



March 15, 2013

The Honorable Ben S. Bernanke, Chairman
The Honorable Janet L. Yellen, Vice Chairman
The Honorable Elizabeth A. Duke, Governor
The Honorable Jerome H. Powell, Governor
The Honorable Sarah Bloom Raskin, Governor
The Honorable Jeremy C. Stein, Governor
The Honorable Daniel K. Tarullo, Governor
The Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Chairman Bernanke and Governors:

The American Bankers Association (ABA)¹, the Financial Services Roundtable (the Roundtable)², the Securities Industry and Financial Markets Association (SIFMA)³ The Clearing House Association L.L.C. (The Clearing House)⁴ (together, the Associations) appreciate Chairman Bernanke's recent comments before the Senate Banking Committee regarding the Basel III liquidity framework. We

¹ The American Bankers Association represents banks of all sizes and charters and is the voice for the nation's \$14 trillion banking industry and its 2 million employees.

² The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine, accounting directly for \$92.7 trillion in managed assets, \$1.2 trillion in revenue, and 2.3 million jobs. For more information, visit The Financial Services Roundtable's website at www.fsround.org.

³ SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA's mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit www.sifma.org.

⁴ Established in 1853, The Clearing House is the oldest banking association and payments company in the U.S. It is owned by the world's largest commercial banks, which collectively employ over 2 million people and hold more than half of all U.S. deposits. The Clearing House Association L.L.C. is a nonpartisan advocacy organization representing—through regulatory comment letters, amicus briefs and white papers—the interests of its owner banks on a variety of systemically important banking issues. Its affiliate, The Clearing House Payments Company L.L.C., provides payment, clearing, and settlement services to its member banks and other financial institutions, clearing almost \$2 trillion daily and representing nearly half of the automated-clearing-house, funds-transfer, and check-image payments made in the U.S. See The Clearing House's web page at www.theclearinghouse.org.

agree that the Basel Committee on Banking Supervision's (BCBS) most recent iteration of the Liquidity Coverage Ratio (LCR) provides an improved foundation for U.S. implementation over previous versions. It is clear, though, that U.S. banking agencies will need to make significant changes to the proposal for this regime to fit with the realities of the US economy, the structure of the U.S. financial system, and the needs of the customers of U.S. financial institutions.

Specifically, we appreciate Chairman Bernanke's acknowledgement that there is significant work to be done on the LCR before a proposal should be issued by U.S. banking agencies. The Chairman's comments underscore certain of our serious concerns with the Federal Reserve's recently issued FR Y-15⁵ data collection exercise and report. The FR Y-15, which the eight designated U.S. Global Systemically Important Banks (G-SIB) are required to submit by March 31, 2013, and all institutions with \$50 billion in assets and above are required to file in March of next year, will publicly disclose components of the institutions' stock of "high quality liquid assets," the numerator of the LCR. Given that the LCR is yet to be proposed or even defined in the United States, any data that institutions may provide on the LCR are both preliminary, as they are based upon a standard that is not yet part of U.S. laws or regulations, and are confidential supervisory information.

Accordingly, we believe public disclosure of these data, or any data based on rules that have yet to be finalized in the United States,⁶ is premature, would create significant market confusion, and would unnecessarily expose reporting institutions to potential risk under U.S. securities laws, which set a high standard for reporting firms to prevent them from providing information that could be considered inaccurate, incomplete, or otherwise misleading.

While collection of liquidity data is not the stated purpose of the FR Y-15, the novelty and uniqueness of this information makes it all but certain that investors, analysts, and other market participants will use the liquidity data reported by institutions on the FR Y-15 to assess the liquidity positions of reporting institutions. Because many components of the U.S. LCR remain undefined, market participants will have limited ability to analyze accurately an institution's liquidity position, as defined by the LCR numerator, or compare the data across institutions. In addition, the FR Y-15 pulls data definitions and calculations directly from the June 2012 iteration of the BCBS's Quantitative Impact Study (QIS).⁷ The definitions and calculation of the LCR on which the QIS and by extension the FR Y-15 relies, were revised by the BCBS in January 2013. Therefore, publicly available information in

⁵ 77 Fed. Reg. 76484 (December 28, 2012)

⁶ Our concerns about disclosing preliminary, confidential data via the FR Y-15 also extend to the components of the yet-to-be-finalized Basel leverage ratio that the FR Y-15 would make public. BCBS Chairman Stephan Inoges noted in his March 12th speech that the leverage ratio is not expected to be finalized at the Basel level until the end of this year. As such; it is premature of the Federal Reserve to make this information public at this time.

<http://www.bis.org/review/r130312a.pdf>.

⁷ Since the QIS data are used by the BCBS to shape policy decisions, they are very granular, and, for the most part preliminary and proprietary. As such, they are treated by both the Bank for International Settlements and U.S. banking agencies as highly confidential, supervisory information. We note that the FR Y-15 instructions link directly to the QIS instructions, which state: "The [Basel] Committee will treat all individual bank data collected in this exercise [as] strictly confidential and will not attribute them to individual banks." Regarding the leverage ratio, while the FR Y-15 does not directly link to the QIS, since the leverage ratio is still being negotiated by the BCBS and has not been finalized in the U.S., the QIS is the only source from which institutions may draw the information. We are very concerned about the precedent the Federal Reserve is setting by publicly disclosing QIS data.

the report will be based on obsolete definitions and in some cases fundamentally flawed calculations. For example, the FR Y-15 requires an institution to disclose level 2 assets and the amount of level 2 assets that are disqualified due to the cap on level 2 assets, as per the June 2012 QIS. In its January 2013 release, however, the BCBS not only expands the definition of level 2 assets but clarifies the method for calculating the cap. These updates are not reflected in the FR Y-15, which means the data that will be released are incorrect and out of date. Moreover, to date, in recognition that there is not yet a formal definition through a U.S. rulemaking, the data have been submitted to the Federal Reserve as confidential, supervisory information.

Even though the data may be very preliminary, once the numbers are in the public domain, institutions will be required to explain them to shareholders and other market participants. We expect the definitions and calculations, and therefore the reporting, to change once the LCR is proposed and finalized in the U.S. Accordingly, institutions may feel compelled to discuss the data released by way of the FR Y-15 in their Securities and Exchange Commission filings. Any such discussion, as a result of its basis in inaccurate and obsolete calculations, runs high risks of being inconsistent with the standards of disclosure required under federal securities laws and so may invite litigation.

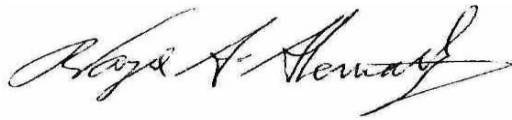
In its communications with the Associations, Federal Reserve staff indicated the primary purpose of the report is to assist the BCBS in identifying G-SIBs and by extension used to determine additional capital requirements for these institutions. While we understand and appreciate the work the Federal Reserve is doing in international forums, we respectfully note that the size of an institution's buffer for liquidity purposes is not relevant to the G-SIB process. Further, there is no need to make such information public to meet staff's goal. We are aware of no other jurisdiction that is requiring public disclosure of either the LCR or its components for this or any other purpose. The BCBS regulatory regime of quantitative liquidity standards for banks is a new requirement of measurement with which the markets have little experience and financial firms and regulators have little practice. The Associations believe that publicly releasing data, based on a previous iteration of an international framework that has not been implemented or even proposed in the U.S. will create market confusion resulting in an adverse impact on banks and their shareholders.

We urge the Federal Reserve either to remove line items from the FR Y-15 that are not based on final U.S. rules, such as those regarding the LCR and the leverage ratio; make the specific line items not currently based on final U.S. rules confidential; or make the entire FRY-15 confidential until such time as the respective rules are finalized and fully implemented in the U.S. The Associations and their members do not oppose submitting appropriate and relevant data to the Federal Reserve or other banking regulators. Rather, we have significant concerns about the public dissemination of confidential supervisory data and other information derived in accordance with standards and formats that have not yet been finalized by due process of notice and comment and therefore remain subject to significant change.

Overall, we strongly encourage the Federal Reserve, in conjunction with the other banking agencies, to assess fully the implications of making public any QIS data, or other data understood by reporting institutions to be confidential, supervisory information.

Please feel free to contact me or Alison Touhey of ABA at 202-663-5182, Richard Foster of the Roundtable at 202-589-2424, Carter McDowell of the Securities Industry and Financial Markets Association at (202) 962-7327, or Brett Waxman of the Clearing House, at (212) 612-9211 if you have any questions or would like to discuss further.

Sincerely,



Wayne Abernathy
Executive Vice President
Financial Institutions Policy
and Regulatory Affairs
American Bankers Association



Richard M. Whiting
Executive Director & General Counsel
The Financial Services Roundtable



Brett Waxman
Vice President and Associate General Counsel
The Clearing House Association



Kenneth E. Bentsen, Jr.
Acting President and CEO
Securities Industry and Financial Markets
Association

CC: Norah Barger
Federal Reserve Board

Doreen Eberley
Federal Deposit Insurance Corporation

Michael Gibson
Federal Reserve Board

Eric Kennedy
Federal Reserve Board

Martin Pfinsgraff
Office of the Comptroller of the Currency