



INSTITUTE OF INTERNATIONAL BANKERS

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Robert deV. Frierson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551

Re: Proposed Revisions To Form FR 2420 (OMB Control Number 7100-0357)

Dear Mr. Frierson:

The Institute of International Bankers (“IIB”) appreciates the opportunity to comment on the revisions to the Report of Selected Money Market Rates (Form FR 2420) recently proposed by the Board of Governors of the Federal Reserve System (the “Board”).¹ The IIB’s membership is comprised of foreign banking organizations (“FBOs”) which conduct banking operations in the United States through U.S. depository institution subsidiaries and federal and state-licensed branches and agencies which currently are included in the FR 2420 reporting panel.

The IIB and its members support in general the Federal Reserve’s efforts to enhance its conduct of monetary policy and increase the amount and quality of information available to the public about the overnight funding costs of U.S.-based banking offices. Our comments accordingly are directed at particular aspects of the Proposal and not its underlying purposes. Once finalized, we believe that continuing dialogue with the Federal Reserve regarding implementation of the revised FR 2420 reporting regime, including the development of some type of formalized FAQ process, would enhance efforts to achieve these purposes

The Proposal estimates that the proposed revisions to the criteria triggering FR 2420 reporting by branches and agencies would reduce the reporting panel by roughly 31 FBOs, and we appreciate the Board’s efforts to reduce reporting burden for these institutions. For those

¹ 80 Fed. Reg. 18620 (April 7, 2015) (the “Proposal”).



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FBOs that remain subject to the FR 2420 reporting requirement the Proposal would for the first time require submission of Schedule B (Eurodollar Transactions) with respect to “managed and controlled” branches in the Cayman Islands or Nassau, Bahamas. The remainder of our comments address this new requirement.

Reporting with respect to managed and controlled branches would be required on a daily basis, with each report required to be submitted by 7:00 a.m. on the next business day following the report date. Although not specified in the draft instructions, we understand that the intention is to retain the same reporting deadlines currently in place for all FR 2420 schedules, which are measured by reference to times in the Eastern Time Zone. FBOs continue to experience significant challenges in meeting the 7:00 a.m. next-business-day deadline with respect to reporting their federal funds transactions on Schedule A. Such a compressed deadline conflicts with normal batch processing procedures and places significant pressure on reporting institutions’ efforts to consolidate, reconcile and validate the required information. Pending automated solutions to these challenges, the process to an important extent necessarily entails manual efforts, including with respect to submitting the required information by means of the Reporting Central system.

It is certain that FBOs will encounter the same types of challenges with respect to reporting Eurodollar borrowings by their managed and controlled branches. To the extent that reporting institutions have adapted to the realities of the deadlines under the current reporting regime, this experience may provide only limited assistance with respect to complying with this entirely new reporting requirement. Moreover, these challenges will be significantly exacerbated by the proposed requirement that such reporting commence beginning September 9, 2015 – *i.e.*, only three months after the end of the comment period.

As a general matter, even assuming that a reporting institution would have begun to assess the implications of expanded or revised reporting requirements on the basis of a well-developed and extensively vetted proposal, the practical commercial reality is that the formal commitment of personnel, systems and funding to implement such requirements will await the actual finalization of the proposal. In the case at hand, this means that FBOs will have less than three months to develop the required reporting templates, build the systems, create the processes, put in place the controls and complete the training necessary to report the Eurodollar borrowings of their managed and controlled branches. Further, these efforts are not undertaken in isolation, but to a significant degree involve the same personnel engaged in implementing other regulatory reporting requirements, including planning for the proposed liquidity monitoring reporting initiative and preparing for the effective date of the enhanced prudential requirements under Section 165 of the Dodd-Frank Act.

In light of the foregoing considerations, we respectfully urge the Board to reassess the proposed date for the commencement of such reporting, and we recommend that this deadline be changed to not less than six months from the date of publication of the final requirements in the Federal Register. Even under this extended time period, it is anticipated that at the outset such



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reporting will require extensive manual intervention in order to meet the 7:00 a.m. next-business-day deadline. Thus, it is expected that the situation will bear a close resemblance to reporting institutions' experience to date with the FR 2420 reporting requirements.

We appreciate the Board's consideration of our comments on the Proposal. Please contact the undersigned if we can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Richard Coffman', written in a cursive style.

Richard Coffman
General Counsel

cc: Ken Lamar
Senior Vice President
Federal Reserve Bank of New York