United States under subpart D of this part.

§ __.21 High-Quality Liquid Asset Amount.

(a) *Calculation of the HQLA amount.* As of the calculation date, a [BANK]'s HQLA amount equals:

(1) The level 1 liquid asset amount; plus

(2) The level 2A liquid asset amount; plus

(3) The level 2B liquid asset amount; minus

(4) The greater of:

(i) The unadjusted excess HQLA amount; or

(ii) The adjusted excess HQLA amount.

(b) *Calculation of liquid asset amounts.* (1) *Level 1 liquid asset amount.* The level 1 liquid asset amount equals the fair value (as determined under GAAP) of all level 1 liquid assets held by the [BANK] as of the calculation date, less required reserves under section 204.4 of Regulation D (12 CFR 204.4).

(2) *Level 2A liquid asset amount.* The level 2A liquid asset amount equals 85 percent of the fair value (as determined under GAAP) of all level 2A liquid assets held by the [BANK] as of the calculation date.

(3) *Level 2B liquid asset amount.* The level 2B liquid asset amount equals 50 percent of the fair value (as determined under GAAP) of all level 2B liquid assets held by the [BANK] as of the calculation date.

(c) *Calculation of the unadjusted excess HQLA amount.* As of the calculation date, the unadjusted excess HQLA amount equals:

(1) The level 2 cap excess amount; plus

(2) The level 2B cap excess amount.

(d) *Calculation of the level 2 cap excess amount.* As of the calculation date, the level 2 cap excess amount equals the greater of:

(1) The level 2A liquid asset amount plus the level 2B liquid asset amount minus 0.6667 times the level 1 liquid asset amount; or

(2) 0.

(e) *Calculation of the level 2B cap excess amount.* As of the calculation date, the level 2B excess amount equals the greater of:

(1) The level 2B liquid asset amount minus the level 2 cap excess amount minus 0.1765 times the sum of the level 1 liquid asset amount and the level 2A liquid asset amount; or

(2) 0.

(f) *Calculation of adjusted liquid asset amounts.*

(1) *Adjusted level 1 liquid asset amount.* A [BANK]'s adjusted level 1 liquid asset

amount equals the fair value (as determined under GAAP) of all level 1 liquid assets that would be held by the [BANK] upon the unwind of any secured funding transaction, secured lending transaction, asset exchange, or collateralized derivatives transaction that matures within 30 calendar days of the calculation date and where the [BANK] and the counterparty exchange HQLA.

(2) *Adjusted level 2A liquid asset amount.* A [BANK]'s adjusted level 2A liquid asset amount equals 85 percent of the fair value (as determined under GAAP) of all level 2A liquid assets that would be held by the [BANK] upon the unwind of any secured funding transaction, secured lending transaction, asset exchange, or collateralized derivatives transaction that matures within 30 calendar days of the calculation date and where the [BANK] and the counterparty exchange HQLA.

(3) *Adjusted level 2B liquid asset amount.* A [BANK]'s adjusted level 2B liquid asset amount equals 50 percent of the fair value (as determined under GAAP) of all level 2B liquid assets that would be held by the [BANK] upon the unwind of any secured funding transaction, secured lending transaction, asset exchange, or collateralized derivatives transaction that matures within 30 calendar days of the calculation date and where the [BANK] and the counterparty exchange HQLA.

(g) *Calculation of the adjusted excess HQLA amount.* As of the calculation date, the adjusted excess HQLA amount equals:

(1) The adjusted level 2 cap excess amount; plus

(2) The adjusted level 2B cap excess amount.

(h) *Calculation of the adjusted level 2 cap excess amount.* As of the calculation date, the adjusted level 2 cap excess amount equals the greater of:

(1) The adjusted level 2A liquid asset amount plus the adjusted level 2B liquid asset amount minus 0.6667 times the adjusted level 1 liquid asset amount; or

(2) 0.

(i) *Calculation of the adjusted level 2B excess amount.* As of the calculation date, the adjusted level 2B excess liquid asset amount equals the greater of:

(1) The adjusted level 2B liquid asset amount minus the adjusted level 2 cap excess amount minus 0.1765 times the sum of the adjusted level 1 liquid asset amount and the adjusted level 2A liquid asset amount; or

(2) 0.

Subpart D – Total Net Cash Outflow

§ __.30 Total net cash outflow amount.

As of the calculation date, a [BANK]'s total net cash outflow amount equals the largest difference between cumulative inflows and cumulative outflows, as calculated for each of the next 30 calendar days after the calculation date as:

(a) The sum of the outflow amounts calculated under §§ __.32(a) through ~~§~~__.32(g)(2); plus

(b) The sum of the outflow amounts calculated under ~~§ __.~~§§ __.32(g)(3) through ~~§ __.~~ .32(l) for instruments or transactions that have no contractual maturity date; plus

(c) The sum of the outflow amounts for instruments or transactions identified in ~~§ __.~~§§ __.32(g)(3) through ~~§ __.~~ __.32(l) that have a contractual maturity date up to and including that calendar day; less

(d) The lesser of:

(1) The sum of the inflow amounts under §§ __.33(b) through ~~§~~ __.33(f), where the instrument or transaction has a contractual maturity date up to and including that calendar day, and

(2) 75 percent of the sum of paragraphs (a), (b), and (c) of this section as calculated for that calendar day.

§ __.31 Determining maturity.

(a) For purposes of calculating its liquidity coverage ratio and the components thereof under this subpart, a [BANK] shall assume an asset or transaction matures:

(1) With respect to an instrument or transaction subject to § __.32, on the earliest possible contractual maturity date or the earliest possible date the transaction could occur, taking into account any option that could accelerate the maturity date or the date of the transaction as follows:

(i) If an investor or funds provider has an option that would reduce the maturity, the [BANK] must assume that the investor or funds provider will exercise the option at the earliest possible date;

(ii) If a [BANK] has an option that would extend the maturity of an obligation it issued, the [BANK] must assume the [BANK] will not exercise that option to extend the maturity; and

(iii) If an option is subject to a contractually defined notice period, the [BANK] must determine the earliest possible contractual maturity date regardless of the notice period.

(2) With respect to an instrument or transaction subject to § __.33, on the latest possible contractual maturity date or the latest possible date the transaction could occur,

taking into account any option that could extend the maturity date or the date of the transaction as follows:

(i) If the borrower has an option that would extend the maturity, the [BANK] must assume that the borrower will exercise the option to extend the maturity to the latest possible date;

(ii) If a [BANK] has an option that would accelerate a maturity of an instrument or transaction, the [BANK] must assume the [BANK] will not exercise the option to accelerate the maturity; and

(iii) If an option is subject to a contractually defined notice period, the [BANK] must determine the latest possible contractual maturity date based on the borrower using the entire notice period.

(b) [Reserved]

§ __.32 Outflow amounts.

(a) *Unsecured retail funding outflow amount.* A [BANK]'s unsecured retail funding outflow amount as of the calculation date includes (regardless of maturity):

(1) 3 percent of all stable retail deposits held at the [BANK];

(2) 10 percent of all other retail deposits held at the [BANK]; and

(3) 100 percent of all funding from a retail customer or counterparty that is not a retail deposit or a brokered deposit provided by a retail customer or counterparty.

(b) *Structured transaction outflow amount*. If a [BANK] is a sponsor of a structured transaction, without regard to whether the issuing entity is consolidated on the [BANK]'s balance sheet under GAAP, the structured transaction outflow amount for each structured transaction as of the calculation date is the greater of:

(1) 100 percent of the amount of all debt obligations of the issuing entity that mature 30 calendar days or less from such calculation date and all commitments made by the issuing entity to purchase assets within 30 calendar days or less from such calculation date; and

(2) The maximum contractual amount of funding the [BANK] may be required to provide to the issuing entity 30 calendar days or less from such calculation date through a liquidity facility, a return or repurchase of assets from the issuing entity, or other funding agreement.

(c) *Net derivative cash outflow amount.* The net derivative cash outflow amount as of the calculation date is the sum of the net derivative cash outflow, if greater than zero, for each counterparty. The net derivative cash outflow for a counterparty is the sum of the payments and collateral that the [BANK] will make or deliver to the counterparty 30 calendar days or less from the calculation date under derivative transactions less, if the derivative transactions are subject to a qualifying master netting agreement, the sum of the payments and collateral that the [BANK] will receive from the counterparty 30 calendar days or less from the calculation date under derivative transactions. This paragraph does not apply to forward sales of mortgage loans and any derivatives that are mortgage commitments subject to paragraph (d) of this section.

(d) *Mortgage commitment outflow amount.* The mortgage commitment outflow amount as of a calculation date is 10 percent of the amount of funds the [BANK] has contractually committed for its own origination of retail mortgages that can be drawn upon 30 calendar days or less from such calculation date.

(e) *Commitment outflow amount.* (1) A [BANK]'s commitment outflow amount as of the calculation date includes:

(i) 0 percent of the undrawn amount of all committed credit and liquidity facilities extended by a [BANK] that is a depository institution to an affiliated depository institution that is subject to a minimum liquidity standard under this part;

(ii) 5 percent of the undrawn amount of all committed credit and liquidity facilities extended by the [BANK] to retail customers or counterparties;

(iii) (A) 10 percent of the undrawn amount of all committed credit facilities; and

(B) 30 percent of the undrawn amount of all committed liquidity facilities extended by the [BANK] to a wholesale customer or counterparty that is not a regulated financial company, investment company, non-regulated fund, pension fund, investment adviser, or identified company, or to a consolidated subsidiary of any of the foregoing;

(iv) 50 percent of the undrawn amount of all committed credit and liquidity facilities extended by the [BANK] to depository institutions, depository institution holding companies, and foreign banks, excluding commitments described in paragraph (e)(1)(i) of this section;

(v) (A) 40 percent of the undrawn amount of all committed credit facilities; and

(B) 100 percent of the undrawn amount of all committed liquidity facilities extended by the [BANK] to a regulated financial company, investment company, non-regulated fund, pension fund, investment adviser, or identified company, or to a consolidated subsidiary of any of the foregoing, excluding other commitments described in paragraph (e)(1)(i) or (e)(1)(iv) of this section;

(vi) 100 percent of the undrawn amount of all committed credit and liquidity facilities extended to special purpose entities, excluding liquidity facilities ~~extended to special purpose entities consolidated with the [BANK];~~included in § .32(b)(2); and

(vii) 100 percent of the undrawn amount of all other committed credit or liquidity facilities extended by the [BANK].

(2) For the purposes of this paragraph (e), the undrawn amount is:

(i) For a committed credit facility, the entire undrawn amount of the facility that could be drawn upon within 30 calendar days of the calculation date under the governing agreement, less the amount of level 1 liquid assets and 85 percent of the amount of level 2A liquid assets securing the facility; and

(ii) For a committed liquidity facility, the entire undrawn amount of the facility, that could be drawn upon within 30 calendar days of the calculation date under the governing agreement, less:

(A) The amount of level 1 liquid assets and level 2A liquid assets securing the portion of the facility that could be drawn upon within 30 calendar days of the calculation date under the governing agreement; and

(B) That portion of the facility that supports obligations of the [BANK]'s customer that do not mature 30 calendar days or less from such calculation date. If facilities have aspects of both credit and liquidity facilities, the facility must be classified as a liquidity facility.

(3) For the purposes of this paragraph (e), the amount of level 1 liquid assets and level 2A liquid assets securing a committed credit or liquidity facility is the fair value (as determined under GAAP) of level 1 liquid assets and 85 percent of the fair value (as determined under GAAP) of level 2A liquid assets that are required to be posted as collateral by the counterparty to secure the facility, provided that the following conditions are met as of the calculation date and for the 30 calendar days following such calculation date:

(i) The assets pledged meet the criteria for level 1 liquid assets or level 2A liquid assets in § __. 20 ~~of this part~~; and

(ii) The [BANK] has not included the assets in its HQLA amount under subpart C of this part.

(f) *Collateral outflow amount*. The collateral outflow amount as of the calculation date includes:

(1) *Changes in financial condition.* 100 percent of all additional amounts of collateral the [BANK] could be contractually required to post or to fund under the terms of any transaction as a result of a change in the [BANK]'s financial condition.

(2) *Potential valuation changes.* 20 percent of the fair value (as determined under GAAP) of any collateral posted to a counterparty by the [BANK] that is not a level 1 liquid asset.

(3) *Excess collateral.* 100 percent of the fair value (as determined under GAAP) of collateral that:

(i) The [BANK] may be required by contract to return to a counterparty because the collateral posted to the [BANK] exceeds the current collateral requirement of the counterparty under the governing contract;

(ii) Is not segregated from the [BANK]'s other assets; and

(iii) Is not already excluded from the [BANK]'s HQLA amount under § __.20(e)(5).

(4) *Contractually required collateral.* 100 percent of the fair value (as determined under GAAP) of collateral that the [BANK] is contractually required to post to a counterparty and, as of such calculation date, the [BANK] has not yet posted;

(5) *Collateral substitution.* (i) 0 percent of the fair value of collateral posted to the [BANK] by a counterparty that the [BANK] includes in its HQLA amount as level 1 liquid assets, where under the contract governing the transaction the counterparty may replace the posted collateral with assets that qualify as level 1 liquid assets without the consent of the [BANK];

(ii) 15 percent of the fair value of collateral posted to the [BANK] by a counterparty that the [BANK] includes in its HQLA amount as level 1 liquid assets, where under the contract governing the transaction the counterparty may replace the posted collateral with assets that qualify as level 2A liquid assets without the consent of the [BANK];

(iii) 50 percent of the fair value of collateral posted to the [BANK] by a counterparty that the [BANK] includes in its HQLA amount as level 1 liquid assets, where under the contract governing the transaction the counterparty may replace the posted collateral with assets that qualify as level 2B liquid assets without the consent of the [BANK];

(iv) 100 percent of the fair value of collateral posted to the [BANK] by a counterparty that the [BANK] includes in its HQLA amount as level 1 liquid assets, where under the contract governing the transaction the counterparty may replace the posted collateral with assets that do not qualify as HQLA without the consent of the [BANK];

(v) 0 percent of the fair value of collateral posted to the [BANK] by a counterparty that the [BANK] includes in its HQLA amount as level 2A liquid assets, where under the contract governing the transaction the counterparty may replace the posted collateral with assets that qualify as level 1 or level 2A liquid assets without the consent of the [BANK];

(vi) 35 percent of the fair value of collateral posted to the [BANK] by a counterparty that the [BANK] includes in its HQLA amount as level 2A liquid assets, where under the contract governing the transaction the counterparty may replace the posted collateral with assets that qualify as level 2B liquid assets without the consent of the [BANK];

(vii) 85 percent of the fair value of collateral posted to the [BANK] by a counterparty that the [BANK] includes in its HQLA amount as level 2A liquid assets, where under the contract governing the transaction the counterparty may replace the posted collateral with assets that do not qualify as HQLA without the consent of the [BANK];

(viii) 0 percent of the fair value of collateral posted to the [BANK] by a counterparty that the [BANK] includes in its HQLA amount as level 2B liquid assets, where under the contract governing the transaction the counterparty may replace the posted collateral with assets that qualify as HQLA without the consent of the [BANK];

(ix) 50 percent of the fair value of collateral posted to the [BANK] by a counterparty that the [BANK] includes in its HQLA amount as level 2B liquid assets, where under the contract governing the transaction the counterparty may replace the posted collateral with assets that do not qualify as HQLA without the consent of the [BANK]; and

(6) *Derivative collateral change.* The absolute value of the largest 30-consecutive calendar day cumulative net mark-to-market collateral outflow or inflow resulting from derivative transactions realized during the preceding 24 months.

(g) *Brokered deposit outflow amount for retail customers or counterparties.* The brokered deposit outflow amount for retail customers or counterparties as of the calculation date includes:

(1) 100 percent of all brokered deposits at the [BANK] provided by a retail customer or counterparty that are not described in paragraphs (g)(3) through (g)(7) of this section and which mature 30 calendar days or less from the calculation date;

(2) 10 percent of all brokered deposits at the [BANK] provided by a retail customer or counterparty that are not described in paragraphs (g)(3) through (g)(7) of this section and which mature later than 30 calendar days from the calculation date;

(3) 10 percent of all reciprocal brokered deposits at the [BANK] provided by a retail customer or counterparty, where the entire amount is covered by deposit insurance;

(4) 25 percent of all reciprocal brokered deposits at the [BANK] provided by a retail customer or counterparty, where less than the entire amount is covered by deposit insurance;

(5) 10 percent of all brokered sweep deposits at the [BANK] provided by a retail customer or counterparty:

(i) That are deposited in accordance with a contract between the retail customer or counterparty and the [BANK], a consolidated subsidiary of the [BANK], or a company that is a consolidated subsidiary of the same top-tier company of which the [BANK] is a consolidated subsidiary; and

(ii) Where the entire amount of the deposits is covered by deposit insurance;

(6) 25 percent of all brokered sweep deposits at the [BANK] provided by a retail

customer or counterparty:

(i) That are not deposited in accordance with a contract between the retail customer or counterparty and the [BANK], a consolidated subsidiary of the [BANK], or a company that is a consolidated subsidiary of the same top-tier company of which the [BANK] is a consolidated subsidiary; and

(ii) Where the entire amount of the deposits is covered by deposit insurance; and

(7) 40 percent of all brokered sweep deposits at the [BANK] provided by a retail customer or counterparty where less than the entire amount of the deposit balance is covered by deposit insurance.

(h) *Unsecured wholesale funding outflow amount.* A [BANK]'s unsecured wholesale funding outflow amount as of the calculation date includes:

(1) For unsecured wholesale funding that is not an operational deposit and is not provided by a regulated financial company, investment company, non-regulated fund, pension fund, investment adviser, identified company, ~~sovereign entity, U.S. government-sponsored enterprise, public sector entity, or multilateral development bank,~~ or consolidated subsidiary of any of the foregoing:

(i) 20 percent of all such funding (not including brokered deposits), where the entire amount is covered by deposit insurance;

(ii) 40 percent of all such funding, where:

(A) Less than the entire amount is covered by deposit insurance, or

(B) The funding is a brokered deposit;

(2) 100 percent of all unsecured wholesale funding that is not an operational deposit and is not included in paragraph (h)(1) of this section, including funding provided by a consolidated subsidiary of the [BANK], or a company that is a consolidated subsidiary of the same top-tier company of which the [BANK] is a consolidated subsidiary;

(3) 5 percent of all operational deposits, other than escrow accounts, where the entire deposit amount is covered by deposit insurance

(4) 25 percent of all operational deposits not included in paragraph (h)(3) of this section; and

(5) 100 percent of all unsecured wholesale funding that is not otherwise described in this paragraph (h).

(i) *Debt security outflow amount.* A [BANK]'s debt security outflow amount for debt securities issued by the [BANK] that mature more than 30 calendar days after the calculation date and for which the [BANK] is the primary market maker in such debt securities includes:

(1) 3 percent of all such debt securities that are not structured securities; and

(2) 5 percent of all such debt securities that are structured securities.

(j) *Secured funding and asset exchange outflow amount.* (1) A [BANK]'s secured funding outflow amount as of the calculation date includes:

(i) 0 percent of all funds the [BANK] must pay pursuant to secured funding transactions, to the extent that the funds are secured by level 1 liquid assets;

(ii) 15 percent of all funds the [BANK] must pay pursuant to secured funding transactions, to the extent that the funds are secured by level 2A liquid assets;

(iii) 25 percent of all funds the [BANK] must pay pursuant to secured funding transactions with sovereign, multilateral development banks, or U.S. government-sponsored enterprises that are assigned a risk weight of 20 percent under subpart D of [AGENCY CAPITAL REGULATION], to the extent that the funds are not secured by level 1 or level 2A liquid assets;

(iv) 50 percent of all funds the [BANK] must pay pursuant to secured funding transactions, to the extent that the funds are secured by level 2B liquid assets;

(v) 50 percent of all funds received from secured funding transactions that are customer short positions where the customer short positions are covered by other customers' collateral and the collateral does not consist of HQLA; and

(vi) 100 percent of all other funds the [BANK] must pay pursuant to secured funding transactions, to the extent that the funds are secured by assets that are not HQLA.

(2) A [BANK]'s asset exchange outflow amount as of the calculation date includes:

(i) 0 percent of the fair value (as determined under GAAP) of the level 1 liquid assets the [BANK] must post to a counterparty pursuant to asset exchanges where the [BANK] will receive level 1 liquid assets from the asset exchange counterparty;

(ii) 15 percent of the fair value (as determined under GAAP) of the level 1 liquid assets the [BANK] must post to a counterparty pursuant to asset exchanges where the [BANK] will receive level 2A liquid assets from the asset exchange counterparty;

(iii) 50 percent of the fair value (as determined under GAAP) of the level 1 liquid assets the [BANK] must post to a counterparty pursuant to asset exchanges where the [BANK] will receive level 2B liquid assets from the asset exchange counterparty;

(iv) 100 percent of the fair value (as determined under GAAP) of the level 1 liquid assets the [BANK] must post to a counterparty pursuant to asset exchanges where the [BANK] will receive assets that are not HQLA from the asset exchange counterparty;

(v) 0 percent of the fair value (as determined under GAAP) of the level 2A liquid assets that [BANK] must post to a counterparty pursuant to asset exchanges where [BANK] will receive level 1 or level 2A liquid assets from the asset exchange counterparty;

(vi) 35 percent of the fair value (as determined under GAAP) of the level 2A liquid assets the [BANK] must post to a counterparty pursuant to asset exchanges where the [BANK] will receive level 2B liquid assets from the asset exchange counterparty;

(vii) 85 percent of the fair value (as determined under GAAP) of the level 2A liquid assets the [BANK] must post to a counterparty pursuant to asset exchanges where the [BANK] will receive assets that are not HQLA from the asset exchange counterparty;

(viii) 0 percent of the fair value (as determined under GAAP) of the level 2B liquid assets the [BANK] must post to a counterparty pursuant to asset exchanges where the [BANK] will receive HQLA from the asset exchange counterparty; and

(ix) 50 percent of the fair value (as determined under GAAP) of the level 2B liquid assets the [BANK] must post to a counterparty pursuant to asset exchanges where the [BANK] will receive assets that are not HQLA from the asset exchange counterparty.

(k) *Foreign central bank borrowing outflow amount*. A [BANK]'s foreign central bank borrowing outflow amount is, in a foreign jurisdiction where the [BANK] has borrowed from the jurisdiction's central bank, the outflow amount assigned to borrowings from central banks in a minimum liquidity standard established in that jurisdiction. If the foreign jurisdiction has not specified a central bank borrowing outflow amount in a minimum liquidity standard, the foreign central bank borrowing outflow amount must be calculated under paragraph (j) of this section.

(l) *Other contractual outflow amount*. A [BANK]'s other contractual outflow amount is 100 percent of funding or amounts payable by the [BANK] to counterparties under legally binding agreements that are not otherwise specified in this section.

(m) *Excluded amounts for intragroup transactions*. The outflow amounts set forth in this section do not include amounts arising out of transactions between:

(1) The [BANK] and a consolidated subsidiary of the [BANK]; or

(2) A consolidated subsidiary of the [BANK] and another consolidated subsidiary of the [BANK].

§ __.33 Inflow amounts.

(a) The inflows in paragraphs (b) through (g) of this section do not include:

(1) Amounts the [BANK] holds in operational deposits at other regulated

financial companies;

(2) Amounts the [BANK] expects, or is contractually entitled to receive, 30 calendar days or less from the calculation date due to forward sales of mortgage loans and any derivatives that are mortgage commitments subject to § __.32(d~~) of this part;~~);

(3) The amount of any credit or liquidity facilities extended to the [BANK];

(4) The amount of any asset included in the [BANK]'s HQLA amount and any amounts payable to the [BANK] with respect to those assets;

(5) Any amounts payable to the [BANK] from an obligation of a customer or counterparty that is a nonperforming asset as of the calculation date or that the [BANK] has reason to expect will become a nonperforming exposure 30 calendar days or less from the calculation date; and

(6) Amounts payable to the [BANK] on any exposure that has no contractual maturity date or that matures after 30 calendar days of the calculation date.

(b) *Net derivative cash inflow amount*. The net derivative cash inflow amount as of the calculation date is the sum of the net derivative cash inflow, if greater than zero, for each counterparty. The net derivative cash inflow amount for a counterparty is the sum of the payments and collateral that the [BANK] will receive from the counterparty 30 calendar days or less from the calculation date under derivative transactions less, if the derivative transactions are subject to a qualifying master netting agreement, the sum amount of the payments and collateral that the [BANK] will make or deliver to the counterparty 30 calendar days or less from the calculation date under derivative transactions. This paragraph does not apply to amounts excluded from inflows under paragraph (a)(2) of this section.

(c) *Retail cash inflow amount*. The retail cash inflow amount as of the calculation date includes 50 percent of all payments contractually payable to the [BANK] from retail customers or counterparties.

(d) *Unsecured wholesale cash inflow amount*. The unsecured wholesale cash inflow amount as of the calculation date includes:

(1) 100 percent of all payments contractually payable to the [BANK] from regulated financial companies, investment companies, non-regulated funds, pension funds, investment advisers, or identified companies, or from a consolidated subsidiary of any of the foregoing, or central banks; and

(2) 50 percent of all payments contractually payable to the [BANK] from wholesale customers or counterparties that are not regulated financial companies, investment companies, non-regulated funds, pension funds, investment advisers, or identified companies, or consolidated subsidiaries of any of the foregoing, provided that, with respect to revolving credit facilities, the amount of the existing loan is not included and the remaining undrawn balance is included in the outflow amount under § __.32(e)(1).

(e) *Securities cash inflow amount*. The securities cash inflow amount as of the calculation date includes 100 percent of all contractual payments due to the [BANK] on securities it owns that are not HQLA.

(f) *Secured lending and asset exchange cash inflow amount*. (1) A [BANK]'s secured lending cash inflow amount as of the calculation date includes:

(i) 0 percent of all contractual payments due to the [BANK] pursuant to secured lending transactions, to the extent that the payments are secured by level 1 liquid assets, provided that the level 1 liquid assets are included in the [BANK]'s HQLA amount.

(ii) 15 percent of all contractual payments due to the [BANK] pursuant to secured lending transactions, to the extent that the payments are secured by level 2A liquid assets, provided that the [BANK] is not using the collateral to cover any of its short positions, and provided that the level 2A liquid assets are included in the [BANK]'s HQLA amount;

(iii) 50 percent of all contractual payments due to the [BANK] pursuant to secured lending transactions, to the extent that the payments are secured by level 2B liquid assets, provided that the [BANK] is not using the collateral to cover any of its short positions, and provided that the level 2B liquid assets are included in the [BANK]'s HQLA amount;

(iv) 100 percent of all contractual payments due to the [BANK] pursuant to secured lending transactions, to the extent that the payments are secured by assets that are not HQLA, provided that the [BANK] is not using the collateral to cover any of its short positions; and

(v) 50 percent of all contractual payments due to the [BANK] pursuant to collateralized margin loans extended to customers, provided that the loans are not secured by HQLA and the [BANK] is not using the collateral to cover any of its short positions.

(2) A [BANK]'s asset exchange inflow amount as of the calculation date includes:

(i) 0 percent of the fair value (as determined under GAAP) of level 1 liquid assets the [BANK] will receive from a counterparty pursuant to asset exchanges where [BANK] must post level 1 liquid assets to the asset exchange counterparty;

(ii) 15 percent of the fair value (as determined under GAAP) of level 1 liquid assets the [BANK] will receive from a counterparty pursuant to asset exchanges where the [BANK] must post level 2A liquid assets to the asset exchange counterparty;

(iii) 50 percent of the fair value (as determined under GAAP) of level 1 liquid assets the [BANK] will receive from counterparty pursuant to asset exchanges where the [BANK] must post level 2B liquid assets to the asset exchange counterparty;

(iv) 100 percent of the fair value (as determined under GAAP) of level 1 liquid assets the [BANK] will receive from a counterparty pursuant to asset exchanges where the [BANK] must post assets that are not HQLA to the asset exchange counterparty;

(v) 0 percent of the fair value (as determined under GAAP) of level 2A liquid assets the [BANK] will receive from a counterparty pursuant to asset exchanges where the [BANK] must post level 1 or level 2A liquid assets to the asset exchange counterparty;

(vi) 35 percent of the fair value (as determined under GAAP) of level 2A liquid assets the [BANK] will receive from a counterparty pursuant to asset exchanges where the [BANK] must post level 2B liquid assets to the asset exchange counterparty;

(vii) 85 percent of the fair value (as determined under GAAP) of level 2A liquid assets the [BANK] will receive from a counterparty pursuant to asset exchanges where the [BANK] must post assets that are not HQLA to the asset exchange counterparty;

(viii) 0 percent of the fair value (as determined under GAAP) of level 2B liquid assets the [BANK] will receive from a counterparty pursuant to asset exchanges where the [BANK] must post assets that are HQLA to the asset exchange counterparty; and

(ix) 50 percent of the fair value (as determined under GAAP) of level 2B liquid assets the [BANK] will receive from a counterparty pursuant to asset exchanges where the [BANK] must post assets that are not HQLA to the asset exchange counterparty.

(g) *Other cash inflow amounts*. A [BANK]'s inflow amount as of the calculation date includes 0 percent of other cash inflow amounts not included in paragraphs (b) through (f) of this section.

(h) *Excluded amounts for intragroup transactions*. The inflow amounts set forth in this section do not include amounts arising out of transactions between:

(1) The [BANK] and a consolidated subsidiary of the [BANK]; or

(2) A consolidated subsidiary of the [BANK] and another consolidated subsidiary of the [BANK].

Subpart E – Liquidity Coverage Shortfall

§ __.40 Liquidity coverage shortfall: supervisory framework

(a) *Notification requirements.* A [BANK] must notify the [AGENCY] on any business day when its liquidity coverage ratio is calculated to be less than the minimum requirement in § .10.

(b) *Liquidity Plan.* If a [BANK]'s liquidity coverage ratio is below the minimum requirement in § __.10 for three consecutive business days, or if the [AGENCY] has determined that the [BANK] is otherwise materially noncompliant with the requirements of this part, the [BANK] must promptly provide to the [AGENCY] a plan for achieving compliance with the minimum liquidity requirement in § __.10 and all other requirements of this part. The plan must include, as applicable:

(1) An assessment of the [BANK]'s liquidity position;

(2) The actions the [BANK] has taken and will take to achieve full compliance with this part, including:

(i) A plan for adjusting the [BANK]'s risk profile, risk management, and funding sources in order to achieve full compliance with this part; and

(ii) A plan for remediating any operational or management issues that contributed to noncompliance with this part;

(3) An estimated timeframe for achieving full compliance with this part; and

(4) A commitment to report to the [AGENCY] no less than weekly on progress to achieve compliance in accordance with the plan until full compliance with this part is achieved.

(c) *Supervisory and enforcement actions*. The [AGENCY] may, at its discretion, take additional supervisory or enforcement actions to address noncompliance with the minimum liquidity coverage ratio.

Subpart F – Transitions

§ __.50 Transitions.

(a) Beginning January 1, 2015, through December 31, 2015, a [BANK] subject to a minimum liquidity standard under this part must calculate and maintain a liquidity coverage ratio on each calculation date in accordance with this part that is equal to or greater than 0.80.

(b) Beginning January 1, 2016, through December 31, 2016, a [BANK] subject to a minimum liquidity standard under this part must calculate and maintain a liquidity coverage ratio on each calculation date in accordance with this part that is equal to or greater than 0.90.

(c) On January 1, 2017, and thereafter, a [BANK] subject to subject to a minimum liquidity standard under this part must calculate and maintain a liquidity coverage ratio on each calculation date that is equal to or greater than 1.0.

[End of Proposed Common Rule Text]

List of Subjects

12 CFR Part 50

Administrative practice and procedure~~,~~; Banks, banking~~,~~; Liquidity; Reporting and recordkeeping requirements; Savings associations.

12 CFR Part 249

Administrative practice and procedure; Banks, banking; Federal Reserve System; Holding companies; Liquidity; Reporting and recordkeeping requirements.

12 CFR Part 329

Administrative practice and procedure; Banks, banking; Federal Deposit Insurance Corporation, FDIC; Liquidity; Reporting and recordkeeping requirements.

Adoption of Proposed Common Rule

The adoption of the proposed common rules by the agencies, as modified by the agency-specific text, is set forth below:

Department of the Treasury

Office of the Comptroller of the Currency

12 CFR CHAPTER I
Authority and Issuance

For the reasons set forth in the common preamble, the OCC proposes to add the text of the common rule as set forth at the end of the SUPPLEMENTARY INFORMATION as part 50 of chapter I of title 12 of the Code of Federal Regulations:

PART 50 – LIQUIDITY RISK MEASUREMENT, STANDARDS AND MONITORING

1. The authority citation for part 50 is added to read as follows:

Authority: ~~[Insert authority citation]~~ 12 U.S.C. 1 et seq., 93a, 481, 1818, and 1462 et seq.

2. Part 50 is amended by:

~~i.~~ a. Removing “[AGENCY]” and ~~add~~adding “OCC” in its place, wherever it appears;

~~ii.~~ b. Removing “[AGENCY CAPITAL REGULATION]” and ~~add~~adding “(12 CFR part 3~~”~~)”in its place, wherever it appears;

~~iii~~c. Removing “[BANK]” and ~~add~~adding “national bank or Federal savings association” in its place, wherever it appears;

~~iv~~

d. Removing “[BANK]s” and ~~add~~adding “national banks and Federal savings associations” in ~~their places~~its place, wherever it appears;

~~v.~~

e. Removing "[BANK]'s" and ~~add~~adding "national bank's or Federal savings association's" in ~~their places~~its place, wherever it appears;~~ and~~

~~vi~~

f. Removing "[PART]" and ~~add~~adding "part" in its place, wherever it appears~~.~~;

~~**§ 50.1 [Amended]**~~

~~3. Section 50.1(b)(3) is amended by removing [~~

g. Removing "[REGULATORY REPORT]" and adding "Consolidated Reports of Condition and Income" in its place, wherever it appears; and

h. Removing "[12 CFR 3.404 (OCC), 12 CFR 263.202 (Board), and 12 CFR 324.5 (FDIC)]" and adding "12 CFR 3.404" in its place, wherever it appears.

3. Section 50.1 is amended by:

a. Redesignating paragraph (b)(1)(iv) as paragraph (b)(1)(v);

b. Adding paragraph (b)(1)(iv);

c. Removing "(b)(1)(iv)" in paragraph (b)(4) and adding "(b)(1)(v)" in its place;

d. Removing the word "or" at the end of paragraph (b)(2)(i);

e. Removing the period at the end of paragraph (b)(2)(ii) and adding "; or" in its place; and

f. Adding paragraph (b)(2)(iii).

The additions read as follows.

§ 50.1 Purpose and applicability.

*****

(b) ***

(1) ***

(iv) It is a depository institution that has consolidated total assets equal to $10 billion or more, as reported on the most recent year-end Consolidated Report of Condition and Income and is a consolidated subsidiary of one of the following:

(A) A covered depository institution holding company that has total assets equal to $250 billion or more, as reported on the most recent year-end FR Y-9C, or, if the covered depository institution holding company is not required to report on the FR Y-9C, its estimated total consolidated assets as of the most recent year end, calculated in accordance with the instructions to the FR Y-9C;

(B) A depository institution that has consolidated total assets equal to $250 billion or more, as reported on the most recent year-end Consolidated Report of Condition and Income;

(C) A covered depository institution holding company or depository institution that has consolidated total on-balance sheet foreign exposure at the most recent year-end equal to $10 billion or more (where total on-balance sheet foreign exposure equals total cross-border claims less claims with a head office or guarantor located in another country plus redistributed guaranteed amounts to the country of head office or guarantor plus local country claims on local residents plus revaluation gains on foreign exchange and derivative transaction products, calculated in accordance with the Federal Financial Institutions Examination Council (FFIEC) 009 Country Exposure Report); or

(D) A covered nonbank company.

*****

(2) ***

(iii) A Federal branch or agency as defined by 12 CFR 28.11.

* * * * *

Board of Governors of the Federal Reserve System

12 CFR CHAPTER II
Authority and Issuance

For the reasons set forth in the common preamble, the Board proposes to add the text of the common rule as set forth at the end of the SUPPLEMENTARY INFORMATION as part 249 of chapter II of title 12 of the Code of Federal Regulations as follows:

PART 249 – LIQUIDITY RISK MEASUREMENT, STANDARDS AND MONITORING (REGULATION WW)

4. The authority citation for part 249 shall read as follows:

Authority: 12 U.S.C. 248(a), 321-338a, 481-486, 1818, 1828, 1831p-1, 1844(b), 5365,5366, 5368.

5. Part 249 is amended as set forth below:

a. Remove "[AGENCY]" and add "Board" in its place wherever it appears.

~~ii~~b. Remove "[AGENCY CAPITAL REGULATION]" and add "Regulation Q (12 CFR part 217)" in its place wherever it appears.

~~iii~~c. Remove "[BANK]" and add "Board-regulated institution" in its place wherever it appears.

~~iv~~d. Remove "[BANK]s" and add "Board-regulated institutions" in its place wherever it appears.

~~v~~e. Remove "[BANK]'s" and add "Board-regulated institution's" in its place wherever it appears.

~~7. In~~6. Amend § 249.1~~(b)(1)(i), remove~~ by:

a. Removing "[REGULATORY REPORT]" from paragraph (b)(1)(i) and ~~add~~adding "FR Y-9C, or, if the Board-regulated institution is not required to report on the FR Y-9C, the its estimated total consolidated assets as of the most recent year end, calculated in accordance with the instructions to the FR Y-9C, or Consolidated Report of Condition and Income (Call Report), as applicable" in its place.

~~8. Amend § 249.1(~~b~~) to redesignate~~. Redesignating paragraph (b)(1)(iv) as paragraph (b)(1)(vi~~) and add~~);

c. Adding new paragraphs (b)(1)(iv) and (b)(1)(v) ~~to~~and;

d. Revising paragraph (b)(4).

The additions and revisions read as follows:

~~* * * *~~

§ 249.1 Purpose and applicability.

* * * * *

(b) * * *

(1) * * *

(iv) ~~-~~It is a covered nonbank company;

(v) It is a covered depository institution holding company that meets the criteria in

§ 249.51(a) but does not meet the criteria in paragraphs (b)(1)(i) or (b)(1)(ii) of this section, and is subject to complying with the requirements of this part in accordance with subpart G of this part; or

* * * *

~~9. Amend § 249.1(b)(4) as follows:~~

~~* * *~~ *

(4) In making a determination under paragraphs (b)(1)(~~v~~vi) or (~~2~~3) of this section, the Board will apply, as appropriate, notice and response procedures in the same manner and to the same extent as the notice and response procedures set forth in 12 CFR 263.2.

~~10. Amend~~7. In § 249.2, revise paragraph (a) to read as follows:

~~* * * *~~

§ 249.2 Reservation of authority.

(a) The Board may require a Board-regulated institution to hold an amount of high quality liquid assets (HQLA) greater than otherwise required under this part, or to take any other measure to improve the Board-regulated institution's liquidity risk profile, if the Board determines that the Board-regulated institution's liquidity requirements as calculated under this part are not commensurate with the Board-regulated institution's liquidity risks. ~~-~~In making determinations under this section, the Board will apply, as appropriate, notice and response procedures as set forth in 12 CFR 263.2.

* * * * *

~~11~~8. In § 249.3, add definitions ~~of~~ for "Board~~,~~", "Board-regulated institution~~,~~", and ~~state~~"State member bank" in alphabetical order, to read as follows:

~~* * * * *~~

§ 249.3 Definitions.

* * * * *

Board means the Board of Governors of the Federal Reserve System.

Board-regulated institution means a state member bank, covered depository institution holding company, or covered nonbank company.

* * * * *

State member bank means a state bank that is a member of the Federal Reserve System.

* * * * *

~~12~~9. Add subpart G to read as follows:

Subpart G – Liquidity Coverage Ratio for Certain Bank Holding Companies

§ 249.51 Applicability.

(a) *Scope*.~~-~~ This subpart applies to a covered depository institution holding company domiciled in the United States that has total consolidated assets equal to $50 billion or more, based on the average of the Board-regulated institution's four most recent FR Y-9Cs (or, if a savings and loan holding company is not required to report on the FR Y-9C, based on the average of its estimated total consolidated assets for the most recent four quarters, calculated in accordance with the instructions to the FR Y-9C) and does not meet the applicability criteria set forth in § 249.1(b~~) of this part.~~).

(b) *Applicable provisions*.~~-~~ Except as otherwise provided in this subpart, the provisions of subparts A through F apply to covered depository institution holding companies that are subject to this subpart.

§ 249.52 High-Quality Liquid Asset Amount.

A covered depository institution holding company subject to this subpart must calculate its HQLA amount in accordance with subpart C of this part; provided, however, that such covered BHC must incorporate into the calculation of its HQLA amount a 21 calendar dayperiod instead of a 30 day calendar day period and must measure 21 calendar days from a calculation date instead of 30 calendar days from a calculation date, as provided in § 249.21.

§ 249.53 Total Net Cash Outflow.

(a) A covered depository institution holding company subject to this subpart must calculate its cash outflows and inflows in accordance with subpart D of this part, provided, however, that such company must:

(1) Include only those outflow and inflow amounts with a contractual maturity date that are calculated for each day within the next 21 calendar days from a calculation date; and

(2) Calculate its outflow and inflow amounts for instruments or transactions that have no contractual maturity date by applying 70 percent of the applicable outflow or inflow amount as calculated under subpart D of this part to the instrument or transaction.

(b) As of a calculation date, the total net cash outflow amount of a covered depository institution subject to this subpart equals:

(1) The sum of the outflow amounts calculated under ~~§~~§§ _.32(a) through ~~§_.~~_.32(g)(2); plus

(2) The sum of the outflow amounts calculated under ~~§~~§§ _.32(g)(3) through ~~§~~ _.32(l);

where the instrument or transaction has no contractual maturity date; plus

(3) The sum of the outflow amounts under ~~§~~§§ _.32(g)(3) through ~~§_.~~_.32(l) where the instrument or transaction has a contractual maturity date up to and including that calendar day; less

(4) The lesser of

(i) The sum of the inflow amounts under ~~§~~§§ __.33(b) through ~~§~~__.33(f), where the instrument or transaction has a contractual maturity date up to and including that calendar day, or

(ii) 75 percent of the sum of paragraphs (a), (b), and (c) of this section as calculated for that calendar day.

Federal Deposit Insurance Corporation

12 CFR
CHAPTER III
Authority and
Issuance

For the reasons set forth in the common preamble, the Federal Deposit Insurance Corporation amends chapter III of title 12 of the Code of Federal Regulations as follows:

PART 329 – LIQUIDITY RISK MEASUREMENT, STANDARDS AND MONITORING

~~13~~10. The authority citation for part 329 shall read as follows:

Authority: 12 U.S.C. 1815, 1816, 1818, 1819, 1828, 1831p-1, 5412.

~~14~~11. Part 329 is added as set forth at the end of the common preamble.

~~15~~12. Part 329 is amended as set forth below:

~~i~~a. Remove "[INSERT PART]" and add "329" in its place wherever it appears. b. Remove "[AGENCY]" and add "FDIC" in its place wherever it appears.

~~ii~~c. Remove "[AGENCY CAPITAL REGULATION]" and add "12 CFR part 324" in its place wherever it appears.

d. Remove "A [BANK]" and add "An FDIC-supervised institution" in its place wherever it appears.

~~iii~~e. Remove "a [BANK]" and add "an FDIC-supervised institution" in its place wherever it appears.

~~iv. Remove "a [BANK]'s" and add "an FDIC-supervised institution's" in its place wherever it appears.~~

~~v~~

f. Remove "[BANK]" and add "FDIC-supervised institution" in its place wherever it appears.

~~vi. Remove "[BANK]'s and add "FDIC-supervised institution's" in its place wherever it~~

~~vii~~g. Remove "[REGULATORY REPORT]" and add "Consolidated Report of Condition and Income" in its place wherever it appears.

~~16. In § 329.3, add definitions of FDIC and FDIC-supervised institution, to read as follows:~~

~~* * * * *~~

~~**§ 329.3 Definitions.**~~

~~* * * * *~~

~~FDIC means the Federal Deposit Insurance Corporation.~~

~~FDIC-supervised institution means any state nonmember bank or state savings association.~~

~~* * * * *~~

~~17. Section 329.1(b)(4) is amended by removing [~~h. Remove "[12 CFR 3.404 (OCC), 12 CFR 263.202 (Board), and 12 CFR 324.5 (FDIC)]" and ~~adding~~add "12 CFR 324.5" in its place~~.~~

~~18. Section 329.1(b)(1)(iv) is amended by removing~~ wherever it ~~and replacing it with the following:~~appears.

~~"(iv~~13. In § 329.1, revise paragraph (b)(1)(iii) to read as follows:

§ 329.1 Purpose and applicability.

* * * * * (b) * * * (1) * * *

(iii) It is a depository institution that has consolidated total assets equal to $10 billion or more, as reported on the most recent year-end Consolidated Report of Condition and Income and is a consolidated subsidiary of one of the following:

~~"(~~(A) A covered depository institution holding company that has total assets equal to $250 billion or more, as reported on the most recent year-end FR Y-9C, or, if the covered depository institution holding company is not required to report on the FR Y-9C, its estimated total consolidated assets as of the most recent year end, calculated in accordance with the instructions to the FR Y-9C;

~~"(~~(B) A depository institution that has consolidated total assets equal to $250 billion or more, as reported on the most recent year-end Consolidated Report of Condition and Income;

~~"(~~(C) A covered depository institution holding company or depository institution that has consolidated total on-balance sheet foreign exposure at the most recent year-end equal to $10 billion or more (where total on-balance sheet foreign exposure equals total cross-border claims less claims with a head office or guarantor located in another country plus redistributed guaranteed amounts to the country of head office or guarantor plus local country claims on local residents plus revaluation gains on foreign exchange and derivative transaction products, calculated in accordance with the Federal Financial Institutions Examination Council (FFIEC) 009 Country Exposure Report); or

~~"(~~(D) A covered nonbank company~~."~~.

~~* * * * *~~

* * * * *

14. In § 329.3, add definitions for "FDIC" and "FDIC-supervised institution" in

alphabetical order, to read as follows:

§ 329.3 Definitions.

* * * * *

FDIC means the Federal Deposit Insurance Corporation.

FDIC-supervised institution means any state nonmember bank or state savings association.

* * * * *