Meeting Between Staffs of the Federal Reserve, the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), and The Clearing House October 31, 2016

Participants: Peter Clifford, Kevin Littler, Lesley Chao, Rena Miller, Benjamin McDonough, Dafina Stewart, Adam Cohen, Brian Chernoff, and Josh Strazanac (Federal Reserve Board), Peter Goodrich (Federal Reserve Bank of Chicago)

Eric Schatten, Greg Feder, Suzanne Dawley, and Andy Williams (FDIC)

Rosalie Bair, Thomas Fursa, Christopher McBride, Ang Middleton, Daniel Perez, David Malmquist, David Stankiewicz, Roger Tufts, Kevin Walsh, and James Weinberger (OCC)

Barry Mills (American Bankers Association); Kunal Patel, Anna Shender (Bank of America); John Feraca, Craig Jones (Barclays); Jennifer Xi (BNY Mellon); Shreya Jin (BNP Paribas); Steve Petti (Capital One); Colin Brennan, Aniruddha Chakrabarti (Citigroup); Randy Benjenk, John Dugan (Covington & Burling); Christina Zausner (CRE Finance Council); Alessandro Hillman (Deutsche Bank); Kyle Russ, Andreas Glaser, Igor Modlin (Goldman Sachs); Richard Coffman (Institute of International Bankers); Kalyan Popuri (JP Morgan Chase); Andrew Nash (Morgan Stanley); David Gossen (Royal Bank of Canada); Carter King McDowell (Securities Industry and Financial Markets Association); Travis Keltner, Rober McKeon (State Street Corporation); Sarah Flowers (Sullivan & Cromwell); Greg Baer, David Wager, Brett Waxman (The Clearing House); Vijay Sundaram (UBS AG)

Summary: Staffs of the Federal Reserve, FDIC, and OCC met with representatives of The Clearing House and various banking organizations to discuss the notice of proposed rulemaking to establish the Net Stable Funding Ratio in the United States. Specifically, the representatives discussed: (1) the treatment of derivatives under the proposed rule, including the treatment of gross derivatives liabilities, cleared derivatives when a company acts as a riskless principal, initial margin, and variation margin; (2) available stable funding (ASF) and required stable funding factors; (3) the treatment of excess ASF of the subsidiaries of a covered institution under the proposed rule; (4) the use of definitions from the Liquidity Coverage Ratio in the proposed rule; (5) the treatment of repurchase and reverse repurchase agreements in the proposed rule; (7) the framework for interdependent assets and liabilities in the proposed rule; and (8) the scope of institutions subject to the proposed rule. An outline of the agenda for the meeting is attached.

Attachment

JOINT-TRADES U.S. AGENCIES NSFR MEETING AGENDA

Introduction

Specific Concerns

- Derivatives
  - 20 percent add-on for potential portfolio valuation changes (and exclusion of settlement payments from the calculation).
  - Application of SLR netting criteria to variation margin.
  - Cleared derivative transactions in which a covered company acts as riskless principal.
  - Initial margin provided in short-dated derivatives transactions and received in client hedging transactions.
- ASF Factors
  - Operational deposits.
  - Non-deposit liabilities owed to a retail customer or counterparty with a remaining maturity of six months or less.
  - Excess ASF.
- RSF Factors
  - Parameters incorporated from the LCR rule.
  - Asymmetric treatment of repurchase agreements.
  - Conceptual inconsistencies.
  - Segregated client assets.
  - Trade date receivables that fail to settle.
- Interdependent assets and liabilities
- Shortfall notification requirement
- LRM definition
- Calculation of on-balance sheet foreign exposures