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U.S. Regulators Release Proposed Rule Introducing Liquidity Coverage Ratio Requirement

Related Practice

Asset Securitization

Client Alert
October 30, 2013 | *Client Alert*

On October 24, 2013, the Board of Governors of the Federal Reserve Board released a proposed rule that introduces a liquidity coverage ratio requirement that will test a bank's ability to withstand "liquidity stress periods." On October 30, 2013, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency also released the NPR. The proposed rule sets forth a quantitative liquidity standard designed to establish a formal and rigorous supervisory and regulatory framework for addressing short-term liquidity risks. We are enclosing a client alert in presentation format regarding the proposed rule. Comments on the proposed rule are due by January 31, 2014.

As described in our client alert, the proposed rule implements the LCR requirement in a manner that is mostly consistent with the final LCR issued by the Basel Committee on Banking Supervision in January 2013. However, the proposed rule is more stringent than the final Basel LCR in several important areas.

The proposed rule applies to Banking organizations with $250 billion or more in consolidated assets or $10 billion or more in foreign exposures, to non-banks that are designated as systemically important by the Financial Stability Oversight Council, and to consolidated depository institution subsidiaries of these entities. Also, a separate rule proposed by the Board incorporates a modified version of the LCR requirement for depository institution holding companies with total consolidated assets of $50 billion or more that are not internationally active.

Please click here for a copy of the proposed rule and here for a copy of our client alert describing the proposed rule.