Statement by Martin J. Gruenberg
Chairman, Federal Deposit Insurance Corporation on the
Notice of Proposed Rulemaking to Implement Liquidity Risk Standards for Certain FDIC Supervised Institutions
April 26, 2016

During the financial crisis, a number of large banking organizations failed, or experienced serious difficulties, in part because of severe liquidity problems. The proposed rule would reduce the vulnerability of large banking organizations to the kind of collapse in liquidity that occurred during the crisis.

The proposed Net Stable Funding Ratio Rule, or NSFR, would ensure that lending and investing activities of large banking organizations are sufficiently supported by sources of stable funding over a one-year horizon. Maintaining sufficient amounts of stable funding strengthens a bank's liquidity profile by reducing the risk of funding disruptions.

The NSFR proposed rule would apply to two types of banking organizations:

1. Banks, bank holding companies, and savings and loan holding companies with $250 billion or more in total assets or with $10 billion or more in foreign exposures; and
2. Insured depository institutions with $10 billion or more in assets that are consolidated subsidiaries of the aforementioned banking organizations.

Those institutions that would be covered by the NSFR would need to maintain sufficient levels of stable funding, including capital, long-term debt, and other stable sources over a one-year window, to account for the liquidity risks arising from their assets, derivatives, and off-balance sheet activities. This way, covered institutions would be less at risk of facing funding disruptions or liquidity runs that could threaten their viability. The proposed rule would thereby enhance the resilience of the banking system as a whole by ensuring that banking institutions subject to this rule have sufficient amounts of stable funding.

This NSFR proposal addressing longer-term liquidity issues complements the Liquidity Coverage Ratio Rule previously issued by the three federal banking agencies. The Liquidity Coverage Ratio requires large banking organizations to hold a sufficient reserve of high quality liquid assets to cover a 30-day, short-term severe cash flow stress.

The FDIC welcomes comment from the industry and other interested parties on the proposed rule, which is consistent with the Basel Committee on Banking Supervision's net stable funding ratio. The proposed rule would not apply to community banks.

I support publication of this NPR with a 90-day comment period. Finally, I would like to thank FDIC staff, as well as the staff of the OCC and Federal Reserve, for their hard work on this important rulemaking.