# BOC Multiplier for Key Accounts

# The ClearingHouse Study

**Worst 30-day wholesale run-offs of 33% for the worst-case bank.**

* Financial institutions: largely aligned with LCR for operational (23% observed vs. 25% LCR) but ~62% percentage points lower than LCR for non-operational (38% observed vs. 100% LCR)
* Non-financial corporates: 10-35 percentage points lower than LCR (16% observed vs. 25% LCR for operational; 41% observed vs. 40% LCR for non-operational)

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| **Benchmarks** | **Classification** | **TCH** | **LCR** |
| Banks | Operational | 23% | 25% |
|  | Non-operational | 38% | 100% |
| NBFI | Operational | 23% | 25% |
|  | Non-operational | 38% | 100% |
| Corporates | Operational | 16% | 25% |
|  | Non-operational | 41% | 40% |

# KPMG SNL Analysis

1. **TOTAL BANK DEPOSIT OUTFLOW ANALYSIS**

The purpose of this analysis is to document the behavioral characteristics of bank deposits at the highest level, total bank deposits. The analysis will utilize two groups of historical data sets summarized below:

* **Large/Small bank**: includes bank data from the quarters ending December 31, 2004 through December 31, 2015. This data was sourced from SNL reports with synthesized information from FR Y9C submissions.
* **Failed bank**: includes bank data from the quarters ending March 31, 2006 through December 31, 2010. This data was sourced from SNL that synthesizes information from several financial submissions (incl. FR Y9C, FFIEC 041, FDIC TFR, other US GAAP).

**SUMMARY OF FINDINGS**

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| **Informational Element** | **Findings** |
| Peer Bank Data | * Most severe outflow rates observed by Institutional Trust & Custody banks (BK and NTRS) * BK (3M, 6M, 9M): -16%, -23%, -24% * NTRS (3M, 6M): -15%, -15% * CMA had second highest cumulative 6M outflow rate at -15% |
| Failed Bank Data | * Most severe 12M outflow rate of -43%, led to bank failure, small institution at $3B in assets, Silverton * Most severe large bank 12M outflow rate of -16%, Wachovia |

Bank data is reported quarterly and is compiled using information from FR Y9C submissions. The Y9C provides enough information for a high level analysis, but some qualitative judgment will be required to assign a specific runoff percentage.

This external bank dataset includes 25 banks of varied sizes. All of the banks are subject to Regulations WW and YY.

All banks in this group experience a market liquidity stress event, with a few banks also experiencing an idiosyncratic event defined by a minimum 3-notch credit rating downgrade.

**FAILED BANK DATA**

Failed bank data is reported quarterly and is compiled using information from FR Y9C submissions. The Y9C provides enough information for a high level analysis, but some qualitative judgment will be required to assign a specific runoff percentage. Due to the imminent failure of these banks, a final assessment of their liquidity position cannot be determined.

Quantitatively the profiles of these failed banks vary widely. However, all of these banks are known to have suffered from a severe liquidity event that included a combination of idiosyncratic and market pressures. These pressures ultimately forced the bank insolvent, or into an acquisition from another financial institution.

Due to the variability in timing of bank failures during the 2007-2009 crisis, the failed bank data must be analyzed differently than Large/Small group. In order to determine whether a bank suffered a liquidity event, a simple definition was adopted:

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| **Liquidity stress event parameters (any of the following):** |
| 1. One quarterly period outflow > 15% |
| 2. Cumulative two quarter outflows > 20% |
| 3. Cumulative rolling four quarter outflows > 30% |
| 4. Publicly documented liquidity event failure |

A summary table of the failed banks and their stress event types can be seen below:



\**or final reporting period if failure occurred prior to 12/31/2008*

Figure TB. 4

Figure TB.5 presents the most severe rolling period outflows for the failed banks. Nearly all of the banks within the dataset experience events lasting four quarters and ultimately lead to insolvency.



Figure TB. 5

The most severe rolling four quarter liquidity events indicate cumulative outflow rates of -43% and -37%, observed from Silverton Bank and AMCORE Bank, respectively.



Figure TB. 6

Figure TB.6 indicates the scale of the most severe outflow time frames. The largest outflow rates are generally observed at institutions with smaller balances.