SUPPORTING STATEMENT
LIQUIDITY COVERAGE RATIO:
LIQUIDITY RISK MEASUREMENT, STANDARDS, AND MONITORING (LCR)
(OMB Control No. 3064-0197)

INTRODUCTION

This submission is being made in connection with a final rule published in the *Federal Register* with the Office of the Comptroller of the Currency (OCC) and the Board of Governors of the Federal Reserve System (FRB), and the Federal Deposit Insurance Corporation[1] (FDIC) (collectively, the agencies). The final rule revises certain reporting and recordkeeping requirements in the LCR rule found at 12 C.F.R. part 329 therefore changing the burden associated with the current information collection titled, "Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards, And Monitoring (LCR)" (OMB No. 3064-0197), which expires on January 31, 2023.

A. JUSTIFICATION

1. Circumstances and Need

In 2014, the OCC, the FRB and the FDIC adopted the Liquidity Coverage Ratio (LCR) rule that implemented a quantitative liquidity requirement consistent with the liquidity coverage ratio standard established by the Basel Committee on Banking Supervision. The LCR rule establishes a quantitative minimum liquidity coverage ratio that requires a company subject to the rule to maintain an amount of high-quality liquid assets (the numerator of the ratio) that is no less than 100 percent of its total net cash outflows over a prospective 30 calendar-day period (the denominator of the ratio). The LCR rule applies to all internationally active banking organizations, generally, bank holding companies, certain savings and loan holding companies, and depository institutions with more than $250 billion in total assets or more than $10 billion in on-balance sheet foreign exposure, and to their consolidated subsidiaries that are depository institutions with $10 billion or more in total consolidated assets. The LCR rule contains reporting and recordkeeping requirements that are found in Sections 329.22 and 329.40.

In 2019, the rule was revised[2] and the criteria for determining the applicability of liquidity requirements for large U.S. banking organizations and the U.S. intermediate holding companies of certain foreign banking organizations was changed. In particular, Sections 329.1, .3, .10, .30, and .50 of the FDIC's LCR rule were revised. The rule now establishes four risk-based categories for

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1 Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements, 86 FR 9120 (February 11, 2021). The FDIC issued the final rule under its authorities under Sections 12 U.S.C. 1815, 1816, 1818, 1819, 1828, 1831p-1, and 5412 of the Federal Deposit Insurance Act.

2 Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements; Final Rule, 84 FR 59230 (Nov. 1, 2019). The FDIC issued the final rule under its authorities under Sections 12 U.S.C. 1828 and 1831o of the Federal Deposit Insurance Act.

determining the applicability of requirements under the agencies' LCR rule. Under the revised rule, such requirements increase in stringency based on measures of size, cross-jurisdictional activity, weighted short-term wholesale funding, nonbank assets, and off-balance sheet exposure. The revised rule now applies tailored liquidity requirements to depository institution holding companies and U.S. intermediate holding companies with $100 billion or more in total consolidated assets as well as to certain depository institutions.

Final Rule

The final rule implements a stable funding requirement, known as the net stable funding ratio (NSFR), for certain large banking organizations. The final rule establishes a quantitative metric, the NSFR, to measure the stability of the funding profile of certain large banking organizations and requires these banking organizations to maintain minimum amounts of stable funding to support their assets, commitments, and derivatives exposures over a one-year time horizon. The NSFR is designed to reduce the likelihood that disruptions to a banking organization's regular sources of funding will compromise its liquidity position, promote effective liquidity risk management, and support the ability of banking organizations to provide financial intermediation to businesses and households across a range of market conditions. The NSFR supports financial stability by requiring banking organizations to fund their activities with stable sources of funding on an ongoing basis, reducing the possibility that funding shocks would substantially increase distress at individual banking organizations. The final rule applies to certain large U.S. depository institution holding companies, depository institutions, and U.S. intermediate holding companies of foreign banking organizations, each with total consolidated assets of $100 billion or more, together with certain depository institution subsidiaries (together, covered companies). In particular, the final rule revises Sections 329.110 and 329.108 of the FDIC's LCR rule.

Section 329.110 requires a covered company to take certain actions following any NSFR shortfall. A covered company would be required to notify its appropriate Federal banking agency of the shortfall no later than 10 business days (or such other period as the appropriate Federal banking agency may otherwise require by written notice) following the date that any event has occurred that would cause or has caused the covered company's NSFR to be less than 1.0. It must also submit to its appropriate Federal banking agency its plan for remediation of its NSFR to at least 1.0, and submit at least monthly reports on its progress to achieve compliance.

329.108(b) provides that if an institution includes an available stable funding amount in excess of the required stable funding amount of the consolidated subsidiary, it must implement and maintain written procedures to identify and monitor applicable statutory, regulatory, contractual, supervisory, or other restrictions on transferring assets from the consolidated subsidiaries. These procedures must document which types of transactions the institution could use to transfer assets from a consolidated subsidiary to the institution and how these types of transactions comply with applicable statutory, regulatory, contractual, supervisory, or other restrictions. Section 329.110(b) requires preparation of a plan for remediation to achieve an NSFR of at least equal to 1.0, as required under § 329.100.

2. Use of the Information Collected

The LCR rule is designed to promote the short-term resilience of the liquidity risk profile of large and internationally active banking organizations, thereby improving the banking sector's ability to absorb shocks arising from financial and economic stress, and to further improve the measurement and management of liquidity risk.

3. Use of Technology to Reduce Burden

Respondents may use any type of improved information technology they have available to meet the requirements of this regulation.

4. Efforts to Identify Duplication

There is no duplication. This information is not available elsewhere.

5. Minimizing Burden on Small Entities

This collection does not have a significant impact on a substantial number of small entities. In particular, according to Call Report data as of June 30, 2020, there were 3,270 FDIC-supervised institutions. Only four of these FDIC-supervised institutions are affected by the final rule and do not have total assets of less than $600 million, the Small Business Administration's definition of a "small entity."

6. Consequences of Less Frequent Collections

Less frequent collection would result in safety and soundness concerns.

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

On June 1, 2016, the agencies published the proposed rule in the *Federal Register* (81 FR 35124). No comments were received with respect to the Paperwork Reduction Act.

9. Payment or Gift to Respondents

None.

10. Confidentiality

Any information deemed to be of a confidential nature would be exempt from public disclosure in accordance with the provisions of the Freedom of Information Act (5 U.S.C. 552).

11. Information of a Sensitive Nature

This collection contains no sensitive information.

12. Estimates of Hour Burden and Annualized Cost

2020 Summary of Annual Burden and Internal Cost (3064-0197) - NSFR Final Rule							
	Type of Burden	Obligation to Respond	Estimated Number of Respondents	Estimated Frequency of Responses	Estimated Time per Response	Frequency of Response	Total Annual Estimated Burden
Liquidity Coverage Ratio (LCR) - 12 CFR 329.40 and .110	Reporting	Mandatory					
329.40(a) Notification that liquidity coverage ratio is less than minimum in 329.10; 329.110(a) NSFR shortfall notification	Reporting	Mandatory	4	12	0.50	On Occasion	24
329.40(b) Notification that liquidity coverage ratio is less than minimum in 329.10 for 3 consecutive days or otherwise noncompliant; 329.110(b) NSFR shortfall liquidity plan	Reporting	Mandatory	4	1	0.50	On Occasion	2
329.40(b) and 329.110(b) Plan for achieving compliance	Recordkeeping	Mandatory	4	1	200.00	On Occasion	800
329.40(b)(3)(iv) and 329.110(b)(3) Weekly report of progress toward achieving compliance	Reporting	Mandatory	4	4	0.50	On Occasion	8
Liquidity Coverage Ratio (LCR) - 12 CFR 329.22(a)(2), .22(a)(5), and .108(b)	Recordkeeping	Mandatory					
329.22(a)(2) Policies that require eligible HQLA to be under control of liquidity risk management function	Recordkeeping	Mandatory	4	1	10.00	On Occasion	40
329.22(a)(5) Documented methodology providing consistent treatment for determining whether eligible HQLA meets operational requirements	Recordkeeping	Mandatory	4	1	10.00	On Occasion	40
329.108(b) - NSFR consolidation procedures	Recordkeeping	Mandatory	4	1	20.00	On Occasion	80
TOTAL HOURLY BURDEN							994 hours
TOTAL INTERNAL COST	$73.00	/HR					$72,562.00

Annualized Cost of Internal Hourly Burden:
994 hours x $73 per hour[3] = $72,562.00.

Estimated Category of Personnel Responsible for Complying with the PRA Burden	Total Estimated Hourly Compensation	Estimated Weights	Estimated Total Weighted Labor Cost Component
Executives and Managers*	$122	0%	$0
Lawyers**	$156	0%	$0
Compliance Officer***	$63	50%	$32
IT Specialists†	$89	0%	$0
Financial Analysts††	$83	50%	$42
Clerical‡	$32	0%	$0
Total Estimated Weighted Average Hourly Compensation Rate		100%	$73

Source: Bureau of Labor Statistics: "National Industry-Specific Occupational Employment and Wage Estimates: Depository Credit Intermediation Sector: hourly 75th percentile wage" (May 2017), Employer Cost of Employee Compensation (December 2018), Consumer Price Index (December 2018).

Note: The wage information reported by the BLS in the Specific Occupational Employment and Wage Estimates does not include health benefits and other non-monetary benefits. According to the December 2018 Employer Cost of Employee Compensation data compensation rates for health and other benefits are 33.7 percent of total compensation. Additionally, the wage has been adjusted for inflation according BLS data on the Consumer Price Index for Urban Consumers (CPI-U) so that it is contemporaneous with the non-wage compensation statistic. The inflation rate was 3.59 percent between May 2017 and December 2018.

* Occupation (SOC Code): Management Occupations (110000)

** Occupation (SOC Code): Lawyers, Judges, and Related Workers(231000)

*** Occupation (SOC Code): Compliance Officers(131041)

† Occupation (SOC Code): Computer and Mathematical Occupations (150000)

†† Occupation (SOC Code): Financial Analyst (132051)

‡ Occupation (SOC Code): Office and Administrative Support Occupations(430000)

13. Capital, Start-Up, Operating, and Maintenance Costs

None.

[3] The wage information reported by the BLS in the Specific Occupational Employment and Wage Estimates does not include health benefits and other non-monetary benefits. According to the December 2018 Employer Cost of Employee Compensation data compensation rates for health and other benefits are 33.7 percent of total compensation. Additionally, the wage has been adjusted for inflation according BLS data on the Consumer Price Index for Urban Consumers (CPI-U) so that it is contemporaneous with the non-wage compensation statistic. The inflation rate was 3.59 percent between May 2017 and December 2018.

14. Estimate of annualized costs to the government

None.

15. Change in burden

There is a 497 increase in hourly burden as a result of the final rule. As discussed above, the final rule revises certain LCR reporting and recordkeeping requirements found at 12 C.F.R. part 329.

16. Publication

The information is not published.

17. Display of expiration date

Not applicable.

18. Exceptions to certification statement

None.

B. STATISTICAL METHODS

Not applicable.