MEMORANDUM

TO: Public File - Notice of Public Rulemaking: Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements (RIN 3064-AE44) ("NSFR NPR")

FROM: Sue Dawley, Senior Attorney, Legal Division

DATE: April 21, 2017

SUBJECT: Meeting with Representatives from Capital One Financial Corporation; KeyCorp; M&T Bank Corporation; The PNC Financial Services Group, Inc.; SunTrust Banks Inc.; and TD Bank US Holding Company ("Regional Bank Group")

On January 6, 2017, FDIC staff, along with the staff of the Office of the Comptroller and the Board of Governors of the Federal Reserve System, met with representatives of the Regional Bank Group.

Representatives from the Regional Bank Group presented their concerns and views with regard to certain provisions of the NSFR NPR, which was issued in the Federal Register of 81 FR 35124 (June 1, 2016), including definitions, scope and application, effective date, operational deposits, the liquid and readily marketable standard, collateralized deposits, and disclosures, and presented the attached information.

The FDIC representatives at this meeting were:

- Eric Schatten, Senior Policy Analyst, Division of Risk Management Supervision
- Andrew Carayiannis, Senior Policy Analyst, Division of Risk Management Supervision
- Sue Dawley, Senior Attorney, Legal Division

The representatives of the Regional Bank Group in attendance at the meeting were:

- Tom Feil, Senior Vice President, Treasurer, Capital One Financial Corporation
- Steve Petti, Managing Vice President, Balance Sheet Management, Capital One Financial Corporation
- Ryan Gnagy, Senior Vice President, Liquidity Planning, KeyCorp
- Scott Warman, Executive Vice President, Treasurer, M&T Bank Corporation
- Christine Shambach, Senior Vice President, Liability and Capital Management, The PNC Financial Services Group
- Ruth Straley, Senior Vice President, Liquidity Risk Management, SunTrust Banks Inc.
- Byron Clift, Senior Vice President, Head of Liquidity Risk Management, TD Bank US Holding Company

Comments on the Proposed Net Stable Funding Ratio (NSFR)

Regional Bank Treasurers' Group

January 6, 2017

Agenda

Topic	Speaker(s)	Time Allotted
Introductions	S. Warman, M&T Regulatory Agencies	10 minutes
Background on Regional Bank Treasurers' Group and Key Recommendations	C. Shambach, PNC	10 minutes
Specific Concerns with the Proposal and Consistency with LCR	R. Gnagy, Key	20 minutes
Comments with Respect to Definitions and Requests for Clarification	R. Straley, SunTrust	20 minutes
Questions	All	20 minutes
Closing Remarks	S. Warman, M&T	5 minutes

Background

- **Regional Banks operate traditional retail and commercial bank business models and are much less complex than G-SIBs**
  - Not “internationally active” and primarily focused on domestic business activities
  - Modest size in relation to US economic activity and the US banking sector
  - Primarily core funded and do not on rely to a significant extent on short-term and potentially volatile market funding; liquidity risks are easier for management and supervisors to monitor and manage
  - Average G-SIB Systemic Indicator Score is approximately 20x the average Regional Bank score[1]
- **Modified NSFR tailoring should leverage Systemic Indicator Score rather than arbitrary, static asset and foreign exposure thresholds**
  - Given the proposed thresholds, certain regional banks would be subject to the Full NSFR along with G-SIBs, despite their lower systemic risk and the fact that the Modified NSFR being more appropriate given their business model

[1]*See Appendix A*

Key Recommendations

- **Align the Proposal more closely with the LCR rules** in a number of important respects, including the treatment of operational deposits and the consolidation rules applicable under the Modified NSFR.
- **Revise the scope of the Proposal to ensure that all regional banking organizations are covered by the Modified NSFR**. The Proposal itself recognizes that the Modified NSFR is appropriate for organizations that are less complex in structure, have simpler balance sheets, and pose less risk to the financial system. Regional Banks meet these criteria.
- **Delay the proposed January 2018 effective date of the NSFR requirements until at least January 2020**, in order to allow regional banking organizations an appropriate amount of time to complete the important objective of implementing the FR 2052a liquidity reporting before commencing implementation of the NSFR.
- **Delay the proposed NSFR disclosures until one year after the NSFR's effective date**, in order to allow banking organizations appropriate time to prepare data collection processes and to ensure the alignment of such processes with the final NSFR requirements and any guidance from the Agencies to address interpretive issues.

Specific Concerns with the Proposal and Consistency with LCR

- **Implementation:** Delay effective date until at least January 2020 (pages 5-6)
- **Public Disclosure:** Postpone disclosure until at least one year after the NSFR's effective date and match BCBS template's level of granularity (page 6)
- **Operational Deposits:** ASF factor of 75% would more appropriately reflect the stable funding of operational deposits and is more closely aligned with the LCR treatment (NPR proposed 50%) (pages 7-8)
- **FHLB:** Align RSF factors for FHLB-eligible assets with the average effective collateral lending value across FHLBs (pages 8-9)
- **Modified NSFR:** Clarify that the 70% factor applied to RSF values should be applied at the Consolidated BHC level (page 9)
- **Shortfall Requirements:** Calibrate requirements to respond to an NSFR shortfall based on the materiality and likely sustainability of the shortfall (page 10)
- **PSEs and Collateralized Corporate Trust Deposits:** ASF factors should reflect underlying collateral, similar to LCR approach (NPR proposed 50%) (pages 10-11)

Comments with Respect to Definitions and Requests for Clarification

- **LCR Definitions:** Provide a minimum of 180 days to implement revised LCR definitions but allow flexibility for early adoption (pages 11-12)

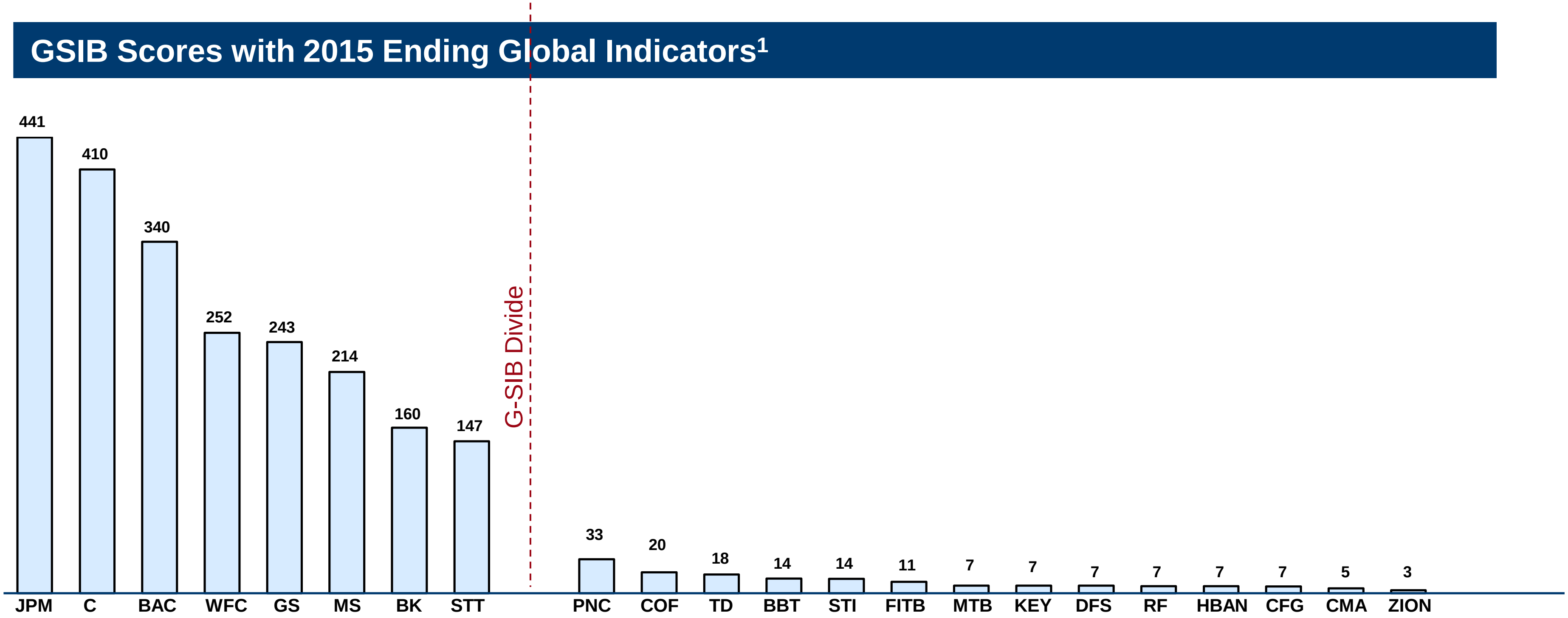
- **Liquid and Readily Marketable:** Refine HQLA requirements by clarifying the means to demonstrate "liquid and readily-marketable" requirement; consider adopting a presumption-based approach (pages 12-13)

- **Operational Deposits:** Broaden definition to unsecured wholesale funding that matures within 30 days (page 13)

- **Collateralized Deposit:** Revise definition to include certain sweep accounts (pages 13-14)

Appendix A: The systemic indicator scores show the vast gulf between U.S. G-SIBs and regional banking organizations

GSIB Scores with 2015 Ending Global Indicators[1]



1) Based on FR Y-15 reports as of 12/31/2015
2) G-SIB Scores are calculated under the Method 1 Approach

Appendix B: Regional Bank Attendees

Organization	Representative	Title
Capital One	Tom Feil Steve Petti	SVP, Treasurer MVP, Balance Sheet Management
Key	Ryan Gnagy	SVP, Liquidity Planning
M&T	Scott Warman	EVP, Treasurer
PNC	Christine Shambach	SVP, Liability and Capital Management
SunTrust	Ruth Straley	SVP, Liquidity Risk Management
TD	Byron Clift	SVP, Head of Liquidity Risk Management