Financial Industry Associations Submit Comments to US Regulators on Liquidity Coverage Ratio

NEW YORK AND WASHINGTON, D.C., February 1, 2014 - The Clearing House Association L.L.C., the American Bankers Association (ABA), the Securities Industry & Financial Markets Association (SIFMA), the Financial Services Roundtable (FSR), the Institute of International Bankers (IIB), the Structured Finance Industry Group (SFIG), and the International Association of Credit Portfolio Managers (collectively, the "Associations") yesterday evening filed a comment letter with the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve, and the Federal Deposit Insurance Corporation on the proposed rules regarding the liquidity coverage ratio (LCR).

"The Clearing House strongly supports U.S. implementation of the LCR as an important step in strengthening the resiliency of banks and the stability of the financial system," said David Wagner, executive managing director and head of finance affairs at The Clearing House. "We are concerned, however, that certain aspects of the U.S. agencies' proposal diverge from the standards established by the Basel Committee in ways that generally are not warranted, and so encourage the agencies to revisit the proposal to improve the accuracy and suitability of the LCR as a measure of actual liquidity risk."

"We have concerns that such a divergence from the Basel LCR could impact market liquidity as well as firms with cross-border operations, which is why we support an internationally consistent LCR," said Kenneth E. Bentsen, Jr., president and CEO of SIFMA. "We also seek more flexibility in what can be held in liquidity pools to buffer the effects of the US proposed rule."

"We hope regulators will consider the concerns outlined in the comment letter regarding US divergence from the Basel LCR, including the proposed accelerated US implementation schedule," said Rich Foster, vice president & senior counsel for regulatory and legal affairs of the Financial Services Roundtable.

"We have real concerns that the proposed rules do not adequately recognize the central role securitization plays in providing financing to businesses and consumers in the real economy," said Richard Johns, executive director of SFIG. "We feel the constructive comments we have provided today will allow the Agencies to better account for the important role of the securitization industry without undermining the primary goal of improving overall liquidity standards."

The Associations believe that the Basel LCR provides a balanced approach to capturing liquidity risk and they raise concerns that the US proposal will impact the ability of US financial institutions to serve important customer markets. In addition, only under unique circumstances should the US diverge from the Basel LCR and impose a shorter implementation schedule.
The Associations state that the effects of divergence could be exacerbated due to new regulations on capital, leverage, and other prudential standards, as well as by the implementation of the wide-spread reforms in the Dodd-Frank Act.

The Associations reiterate their support for an internationally consistent LCR and the comment letter identifies areas in which the proposed rule differs from the Basel LCR to the point of raising concerns, is not warranted by country-specific circumstances, and fails to account for the specific aspects of the US banking system.

The full text of the comment letter can be found here.

SIFMA also issued a comment letter on the impact of LCR on municipal securities found here. SIFMA and SFIG issued on comment letter on the impact of LCR on securitization found here.

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About The Clearing House

Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world's largest commercial banks, which collectively employ more than two million people and hold more than half of all US deposits. The Clearing House Association L.L.C. is a nonpartisan advocacy organization representing
regulatory comment letters, amicus briefs, and white papers - the interests of its owner banks on a variety of critically important banking issues. 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 US.

About ABA

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 two million employees. Learn more at aba.com.

About SIFMA

The Securities Industry and Financial Markets Association (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 US regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.

About the FSR

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.

About IIB

The Institute of International Bankers (IIB) is the only national association devoted exclusively to representing and advancing the interests of the international banking community in the United States. Its membership is comprised of internationally headquartered banking and financial institutions from over 35 countries around the world doing business in the United States. The IIB's mission is to help resolve the many special legislative, regulatory, tax and compliance issues confronting internationally headquartered institutions that engage in banking, securities and other financial activities in the United States. Through its advocacy efforts the IIB seeks results that are consistent with the US policy of national treatment and appropriately limit the extraterritorial application of US laws to the global operations of its member institutions.

About SFIG

Structured Finance Industry Group, Inc. ("SFIG") is a member-based, trade industry group focused on improving and strengthening the broader structured finance and securitization market. SFIG provides an inclusive network for securitization professionals to collaborate and, as
industry leaders, drive necessary changes, be an advocate for the securitization community, share best practices and innovative ideas, and educate industry members through conferences and other programs. Members of SFIG represent all sectors of the securitization market including issuers, investors, financial intermediaries, law firms, accounting firms, technology firms, rating agencies, servicers, and trustees. Further information can be found at [www.sfindustry.org](http://www.sfindustry.org)