



May 29, 2020

VIA ELECTRONIC SUBMISSION

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio

Ladies and Gentlemen:

The Financial Services Forum (the “Forum”)¹ appreciates the opportunity to comment on the interim final rule (the “Interim Final Rule”)² issued by the Board of Governors of the Federal Reserve System (the “FRB”) that temporarily excludes U.S. Treasury securities (“Treasuries”) and deposits at Federal Reserve Banks (together with Treasuries, the “Excluded Assets”) from the calculation of total leverage exposure, the denominator of the supplementary leverage ratio (the “SLR”), through March 31, 2021. The Interim Final Rule is applicable to all of our member institutions, the U.S. global systemically important bank holding companies (“GSIBs”).

¹ The Financial Services Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a leading source of lending and investment in the United States and serve millions of consumers, businesses, investors, and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace, and a sound financial system.

² 85 Fed. Reg. 20578 (April 14, 2020). We recognize that the FRB, along with the other federal banking agencies, is taking other rulemaking and policy actions that may raise issues similar and adjacent to the points raised in this letter and the Interim Final Rule. This letter does not address any other rulemaking or policy actions, and the Forum may separately comment on those matters in the future.

We appreciate and are supportive of the FRB's actions to support the economy and financial system during the COVID-19 pandemic, including the issuance of the Interim Final Rule to "reduce any constraint imposed by" the SLR and allow banking organizations to "expand their balance sheets as appropriate to continue to serve as financial intermediaries."³ In this letter, we would like to take the opportunity to respond to questions the FRB posed in the Interim Final Rule, specifically with respect to the duration of the Interim Final Rule, the scope of exposure types subject to the exclusion, and the calculation of the size indicator on the FR Y-15.

First, the FRB requests comment on whether the end date of March 31, 2021 for the Interim Final Rule is consistent with the objectives of the rule (Question 1). Because many of the loans and credits the Forum's member institutions are providing will extend beyond March 31, 2021,⁴ we believe that the duration of the Interim Final Rule should reflect the duration of the economic disruptions caused by the COVID-19 pandemic as well as the continued expansion of the Federal Reserve's balance sheet. We therefore recommend that the FRB consider extending the end date, using relevant data to determine when the disruptions that are the impetus for the Interim Final Rule have subsided. For any end date, banking organizations should have four quarters over which to gradually increase the percentage of Excluded Assets includable in the calculation of total leverage exposure. This smoother transition to the standard SLR would accommodate lending activities to mitigate current market strains and volatility, support the Federal Reserve's balance sheet expansion, and avoid any cliff effects from a sudden return to the standard SLR.

Second, the FRB requests comment on whether the FRB should exclude any specific repo-style transactions (Question 2). We believe that by not temporarily excluding exposures arising from repo-style transactions on Treasuries from total leverage exposure, the objectives of the Interim Final Rule are not being fully met. The FRB notes that the ability to hold assets such as deposits at Federal Reserve Banks and Treasury securities "is essential to market functioning, financial intermediation, and funding market activity, particularly in periods of financial uncertainty."⁵ We believe this statement is equally true for repo-style transactions on Treasuries, which

³ Interim Final Rule at 20579. *See also id.* at 20580 (stating that the FRB expects the Interim Final Rule "will facilitate intermediation by broker-dealer subsidiaries of bank holding companies and therefore increase liquidity in stressed financial markets", "will facilitate increases in customer deposits at banking organizations subject to the interim final rule, and therefore ensure that these banking organizations remain able to fulfill this important function", and support "financial market liquidity and increases [in] these banking organizations' lending capacities in a time of unprecedented economic distress").

⁴ For example, loans generated through the FRB's Main Street Lending Program have a four-year term. We also expect that many credit extensions made to meet the demand for increased credit will extend current loan terms beyond March 31, 2021.

⁵ Interim Final Rule at 20579.

serve as critical vehicles for the flow of capital. More specifically, in light of the recent announcement that the U.S. government would issue approximately \$3 trillion in debt in the second quarter of 2020, we believe the exclusion of exposures arising from repo-style transactions on Treasuries would provide banking organizations with appropriate accommodation for the volume of financial intermediation activity that they will likely conduct to support this and future government debt raising.

Third, the FRB requests comment on whether it should reflect Excluded Assets in the size systemic indicator on the FR Y-15 (Question 3). A temporary recognition of Excluded Assets from the size indicator would have the countercyclical benefits of supporting liquidity and increasing bank lending capacity, though the materiality of the benefit would vary by firm.⁶ In addition, while we encourage the FRB to evaluate the need for temporary changes to the size systemic indicator as it evaluates the duration of the Interim Final Rule, increased lending resulting from FRB facilities and the growth of the Federal Reserve's balance sheet will drive increases across a number of other systemic indicators, such as short-term wholesale funding.⁷

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Thank you for considering these comments. Please feel free to contact the undersigned (KFromer@fsforum.com) with any questions.

Respectfully submitted,



Kevin Fromer
President and CEO
The Financial Services Forum

⁶ *Id.* at 20580.

⁷ In furtherance of consistent reporting across reporting forms, we also recommend that the agencies make temporary revisions to the Regulatory Capital Reporting for Institutions Subject to the Advanced Approaches Capital Adequacy Framework (FFIEC 101) to reflect the Interim Final Rule.