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B-332077

April 15, 2020

The Honorable Mike Crapo  
Chairman  
The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Maxine Waters  
Chairwoman  
The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
House of Representatives

Subject: *Department of the Treasury, Office of the Comptroller of the Currency; Federal Reserve System; Federal Deposit Insurance Corporation: Regulatory Capital Rule: Money Market Mutual Fund Liquidity Facility*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of the Treasury, Office of the Comptroller of the Currency; Federal Reserve System; Federal Deposit Insurance Corporation (collectively, the agencies) entitled “Regulatory Capital Rule: Money Market Mutual Fund Liquidity Facility” (RINs: 1557–AE83, 7100–AF79, 3064–AF41). We received the rule on April 6, 2020. It was published in the *Federal Register* as an interim final rule and request for comment on March 23, 2020. 85 Fed. Reg. 16232. The effective date of the rule is March 23, 2020.

The agencies stated that the interim final rule allows banking organizations to neutralize the regulatory capital effects of participating in the Money Market Mutual Fund Liquidity Facility (MMLF), a Federal Reserve lending program. According to the agencies, they created the MMLF to provide liquidity to the money market sector to stabilize the financial system. The agencies stated that the treatment found in the interim final rule would also extend to the community bank leverage ratio.

The Congressional Review Act (CRA) requires a 60-day delay in the effective date of a major rule from the date of publication in the *Federal Register* or receipt of the rule by Congress, whichever is later. 5 U.S.C. § 801(a)(3)(A). The 60-day delay in effective date can be waived however, if the agency finds for good cause that delay is impracticable, unnecessary, or contrary to the public interest, and the agency incorporates a statement of the findings and its reasons in the rule issued. 5 U.S.C. § 808(2). The agencies determined they had good cause to waive the 60-day delay because the spread of COVID-19 has slowed economic activity across many countries, including the United States. According to the agencies, sudden disruptions in financial markets have put increasing liquidity pressure on money market mutual

funds (MMFs). The agencies asserted that given these pressures, MMFs have been faced with redemption requests from clients with immediate cash needs. The agencies stated the MMFs may need to sell a significant number of assets to meet these redemption requests, which could further increase market pressures.

Enclosed is our assessment of the agencies' compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shari Brewster, Assistant General Counsel, at (202) 512-6398.

A handwritten signature in black ink that reads "Shirley A. Jones". The signature is written in a cursive, flowing style.

Shirley A. Jones  
Managing Associate General Counsel

Enclosure

cc: M. Andy Jiminez  
Director, Office of Legislative Affairs  
Federal Deposit Insurance Corporation

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE  
ISSUED BY THE  
DEPARTMENT OF THE TREASURY,  
OFFICE OF THE COMPTROLLER OF THE CURRENCY;  
FEDERAL RESERVE SYSTEM;  
FEDERAL DEPOSIT INSURANCE CORPORATION  
ENTITLED  
“REGULATORY CAPITAL RULE:  
MONEY MARKET MUTUAL FUND LIQUIDITY FACILITY”  
(RINs: 1557–AE83, 7100–AF79, 3064–AF41)

(i) Cost-benefit analysis

In their submission to us, the Department of the Treasury, Office of the Comptroller of the Currency (OCC); Federal Reserve System; Federal Deposit Insurance Corporation (collectively, the agencies) indicated that they considered preparation of an analysis of the costs and benefits of this final rule to be not applicable.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

According to the agencies, the RFA only applies to rules for which the agency publishes a notice of proposed rulemaking. Because the agencies found good cause to waive notice-and-comment rulemaking, the agencies stated RFA’s requirements are not applicable to this rule. The agencies stated they, nevertheless, still seek comment on whether the interim final rule would substantially impact a significant number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

According to the agencies, the Act does not apply to rules where a general notice of proposed rulemaking was not published. Because the agencies found good cause to waive notice-and-comment rulemaking, they determined the Act’s requirements were not applicable to this interim final rule.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 *et seq.*

The agencies waived notice-and-comment rulemaking for good cause. The agencies determined they had good cause to waive notice-and-comment rulemaking because the spread of COVID-19 has slowed economic activity across many countries, including the United States. According to the agencies, sudden disruptions in financial markets have put increasing liquidity pressure on money market mutual funds (MMFs). The agencies asserted that, given these pressures, MMFs have been faced with redemption requests from clients with immediate cash needs. The agencies stated the MMFs may need to sell a significant number of assets to meet these redemption requests, which could further increase market pressures. With publication of this interim final rule, the agencies also opened a comment period that ends on May 7, 2020.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The agencies determined the interim final rule impacts information collection requests under the Act. The interim final rule impacts the Consolidated Reports of Condition and Income found in FFIEC 031, FFIEC 041, FFIEC 051, and FR Y-9C. These are associated with Office of Management and Budget Control Numbers 1557-0081; 3064-0052; 7100-0036; and 7100-0128. The agencies stated the changes in the interim final rule should result in a zero net change in the burden hours.

Statutory authorization for the rule

The agencies promulgated this interim final rule pursuant to sections 248, 321-338a, 481-486, 1462a, 1467a, 1818, 1828, 1831n, 1831o, 1831p-1, 1831w, 1835, 1844, 1851, 3904, 3906-3909, 4808, 5365, 5368, 5371 and 5371n note of title 12, United States Code.

Executive Order No. 12,866 (Regulatory Planning and Review)

As independent regulatory agencies, the agencies are not subject to the Order.

Executive Order No. 13,132 (Federalism)

As independent regulatory agencies, the agencies are not subject to the Order.