




Federal Reserve Bank of San Francisco

Redacted

| 101 Market Street, San Francisco, CA 94105

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Redacted LFBO DEDICATED SUPERVISORY TEAM LEAD
LARGE INSTITUTIONS SUPERVISION GROUP
SUPERVISION + CREDIT

November 17, 2022

BY SECURE EMAIL

Greg Becker
President & Chief Executive Officer
C/O Ben Jones, Head of Regulatory Affairs
SVB Financial Group
3003 Tasman Drive
Santa Clara, California 95054

Entry Letter: 2023 Horizontal Liquidity Review (HLR)

Dear Mr. Becker:

The Federal Reserve will conduct its annual horizontal review of domestic and foreign-owned large banking organizations (LFBOs) liquidity risk management practices, including internal liquidity stress testing (ILST) assumptions and methodologies, and buffer monetization and composition.¹ The HLR will take place during the weeks of January 3, 2023 through March 10, 2023.

To facilitate the exercise, please provide the items requested in the attachment(s) to this letter electronically via IntraLinks by no later than December 19, 2022. Management's cooperation in providing the requested material in the time frame indicated will assist the supervisory team in concluding the review in a timely manner.

During the HLR, supervisory teams may need to meet with members of management or staff. If a key member of management or staff is unavailable during the review, please provide a

¹ As part of the review, examiners will assess the firm's practices for compliance with the Federal Reserve Board's Regulation YY and WW, and consistency with expectations outlined in SR Letter 10-6, *Interagency Policy Statement on Funding and Liquidity Risk Management*, SR Letter 12-7, *Guidance on Stress Testing for Banking Organizations with Total Consolidated Assets of More Than \$10 Billion*, and SR Letter 12-17, *Consolidated Supervision Framework for Large Financial Institutions*

secondary contact. Feedback will be provided to the firms following the conclusion of the review.

Any questions relating to this correspondence may be directed to Dedicated Supervisory Team Lead **Redacted** and/or Examiner-in-Charge **Redacted** at **Redacted**. Thank you in advance for your cooperation. Please note that this letter contains confidential material and should be treated accordingly by your organization as described in the footnote².

Sincerely,

Redacted

Redacted LFBO Dedicated Supervisory Team Lead

cc: Dan Beck, Chief Financial Officer
Ben Jones, Head of Regulatory Affairs
Redacted, CDFPI
Redacted, FDIC

Enclosure

² THIS DOCUMENT IS STRICTLY CONFIDENTIAL

This document has been prepared by an examiner selected or approved by the Board of Governors of the Federal Reserve System. The document is the property of the Board of Governors and is furnished to directors and management for their confidential use. The document is strictly privileged and confidential under applicable law, and the Board of Governors has forbidden its disclosure in any manner without its permission, except in limited circumstances specified in the law (12 U.S.C 1817(a) and 1831m) and in the regulations of the Board of Governors (12 C.F.R. 261.20). Under no circumstances should the directors, officers, employees, trustees or independent auditors disclose or make public this document or any portion thereof except in accordance with applicable law and the regulations of the Board of Governors. Any unauthorized disclosure of the document may subject the person or persons disclosing or receiving such information to the penalties of Section 641 of the U.S. Criminal Code (18 U.S.C. 641). Each director or trustee, in keeping with his or her responsibilities, should become fully informed regarding the contents of this document. In making this review, it should be noted that this document is not an audit, and should not be considered as such.

Appendix A

Information Request and Logistics

Logistical Information

The examination work will be conducted remotely. All email communication with examiners will need to have the EIC copied. Please be prepared to have the most appropriate staff attend the meetings.

Intralinks Exchange

An Intralinks exchange will be used for this review. We will send an invitation email to you for uploading documents.

IntraLinks can be found here: **Redacted**

IntraLinks Exchange Name: Redacted

Event Folder Name: Redacted

Information Request

The following materials should be submitted to the Reserve Bank electronically no later than December 19, 2022. Please provide the name of the individual(s) responsible for providing and/or responding to questions for each of the requested materials to **Redacted**

. Also, please include a list of the documents provided in response to each request item. The Federal Reserve reserves the right to request additional supporting materials, where necessary. If requested, such materials must be provided to the Federal Reserve in a timely manner.

If any information has already been submitted to the Reserve Bank through the continuous supervision process, please reference the document(s) and submission date; there is no need to resubmit the document(s). Additionally, please reference document(s) that may address multiple items on the list.

The requested items noted in this letter should be uploaded to IntraLinks in a manner consistent with this letter. For example: [Item #1.1 – 1.3] should be uploaded to the IntraLinks folder labeled “Objective 1.”

Additional Note: Please submit documents in either “read only” for editable file formats (e.g. doc or xls) or in non-editable file formats (e.g., pdf, tif, jpg), and do not include zip files.

Objective 1 – MRA Remediation

N/A - The firm does not have any outstanding supervisory findings from prior HLRs.

Objective 2 – Internal Liquidity Stress Testing (ILST)

Item #	Objective 2 – Information Request
	ILST Summary Template
2.1	Completed “BHC/IHC” tab of the 2023 LFBO HLR ILST Summary Template - XLS as of 9/30/22 and 10/31/22.
2.2	Liquidity stress testing results (in Excel format with formulas, if available) including a full list of scenario descriptions, assumptions, and underlying calculations as of 9/30/22 and 10/31/22.
	Governance & Oversight
2.3	The firm’s most recent liquidity stress testing policy, procedures and/or framework documents and any draft policy, procedures and framework documents pending approval. The submission should include details on: <ul style="list-style-type: none"> a) stress scenarios and assumptions used in the liquidity stress testing framework; b) supporting documentation for the inflow, outflow, and haircut assumptions used in the liquidity stress testing calculations; c) requirements for inclusion of assets into liquidity buffer; d) frequency of firm’s liquidity stress testing and review/update of assumptions; e) governance/approval process around assumption changes.
2.4	List of any material changes which have occurred over the prior year, or currently pending approval, to the firm’s ILST framework, especially regarding stress scenarios and assumptions and the rationale for such changes. As appropriate, indicate whether the firm is planning to make any changes to the ILST framework in 2023; if so, please describe.
2.5	Management committee meeting (i.e., ALCO or Risk Management Committee) packages and minutes that includes the liquidity stress testing results and MIS used to inform the committee members for last 12 months through October 31, 2022.
2.6	Most recent reports produced by internal audit or independent risk function where the firm’s stress testing was reviewed.
	Stress Testing Framework
2.7	A detailed qualitative and quantitative description of how the firm’s internal liquidity stress testing results are used to determine the size and composition of the liquidity buffer.

2.8	Reconciliation (if performed) of the firm's starting position for liquidity stress testing as of September 30, 2022 and October 31, 2022 with variance analysis commentary.
2.9	A detailed description of how the firm incorporates "trapped liquidity" within ILST. If trapped liquidity is considered immaterial given the organizational structure or for other reasons, please note such and provide a description of stress testing practices for the Holding Company as well as any corresponding limits.
	Assumptions
2.10	The firm's most recent policy/framework and/or any draft policy/framework pending approval that documents and provides support for the firm's methodology for determining deposit segmentation.
2.11	Any supporting documentation related to wholesale funding ILST assumptions not included within responses to item(s) # 2.3 – 2.9.
2.12	Any supporting documentation related to secured funding ILST assumptions not included within responses to item(s) # 2.3 – 2.9.
2.13	Any supporting documentation related to unfunded commitment ILST assumptions not included within responses to item(s) # 2.3 – 2.9.
2.14	Any supporting documentation related to intraday liquidity ILST assumptions not included within responses to item(s) # 2.3 – 2.9.
2.15	Any supporting documentation related to cash inflow ILST assumptions not included within responses to item(s) # 2.3 – 2.9.

Objective 3 – Cash Flow Projections

N/A - firm not in-scope for this workstream

Objective 4 – Buffer Monetization and Composition

Item #	Objective 4 – Information Request
	Buffer Composition
4.1	Policies and procedures related to buffer asset requirements, HLA/HQLA asset allocation and diversification requirements, concentration limits, and haircuts pursuant to Reg YY §252.35(b)(3), §252.157(c)(7) and 12 CFR 249.22(a)(4).
4.2	Detailed buffer segmentation by product type within each HLA/HQLA level 1, 2A and 2B category at consolidated level as of 9/30/22 and 10/30/22, for each ILST scenario. Include dollar amount, maturity, legal entity where the asset is held, asset class type, issuer, currency, market value, and haircut details. Please indicate if the assets are categorized as AFS or HTM.
4.3	Describe significant changes, if any, to buffer products (volume and composition) over the last two years and the rationale driving these changes.

4.4	For HLA/HQLA securities, provide policies and procedures defining qualifying and non-qualifying HQLA investments, investment limits and strategies.
4.5	Identify buffer assets that are pledged as of 9/30/22.
	Buffer Monetization
4.6	Policies and procedures related to buffer monetization requirements pursuant to Regulation YY §252.35(b)(3)(IV)(B), §252.157(c)(7)(IV)(B) and 12 CFR 249.22(a)(4) and 12 CFR 249.22(a)(1) and SR 10-6 Interagency Policy Statement on Funding and Liquidity Risk Management.
4.7	Provide any analysis used to assess the market's depth and ability to absorb the expected monetization of each asset class and channels.
4.8	Describe the firm's process to periodically monetize a sample of HLA/HQLA. Provide details on the monetization methodology and rationale for choosing one method over another (sale vs. repo, granularity/frequency/sample size threshold/reporting, channels, counterparties, haircuts, and other assumptions).
4.9	Provide a detailed listing of buffer assets monetized during the past 12 months ending 9/30/2022 and include the following details: sale or repo, date monetized, asset class monetized, legal entity and account where HQLA/HLA was held, haircut used.
4.10	Describe and quantify the notional for each channel used for repo monetization (i.e., number of counterparties and any limits associated). Please identify the type of channel used (i.e., blind and counterparty-facing General Collateral Facility, tri-party, and bilateral repos). For bilateral monetization channels, provide more detailed listing of approved counterparties, notional amounts and any additional information available. a) Provide any MIS used to monitor the repo borrowing capacity.
4.11	Describe the assumptions the firm uses when monetizing HTM securities vs AFS securities.
4.12	Identify securities used to collateralize intraday credit as eligible HQLA/HLA and provide details, if applicable.
4.13	Provide the most recent audits and independent review function reviews covering the firm's assessment of buffer composition and monetization and any gap assessments indicating areas of (mis)alignment between the firm's HLA/HQLA buffer and monetization practices and Reg. YY/Reg. WW and /or SR Letter 10-6.
	Contingency Preparedness
4.14	Provide the most recent CFP for the consolidated organization and, if applicable, legal entities updated for the most current contingent sources of liquidity and procedures to test them.
4.15	Provide the firm's analysis of available and alternative funding sources and results/conclusions from operational/monetization testing conducted in the last 24 months. Include support in the submission.

4.16	Provide the most recent audits and independent function reviews covering the firm’s assessment of contingency preparedness as well as any gap assessments indicating areas of (mis)alignment between the firm’s contingency testing/preparedness and Reg. YY and /or SR Letter 10-6.
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Objective 5 – FBO Branches

N/A - firm not in-scope for this workstream