**Federal Deposit Insurance Corporation**
550 17th Street NW, Washington, DC 20429-9990

**Financial Institution Letter**
**FIL-46-2014**
**September 9, 2014**

# Liquidity Coverage Ratio:
## *Final Rule*

**Summary:** The Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System (the agencies) are issuing a final rule that implements a quantitative liquidity requirement consistent with the liquidity coverage ratio (LCR) established by the Basel Committee on Banking Supervision. The requirement is designed to improve the liquidity risk profile of international banking organizations and to strengthen the measurement and management of liquidity risk.

**Statement of Applicability to Institutions with Total Assets Under $1 Billion:** This Financial Institution Letter is not applicable to depository institutions with total assets of less than $1 billion.

**Distribution:**
FDIC-Supervised Banks (Commercial and Savings)

**Suggested Routing:**
Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

**Related Topics:**
Interagency Policy Statement on Funding and Liquidity Risk Management

**Attachment:**
Liquidity Coverage Ratio: Liquidity Risk Measurement Standards – PDF

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**Note:**
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**Highlights:**

The final rule:

- Establishes a quantitative requirement of liquid assets (liquidity buffer) that covered companies must hold to meet a defined level of liquidity stress.
- Provides a method to measure liquidity stress by applying a series of shocks, with prescribed run-off and inflow rates, against a bank's assets, obligations, and other funding sources.
- Requires at least 60 percent of the liquidity buffer of covered companies to consist of the most liquid assets (Level 1 liquid assets).
- Provides enhanced information about liquidity risk to managers and supervisors, allowing for more effective oversight and supervision of liquidity risk and appropriate supervisory responses.
- Requires covered companies to notify their primary federal regulator when the LCR drops below 100 percent and develop a remediation plan if the shortfall persists.
- Establishes a phase-in period, requiring covered companies to comply with a minimum LCR of 80 percent as of January 1, 2015; 90 percent as of January 1, 2016; and 100 percent thereafter.