

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

February 27, 2014

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

Federal Reserve Board Approves Final Rule Strengthening Supervision and Regulation of Large U.S. Bank Holding Companies and Foreign Banking Organizations

On Tuesday, February 18, 2014, the Federal Reserve Board [approved a final rule](#) strengthening supervision and regulation of large U.S. bank holding companies and foreign banking organizations.

The final rule establishes a number of enhanced prudential standards for large U.S. bank holding companies and foreign banking organizations to help increase the resiliency of their operations. These standards include liquidity, risk management, and capital. It also requires a foreign banking organization with a significant U.S. presence to establish an intermediate holding company over its U.S. subsidiaries, which will facilitate consistent supervision and regulation of the U.S. operations of the foreign bank. The final rule was required by section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

For U.S. bank holding companies with total consolidated assets of \$50 billion or more, the final rule incorporates the previously issued capital planning and stress testing requirements as an enhanced prudential standard. It also requires such a U.S. bank holding company to comply with enhanced risk-management and liquidity risk-management standards, conduct liquidity stress tests, and hold a buffer of highly liquid assets based on projected funding needs during a 30-day stress event. These requirements will help ensure that these firms can continue to lend to households and businesses even in times of financial stress. In addition, the final rule requires publicly traded U.S. bank holding companies with total consolidated assets of \$10 billion or more to establish enterprise-wide risk committees. The new requirements for U.S. bank holding companies complement the stress testing and resolution planning requirements for large bank holding companies that the Board previously finalized.

The final rule will not apply to nonbank financial companies that are designated by the Financial Stability Oversight Council for Federal Reserve supervision. Instead, the Federal Reserve Board said it will apply enhanced prudential standards to these institutions through a subsequently issued order or rule following an evaluation of the business model, capital structure, and risk profile of each designated nonbank financial company. In addition, the final rule does not implement single-counterparty credit limits or early remediation requirements for U.S. or foreign banking organizations, which will be implemented at a later date following further study.

For foreign financial institutions, the final rule recognizes that the U.S. operations of foreign banking organizations have become more complex, interconnected, and concentrated in recent years. The requirements in the final rule will bolster the capital and liquidity positions of the U.S. operations of foreign banking organizations and promote a level playing field among all banking firms operating in the United States. Foreign banking organizations with U.S. non-branch assets of \$50 billion or more will be required to establish a U.S. intermediate holding company over their U.S. subsidiaries. The foreign-owned U.S. intermediate holding company generally will be subject to the same risk-based and leverage capital standards applicable to U.S. bank holding companies. The intermediate holding companies also will be subject to the Federal Reserve's rules requiring regular capital plans and stress tests.

Like U.S. bank holding companies with assets of \$50 billion or more, a foreign banking organization with combined U.S. assets of \$50 billion or more will be required to establish a U.S. risk committee and employ a U.S. chief risk officer to help ensure that the foreign bank understands and manages the risks of its combined U.S. operations. In addition, these foreign banking organizations will be required to meet enhanced liquidity risk-management standards, conduct liquidity stress tests, and hold a buffer of highly liquid assets based on projected funding needs during a 30-day stress event. Foreign banking organizations with total consolidated assets of \$50 billion or more, but combined U.S. assets of less than \$50 billion, are subject to enhanced prudential standards. However, the capital, liquidity, risk-management, and stress testing requirements applicable to these foreign banking organizations are substantially less than those applicable to foreign banking organizations with a larger U.S. presence. In addition, the final rule implements stress testing requirements for foreign banking organizations with total consolidated assets of more than \$10 billion and risk committee requirements for foreign banking organizations that meet the asset threshold and are publicly traded.

The final rule extends the initial compliance date for foreign banking organizations to July 1, 2016. The final rule also generally defers application of the leverage ratio to foreign-owned U.S. intermediate holding companies until 2018.

U.S. bank holding companies subject to the rule will need to comply by January 1, 2015.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking-supervision/publications/district-circular-letters/>.

For additional information, please contact:

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Attachments:

[Statement by Chair Janet L. Yellen](#)

[Statement by Gov. Daniel K. Tarullo](#)

[Final Rule \(PDF\)](#)