Supporting Statement for the
Complex Institution Liquidity Monitoring Report
(FR 2052a; 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), has revised the Complex Institution Liquidity Monitoring Report (FR 2052a; OMB No. 7100-0361) pursuant to its authority to temporarily approve of a collection of information without providing opportunity for public comment.[1]

The FR 2052a collects quantitative information on selected assets, liabilities, funding activities, and contingent liabilities of certain large financial firms on a consolidated basis and by material legal entity. Currently, bank holding companies and savings and loan holding companies subject to the Liquidity Coverage Ratio rule (LCR rule) (U.S. firms) with total consolidated assets of $50 billion or more and foreign banking organizations (FBOs) with combined U.S. assets of $50 billion or more submit FR 2052a data, with the frequency based on the asset size of the firm and whether it has been identified as a Large Institution Supervision Coordinating Committee (LISCC) firm.

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

The Board has temporarily revised the FR 2052a effective immediately to enable institutions to report certain municipal obligations as high quality liquid assets (HQLA), consistent with recent changes to the Board's LCR rule.[2] The estimated total annual burden for the FR 2052a is 717,600 hours and would remain unchanged.

Background and Justification

The financial crisis of 2007 and 2008 highlighted the need for timely data to identify and monitor liquidity risks at individual firms as well as in aggregate across the financial system. The FR 2052a was created in 2014 to meet this need. The crisis highlighted the importance of understanding intra-company flows and exposures within a consolidated institution. Capturing such flows, particularly within large, systemically important, globally active U.S. banking

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[1] See 5 CFR part 1320, App.A(1)(a)(3)(A).

[2] See Press Release, Board of Governors of the Federal Reserve System, Agencies issue interim final rule regarding the treatment of certain municipal securities as high-quality liquid assets (August 22, 2018), available at www.federalreserve.gov/newsevents/pressreleases/bcreg20180822a.htm.

institutions, is a focus of the FR 2052a. As a single, consolidated view of a banking organization is not sufficient to provide meaningful insight into the institution's liquidity profile, the FR 2052a gathers data disaggregated by material legal entity (parent company, broker/dealer entities, bank entities, etc.). These data have contributed to supervisory monitoring efforts and risk supervision by identifying potential impediments to the movement of liquidity across legal entities. The FR 2052a report provides sufficient detail to monitor compliance of those institutions subject to the LCR rule. Furthermore, 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) also may have been at the center of stress points during periods of systemic risk.

Description of Information Collection

Data from the FR 2052a are used to monitor the liquidity profile of and 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.

The FR 2052a includes a data structure that subdivides the three general categories of inflows, outflows, and supplemental items into 10 distinct data tables. These tables are designed to stratify the assets, liabilities, and supplemental components of a firm's liquidity risk profile based on products that can be described with common data structures, while still maintaining a coherent framework for liquidity risk reporting.

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

- <u>Section 1: Inflows-Assets</u>: Institutions report assets such as unencumbered assets, borrowing capacity from central banks or Federal Home Loan Banks (FHLBs), unrestricted reserve balances at central banks, restricted reserve balances at central banks, unsettled asset purchases, and forward asset purchases.
- <u>Section 2: Inflows-Unsecured</u>: Institutions report unsecured inflow transactions such as onshore placement, offshore placements, required nostro balances, excess nostro balances, outstanding draws on revolving facilities, and other unsecured loans.
- <u>Section 3: Inflows-Secured</u>: Institutions report secured inflow transactions such as reverse repurchase agreements, securities borrowing transactions, dollar rolls, collateral swaps, margin loans, other secured loans where the collateral is rehypothecatable, and other secured loans where the collateral is not rehypothecatable.
- <u>Section 4: Inflows-Other</u>: Institutions report other inflow transactions such as derivatives receivables, collateral called for receipt, sales in the to-be-announced market, undrawn committed facilities purchased, lock-up balances, interest and dividends receivables, a net 30-day derivatives receivables measure, principal payments receivable on unencumbered investment securities, and other inflow transactions.

- Section 5: Outflows-Wholesale: Institutions report wholesale outflow transactions such as asset-backed commercial paper single-seller outflows, asset-back commercial paper multi-seller outflows, collateralized commercial paper, asset-backed securities, covered bonds, tender option bonds, other asset-backed financing, commercial paper, onshore borrowing, offshore borrowing, unstructured long-term debt, structured long-term debt, government supported debt, unsecured notes, structured notes, wholesale certificates of deposit, draws on committed facilities, free credits, and other unsecured wholesale outflow transactions.
- Section 6: Outflows-Secured: Institutions report secured outflow transactions such as repurchase agreements, securities lending transactions, dollar rolls, collateral swaps, FHLB Advances, outstanding secured funding from facilities at central banks, customer short transactions, firm short transactions, and other secured outflow transactions.
- Section 7: Outflows-Deposits: Institutions report deposit outflow transactions such as transactional accounts, non-transactional relationship accounts, non-transactional non-relationship accounts, operational accounts, non-operational accounts, operational escrow accounts, non-reciprocal brokered accounts, affiliated sweep accounts, non-affiliated sweeps accounts, other product sweep accounts, reciprocal accounts, other third-party deposits, and other deposit accounts.
- Section 8: Outflows-Other: Institutions report other outflow transactions such as derivatives payables, collateral called for delivery, purchases in the to-be-announced market, credit facilities, liquidity facilities, retail mortgage commitments, trade finance instruments, potential derivative valuation changes, loss of rehypothecation rights and collateral required due to changes in financial condition, excess customer margin, commitments to lend on margin to customers, interest and dividends payables, a net 30-day derivatives payables measure, other outflows related to structured transactions, and other cash outflow transactions.
- Section 9: Supplemental-Informational: Institutions report supplemental information such as initial margin posted and received, variation margin posted and received, collateral dispute receivables and deliverables, collateral that may need to be delivered, collateral that the institution could request to be received, collateral that could be substituted by the institution or a counterparty, long and short market value of client assets, gross client wires received and paid, subsidiary liquidity that cannot be transferred, 23A capacity, outflows or inflows from closing out hedges early, and potential outflows from non-structured or structured debt maturing beyond 30 days where the institution is the primary market maker in that debt.
- Section 10: Supplemental-Foreign Exchange: Institutions report foreign exchange information such as foreign exchange spot, forwards and futures, and swap transactions.

All U.S firms with total consolidated assets of $700 billion or more or with assets under custody of $10 trillion or more, and all FBOs with combined U.S. assets of $250 billion or more, report data elements denominated in major currencies, while other data elements denominated in non-major currencies are converted into United States Dollars (USD) and flagged as converted. All other reporting entities report exclusively in USD by flagging data as converted as appropriate. All entities that are required to comply with the LCR Rule are considered material entities for the purpose of the report. The FR 2052a has proven to be a useful tool for Federal

Reserve staff to monitor the liquidity position of the large financial firms that are required to complete it.

Adopted Revisions

The Board has revised the FR 2052a report effective immediately. These revisions arise from the Board's amendment of the LCR rule in accordance with the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). As required by section 403 of EGRRCPA, the Board has amended its LCR rule within 90 days of the enactment of EGRRCPA to treat investment grade municipal obligations that are liquid and readily-marketable as level 2B HQLA for purposes of their liquidity regulations. Therefore, the Board has revised the asset categories in the FR 2052a instructions to enable institutions to report certain municipal obligations that meet all the requirements for inclusion as HQLA under section 20 of the LCR rule, as amended.[3] Specifically, the Board has amended the Assets Category Table in Appendix III of the FR 2052a instructions such that the description of the asset classification code "IG2-Q" is sufficiently inclusive of municipal obligations that may qualify as HQLA under the LCR rule.

In order for the FR 2052a to reflect section 403 of EGRRCPA and the recent amendments to the LCR rule, the Board cannot comply with the normal clearance process and still receive the data in a timely manner. Therefore, the Board has determined that the revisions to the FR 2052a described above must be instituted quickly and public participation in the approval process would substantially interfere with the Board's ability to perform its statutory obligations arising from EGRRCPA.

Time Schedule for Information Collection

FR 2052a data is reported monthly for (1) U.S. firms with $50 billion or more in total consolidated assets, but less than $700 billion in total consolidated assets and less than $10 trillion in assets under custody and (2) FBOs that are not identified as LISCC firms and have $50 billion or more in combined U.S. assets. Daily reporting is required for (1) U.S. firms with $700 billion or more in total consolidated assets or $10 trillion or more in assets under custody and (2) FBOs identified as LISCC firms. There are no changes to the time schedule of the FR 2052a report. The current reporting schedule provides adequate timely data to meet the analytical and supervisory needs of the Board.

Legal Status

The FR 2052a is 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 Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) (12 U.S.C. 5365), and is mandatory.

Financial institution information required by the FR 2052a is collected as part of the Board's supervisory process. Therefore, such information is entitled to confidential treatment under exemption 8 of the Freedom of Information Act (FOIA) (5 U.S.C. 552(b)(8)). In addition,

[3] See 12 CFR Part 249.20.

the institution information provided by each respondent would not be otherwise available to the public and its disclosure could cause substantial competitive harm. Accordingly, it is entitled to confidential treatment under the authority of exemption 4 of the FOIA (5 U.S.C. 552(b)(4)), which protects from disclosure trade secrets and commercial or financial information.

Consultation Outside the Agency

The Board consulted with other U.S. regulatory authorities, including the Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation, in the development of FR 2052a. In addition, data sharing agreements are being constituted with other U.S. regulatory agencies with supervisory responsibilities over subject institutions to monitor compliance with the LCR rule and to ensure there are no redundant data collections. The Board will follow this temporary approval with a review under normal clearance procedures, during which comments will be solicited for the typical 60-day period. All comments received on paperwork burden will be considered in finalizing the collection.

Estimate of Respondent Burden

The current total annual burden for the FR 2052a is estimated to be 717,600 hours and would remain unchanged. These reporting requirements represent 6.7 percent of the total Federal Reserve System's paperwork burden.

FR 2052a	*Number of respondents*[4]	*Annual Frequency*	*Estimated average hours per response*	*Estimated annual burden hours*
Monthly U.S. BHCs and SLHCs with total consolidated assets ≥ $50 billion but total consolidated assets < $250 billion and foreign exposure < $10 billion and FBOs with U.S. assets ≥ $50 billion but U.S. assets < $250 billion that are not identified as LISCC firms	32	12	120	46,080
U.S. BHCs and SLHCs with total consolidated assets ≥ $250 billion or foreign exposure > $10 billion but total consolidated assets < $700 billion and with < $10 trillion in assets under custody and FBOs with U.S. assets ≥ $250 billion that are not identified as LISCC firms	8	12	120	11,520
Daily U.S. BHCs and SLHCs with total consolidated assets ≥ $700 billion or with ≥ $10 trillion in assets under custody and FBOs identified as LISCC firms	12	250	220	660,000
Total				717,600

The total cost to the public is estimated to be $40,221,480.[5]

[4] Of these respondents, none are considered small entities as defined by the Small Business Administration (i.e., entities with less than $550 million in total assets) www.sba.gov/document/support--table-size-standards.

[5] 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 $69, 15% Lawyers at $68, and 10% Chief Executives at $94). Hourly rates for each occupational group are the (rounded) mean hourly wages from the Bureau of Labor and Statistics (BLS), *Occupational Employment and Wages May 2017*, published March 30, 2018, www.bls.gov/news.release/ocwage.t01.htm. Occupations are defined using the BLS Occupational Classification System, www.bls.gov/soc/.

Sensitive Questions

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.

Estimate of Cost to the Federal Reserve System

The estimated cost to the Federal Reserve System for collecting and processing the FR 2052a is $532,800.