Joint Release

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

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Agencies Propose Net Stable Funding Ratio Rule

The federal banking agencies proposed a rule to strengthen the resilience of large banking organizations by requiring them to maintain a minimum level of stable funding relative to the liquidity of their assets, derivatives, and commitments, over a one-year period. The rule, the net stable funding ratio, or NSFR, is being proposed by the Federal Deposit Insurance Corporation, the Federal Reserve, and the Office of the Comptroller of the Currency.

The proposal is designed to reduce the likelihood that disruptions to a banking organization's sources of funding will compromise its liquidity position. The proposal would require institutions subject to the rule to maintain sufficient levels of stable funding, thereby reducing liquidity risk in the banking system. By requiring firms to have stable funding profiles, the proposal would also enhance financial stability.

The NSFR proposal would complement the liquidity coverage ratio rule, which requires large banking organizations to hold a minimum amount of high-quality liquid assets that can be easily and quickly converted into cash to meet net cash outflows over a 30-day stress period.

The proposed rule would be tailored to the risk of the banking organizations. The most stringent requirements would apply to the largest firms--those with $250 billion or more in total consolidated assets or $10 billion or more in on-balance sheet foreign exposure, as well as those banking organizations' subsidiary depository institutions that have assets of $10 billion or more.

Holding companies with less than $250 billion, but more than $50 billion in total consolidated assets, and less than $10 billion in on-balance sheet foreign exposure would be subject to a less stringent, modified NSFR requirement. The rule would not apply to holding companies with less than $50 billion in total consolidated assets and would not apply to community banks. Holding companies subject to the proposal would be required to publicly disclose information about their NSFR levels each quarter.

The NSFR would become effective on January 1, 2018, and is consistent with the liquidity standard agreed to by the Basel Committee on Banking Supervision. The public is invited to submit comments on the proposed rule through August 5, 2016.

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Attachment:

Statement by FDIC Chairman Martin J. Gruenberg

Notice of Proposed Rulemaking to Implement Liquidity Risk Standards for Certain FDIC Supervised Institutions

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