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Agencies Issue Final Rule to Strengthen Resilience of Large Banks

The federal bank regulatory agencies on Tuesday finalized a rule strengthening the resilience of large banks by requiring them to maintain a minimum level of stable funding over a one-year period.

The net stable funding ratio, or NSFR, final rule will require large banks to maintain a minimum level of stablse funding, relative to each institution's assets, derivatives, and commitments. As a result, the NSFR rule will support the ability of banks to lend to households and businesses in both normal and adverse economic conditions by reducing liquidity risk and enhancing financial stability.

The NSFR's requirements are tailored to the risks of large banks with the most stringent requirements applying to the largest and most complex firms and less stringent requirements applying to firms with less risk. The NSFR complements the agencies' liquidity coverage ratio rule, which focuses on short-term liquidity risks.

The final rule is generally similar to the proposal from May 2016 and includes several changes based on further analysis and public input on the proposal. In particular, the calibration is now tailored to be consistent with the Economic Growth, Regulatory Reform, and Consumer Protection Act, and matches the tailored calibration of the LCR. Additionally, the funding requirements for certain assets were modified to better reflect their risks and support the stability of certain funding markets.
The final rule is effective on July 1, 2021. Holding companies and any covered nonbank companies regulated by the Federal Reserve will be required to publicly disclose their NSFR levels semiannually beginning in 2023.

Attachment:

Net Stable Funding Ratio Final Rule

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