NFIB

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Via www.regulations.gov,
regs.comments@federalreserve.gov,
comments@FDIC.gov,
and U.S. First Class Mail

May 28, 2020

Hon. Steven T. Mnuchin, Secretary of the Treasury
c/o Mr. Jonathan Gould, Chief Counsel
Chief Counsel's Office, Attn: Comment Processing
Docket ID OCC-2020-0019
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Hon. Jerome H. Powell, Chair
Board of Governors of the
Federal Reserve System
c/o Ann E. Misback, Secretary
R-1717 and RIN 7100-AF90
20th St. & Constitution Ave. NW
Washington, DC 20551

Hon. Jelena McWilliams
Chairman of the Board of Directors
Attn: Mr. Robert E. Feldman, Executive Secretary
Comments/RIN 3064-AF51
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Dear Mr. Secretary, Mr. Chairman, and Madam Chairman:

RE: Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (BGFR), and Federal Deposit Insurance Corporation (FDIC) Notice titled "Liquidity Coverage Ratio Rule: Treatment of Certain Emergency Facilities," OCC-2020-0019, R-1717 and RIN 7100-AF-90, and RIN 3064-AF51, 85 *Fed. Reg.* 26835 (May 6, 2020)

This letter presents comments of the National Federation of Independent Business (NFIB) in response to the joint OCC, BGFR, and FDIC notice of interim final rules titled "Liquidity Coverage Ratio Rule: Treatment of Certain Emergency Facilities," and published in the *Federal Register* of May 6, 2020. NFIB concurs in the interim final rule to relieve financial institutions from burdens under the Liquidity Coverage Ratio (LCR) rule of participating in the BGFR's Paycheck Protection Program Liquidity Facility (PPPLF) and its Money Market Mutual Funds Liquidity Facility (MMLF).

NFIB is an incorporated nonprofit association with about 300,000 small and independent business members across America. NFIB protects and advances the ability of Americans to own, operate, and grow their businesses and, in particular, ensures that the governments of the United States and the fifty states hear the voice of small business as they formulate public policies. Small businesses have a substantial interest in laws and regulations adopted to regulate financial institutions, upon which small businesses depend for financial services.

The BGFR established the PPPLF under section 13(3) of the Federal Reserve Act (12 U.S.C. 343(3)) at the Federal Reserve Banks on April 8, 2020, to provide non-recourse loans to financial institutions making loans to small businesses under the Paycheck Protection Program (PPP) established to aid those businesses and their workers under the the CARES Act and the PPP and Health Care Enhancement Act (Public Laws 116-136, March 27, 2020 and 116-139, April 24, 2020). The PPPLF takes as collateral the SBA-guaranteed PPP loan repayment obligations of small businesses. The success of the PPPLF in providing liquidity to facilitate the PPP depends upon the willingness of financial institutions, including those covered by the LCR rule, to take the non-recourse loans.

The BGFR established the MMLF under section 13(3) of the Federal Reserve Act at the Federal Reserve Bank of Boston (FRBB) on March 18, 2020 to assist money market mutual funds that face increased demands from households and other investors for redemptions (i.e., cashing out of fund investments). To provide liquidity to the funds, the MMLF makes non-recourse advance loans to eligible borrowers such as U.S. depository institutions for the purchase from the funds of certain types of assets (such as U.S. government-backed instruments or asset-backed commercial paper), which the FRBB takes as collateral for the loan. Success of the MMLF in providing liquidity for the funds depends upon the participation in the MMLF of qualified borrowers, including U.S. depository institutions covered by the LCR rule.

The LCR rule requires a financial institution covered by the rule to calculate and maintain an amount of high-quality liquid assets (HQLA) sufficient to cover its total net cash outflows over a 30-day stress period. The LCR is its HQLA amount divided by its total net cash outflows. The inflow and outflow rates applicable under the LCR rule to PPPLF and the MMLF loans could require the institution to keep more HQLA on hand than otherwise would be required. Since the BGFR designed the PPPLF and MMLF so that the government, and not the borrowing financial institutions, bears nearly all the risk associated with the MMLF and PPPLF loans, the flow through the institutions of the MMLF and PPPLF loans and collateral should have little or no effect on their LCR and in particular should not require the institutions to hold more high-quality liquid assets. The interim final rule thus aims at neutralizing the effect on a financial institution's LCR of its participation in the PPPLF and the MMLF.

Neutralizing the effect on the LCR of financial institutions' participation in the PPPLF and the MMLF encourages them to participate in those facilities. Small businesses ultimately benefit through greater financial institution participation in the Paycheck Protection

Program and from the safety and liquidity of money market mutual funds in which many small businesses, households, and other investors participate.

NFIB appreciates the efforts of OCC, the BGFR, and the FDIC to help America's small businesses and their workers survive the economic burdens imposed by governments at all levels to address the COVID-19 epidemic. We look forward to the restoration of a robust free market economy, with small businesses continuing to play their central role in furnishing goods and services and creating jobs, when the crisis has passed.

Sincerely,

[redacted]

David S. Addington
Executive Vice President
and General Counsel