BANK POLICY INSTITUTE

October 30, 2020

Via Electronic Mail

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Re: Revisions to the Reports of Deposits: Report of Transaction Accounts, Other Deposits, and Vault Cash; Annual Report of Deposits and Reservable Liabilities; Report of Foreign (Non-U.S.) Currency Deposits; and Allocation of Low Reserve Tranche and Reservable Liabilities Exemption (FR 2900, FR 2910a, FR 2915, FR 2930; OMB No. 7100–0087)

To Whom It May Concern:

The Bank Policy Institute[1] welcomes the opportunity to comment on the Proposal by the Board of Governors of the Federal Reserve System to revise the Reports of Deposits: Report of Transaction Accounts, Other Deposits, and Vault Cash; Annual Report of Deposits and Reservable Liabilities; Report of Foreign (Non-U.S.) Currency Deposits; and Allocation of Low Reserve Tranche and Reservable Liabilities Exemption (FR 2900, FR 2910a, FR 2915, FR 2930; OMB No. 7100–0087).[2]

BPI appreciates the Federal Reserve's continued efforts to streamline reporting and to "reduce reporting burden associated with reserve requirements."[3] Specifically, we support the Federal Reserve's

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1 The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

2 85 Fed. Reg. 54577 (September 2, 2020).

3 Board of Governors of the Federal Reserve System, Supporting Statement for the Reports of Deposits: Report of Transaction Accounts, Other Deposits, and Vault Cash, Annual Report of Deposits and Reservable Liabilities, Report of Foreign (Non-U.S.) Currency Deposits, and Allocation of Low Reserve Tranche and Reservable Liabilities Exemption (FR 2900, FR 2910a, FR 2915, and FR 2930; OMB No. 7100-

proposed elimination of the quarterly FR 2900 reporting, as well as the proposed discontinuation of the collection of the FR 2910a and FR 2930. However, the proposed revisions to the FR 2900 may not have the intended significant impact on reducing reporting burden for firms, as firms will still need to track some of the relevant data for the remaining fields. For example, while the Federal Reserve has proposed to remove line items A.1.a "Demand deposits: Due to depository institutions" and A.1.b "Demand deposits: Of U.S. Government" from the FR 2900 weekly reporting, firms will still be required to track the relevant data for these line items in order to segment out and produce the required data for the revised weekly Line item A.1 "Demand deposits due to the public." Additionally, this data would also be required for the proposed annual line item E.1.a. "Net Transaction Accounts." While the reorganization and reduction in frequency of certain FR 2900 reporting is well intentioned and appreciated, firms will still be faced with the operational burden of tracking a number of these data items proposed for deletion for the purposes of the remaining items in the revised FR 2900.

Our comments herein highlight areas of the FR 2900 report that require further clarification from the Federal Reserve and recommendations that would alleviate some of the operational burden associated with the proposed revisions to the FR 2900.[4]

I. The reporting of deposits should be aligned across reports to eliminate unnecessary burden.

The Federal Reserve's proposal would consolidate the reporting of savings deposits and transaction accounts on the FR 2900. As proposed, for daily FR 2900 reporting, firms would be required to report ATS accounts, NOW accounts/share drafts, and telephone and preauthorized transfer accounts together with total savings deposits, including MMDAs, in the single line item of "Other liquid deposits." Additionally, for the annual submission of the FR 2900, the Federal Reserve's proposal would streamline the form to collect only the data items needed to "accurately index the reserve requirement exemption amount and low reserve tranche amount" in a new line item "New Transaction Accounts," which also consolidates demand deposits, NOW accounts, ATS accounts, telephone and preauthorized transfer accounts together with savings deposits.

These proposed revisions and the consolidation of deposits that meet the regulatory definition of "saving deposit" with those that meet the regulatory definition of "transaction account" into a single line item would create a significant misalignment with current reporting on the Call Report, FR Y-9C and FR 2886b. Across these reports, firms are expected to not only differentiate between transaction and nontransaction accounts, but also to provide granular data for the particular types of transaction and nontransaction accounts. For example, on the Call Reports, firms are required to report transaction and nontransaction accounts separately in Schedule RC-E, with all transaction accounts listed in Columns A and B and nontransaction accounts in Column C. Further, firms must also provide additional data on savings deposits in the memoranda section of Schedule RC-E. The reporting of deposits on the FR Y-9C and FR 2886b mirror their reporting on the Call Reports, however the proposed consolidated FR 2900 reporting would conflict with these other reports.

0087) at page 8, *available at* https://www.federalreserve.gov/reportforms/formsreview/FR%202900%20OMB%20SS.pdf.

[4] The Proposal also includes proposed revisions to the FR 2915 that mirror the proposed revisions to the FR 2900 weekly submission. While our comments herein are generally focused on the FR 2900, many of the points raised are applicable to the corresponding proposed revisions to the FR 2915.

The Federal Reserve recently proposed revisions to the reporting of deposits in the Call Reports,[5] FR Y-9C and FR 2886b[6] related to the Federal Reserve's Interim Final Rule amending Regulation D to delete the numeric limits on transfers and withdrawals that may be made each month from the definition of "savings deposits" (Regulation D IFR),[7] but as proposed, these revisions would still result in inconsistencies across reporting forms. The proposed revisions to the FR Y-9C, Call Reports, and FR 2886b would now require firms to report savings deposits for which the six-transfer limit has been removed as transaction accounts based on an assessment of certain criteria. Specifically, where the reporting institution has suspended the enforcement of the six-transfer limit rule on an account that otherwise meets the definition of a savings deposit, the firm must report such deposits as a "transaction account" if "the reporting institution retains the reservation of right to require at least seven days' written notice before an intended withdrawal and the depositor is ***eligible*** to hold a NOW account."[8] In BPI's recent comment letter on the Call Reports, we opposed the inclusion of a depositor's eligibility to hold a NOW account in the criteria assessment to determine the reporting of savings deposits for which the six-transfer limit has been removed.[9]

As also noted in our recent comments to the agencies on the Call Reports, these differences in reporting of deposits would ultimately present a number of challenges and an associated increase in burden for respondents. Interseries differences, such as these, create a need for separate reporting processes and controls for the same or similar data populations and establish burden by eliminating the potential for cross-report reconciliation and other efficiencies. For these reasons, we therefore recommend that the Federal Reserve, together with the other relevant agencies, take steps to better align the reporting of deposits across reports to be more consistent with the proposed FR 2900 reporting. Alignment of the FR Y-9C, Call Reports, and FR 2886b with the reporting treatment of saving deposits in the FR 2900 would help avoid unnecessary burden, consistent with the recommendations previously made in our letter responding to the Regulation D IFR.[10] Additionally, this alignment would also remove the need for firms to bisect the reporting of savings deposits based on depositor eligibility to hold a NOW account, allowing for consistent treatment of savings deposits, and thus eliminating the burden associated with differentiating the reporting of savings deposits.

II. Further clarification is needed with regard to the reporting of retail sweeps arrangements on the FR 2900 report.

The proposed instructions to the FR 2900 would eliminate language related to retail sweeps arrangements and therefore no longer offer guidance to firms on the reporting treatment of such arrangements. As firms continue to maintain retail sweeps arrangements, it is unclear how such programs should be reported in the FR 2900. Specifically, for retail sweep programs that allow demand deposits to be swept to MMDA savings accounts, with the establishment of new Line A.1 "Demand deposits" and line A.2 "Other liquid deposits," the proposed instructions would not specify how these

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5 85 Fed. Reg. 44361 (July 22, 2020).

6 85 Fed. Reg. 63553 (October 8, 2020).

7 85 Fed. Reg. 23445 (April 28, 2020).

8 85 Fed. Reg. 44361 at 44370 (emphasis added).

9 *See* the Bank Policy Institute Letter re: Call Report, FFIEC 101, and FFIEC 002 Revisions (September 21, 2020), *available at* https://bpi.com/wp-content/uploads/2020/09/BPI-Comment-Letter-re-Call-Report-FFIEC-101-and-FFIEC-002-Revisions-9-21-2020.pdf.

10 *See* the Bank Policy Institute and Consumer Bankers Association Letter re: Regulation D Reserve Requirements of Depository Institutions (June 29, 2020).

demand deposits should be reported. For example, should those sweeps to MMDAs related to demand deposits be reported in A.1 or A.2. Similarly, with the elimination of current line items A.1.a "Demand deposits due to depository institutions" and A.1.b "Demand deposits of US Governance" from the weekly FR 2900, clarification is needed with regard to whether such retail sweep accounts that are due to depository institutions or U.S. Government should be excluded from weekly items reported in the new line A.1 "Due to the Public." We therefore recommend that the Federal Reserve clarify the instructions and provide guidance as to how firms should report the components of retail sweeps arrangements on the revised FR 2900.

III. The proposed changes in the reporting of savings deposits on the FR 2900 should not require such accounts to be subject to Regulation CC.

The proposed revisions to the FR 2900 would require firms to report deposits that meet the regulatory definition of savings deposits together in the same line items with those that meet the definition for transaction accounts. The proposed revisions to the annual FR 2900 submission would include the new line items E.1 "Reserve liabilities" and E.1.a "Net transaction accounts" which would require saving deposits and transactional accounts to be reported together. Further, on the weekly FR 2900 submission, firms would be required to reported savings deposits together with transaction accounts as "Other liquid deposits" in the new line item A.2, as opposed to in separate line items as they are currently reported.

We acknowledge that the Federal Reserve released FAQs on savings deposits in May 2020, one of which states that "[b]ecause Regulation CC continues to exclude accounts described in 12 CFR 204.2(d)(2) from the Reg CC 'account' definition, the recent amendments to Regulation D did not result in savings deposits or accounts described in 12 CFR 204.2(d)(2) now being covered by Regulation CC."[11] However, given the current proposed revisions to the FR 2900, where savings deposits would be reported together with transaction accounts and in the "Net transaction accounts" line item, it is unclear if such accounts, would thus be subject to Regulation CC solely as a result of their reporting. Consistent with the request detailed in our comments on the recently proposed revisions to the Call reports,[12] as we do not believe it is the intention that the reporting of deposits dictates that such deposits would be subject to Regulation CC, we seek confirmation from the Federal Reserve that those accounts that are defined as savings deposits would not be subject to Regulation CC regardless of their reporting treatment.

IV. Clarification is needed on whether both personal and nonpersonal obligations should be included on the proposed annual item E.1 Reservable Liabilities of the FR 2900.

The proposed annual item E.1 of the FR 2900 provides instructions related to the reporting of "Ineligible acceptances and obligations issued by affiliates maturing in 7 days or more" to be included in the balances for this line item. These proposed instructions, however, differ from the current instructions for Item BB.2 "Ineligible acceptances and obligations issued by affiliates maturing in 7 days

11 Board of Governors of the Federal Reserve System, Savings Deposits Frequently Ask Questions, FAQ 13, *available at* federalreserve.gov/supervisionreg/savings-deposits-frequently-asked-questions.htm.

12 *See* the Bank Policy Institute Letter re: Call Report, FFIEC 101, and FFIEC 002 Revisions (September 21, 2020) *available at* https://bpi.com/wp-content/uploads/2020/09/BPI-Comment-Letter-re-Call-Report-FFIEC-101-and-FFIEC-002-Revisions-9-21-2020.pdf.

or more," which state that firms should "[r]eport in item BB.2 only nonpersonal obligations."[13] There is no such language in the proposed instructions that explicitly limit reporting in item E.1 to nonpersonal obligations, creating uncertainty as to whether this item should include both personal and nonpersonal obligations. We therefore recommend that the Federal Reserve confirm whether both personal and nonpersonal obligations should be included on item E.1 of the FR 2900.

V. As a result of the significant revisions proposed, clarification is needed with regard to firms' responses to ad hoc requests from Federal Reserve System staff to explain movements in data and variance analysis submissions for the FR 2900.

The instructions to the FR 2900 state that the Federal Reserve System staff in reviewing data submitted may ask reporting institutions to explain movements in the data. A number of firms currently provide highly detailed variance analysis submissions to their supervising Federal Reserve district bank on a weekly basis, while others respond to specific ad hoc requests seeking further clarification. The FR 2900 weekly variance analyses and the responses to ad hoc requests submitted by firms contain disaggregated line item data by counterparty types, locale, relationship to reporting institution (if applicable), nonpersonal vs. personal, and nature of the deposit. Due to the burden associated with these weekly submissions, a number of firms proactively established processes and templates to efficiently provide the necessary granular data. For firms that currently produce weekly variance analysis submissions, clarification on the expectations of the supervising Federal Reserve district banks regarding the relevant thresholds required for these submissions, including any revisions to the required details provided, would be appreciated so firms can begin making any modifications to their processes to reflect the significant revisions proposed to the FR 2900. Specifically, it would be helpful to clarify whether the firms that currently provide variance analyses each week should continue to do so. If so, as the Federal Reserve is proposing to scale back the line items submitted on the FR 2900, clarification as to whether the level of granularity that firms are currently providing in their variance analysis submission or responses to requests are expected under the revised FR 2900. For example, as the Proposal would no longer require firms to differentiate the reporting of deposits in the FR 2900, it is unclear if such a breakdown of data by deposit type is needed on firms' variance analysis submissions. Further clarification or additional details will allow firms to better prepare and proactively establish the necessary processes to provide variance analysis submissions and or respond to weekly questions on FR 2900 reporting in a timely manner.

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[13] Board of Governors of the Federal Reserve System, Instructions for Preparation of Report of Transaction Accounts, Other Deposits, and Vault Cash (modified April 2020), at CB-35, *available at* https://www.federalreserve.gov/reportforms/forms/FR_2900cb20200501_i.pdf.

The Bank Policy Institute appreciates the opportunity to comment on the Proposal. If you have any questions, please contact the undersigned by phone at 646-736-3943 or by email at Alix.Roberts@bpi.com.

Respectfully submitted,

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