Statement of

Comptroller Thomas J. Curry

Proposed Rule – Liquidity Coverage Ratio

FDIC Board Meeting

October 30, 2013

Thank you Chairman Gruenberg.

I'd like to start by thanking the staff of all three agencies for the work they've done to develop this proposal, which will set new and stronger liquidity standards for our largest institutions. The cooperative effort behind this rulemaking reflects the kind of collaboration among regulators that can enhance the system's safety and soundness.

This morning, I signed the proposed liquidity rule on behalf of the Office of the Comptroller of the Currency. The FDIC's rulemaking is substantially identical, and so I will be pleased to vote in favor of publishing the rule for notice and comment.

We learned during the financial crisis just how important liquidity is to the stability of the system as a whole, as well as individual banks. A number of institutions, including some with sufficient levels of capital, encountered difficulties because they did not have enough adequate liquidity, and the resulting stress on the international banking system resulted in extraordinary government actions both globally and at home.

Currently, the agencies evaluate how well all of the institutions we supervise—from the largest to the smallest—measure, monitor, and manage liquidity risk, and we will continue to do so as part of the supervisory process. In 2010, the federal banking agencies, along with the National Credit Union Administration and the Conference of

State Bank Supervisors, issued a liquidity risk policy statement in 2010 that set forth supervisory expectations for liquidity risk management practices at supervised institutions. The liquidity risk policy statement applies to all banks and discusses processes for identifying, measuring, monitoring, and controlling liquidity risk.

The proposed liquidity rule that we consider today would enhance these supervisory efforts by implementing, for the first time, a quantitative liquidity requirement for the largest banks. Depository institutions with more than $250 billion in total consolidated assets or $10 billion in foreign exposure would be covered by the proposed liquidity coverage ratio. A substantively identical proposal issued by the Federal Reserve last week would cover large holding companies and certain nonbank institutions designated as systematically important by the Financial Stability Oversight Council. In addition, depository institutions with more than $10 billion in total consolidated assets that are subsidiaries of large holding companies and certain FSOC-designated nonbank firms would be covered by the proposed rule.

The proposed liquidity rule will help ensure that an institution's cash, and not taxpayer money, will serve as the first line of defense when it faces short-term funding stress. Under the proposal, covered institutions would have to hold high-quality liquid assets equal at a minimum to its net cash outflows over a 30-day period.

The proposed rule appropriately sets a higher bar than the international standard agreed to by the Basel Committee on Bank Supervision earlier this year. For example, reflecting the strength of the liquidity position of U.S. banking organizations, the proposed rule would be phased in over three years, rather than the five years provided under the Basel framework. However, U.S. banking organizations are well-positioned to meet the proposed liquidity standard within three years. In addition, the U.S. proposed rule would require higher quality assets in a bank's liquidity buffer than the Basel framework and would take into consideration the peak obligations a bank would have to meet or cover within a 30-day timeframe, rather than at the end of 30 days.

The proposed liquidity rule is one piece of a broader effort to increase the resiliency of the banking system. It is a complement to the agencies' robust bank supervision programs, as well as the recently finalized Basel III capital rules and the proposed supplemental leverage ratio rule, which address credit, market, and operational risks to the system. The agencies also plan to address the management of longer-term liquidity risk through a net stable funding ratio, currently under development by the Basel Committee. When Basel releases that longer-term liquidity risk management framework, the OCC, together with the FDIC and Federal Reserve Board, will work to appropriately tailor and implement it in the U.S through a rulemaking.

I look forward to receiving public comment on the liquidity proposal we are considering today.