# Statement by FDIC Chairman Jelena McWilliams on the Final Rule on Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements

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Strong liquidity requirements for the largest, most systemically important banks are a key pillar of the post-crisis regulatory framework. In 2014, the FDIC, the Federal Reserve Board, and the Office of the Comptroller of the Currency finalized the Liquidity Coverage Ratio (LCR), the first quantitative liquidity standard for U.S. banks.[1] The LCR requires the largest banks to maintain sufficient high-quality liquid assets (HQLA) to meet their total net cash outflows over a 30-day period.

Today, we consider a final rule to implement the Net Stable Funding Ratio (NSFR), which would complement the LCR by establishing a long-term quantitative liquidity metric. The NSFR would require covered banks to maintain stable funding to support their assets, commitments, and derivatives exposures over a one-year time horizon.

The final rule is consistent with the 2016 proposal with certain improvements to the calibration of the NSFR framework. For example, in recognition of the low risk to a bank's funding profile posed by HQLA, the final rule would not require stable funding to be held against unencumbered level 1 liquid assets and short-term secured lending transactions backed by level 1 liquid assets (e.g., U.S. Treasury securities). These assets serve as reliable sources of liquidity based on their high credit quality, and they serve a critically important role in supporting the smooth functioning of funding markets.

In addition, the final rule recognizes the stable nature of certain affiliate sweep deposits from retail customers and counterparties by treating such deposits as similar to other retail deposits. The affiliate relationship reduces the likelihood that retail customers, or the affiliates who place their deposits, would withdraw these deposits in significant amounts over a one-year time horizon.

Consistent with the agencies' tailoring rule,[2] the NSFR would apply based on a bank's size, risk profile, and systemic footprint. Category I and Category II institutions would be subject to the full NSFR (i.e., 100%), as would Category III institutions with more than $75 billion in average weighted short-term wholesale funding. Other Category III institutions would be subject to an85% NSFR, and Category IV institutions with more than $50 billion in average short-term wholesale funding would be subject to a 70% NSFR.

In addition, to reduce potential losses to the Deposit Insurance Fund, insured depository institution (IDI) subsidiaries of Category I, II, and III institutions would be subject to the same NSFR requirement as their top-tier holding company if the IDI has more than $10 billion in total assets.

I support this rule, and I would like to thank the staff for their work to complete this effort in a balanced manner.

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[1] *See* Liquidity Coverage Ratio: Liquidity Risk Measurement Standards, 79 Fed. Reg. 61440 (Oct.10, 2014), available at https://www.govinfo.gov/content/pkg/FR-2014-10-10/pdf/2014-22520.pdf.

[2] *See* Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements, 84 Fed. Reg. 59230 (Nov. 1, 2019), available at https://www.govinfo.gov/content/pkg/FR-2019-11-01/pdf/2019-23800.pdf.