In December 2021, the Board of Governors of the Federal Reserve System (FRB) issued its final requirements for revisions to the “Complex Institution Liquidity Monitoring Report” (FR 2052a) that were proposed in March 2021. The final requirements are largely unchanged from the proposal changes, which included:

- Adding the data needed to calculate the Net Stable Funding Ratio (NSFR) into the report
- Adding several data fields to improve the FRB’s ability to monitor systemic and individual firms’ liquidity risk
- Revising the definition of transaction accounts to align with changes to the Federal Reserve Regulation D (Reserve Requirements of Depository Institutions, 12 CFR part 204)
- Making several changes to the report instructions and data definitions to clarify new reporting requirements and to respond to questions from FR 2052a reporters

The revised FR 2052a also aligns the report’s reporting requirements to the FRB’s Liquidity Risk Measurement (LRM) standards (including the Liquidity Coverage Ratio [LCR]). Therefore, when interpreting reporting requirements for the FR 2052a, firms should now use the LRM standards as their basis of conclusion.

These changes continue the evolution of the FRB liquidity reporting of:

- Increasing the granularity of reporting;
- Improving the visibility across legal entities and providing a consolidated view for Foreign Banking Organizations (FBOs);
- Monitoring liquidity risk on an individual firm and systemic level; and,
- Creating greater alignment with balance sheets and data used to calculate and understand the components of the NSFR and LCR.
Summary of revisions

The FR 2052a changes have several overarching themes, and the scope of these changes cover both product and data definitions. Required reporting for data on products was expanded by adding three new data tables:

- Supplemental Balance Sheet Table
- Supplemental Derivatives and Collateral Table
- Supplemental Liquidity Risk Measurement Table

New products were also added to the report (see Appendix 1 below). In creating the new supplemental tables, 15 products that were classified in the current supplemental table were reclassified to the Supplemental Derivatives and Collateral Table, and 4 products were reclassified to the Supplemental Liquidity Risk Measurement Table. In addition, 11 product definitions were revised. Thirteen new data attributes were added to the revised FR 2052a (see Appendix 2 below) and revisions to the definitions were made to several other data attributes (see Appendix 3 below), which will require additional data sourcing. The final requirements also extended data attributes (i.e., effective maturity bucket, collateral value, and Treasury Control) to additional products. Partially offsetting the data attribute requirements, several data attributes were also eliminated.

Response to public comment

Though key concerns were expressed by the banking industry during the comment period, the proposal was adopted largely as proposed and the industry comments were addressed in the notice of the final reporting requirements. This included clarification for some of the new reporting requirements. However, FR 2052a reporters will need to develop and document approaches and methodologies for requirements that lack detail or require further clarification.

Implementation date

The final reporting requirement set the implementation date for the new FR 2052a as:

- Category I filers—May 1, 2022
- Category II-IV filers—October 1, 2022

The delay in the implementation period from the anticipated compliance date was in response to industry comment that more time is needed to analyze the reporting changes and make the automation changes necessary to meet the new requirements. Even with the extended implementation date, the complexity of the changes and the anticipated amount of effort needed to implement the revisions to the FR 2052a will require FR 2052a filers to immediately begin planning for the necessary data sourcing, process changes, and modifications to technology solutions.

The FRB strengthened language related to temporary reporting frequency changes where it clarified that more frequent reporting will be required when notified by the FRB (e.g., monthly filers may be asked to provide submissions on a weekly or daily basis). Therefore, when building the capabilities for the revised FR 2052a, the automated solutions and associated processes should have the flexibility to seamlessly adjust the reporting production to be more frequent and on tighter submission schedules.
FR 2052a—Final Reporting Requirements: Significant Expansion of Liquidity Reporting

Carrying value adjustment

The Supplemental Balance Sheet table now includes a data field for “carrying value adjustments.” The purpose of this field is to capture the necessary adjustments that are needed to align the balance sheet with the LRM standards. Commenters to the proposal noted that applying carrying value adjustments at the transaction level is extremely difficult, resulting in a significant reporting burden. In the notice for the final reporting requirements, the FRB noted that the intention was not to be prescriptive in the application of the adjustments and stated that there was no requirement to apply these adjustments at the transaction level. Rather, the FRB’s expectation is that the adjustments be at a level “to monitor and assess the adequacy of the banking organization’s assets and liabilities” in relation to the firm’s liquidity position. Therefore, to meet requirements for the carrying value field adjustments, FR 2052a reporters should develop methodologies that will provide adjustments at a level needed to present a materially accurate balance sheet view using the data provided on the FR 2052a. The methodology developed should include a cost benefit analysis of the level of adjustment (e.g., counterparty, product) that supports the approach taken.

Data submission

Certain data elements on the FR 2052a are permitted to be reported less frequently than the rest of the FR 2052a (e.g., monthly for daily filers, quarterly for monthly filers). Commenters inquired if revised FR 2052a reports would be required to align the reports with data updates that had occurred since the original submission (e.g., post-closing adjustments). The FRB responded in the final notice that revisions to the FR 2052a will only be required when a report submission contains a material error. Firms should develop materiality thresholds and “post-close” policies to determine if a revised filing should take place. The threshold should consider the impact on the calculation of the LCR and NSFR as well as the impact on critical data elements.

Data mapping

Commenters requested that the FRB provide a mapping of the FR 2052a data items to other regulatory reports (e.g., the FR Y 9C) or the reporting firm's US GAAP balance sheet. The FRB declined to provide a mapping and stated that the level of reconciliation to the balance sheet should be at a “broad level.” Therefore, FR 2052a reporters will need to develop and/or enhance reconciliation tools and analysis to ensure complete coverage of the balance sheet.

Non-NSFR material entities

Commenters asked whether firms that are not subject to the NSFR rule (for example, certain material entities of FBOs) should file report data related solely to the calculation of the NSFR. The FRB made clear in the final notice that only material entities subject to the NSFR are required to submit NSFR-related data. This relieves US branches of FBOs from reporting NSFR-related fields, significantly reducing the reporting burden on these firms.

New data requirements

The revised FR 2052a includes several new data field fields that are unrelated to the LRM standards. These fields will be used to monitor prudential and financial stability risks. The new data fields include:

- **G-SIB Field**—Captures whether the counterparty has been designated a Global Systemically Important Bank (G-SIB)
- **Loss Absorbency Field**—Captures Tier 2 capital or other long-term liabilities
- **Business Line Field (for Category I Firms)**—Captures the business line responsible for the FR 2052a exposure
- **Collateral Level Field**—Designates variation margin received from derivatives
- **FICC Settlement Field**—Identifies whether repurchase agreements are cleared and novated through the FICC
- **Accounting Designation Field**—Designates the type of accounting for unencumbered inventory

FR 2052a reporters should identify the data sources needed to meet these requirements and integrate the data into the FR 2052a reporting processes and technology solutions.
Instructional and other technical changes

Several changes to the instructions and reporting requirements were made to improve data quality and respond to industry inquiries. These included:

- Revised maturity buckets to match the NSFR standardized maturity buckets;
- Clarified use of the “Evergreen” and “Accelerated” maturity designations;
- Clarified the definition of collateral classification for US municipal obligations;
- Confirms that the descriptions of data reported in the “Other” data fields may be reported monthly instead of daily;
- Clarification on the reporting of encumbered assets, inter-affiliate dividends, and noncash items;
- Confirmed that counterparty netting follows the NSFR rule on the FR 2052a; and,
- Incorporated several FAQs, corrected minor errors in the instructions, and removed several data fields that are no longer needed.

FR 2052a reporters should complete an analysis of the final requirements to identify where process, data sourcing, and technology changes are needed.

Impact on the FR 2052a reporters

The changes to the FR 2052a emphasize the need to integrate finance and risk data. The NSFR, LCR, balance sheet, and settlement data now required to be reported will mean that new data sources need to be accessed. The data supply chain will need to be expanded from ledger and risk data to include more data from accounting and collateral management systems. In order to meet the new data needs with the level of data quality required to meet the FRB’s expectations, operational processes, and internal controls will require enhancements. In addition, the involvement of the business lines will be imperative for the development of controls over the data sources.

Next steps

The scope of changes to the FR 2052a will require significant analysis and implementation plans that will have an impact across functions. Even with the delayed effective dates, firms must begin to conduct deep dives into current processes and data sourcing to uncover gaps. Once the gaps are identified, firms should develop cross-functional implementation plans that include all impacted stakeholders and determine potential areas of risk in meeting the compliance timelines. A tactical implementation plan to “get over” the finish line should be supplemented by a plan to reach a strategic, more automated solution to meet regulator expectations.
## Appendix 1

### New Products

<table>
<thead>
<tr>
<th>I.A.7</th>
<th>Encumbered Assets</th>
<th>S.DC.12</th>
<th>Other CCP Pledges and Contributions</th>
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<tr>
<td>I.U.7</td>
<td>Cash Items in the Process of Collection</td>
<td>S.DC.16</td>
<td>Required Collateral Deliverables</td>
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<tr>
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<td>Short Term Investments</td>
<td>S.L.2</td>
<td>Subsidiary Liquidity Available for Transfer</td>
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<tr>
<td>I.S.7</td>
<td>Outstanding Draws on Secured Revolving Facilities</td>
<td>S.L.6</td>
<td>Liquidity Coverage Ratio</td>
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<tr>
<td>I.S.9</td>
<td>Synthetic Customer Long</td>
<td>S.L.7</td>
<td>Subsidiary Funding That Cannot Be Transferred</td>
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<tr>
<td>I.S.10</td>
<td>Synthetic Firm Sourcing</td>
<td>S.L.8</td>
<td>Subsidiary Funding Available for Transfer</td>
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<td>O.D.5</td>
<td>Excess Balances in Operational Accounts</td>
<td>S.L.9</td>
<td>Additional Funding Requirement for OffBalance Sheet Rehypothecated Assets</td>
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<td>O.D.9</td>
<td>Stable Affiliated Sweep Accounts Balances</td>
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<td>Net Stable Funding Ratio</td>
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<td>Gross Derivative Liability Values</td>
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<td>Counterparty Netting</td>
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<td>S.DC.3</td>
<td>Derivative Settlement Payments Delivered</td>
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<td>Derivative Settlement Payments Received</td>
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<td>Derivative CCP Fund Contribution</td>
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Appendix 2

New Data Attributes

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<th>Accounting Designation</th>
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<td>Encumbrance Type</td>
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Appendix 3

Revised Data Attributes

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<th>Collateral Class</th>
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<td>Settlement</td>
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Endnotes


2. As defined by the FRB Tailoring Rule. FRB, "Federal Reserve Board finalizes rules that tailor its regulations for domestic and foreign banks to more closely match their risk profiles," accessed January 10, 2022.

3. Ibid.