

**OMB Supporting Statement for the
Liquidity Monitoring Reports
(FR 2052a and FR 2052b; OMB No. 7100-0361)**

Summary

The Board of Governors of the Federal Reserve System (Board), under delegated authority from the Office of Management and Budget (OMB), proposes to implement the following mandatory Liquidity Monitoring Reports (FR 2052a and FR 2052b; OMB No. 7100-0361) under the authority granted by section 5 of the Bank Holding Company Act and section 165 of the Dodd-Frank Act.

- Complex Institution Liquidity Monitoring Report (FR 2052a) and
- Liquidity Monitoring Report (FR 2052b)

The FR 2052a and FR 2052b reports collect quantitative information on selected assets, liabilities, funding activities, and contingent liabilities on a consolidated basis and by material entity subsidiary. U.S. bank holding companies (BHCs) designated by the Financial Stability Board as Global Systemically Important Banks (G-SIBs) would report the complete FR 2052a daily. Foreign banking organizations (FBOs) with U.S. broker/dealer assets greater than \$100 billion would report the complete FR 2052a on occasion and an abbreviated FR 2052a (as discussed further below) twice a month. U.S. BHCs (excluding G-SIBs) with total consolidated assets > \$50 billion (including FBO subsidiaries) and U.S. BHCs (not controlled by FBOs) with total consolidated assets of \$10 billion - \$50 billion report on the FR 2052b monthly and quarterly, respectively.

The FR 2052 reports are used to monitor an individual organization's overall liquidity profile for institutions supervised by the Federal Reserve. These data provide detailed information on the liquidity risks within different business lines (e.g., financing of securities positions and prime brokerage activities). In particular, these data serve as part of the Federal Reserve's supervisory surveillance program in its liquidity risk management area and provide timely information on firm-specific liquidity risks during periods of stress. Analysis of both systemic and idiosyncratic liquidity risk issues are then used to inform the Federal Reserve's supervisory processes, including the preparation of analytical reports that detail funding vulnerabilities.

The annual reporting burden for the FR 2052a and FR 2052b is estimated to be 433,280 hours and 62,640 hours, respectively.

Background and Justification

The financial crisis of 2007 and 2008 highlighted the need for timely liquidity data to identify and monitor liquidity risks at individual firms as well as in aggregate across the financial system. The data provided in the FR 2052 reports would meet this need. The crisis highlighted the importance of understanding intra-company flows and exposures within a consolidated institution. Capturing such flows is a focus of the FR 2052a, particularly at large, systemically important, globally active U.S. banking institutions. A single, consolidated view is not sufficient

to provide meaningful insight into an institution's liquidity profile. Rather, disaggregated views by legal entities (parent company, broker/dealer entities, bank entities etc.) have contributed to supervisory monitoring efforts and risk supervision by identifying vulnerabilities posed by potential impediments to the movement of liquidity across legal entities

Finally, the collection of these data assists with the Federal Reserve's macroprudential supervision. For example, some of the instruments that are commonly used in conjunction with an institution's funding and liquidity activities (e.g., financing of securities positions) may have also been at the center of stress points during periods of systemic risk.

Description of Information Collection

Data from the FR 2052 reports are used to monitor the liquidity profile and also provide detailed information on the liquidity risks within different business lines within a firm. Data from these reports serve as part of the Federal Reserve's supervisory surveillance program in its liquidity risk management area and provide timely information on firm-specific liquidity risks during periods of stress. These reports assist in supervisory assessments of liquidity risk levels and conditions at individual institutions. For a detailed description of who files each report and associated implementation dates, please see the table under the Reporting Panel and Frequency of Submission section. Details regarding the data items for each report are provided below.

FR 2052a

The FR 2052a report includes sections covering broad funding classifications by product, outstanding balance and purpose, segmented by maturity date. Generally, each section can be classified into one of the following categories:

- **Section 1: Secured Financing:** Institutions report obligations and lending activities backed by the pledge of assets or other collateral. This section includes asset-backed commercial paper (single-seller and multi-seller arrangements), term asset-backed securities, collateralized commercial paper, and other secured financing.
- **Section 2: Official Government Sources Drawn:** Institutions report their borrowings from the Federal Reserve and other Central Banks, Federal Home Loan Banks (FHLBs) as well as any amounts drawn from official government sources.
- **Section 3: Repurchase & Securities Lending Transactions:** Institutions report repurchase and securities lending transactions such as those conducted under a Global Master Repo Agreement, Master Securities Loan Agreement or a Master Securities Forward Transaction Agreement. Repurchase & Securities Lending Transaction would be grouped according to specific categories pre-identified by the Federal Reserve.
- **Section 4: Unencumbered Assets:** Institutions report the amount of assets that are free and clear of any encumbrances such as creditor claims or liens. Unencumbered assets would be grouped according to specific categories pre-identified by the Federal Reserve.
- **Section 5: Expected Cash Inflows:** Institutions report cash and collateral inflows, for example those related to derivatives, and not covered in any other section.
- **Section 6: Cash Inflows from External Counterparties:** Institutions report inflows related to Fed funds and Eurodollars sold and other loan cash inflows.

- Section 7: Reverse Repurchase & Securities Borrowing Transactions: Institutions report reverse repurchase and securities borrowing transactions such as those conducted under a Global Master Repo Agreement, Master Securities Loan Agreement or a Master Securities Forward Transaction Agreement. Reverse Repurchase & Securities Borrowing Transactions are grouped according to specific categories pre-identified by the Federal Reserve.
- Section 8: Unsecured Financing: Institutions report the amount of obligations not backed by the pledge of specific collateral. Categories include commercial paper, wholesale certificates of deposit and bank notes, promissory notes, Fed funds and Eurodollars purchased, long-term debt (structured and non-structured), draws on committed lines from external entities and other unsecured financing.
- Section 9: Central Bank, FHLB Sources, and Nostro Balances: Institutions report cash balances maintained at the Federal Reserve and at other central banks. Firms' cash balances held at other financial institutions (Nostro balances) would be reported.
- Section 10: Deposit Funding: Institutions report the amounts of retail and wholesale deposits and retail CDs based on Basel III classifications as of the December 2010 release. These classifications differentiate between accounts that are stable versus less stable and operating versus non-operating. Institutions would report wholesale CDs in Section 8.
- Section 11: Expected Cash Outflows: Institutions report cash and collateral outflows, for example those related to derivatives, and not covered in any other section.
- Section 12: Operating Cash Flows: Institutions report operating cash flows related to prime brokerage (e.g., free credits, external/internal funding used to cover customer shorts, margin loans, lockup cash flows) to help supervisors disentangle firm-specific and business-specific trends. Expected cash outflows/inflows related to derivatives activities is also reported.
- Section 13: Unsecured Internal Cash Flows: Institutions report unsecured lending between internal entities.
- Section 14: Secured Internal Cash Flows: Institutions report the amounts of repurchase, reverse-repurchase, and securities borrowed and securities lending transactions between legal entities. Secured Internal Cash Flows are grouped according to specific categories pre-identified by the Federal Reserve.
- Section 15: Contingency Line Items: Institutions report all contingent items that could impact the funding and liquidity at the reporting institution. Examples include undrawn commitments provided to external counterparties. Institutions also report the total cumulative market value of additional collateral their counterparties will require the Institutions to post as a result of various levels of credit rating downgrades.
- Section 16: Funding Pricing: Institutions report the market rates paid to third parties to execute secured and unsecured transactions.

The FR 2052a report daily data submissions would be provided on a best efforts basis.

For continuous monitoring purposes, FBOs with U.S. broker/dealer assets greater than \$100 billion are required to provide a complete FR 2052a report on an occasional basis. These FBOs also submit an abbreviated FR 2052a report twice a month as reflected in Appendix C of the FR 2052a instructions.

The Federal Reserve may to conduct up to 10 ad-hoc collections of daily liquidity data from a total of 16 respondents. The ad-hoc collections consist of approximately 65 data items not reported on the FR 2052a. Results from the ad-hoc collections are used to develop future enhancements to the FR 2052a report.

FR 2052b

The FR 2052b includes sections covering broad funding classifications by product, outstanding balance, and purpose segmented by maturity date. Generally, each section may be classified into one the following categories:

- Section 1: Liquid Assets: Institutions report cash balances maintained at the Federal Reserve and at other central banks. Firms' cash balances held at other financial institutions would be reported as well as physical currency and coin positions.
- Section 2: Reverse Repos: Institutions report obligations repos by maturity and security collateral type.
- Section 3: Investment Securities: Reporting is segregated into assets by risk weight and type that are unencumbered and those assets pledged to garner secured funding by the counterparty type (FHLB, Central Bank, etc.) to which the collateral is pledged. Both marketable and lendable values would be included.
- Section 4: Loans and Leases: Reporting is segregated into loan types that are unencumbered and those assets pledged to garner secured funding by the counterparty type to which the collateral is pledged.
- Section 5: Secured Funding Sources Outstanding: Institutions report their borrowing outstanding by maturity from the Federal Reserve, the FHLB, and other secured financing facilities.
- Section 6: Repurchase Transaction: Institutions report repurchase transactions by securities collateral type and maturity.
- Section 7: Unsecured Financing: Institutions report the amount of obligations not backed by the pledge of specific collateral. Categories include commercial paper, wholesale certificates of deposits & bank notes, Fed funds and Eurodollars purchased, long-term debt (structured and non-structured), draws on committed lines from external entities and other unsecured financing.
- Section 8: Estimated Cored Funding Gap: The Net Loan Growth/Attrition and Net Retail Deposit Growth/Attrition line items are included to capture the forecasted (best estimate, non-stressed) change in loan and retail deposits over the stated horizon.
- Section 9: Contractual Loan Inflows and Committed Inflow: Contractual inflows of all maturing performing loans are listed in the corresponding maturity columns.
- Section 10.4: Brokered CDs/NMDs: Institutions report all insured and uninsured deposits originated through financial advisory or broker sales force. This should include deposits sourced from deposit gatherers. Brokered deposits represent funds which the reporting bank obtains, directly or indirectly, by or through any deposit broker for deposit into one or more deposit accounts. Thus, brokered deposits include both those in which the entire beneficial interest in a given bank deposit account or instrument is held by a single depositor and those in which the deposit broker sells participations in a given bank deposit account or instrument to one or more investors.

- Section 11: ABCP Exposure: Institutions report the outstanding asset backed commercial paper issued to fund the assets of a single or several unrelated sellers.
- Section 12: Not applicable:
- Section 13 -18: Parent Company Schedule: Institutions report items in the Parent Company Only section which relate only to the Parent Company. Included are fields for liquid assets, forecasts of cash inflows (such as dividends from subsidiaries and operations) and outflows (such as operating expenses, dividends, subsidiary support and debt service), unsecured financing (such as commercial paper, debt and draws on committed lines), and committed liquidity and credit facilities provided to third-party banks.
- Section 19 -20: Pricing Schedule: Section 19, Credit Default Swap (CDS) - Institutions report (in basis points) the CDS 5 year (or closest tenor available) spread or premium per annum. Section 20, Unsecured Funding - Institutions report the market rates paid to third parties to execute unsecured transactions, by BHC, across the maturity spectrum. If market funding quotes are unavailable, the institution's internal funds pricing curve could be used as a supplement.

The FR 2052b reports are submitted on monthly and quarterly basis.

Reporting Panel and Frequency of Submissions

The scope of application, frequency, and beginning submission dates are contained in the table presented below. SLHCs would not be subject to these reporting requirements, however, through future rulemakings these institutions may be required to participate in some form of liquidity monitoring.

| <i>Report Number</i> | <i>Reporter Description</i> | <i>Frequency</i> | <i>First As-of Date</i> | <i>First Submission Date</i> |
|----------------------|--|---|--|--|
| FR 2052a | U.S. BHCs that the Financial Stability Board designated as Global Systematically Important Banks (G-SIBs) | Daily | 09/11/2014 | 09/15/2014 |
| FR 2052a | Foreign banking organizations with U.S. broker/dealer assets > \$100 billion | On Occasion (FR 2052a; complete report) Twice a month (FR 2052a; abbreviated report) ¹ | TBD Advanced notice from supervisors 09/11/2014 | TBD Advanced notice from supervisors 09/15/2014 |
| FR 2052b | U.S. BHCs (excluding G-SIBs) with total consolidated assets greater than \$50 billion (including FBO subsidiaries) | Monthly | 11/30/2014 | 12/15/2014 |
| FR 2052b | U.S. BHCs (not controlled by FBOs) with total consolidated assets of between \$10 billion and \$50 billion. | Quarterly | 12/31/2014 | 01/15/2015 |

¹ Please see Appendix-C in the FR 2052a instructions.

U.S. BHCs filing the FR 2052a are required to submit data on a consolidated basis as well as for material entity subsidiary. These material entity subsidiaries will be determined by the institutions and their Reserve Banks and will be based upon size and importance of the subsidiary's liquidity profile to the holding company. These institutions report all material bank, broker dealer, and non-bank entities contributing to the institution's funding and liquidity operations.

Foreign banking organizations filing the FR 2052a, must submit separate reports for each material reporting entity. FBOs with more than \$100 billion in U.S. broker-dealer assets are required to submit separate reports for each material entity in their U.S. operations and for their consolidated U.S. operations, excluding U.S. BHCs. Material entities (including material foreign branches) are entities that pose liquidity risk, provide liquidity support to, or depend on liquidity support from, affiliates. The Federal Reserve does not consider the asset size of the entity to be the determining factor of whether the subsidiary should be treated as material for purposes of liquidity risk monitoring. Institutions are required to consult with supervisors to determine which entities are material for purposes of the liquidity reporting requirements.

BHCs filing the FR 2052b would report consolidated information and provide parent entity specific information using the additional schedule included within the FR 2052b.

Time Schedule for Information Collection

Institutions filing the FR 2052a reports are required to electronically submit their daily reports by 10am (Eastern Standard Time) two business days after the as-of date (T+2)² to the FRB NY. Institutions filing the FR 2052a report twice a month, the 15th and month end, would be required to electronically submit their reports two business days after the as-of date (T+2). The first submission date for the FR 2052a is September 15, 2014.³

Institutions filing the FR 2052b report would be required to electronically submit their reports to the individual Central Point of Contact/Examiner-in-Charge of each institution by 8 pm (central time) the 15th of the month following the data as of date.⁴ For FR 2052b reporters, the data collection would be conducted either monthly or quarterly and would commence on December 15, 2014, for firms with assets \$50 billion and greater and January 15, 2015, for firms with assets between \$10 and \$50 billion, respectively.

For the ad-hoc data submissions, the Federal Reserve would provide respondents with a reporting schedule 30 days prior to the first data submission. Initially, ad-hoc submissions would include two distinct data collections allowing the Federal Reserve to refine data items and to ascertain data completeness. Next, the frequency of submissions would be increased to once a week for three consecutive weeks to ensure consistency. Lastly, to simulate live filing of

² Today plus two days

³ If the 15th falls on a weekend or holiday, report as of the next business day, on a T+2 basis. If the end of the month falls on a weekend or holiday, report as of the last business day of the month, on a T+2 basis.

⁴ If the 15th of the month falls on a weekend or holiday the report would be submitted the next business day.

acceptable data, the frequency would shift to a series of five consecutive daily submissions on a (T+2) basis. The 16 institutions participating in this ad hoc collection would continue reporting on the FR 2052a during this development period.

Legal Status

The Board's Legal Division has determined that the liquidity monitoring reports are authorized pursuant to section 5 of the Bank Holding Company Act (12 U.S.C. § 1844), section 8 of the International Banking Act (12 U.S.C. § 3106) and section 165 of the Dodd Frank Act (12 U.S.C. § 5365) and are mandatory. Section 5(c) of the Bank Holding Company Act authorizes the Board to require BHCs to submit reports to the Board regarding their financial condition. Section 8(a) of the International Banking Act subjects FBOs to the provisions of the Bank Holding Company Act. Section 165 of the Dodd Frank Act requires the Board to establish prudential standards for certain BHCs and FBOs; these standards include liquidity requirements. The individual financial institution information provided by each respondent would be accorded confidential treatment under exemption 8 of the Freedom of Information Act (5 U.S.C. § 552(b) (8)). In addition, the institution information provided by each respondent would not be otherwise available to the public and is entitled to confidential treatment under the authority of exemption 4 of the Freedom of Information Act (5 U.S.C. §§ 552(b)(4)), which protects from disclosure trade secrets and commercial or financial information.

Consultation Outside the Agency

The Federal Reserve consulted outside the FRS with other U.S. regulatory authorities including the Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation in the development of the Liquidity Monitoring Template. In addition, data sharing agreements are being constituted with other U.S. regulatory agencies with supervisory responsibilities over subject institutions to ensure there are no redundant data collections. Also, Federal Reserve has held general discussions with financial institutions.

On September 19, 2013, the Federal Reserve published a notice in the *Federal Register* (78 FR 57634) requesting public comment for 60 days on the implementation of the FR 2052a and FR 2052b. The comment period expired on November 18, 2013. The Federal Reserve received eight comment letters addressing the proposed implementation of this information collection. The comments are summarized and addressed in the final notice. On August 15, 2014, the Federal Reserve published a final notice in the *Federal Register* (79 FR 48158) announcing the implementation of the Liquidity Monitoring Reports.

Estimate of Respondent Burden

The total annual reporting burden for the FR 2052a and FR 2052b is estimated to be 495,920 hours as shown in the following table. The total annual reporting burden for the FR 2052a is estimated to be 433,280 hours. The total annual burden for the FR 2052b is estimated to be 62,640 hours. The total burden for the FR 2052a and FR 2052b represents 3.22 percent of total Federal Reserve System annual burden.

| | <i>Number of respondents</i> | <i>Annual frequency</i> | <i>Estimated average hours per response</i> | <i>Estimated annual burden hours</i> |
|--|--------------------------------------|-----------------------------|---|--|
| FR 2052a | | | | |
| One-time Implementation | 16 | 1 | 160 | 2,560 |
| Ongoing: | | | | |
| BHCs (G-SIBs) ⁵ | 8 | 251 | 200 | 401,600 |
| FBOs – (complete) | 8 | 1 | 200 | 1,600 |
| FBOs – (abbreviated) | 8 | 24 | 60 | 11,520 |
| Ad-Hoc ⁶ | 16 | 10 | 100 | <u>16,000</u> |
| <i>FR 2052a Total burden hours</i> | | | | 433,280 |
| FR 2052b | | | | |
| One-time Implementation | 71 | 1 | 480 | 34,080 |
| Ongoing: | | | | |
| BHCs (<i>excluding G-SIBs, >\$50 billion, including FBO subsidiaries</i>) | 24 | 12 | 60 | 17,280 |
| BHCs (<i>>\$10 & <\$50 billion, not controlled by FBOs</i>) | 47 | 4 | 60 | 11,280 |
| <i>FR 2052b Total burden hours</i> | | | | <u>62,640</u> |
| <i>Total burden hours</i> | | | | 495,920 |

The total cost one-time to the public is estimated be \$1,864,976. On an ongoing basis the total cost to the public is estimated be \$23,377,352.⁷

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines (e.g., ethnicity, sexual relationships, etc.).

Estimate of Cost to the Federal Reserve System

The cost estimate to the Federal Reserve System for the implementation of the new

⁵ A list of G-SIBs is available at http://www.financialstabilityboard.org/publications/r_131111.pdf.

⁶ The FR 2052a Ad-Hoc surveys would be discontinued once the enhanced liquidity data collections are put into production.

⁷ Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rates (30% Office & Administrative Support at \$18, 45% Financial Managers at \$61, 15% Lawyers at \$63, and 10% Chief Executives at \$86). Hourly rate for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2013, www.bls.gov/news.release/ocwage.nr0.htm Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/

reporting requirements is estimated to be \$500,000; on a continuing basis the cost to the Federal Reserve System is estimated to be \$2,000,000.