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Transmittal – See OCC 2020-11

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Net Stable Funding Ratio (NSFR) Proposed Rule: Notice of Proposed Rulemaking

Summary

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) are seeking comment on a proposed rule that would strengthen the liquidity risk management of large banks and savings associations. The proposed NSFR rule would create a longer-term funding requirement designed to work in concert with the shorter-term liquidity coverage ratio (LCR) rule. While the LCR rule requires large banks and savings associations to hold sufficient high-quality liquid assets to survive a stress scenario lasting 30 days, the proposed NSFR rule would require these institutions to have sources of funding that are stable over a one-year period. The notice of proposed rulemaking was published in the Federal Register on June 1, 2016, and comments are due on August 5, 2016.

To

Chief Executive Officers of All National Banks and Federal Savings Associations, Department and Division Heads, All Examining Personnel, and Other Interested Parties

Note for Community Banks

The proposed rule would not apply to community banks.

Highlights

The proposed rule would

- apply to
  - banks and savings associations that have $250 billion or more in total consolidated assets or $10 billion or more in on-balance-sheet foreign exposure; and
  - banks and savings associations with $10 billion or more in total consolidated assets that are subsidiaries of companies that have $250 billion or more in total consolidated assets or $10 billion or more in on-balance-sheet foreign exposure.
- require covered banks and savings associations to
  - calculate their available stable funding and required stable funding.
  - maintain an amount of available stable funding in excess of their required stable funding on an ongoing basis.
- measure a covered bank's or savings association's available stable funding by evaluating the stability of its funding sources.

- measure a covered bank's or savings association's required stable funding by evaluating the liquidity of its assets, derivatives, and off-balance-sheet exposures.
- amend certain definitions in the LCR rule that also apply to the proposed rule.

Background

The financial crisis exposed the vulnerability of large and internationally active banking organizations to liquidity shocks. In September 2014, the agencies adopted the LCR rule, which requires certain banking organizations to hold a minimum amount of high-quality liquid assets that can be easily and quickly converted into cash to meet net cash outflows over a period of 30 calendar days. The proposed rule would build on the LCR rule's goal of improving resilience to short-term economic and financial stress by focusing on the stability of a covered company's structural funding profile over a longer, one-year time horizon.

Further Information

Please contact Christopher McBride, Group Leader, or James Weinberger, Technical Expert, Treasury & Market Risk Policy, at (202) 649-6360; or Henry Barkhausen, Senior Attorney, Legislative and Regulatory Activities Division, at (202) 649-5490.

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Related Link

- Net Stable Funding Ratio Proposed Rule