

Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland

16 April 2010

Dear Committee Members,

“International framework for liquidity risk measurement, standards and monitoring”

The Goldman Sachs Group, Inc. (“Goldman Sachs”) is pleased to have the opportunity to provide comments on this consultative document, issued in December 2009 by the Basel Committee on Banking Supervision (“the Committee”).¹ In light of the extraordinary events and macro-economic uncertainty of the recent financial crisis, there is a clear need for timely, globally coordinated regulatory reform to address weaknesses in the financial system, and we would like to express our appreciation of the efforts that have been made by the Committee to develop these proposals.

For some time, Goldman Sachs has publicly supported the need for “higher and more rigorous capital and liquidity standards that recognize the compelling reality that managing and supervising capital adequacy and liquidity adequacy must be viewed as a single discipline.”² Adopting such standards would make an important contribution to decreasing systemic risk and reducing the possibility that government intervention again becomes necessary to stabilize banks during times of stress in the future.

We welcome the introduction of a liquidity-focused framework and are supportive of the overall direction of the Committee's proposals. The philosophy behind the proposed measures is broadly in line with our liquidity risk management framework and policies.

Our objective in highlighting our concerns to you is to ensure that the results, and the process of transitioning to the new standards, are consistent with the objectives of greater systemic stability and economic efficiency that we all share. In particular, we are concerned by the disproportionate impact the proposals may have in aggregate on the funding markets and financial institutions

¹ Please note that we are separately responding to the consultative document “Strengthening the Resilience of the Banking Sector”.

² Statement of E. Gerald Corrigan before the Committee on Banking, Housing and Urban Affairs of the United States Senate and before the UK Treasury Select Committee, both in February 2010

(though we recognize that this depends partly on the Committee's final calibration), and by the proposed timeline, which we believe to be very aggressive given the scale and impact of the changes proposed.

We are broadly supportive of liquidity regulation

Goldman Sachs has always regarded prudent and conservative liquidity risk management as integral to the successful operation of our businesses. It has been our policy to manage and hold sufficient liquidity in both normal and stressed environments. Our 2009 10-K states that "Liquidity is of critical importance to companies in the financial services sector. Most failures of financial institutions have occurred in large part due to insufficient liquidity. Accordingly, Goldman Sachs has in place a comprehensive set of liquidity and funding policies that are intended to maintain significant flexibility to address both Goldman Sachs-specific and broader industry or market liquidity events. Our principal objective is to be able to fund Goldman Sachs and to enable our core businesses to continue to generate revenues, even under adverse circumstances."

We welcome the introduction of a liquidity-focused framework with global scope and are supportive of the concept of a Liquidity Coverage Ratio (LCR) and a Net Stable Funding Ratio (NSFR). The philosophy behind the proposed measures is broadly in line with Goldman's liquidity risk management framework of maintaining a pool of excess liquidity and conservative asset-liability management.

Global regulatory guidance has generally focused on capital, and we think that it is prudent to have measures in place that are focused on ensuring that adequate liquidity is held by financial institutions.

Significant issues for consideration

Although we agree with the regulation proposed from a conceptual perspective, we want to raise several important and substantive concerns for the Committee's consideration:

- The sweeping nature of the proposals as a whole gives rise to the potential for significant negative impacts, particularly as they relate to liquidity of funding markets, which ultimately are central to the financial intermediary process as a whole.
- While the Committee issued separate consultative papers on capital and liquidity, we think it is important to emphasize that the requirements must be managed together as closely related disciplines and that the Committee take into consideration the collective consequences of all the changes being proposed. The implications for capital and liquidity individually and jointly are currently unclear.
- In addition, the implementation of the substantive changes to liquidity and capital will be highly complex and, we believe, challenging to implement by 2012. There is a risk that overly aggressive implementation schedules can compromise the effectiveness of these initiatives.
- We are concerned that the highly prescriptive nature of the proposals will result in a "one size fits all" mentality when it comes to liquidity risk management. We believe that, in the area of liquidity in particular, there must be ample allowance for differing situations and greater flexibility for regulators to review and approve different types of internal risk management frameworks.
- We understand the need for supervision and regulation of liquidity risk management at the national level for legal entities in particular jurisdictions. However, we wish to emphasize that to be well managed, a financial entity with an international footprint must be managed and operated

as a single integrated company. We want to ensure that, in the process of promulgating legal entity jurisdictional liquidity policies, those policies are not so restrictive so as to weaken the consolidated entity by limiting its flexibility.

Timeline, process and impact of guidance

Because of the magnitude of the capital and liquidity changes being proposed, we urge the Committee to take a measured approach to the calibration and implementation of these proposals. The implementation of the liquidity and capital standards, combined with other pending changes to the regulatory framework, if enacted in their current form, could have a severe negative impact on the macroeconomic environment and systemically important banking activity. Given the scope and magnitude of the proposals, we believe a thorough analysis of their impact on market activity is extremely important.

We believe that these proposals could have a negative impact on the funding markets by limiting the flexibility of funding sources and products. These proposals would restrict the use of secured funding to certain types of assets and limit the ability to utilize funding from financial institutions. We think it is important that financial institutions continue to focus on diversification of funding sources through multiple distribution channels and multiple funding products.

The proposals will increase liquidity requirements and the cost of financing, resulting in a reduction in lending, market making and business activity. Certain products such as committed backstop facilities could become too expensive to be commercially viable. Market makers and underwriters will face significantly higher financing costs, reducing market liquidity and ultimately impacting the ability of corporations to raise capital and liquidity in the capital markets. These proposals could also force banking-like activities into unregulated segments of the market. As it becomes more expensive for banks to provide liquidity and credit to corporate clients, other types of financial institutions with less oversight may be more willing to step in, diminishing the overall regulatory oversight of these products.

Depending on the calibration of the proposals, there could be a significant requirement for financial institutions to raise considerable amounts of term unsecured financing in a short time frame, thereby risking the destabilization of the credit markets. We think it is important to recognize that financial institutions and regulatory bodies have worked together post crisis to increase liquidity and capital and to provide more transparency to the market. We urge the Committee to take into account the changes that have already occurred in ensuring that any incremental changes do not lead to a higher drag on economic activity than necessary.

We urge the Committee to undertake a detailed assessment of the potential cumulative impact of all of its proposals, looking at the joint impact across both the capital and liquidity proposals and assessing the impact of the proposals on the broader economy as well as on financial institutions directly. It is also important to note that other proposals (in addition to Basel proposals on capital and liquidity) are also being considered by regulators and legislators and all these components have an impact on financial institutions and cannot be viewed in isolation. Given the far-reaching nature of these proposals, and their potential impact on economies and markets, it is absolutely vital that adequate time be allowed for such an assessment to be made and, given the Committee's access to the industry's Quantitative Impact Study ("QIS") results, we believe that it is well placed to perform such an assessment. We also request the Committee to share historical data or calculations with the industry that indicate how the risk factors were calibrated. This information would allow the industry to understand the calibrations better, learn from the observations that regulators made during the recent liquidity crisis and enhance their own internal liquidity risk management frameworks.

While we recognize the need to introduce liquidity regulation, it is important that the Committee does not rush these proposals without a comprehensive assessment of their implications not just on

banks (through the QIS) but on the wider economy, and without an adequate evaluation of the specific proposals. In view of the potential magnitude of changes proposed, we would encourage the Committee to undertake a further consultation process once it has considered industry feedback in this consultation and analyzed the results of the QIS. We believe that the Committee's timeline of finalizing the proposals by the end of 2010 is aggressive.

Prescriptive nature of metrics

Overall, we are concerned that the risk factors and categories in the proposals are too standardized and do not capture the attributes of specific financial institutions, markets or legal entities. We understand the need to start with an appropriate set of standard measures, but we believe there should be allowance in the rules to afford regulators greater flexibility to review and approve different types of internal risk management frameworks. Therefore, when designing the new capital and liquidity regimes, we urge the Committee to recognize the important roles different types of financial institutions play in the markets. For example, assets related to market making activities may not have the same liquidity characteristics as similar assets under a hold to maturity regime.

We are concerned the use of prescriptive rules could encourage banks to manage their assets and liabilities in a formulaic way, thereby devaluing the firm's overall risk management systems and controls. We also believe that it is important for regulators, investors and financial institutions to recognize that the LCR and NSFR are just two of the many tools that should be used to manage liquidity risk. We urge the Committee to consider liquidity policy implementation to be an evolving process similar to the way the capital rules have evolved over time.

Equivalence of regulatory regimes

If the Committee moves forward with implementation of the more prescriptive proposals, we urge the Committee to ensure that these standards are implemented on a consistent basis globally and on the same timeline. We applaud the Committee's efforts to promote global consistency in implementation of the framework and in supervisory practices.

We emphasize the importance of a harmonized liquidity framework (i.e. regulatory equivalence). Given the global nature of the banking system and the fact that liquidity flows are clearly global, the Committee should use this opportunity to implement a framework that transcends national borders. Recent experiences around the world have shown that a liquidity crisis originating in one country will not stop at national borders and cannot be controlled by a national government alone. A country-by-country piecemeal approach to liquidity regulation will incentivize regulatory arbitrage, leading to fragmentation of the availability of global liquidity and concentrated liquidity pools. This applies not only to the fundamental concepts but also to the timing of implementation.

Liquidity management across entities and jurisdictions

We agree that certain subsidiaries should have their own pools of highly liquid assets to meet potential external outflows. However, we believe that if the concept of individual liquidity pools at subsidiaries is taken too far (e.g. cushions at subsidiaries, treatment of affiliated entities identical to the treatment of third parties, etc.), it could result in fragmentation and trapping of too much liquidity at the subsidiary level. While the individual entities may in isolation appear stronger, it could be at the cost of weakening the liquidity position of the overall group of companies, due to lower flexibility to deploy excess liquidity on a timely basis to entities where it may be needed.

We recommend that the Committee consider the notion of regulatory equivalence and encourage the Colleges of Supervisors to work together under a framework of shared information and to focus

on identifying early warning signs across the entire institution in order to enable liquidity to be better managed across entities and jurisdictions.

Specific calibration of metrics

Although we agree with the philosophy behind the measures, we have concerns with the calibration and some of the risk factors proposed. We therefore put forward below our thoughts concerning the calculations and the assumptions.

Liquidity Coverage Ratio (LCR)

Our specific concerns on the LCR are:

1) Objective and definition of the metric

We welcome the proposal for the LCR whereby firms will be required to pre-fund potential outflows in a stress scenario with a stock of high quality liquid assets. Our 2009 10-K states that "Our most important liquidity policy is to pre-fund what we estimate will be our potential cash needs during a liquidity crisis and hold such excess liquidity in the form of unencumbered, highly liquid securities that may be sold or pledged to provide same-day liquidity. This "Global Core Excess" is intended to allow us to meet immediate obligations without needing to sell other assets or depend on additional funding from credit-sensitive markets. We believe that this pool of excess liquidity provides us with a resilient source of funds and gives us significant flexibility in managing through a difficult funding environment."

We believe the first days or weeks of a liquidity crisis are the most critical to a company's survival. We consider the proposed 30-day time horizon to be appropriate for the Liquidity Coverage Ratio.

LCR greater than or equal to 100%

We would like to clarify how the Committee intends to apply the standard that requires that the LCR not be lower than 100%. A liquid asset buffer sized by a quantitative calculation that incorporates idiosyncratic and market-wide stress scenarios is designed to be the defense mechanism that firms can and should employ during a liquidity crisis. In other words, the liquid asset buffer is expected to be drawn upon as the financial institution funds the outflows triggered during a crisis.

We therefore suggest that the standard should be that the LCR needs to be greater than or equal to 100% in normal times and that a drop below 100% should trigger escalation within the institution to senior management and notification of the firm's regulators. Additionally, in normal times, it is possible that certain circumstances (e.g. timing of cash flow movements) may cause the LCR to drop below 100%, in which case the institution should take prompt action to bring the ratio back up. If the LCR drops below 100% and the firm is unable to promptly restore it, the firm should immediately start executing its Contingency Funding Plan.

2) Stock of high quality liquid assets

We support the definition of the liquid asset buffer as it includes a narrow definition of assets that are expected to remain liquid in both an idiosyncratic and market-wide stress scenario. We think that an unambiguous definition of liquid assets is critical to the stability of financial institutions and the market as a whole.

It is somewhat unclear from the current guidance whether US vanilla Agency Mortgage Backed Securities can be included in the stock of high quality liquid assets. Vanilla Agency MBS are

generally eligible for Federal Reserve Open Market Operations, they are traded on clearing houses and deep repo markets exist for these securities. We therefore believe that vanilla Agency MBS should be included in the stock of high quality liquid assets.

3) Funding cash outflows

Secured funding cash outflows

We believe that the current guidance for secured funding is too binary, as it assumes 0% risk for funding a narrow range of asset types (assets included in the stock of high quality liquid assets), but 100% outflow risk for funding all other underlying assets. It is important to note that a binary approach incentivizes firms to maximize the riskiest asset types.

In addition, our experience shows that it is possible to roll other asset types during periods of stress, including the stress period in 2008.

A. Experience during crisis: We found that asset classes with liquid markets and transparent pricing were more resilient. In particular, funding collateralized by certain types of equities, with their transparent daily pricing, was more likely to roll, albeit with higher haircuts.

B. Value of collateral: Many types of investors rely on the quality of collateral and the level of haircuts when making their decisions to lend.

C. Counterparty overlay: We also believe that as long as the financial institution has practiced prudent risk management and staggered its funding maturities from a counterparty perspective, the repo counterparty has an incentive to roll the trades as they come due since they have other longer-dated trades on with the financial institution.

We recommend that the Committee refine the current more black and white approach (0% or 100%) to one in which the risk factors are based on a gradient depending on the underlying liquidity and price transparency of the type of collateral, which is more reflective of actual risk. For example, the gradient could be as simple as blue chip equities (which are liquid and have price transparency) being assigned a 25% outflow risk factor whereas a low grade corporate bond gets a 50% outflow risk factor.

Other

The current guidelines assume 100% outflows of funding received from financial institutions, including free credit balances. It is important to note, however, that certain free credit balances are tied to margin requirements and cannot be easily withdrawn. It is also important to note that our experience during the difficult period of Fall 2008 was an outflow of materially less than 100%.

4) Definition of unencumbered assets

We believe that an important measure of a firm's liquidity is its ability to identify assets as unencumbered and monetize these assets into cash, regardless of their origin. We agree that assets that have been pledged should not be included in the amount of unencumbered assets.

Major points to note are highlighted below:

A. "The stock should be under the control of the specific function charged with managing the liquidity risk of the institution. (paragraph 32)" – We would like the statement to be amended to reflect the different risk management approaches that may be taken by different institutions. The proposed approach may be sensible for non-financial corporations or institutions with limited or no

presence in the securities markets as such firms would typically have a Chief Investment Officer to oversee the investment of the static liquidity pool.

For an integrated securities firm or bank like ours, it is more appropriate to allow the following structure for the liquidity pool: The strategy and oversight of the stock of liquid assets is provided by a central function such as corporate treasury, including ensuring that the stock of liquid assets are high quality and eligible for inclusion per the firm's policies, that the mix of the various types of eligible assets is appropriate and that overall sizing is based on a quantitative and qualitative analysis. The strategy may then be executed by experts who trade in the underlying products and are best suited to manage the inherent trading risks.

B. "Should not be co-mingled with or used as hedges on trading positions" or "should not be held as a hedge for any other exposure" (both paragraph 32) – We disagree with these statements. The proposal seems to be focused on ensuring that assets available for liquidity are segregated (in either the stock of high quality liquid assets or the available unencumbered assets metric) from assets that are traded. We believe that this segregation is unnecessary. That an asset is a trading position, or a hedge to a trading position, does not prevent a bank from being able to generate liquidity from it by repo in the secondary market, through clearing houses, or through existing central bank facilities. In any of these cases, while the asset is used to generate funding, the firm retains the economic exposure and, therefore, the desired trading view or hedge relationship.

C. "Assets that the bank received as collateral can only be included if they remain at the bank's disposal throughout the 30-day time period." (QIS guidance) – We disagree with this statement. Consider a bank that chooses to invest its excess cash each day in overnight reverse repos against highly liquid securities: under the proposed definition of 'unencumbered', the assets would not be eligible for the liquid asset pool because they were received as collateral but are only at the bank's disposal for one day. In a liquidity crisis, however, the bank has three reliable methods of monetizing the investment and meeting liquidity outflows: it can repo out the security in the secondary market, it can pledge the security to an existing central bank facility, or it can let the reverse repo mature overnight (receiving back its initial cash investment).

5) Draws on committed credit and liquidity facilities

Pre-funding committed credit and liquidity facilities is sensible and appropriate to ensure that an institution has the ability to fund any draws even in a time of stress. Our 2009 10-K states that our liquidity model assumes "draws on our unfunded commitments with draw assumptions varying in magnitude reflecting, among other things, the type of commitment and counterparty."

The current guidance assumes a 100% pre-funding for liquidity facilities to non-financial corporations and for credit and liquidity facilities extended to financial institutions. We believe that it is important to consider the following:

A. The distinction between "credit" and "liquidity" facilities

Liquidity facilities are defined as "back up lines in place to refinance the maturing debt of customers in situations where they are unable to attract funding in financial markets."

The distinction between credit and liquidity facilities draws a line between types of facilities that are in many cases inherently the same and could result in regulatory arbitrage by forcing institutions to structure facilities to meet the specific definitions that are favorable. It also removes the incentive for the lender to better understand the real liquidity risk of the facility and liquidity needs, liability structure, management and historical drawdown behavior of the counterparty.

We think that the proposal disproportionately impacts highly rated non-financial corporations. Consider, for example, that a conservative AA-rated company with a CP backstop facility is likely to suffer more punitive pricing (CP backstop facility defined as "liquidity facility" will have a 100% risk

factor) as compared to a highly leveraged corporation wishing to add debt to their capital structure via a term loan credit facility ("credit facility" to a non-financial corporation will have a 10% risk factor). In addition, as banks raise additional liquidity to meet the Basel requirements for commitment pre-funding, we may see an overall growth in the size of financial institutions' balance sheets and unsecured funding requirements.

We think that there are many nuances to consider in the proposal (for example, the reason why some facilities are put in place and the type and credit quality of the borrower are important items to consider). We think it is appropriate to ensure that there is room in the guidance for a financial institution and its regulator to be able to consider the specific facts of the facility when determining the appropriate risk factor.

B. Calibration of the risk factor to more closely resemble actual stressed market draw experience

Industry experience suggests drawdown rates materially less than what has been proposed. We also believe that highly rated, non-financial corporation clients obtain commercial paper backstop facilities, which we assume to be considered a liquidity facility in the current proposal, for their maximum expected program size. Borrowers rarely have an amount of commercial paper outstanding to refinance equal to their total program size, therefore the drawdown rate during a 30-day period can be expected to be a fraction of the size of the commercial paper backstop facility. We believe that institutions should be able to use their historical experiences and/or aggregate industry-wide data to determine the appropriate risk factors, subject to appropriate regulatory review and oversight.

Net Stable Funding Ratio (NSFR)

The focus on the medium and long-term mismatches of a bank's on and off-balance sheet assets, commitments and liabilities as an extension of the one-month LCR is philosophically sensible and prudent liquidity risk management. It requires banks to take a longer-term view on funding, thus contributing to longer-term funding stability and avoiding the potential "cliff" effect at the end of the one-month stress period used for the LCR.

Our specific concerns with the NSFR are:

Required Stable Funding (RSF) section:

1) Focus on contractual term of assets without accounting for underlying asset liquidity

Under the proposal, the required amount of stable funding is calculated on the basis of the contractual term of the assets. This approach is sensible for financial institutions that invest heavily in long-term assets (term loans, mortgages, etc.) with relatively low asset turnover and predictable maturity profiles. We do not believe that it is appropriate for businesses like ours with high asset turnover and a liquid balance sheet.

We urge you to recognize the discipline that we employ to ensure the liquidity of our balance sheet. Goldman's business model is not focused on a buy-and-hold strategy, but rather one that emphasizes a more liquid balance sheet. For example, the balance sheets of our market making businesses generally turn over quickly, regardless of the contractual maturity of the assets. We employ balance sheet limits and inventory aging limits and all business units are subject to a quarterly balance sheet planning process whereby inventory aging and balance sheet usage are scrutinized and discussed in detail. Should a business exceed the inventory age or balance sheet usage limit, the firm will typically require the business to liquidate inventory.

In addition, Goldman Sachs enforces a strict daily mark-to-market policy for almost all of its assets across all business divisions. As the most up-to-date price reflects the expected liquidation price,

inventory subject to strict mark-to-market policies and with respect to which there is no intention or expectation of holding to maturity will not require the same degree of stable funding contemplated by the proposal. We urge the Committee to allow firms to incorporate the impact of the business strategy combined with the underlying liquidity of the assets, irrespective of the contractual maturity, subject to appropriate regulatory review.

2) Treatment of secured funding

The FAQ received as part of the QIS instructions clarified that securities should be treated the same way in the calculation of the required stable funding factors, regardless of whether they are encumbered or unencumbered. We strongly agree that this clarification is appropriate as an asset that has been repoed should not be penalized in comparison to an asset that has been funded unsecured. In addition, the same processes and limits apply to all assets regardless as noted above in 1.

In its current form, the proposal will result in securities, except for sovereign securities, high grade corporate and highly rated equities, having a 100% RSF factor. We urge the Committee to consider that assets that are not held to maturity and that are subject to rigorous mark-to-market treatment should also be subject to lower RSF factors.

3) Underlying transactions that lead to the assets held on the balance sheet need to be considered

It is important to consider the maturity of the transaction rather than the maturity of the underlying collateral. For example, if the assets were sourced from a reverse repo transaction, the ratio should look to the effective maturity of the reverse repo transaction. If the reverse repo has an effective maturity of 30 days for example, the reverse repo asset should not require stable funding greater than one year as the assets should not remain on the balance sheet for more than one year.

4) Distinction between collateralized and uncollateralized loans

The current Basel guidance attributes a 0% RSF factor to "all loans to financial entities with effective maturities of less than one year that are not renewable and for which the lender has an irrevocable right to call. When the loan is secured, the underlying collateral must have a maturity of less than one year." If the loan is secured and the underlying collateral has a contractual maturity of greater than one year, the RSF factor seems to be 100%.

We think that this will lead to undesirable and perverse incentives where institutions will be incentivized to make unsecured rather than secured loans. For example, this could lead to a bank preferring to extend a non-renewable nine month unsecured loan to a hedge fund, which the bank has an irrevocable right to call, over an identically termed secured loan if the collateral is blue chip equities. The former has a 0% RSF Factor and the latter has a 100% RSF Factor, because the loan is secured by collateral with a maturity greater than one year.

However, since secured lending is preferable from a funding and credit perspective as it allows the use of the collateral to raise funding and as a credit mitigant, we recommend that the Committee remove the specific guidance around maturity of collateral.

5) Treatment of derivative transactions

We seek to clarify the treatment of derivatives for the purposes of calculating the RSF amount as the treatment of derivatives is not explicitly defined in the Basel Guidance. Our comments are therefore based on derivatives being a separate category in the QIS.

The QIS requests the “balances of net mark to market exposures related to derivatives transactions, where net refers to the netting of transactions subject to legally binding bilateral margining agreements under ISDA, for example. Balances should be gross of any collateral received or posted as part of such transactions.”

We think it is important that rehypothecatable collateral received should be considered as an offset to the net receivable balance and thus reduce the amount of stable funding required. Although collateral is most commonly thought of as a credit mitigant, rehypothecatable variation margin should also be thought of as a natural funding source for a derivative receivable. In addition, variation margin received is usually in the form of high quality liquid assets (cash and liquid government bonds) with appropriate haircuts applied. When we receive variation margin, this process is also governed by contractual agreements with counterparties. Barring a breach of contract, we would expect such collateral to be as sticky as the receivable. Not allowing collateral to fund the derivative receivable would be akin to segregation of variation margin which would lead to significant loss of liquidity from the system.

6) Deposits (Applies to both LCR and NSFR)

It is important that the guidance have a more nuanced approach to deposit categorization. For example, an individual who utilizes various types of legal entities (trusts, LLCs, corporations) to invest for wealth management purposes is still an individual and should be treated as such.

Other Metrics

1. Contractual maturity mismatch

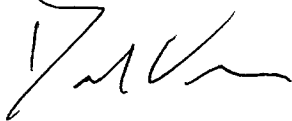
The current guidance states that “as a baseline to gain an understanding of the basic, least complex aspects of a bank’s liquidity needs, banks should frequently conduct a contractual mismatch assessment.” Although we understand the Committee’s desire to have a mismatch metric, we believe that for a business like ours where assets turn over on a more frequent basis (please refer to the earlier discussion around balance sheet limits and aged inventory limits) compared to a business with a buy and hold strategy, a contractual maturity mismatch metric is not a very helpful or appropriate metric. This can provide incorrect information on the expected term of the assets and could lead to inefficient and incorrect decisions to be made around funding requirements. We would propose a mismatch metric that incorporates the underlying purpose and liquidity of the assets.

2. Other

The other monitoring tools that the Committee suggest are sensible and should already form part of a suite of tools that firms use to monitor liquidity risks. However, we do not think that the reporting of “significant currencies” at a 1% threshold is manageable or desirable. We feel that 1% is too granular to report and monitor against, especially as currency balances will fluctuate on a daily basis and derivative contracts include currency optionality that will make currency-specific reporting less precise than the Committee might have envisioned. We would like to propose a threshold of 20%, which is in line with liquidity regulation already in place in certain jurisdictions.

In closing, we wish to reiterate our support of the efforts of the Committee, and to express our desire to assist the Committee in any way that would be helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Viniar', with a stylized, flowing script.

David Viniar

Chief Financial Officer

cc. Norah Barger, Federal Reserve System

Homer Hill, Federal Reserve Bank of New York

Cary Ho, Federal Deposit Insurance Corporation

Russell Damitz, New York State Banking Department

Paul Sharma, The Financial Services Authority