BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date: April 1, 2019

To: Board of Governors

From: Vice Chair for Supervision Quarles

Subject: Notices of proposed rulemaking to align prudential standards for foreign banking organizations with those proposed for domestic banking organizations and to amend resolution planning requirements

Attached are a memorandum to the Board and two draft notices of proposed rulemaking that would revise the prudential standards applicable to foreign banking organizations based on their U.S. risk profiles. The first draft notice is a Board-only proposal that would revise the framework for application of prudential standards to foreign banking organizations. The second draft notice, which would be issued jointly with the Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation (FDIC), is a proposal that would (i) modify the application of capital and liquidity requirements to the U.S. operations of a foreign banking organization, and (ii) modify the application of standardized liquidity requirements to certain U.S. depository institution holding companies with $50 billion or more in weighted short-term wholesale funding. The interagency proposal would also request comment on whether the Board should impose standardized liquidity requirements on foreign banking organizations with respect to their U.S. branches and agencies, including possible approaches for doing so.

Also attached are a memorandum to the Board and a draft notice of proposed rulemaking that would revise the regulation[1] implementing the resolution planning requirements of section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which would be issued jointly by the Board and the FDIC. The resolution plan proposal builds on the Board's tailoring of its rules and experience implementing those rules, and accounts for changes to application of the resolution planning requirement made by the Economic Growth, Regulatory Relief, and Consumer Protection Act.

I have reviewed the proposals and believe they are ready for the Board's consideration.

[1] 12 CFR pt. 243 (Board); 12 CFR pt. 381 (FDIC).

Date: April 1, 2019

To: Board of Governors

From: Staff[2]

Subject: Notices of proposed rulemaking to align prudential standards for foreign banking organizations with those proposed for domestic banking organizations

ACTIONS REQUESTED: Approval of the two attached draft notices of proposed rulemaking that would revise the prudential standards applicable to foreign banking organizations based on their U.S. risk profiles. Specifically, the two draft notices are: (1) a Board-only proposal to revise the framework for application of prudential standards to foreign banking organizations, and (2) a joint proposal, to be issued with the Office of the Comptroller of the Currency (OCC) and Federal Deposit Insurance Corporation (FDIC, and, together with the Board and the OCC, the agencies), that would (i) modify the application of capital and liquidity requirements to the U.S. operations of a foreign banking organization, and (ii) modify the application of standardized liquidity requirements to certain U.S. depository institution holding companies with $50 billion or more in weighted short-term wholesale funding (interagency proposal). The proposals would include related reporting changes. The interagency proposal would also request comment on whether the Board should impose standardized liquidity requirements on foreign banking organizations with respect to their U.S. branches and agencies, including possible approaches for doing so. Staff also requests authority to make technical, non-substantive changes to the attached materials prior to publication in the *Federal Register*.

[2] Michael Gibson, Mary Aiken, Anna Lee Hewko, Molly Mahar, Rick Naylor, Constance Horsley, Christine Graham, Elizabeth MacDonald, Celeste Molleur, Brian Chernoff, J. Kevin Littler, Peter Stoffelen, Mark Handzlik, Matthew McQueeney, Christopher Powell, and Hillel Kipnis (Division of Supervision and Regulation); and Mark Van Der Weide, Laurie Schaffer, Ben McDonough, Asad Kudiya, Jason Shafer, Mary Watkins, Josh Strazanac, and Alyssa O'Connor (Legal Division).

EXECUTIVE SUMMARY:

- Foreign banking organizations conduct business in the United States through branches, agencies, and subsidiaries. These firms serve as an important source of credit to U.S. households and businesses and contribute materially to the strength and liquidity of U.S. financial markets. They also tend to rely substantially on U.S. dollar-denominated short-term wholesale funding and can be more complex, which can present heightened risks to safety and soundness and U.S. financial stability.

- Following the financial crisis, the Board enhanced the regulatory framework for large foreign banking organizations to increase their resiliency and lessen the risks they pose to U.S. financial stability.

    - The Board required foreign banking organizations with large U.S. subsidiary operations to organize their non-branch subsidiaries under an intermediate holding company (IHC). The Board also established enhanced U.S. capital, liquidity, credit concentration, and risk management requirements for the U.S. operations of foreign banking organizations with large U.S. presences.

    - These reforms have resulted in substantial gains in the resiliency of the U.S. operations of foreign banking organizations and the financial system as a whole. Since the adoption of these enhanced requirements, the U.S. operations of foreign banking organizations have become less fragmented, maintain capital and liquidity in the United States based on the risk of their U.S. activities, and are regulated and supervised more consistently with their domestic peers.

- In October 2018, the Board invited comment on a tailoring package for large domestic firms (the domestic tailoring proposal). The proposed adjustments to the regulatory framework for large domestic firms seek to better align prudential standards with the risk of those firms.

- The proposals before the Board would use similar tailoring categories for foreign banking organizations as were proposed for large domestic firms. This reflects the principles of national treatment and equality of competitive opportunity for foreign banks operating in host jurisdictions.

- The proposals' three categories of standards reflect the risk profile of a foreign banking organization's U.S. operations.[3]

    - Category II: Foreign banking organizations with U.S. operations of global scale—those with very significant size ($700 billion or more in combined U.S. assets) or

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[3] Capital standards would apply based on the risk profile of a foreign banking organization's IHC because branches and agencies are not capitalized separately from the parent banking organization.

cross-jurisdictional activity ($75 billion or more)—would be subject to stringent prudential standards (including standards based on global standards developed by the Basel Committee on Banking Supervision).

  - Category III: Foreign banking organizations with $250 billion or more in combined U.S. assets, or foreign banking organizations with $100 billion to $250 billion in combined U.S. assets that meet one or more risk-based thresholds, would be subject to prudential standards that align with the risk profile of these firms.

  - Category IV: Foreign banking organizations with $100 billion to $250 billion in combined U.S. assets that do not meet a risk-based threshold for more stringent standards would be subject to reduced capital, liquidity, and risk management requirements that reflect their more limited risk profile.

- As part of these standards, the proposals would require certain foreign banking organizations to comply with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements for their IHCs.

  - Specifically, LCR and NSFR requirements would apply to all foreign banking organizations subject to Category II or Category III liquidity standards and to foreign banking organizations subject to Category IV liquidity standards with elevated short-term wholesale funding. The proposals would also amend the domestic tailoring proposal to apply a similar requirement to large domestic holding companies with elevated short-term wholesale funding.

- In the interagency proposal, the Board would also request comment on whether it should impose standardized liquidity requirements on such foreign banking organizations with respect to their U.S. branches and agencies, including possible approaches for doing so. Any potential approach would require proposal through a separate notice and comment rulemaking before becoming effective.

- The proposals generally would continue to focus on the risk profile of the U.S. operations of a foreign banking organization, rather than its global footprint, to determine the stringency of standards. The proposals would not modify the threshold that requires a foreign banking organization to form an IHC.

- For the IHCs of foreign banking organizations that would be subject to Category III capital standards, staff expects the proposals to lower capital requirements by between $2 to $3 billion, or 0.5 to 0.6 percent of total risk-weighted assets among these firms, under current conditions. The proposals would not modify regulatory capital requirements for the IHCs of foreign banking organizations subject to other categories. The proposals would also reduce compliance costs related to stress testing for IHCs of foreign banking organizations subject to Category III or IV capital standards. The proposed changes to the single-counterparty credit limits framework could increase or reduce compliance costs for IHCs depending on the risk profiles of the U.S. operations of their parent foreign banking organizations.

- The proposed changes to liquidity requirements would represent, in the aggregate, an increase of between 0.5 percent to 4 percent in total liquidity requirements for the IHCs of foreign banking organizations, depending on the data on cross-jurisdictional activity[4] and on the level of the reduced LCR. Staff estimates that most or all firms currently hold sufficient liquid assets to meet the proposed standardized liquidity requirements; the requirements would help ensure that foreign banking organizations maintain sufficient liquid assets within their IHCs under a range of stress assumptions and sustain the safety and soundness of the U.S. operations of foreign banking organizations. The proposed changes to liquidity risk management requirements and to the required frequency of internal liquidity stress testing would reduce compliance costs for affected firms.

DISCUSSION:

A. Background

The Board is responsible for the supervision and regulation of the U.S. operations of foreign banking organizations. U.S. law permits foreign banking organizations to operate in the United States through a variety of structures—some foreign banking organizations conduct U.S. banking activities directly through a U.S. branch or agency,[5] while others conduct U.S. banking activities through a U.S. insured depository institution. In addition, many foreign banking organizations conduct a range of nonbank activities through separately incorporated U.S. subsidiaries. The graphic in Appendix A of this memorandum provides an example of the structure of a large foreign banking organization.

While foreign banking organizations are permitted to engage in a wide range of activities, their U.S. branches have limited access to retail deposits and, as a result, rely more heavily on

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[4] Foreign banking organizations do not currently report all of the data for the measure of cross-jurisdictional activity and, accordingly, staff is providing a range of potential impact.

[5] An agency is place of business of a foreign bank, located in any state, at which credit balances are maintained, checks are paid, money is lent, or, to the extent not prohibited by state or federal law, deposits are accepted from a person or entity that is not a citizen or resident of the United States. A branch is a place of business of a foreign bank, located in any state, at which deposits are received and that is not an agency. See 12 CFR 211.21(b) and (e).

less-stable U.S. dollar-denominated wholesale funding. In addition, foreign banking organizations engage significantly in complex capital markets activities in their U.S. subsidiaries, which may involve a broader range of risks than those associated with traditional banking activities.

The financial crisis revealed that both U.S. and foreign banking organizations had grown so large, leveraged, and interconnected in the United States that their distress could pose a threat to overall U.S. financial stability. To address these risks, Congress directed the Board to establish enhanced prudential standards for large U.S. and foreign banking organizations under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).[6] Section 165 of the Dodd-Frank Act applies to a U.S. or foreign banking organization based on its total consolidated assets.

In 2014, the Board adopted enhanced prudential standards for both large U.S. and foreign banking organizations.[7] Consistent with section 165, the Board established enhanced prudential standards based on the global footprint of a foreign banking organization and calibrated the stringency of those requirements based on the size of the foreign banking organization's U.S. operations.

The Board's enhanced prudential standards rule also included a new structural standard—the IHC requirement—for foreign banking organizations with large U.S. subsidiary operations. An IHC includes a foreign firm's U.S. subsidiaries, and an IHC is subject generally to the same

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[6] 12 U.S.C. 5365.

[7] Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations, 79 Fed. Reg. 17239 (March 27, 2014).

capital and stress testing requirements as a similarly situated domestic bank holding company. The Board did not apply the capital and stress testing requirements to U.S. branches and agencies of foreign banking organizations, as these branches and agencies do not maintain regulatory capital separately from their parent foreign banking organization. Other prudential standards (such as risk management and liquidity standards) apply across the U.S. operations of a foreign banking organization.

Post-crisis financial regulations have resulted in substantial gains in resiliency for individual firms and the U.S. financial system as a whole. Foreign banking organizations' U.S. operations have become less fragmented, maintain capital and liquidity in the United States based on the risk of their U.S. activities, and are regulated and supervised more consistently with their domestic peers.

Enacted on May 24, 2018, the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA)[8] raised the threshold for application of enhanced prudential standards under section 165 of the Dodd-Frank Act.[9] In accordance with EGRRCPA, and consistent with the Board's ongoing evaluation and refinement of its regulations and supervisory programs, the domestic tailoring proposal would establish a framework for applying prudential standards to large domestic holding companies, taking into consideration specific risk factors to better match prudential standards to risk.[10]

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[8] Pub. L. No. 115-174, 132 Stat. 1296 (2018).

[9] See 12 U.S.C. 5365.

[10] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies, 83 Fed. Reg. 61408 (Nov. 29, 2018).

The proposals for foreign banking organizations would further these goals by establishing a revised framework for applying prudential standards to foreign banking organizations based on the risk profile of a foreign banking organization's U.S. operations. The proposals are based on similar considerations as the domestic tailoring proposal and reflect the principles of national treatment and equality of competitive opportunity.[11]

B. Revised Framework of Prudential Standards

As discussed above, the thresholds for application of section 165 of the Dodd-Frank Act, as amended by EGRRCPA, apply to foreign banking organizations based on total global consolidated assets. In applying section 165 to foreign banking organizations, the Board has tailored enhanced prudential standards based on the risk profile of a foreign banking organization's U.S operations. The proposals would continue this approach and further align enhanced prudential standards to risks presented to U.S. financial stability as well as to the safety and soundness of a foreign banking organization's U.S. operations. Because U.S. branches and agencies do not maintain regulatory capital separately from their parent foreign banking organization, capital standards would be based solely on the risk profile of any IHC.

For foreign banking organizations with substantial U.S. presence, the proposals would establish the following three categories of standards:

- Category II: Foreign banking organizations with U.S. operations of global scale—those with very significant size ($700 billion or more in combined U.S. assets) or cross-jurisdictional activity ($75 billion or more)—would be subject to stringent

[11] The Dodd-Frank Act requires the Board to give due regard to national treatment and equality of competitive opportunity, which generally means that foreign banking organizations operating in the United States should be treated no less favorably than similarly situated U.S. banking organizations.

prudential standards (including standards based on global standards developed by the Basel Committee on Banking Supervision).

- Category III: Foreign banking organizations with $250 billion or more in combined U.S. assets, or firms with at least $100 billion in combined U.S. assets that exceed certain risk thresholds, would be subject to prudential standards that align with the risk profile of these firms.

- Category IV: Foreign banking organizations with $100 billion to $250 billion in combined U.S. assets that do not meet a risk-based threshold for more stringent standards would be subject to reduced capital, stress testing, liquidity, and risk management requirements that reflect their more modest risk profile.

The domestic tailoring proposals included an additional category of standards – Category I – that would apply to U.S. global systemically important bank holding companies (GSIBs). Because the U.S. operations of a foreign banking organization cannot be identified as a U.S. GSIB, the proposals would not include this category. The proposals request comment on whether standards that are more stringent than Category II standards should apply to a foreign banking organization's U.S. operations.

For foreign banking organizations with a limited U.S. presence, the proposals would raise the global asset thresholds consistent with amendments made by EGRRCPA and continue to rely on compliance with comparable home-country standards. The proposals would maintain the current requirement for a foreign banking organization with $50 billion or more in U.S. non-branch assets to form an IHC.

To determine the appropriate set of standards for a given firm, the proposals would use indicators and thresholds consistent with those that would apply under the domestic tailoring proposal, based on size, cross-jurisdictional activity, reliance on short-term wholesale funding, nonbank assets, and off-balance sheet exposure. Each of these indicators reflects both safety and soundness and financial stability risks.

- Size. A U.S. asset size threshold would reflect the relationship between the size of a foreign banking organization's U.S. presence and the impact of its failure or distress on U.S. financial stability. Foreign banking organizations with a large U.S. presence also face safety and soundness risks associated with greater managerial and operational complexity.
- Cross-jurisdictional activity. Cross-jurisdictional activity can affect both the complexity and resolvability of the U.S. operations of a foreign banking organization. In particular, foreign operations and cross-border positions add operational complexity in normal times and complicate the ability of a firm to undergo an orderly resolution in times of stress, generating both safety and soundness and financial stability risks. The proposals would measure cross-jurisdictional activity as the sum of the cross-jurisdictional assets and liabilities of the combined U.S. operations or IHC of a foreign banking organization. To reflect the structural differences between foreign banking organizations' operations in the United States and domestic holding companies, the proposal would exclude from the measure of cross-jurisdictional activity cross-jurisdictional liabilities to non-U.S. affiliates and cross-jurisdictional claims on non-U.S. affiliates to the extent that these claims are secured by eligible financial collateral. The proposals also would request comment on alternative approaches for measuring cross-jurisdictional activity associated with transactions with non-U.S. affiliates, as well as on other refinements to the measure of cross-jurisdictional activity.
- Weighted short-term wholesale funding. Reliance on short-term, uninsured funding from more sophisticated counterparties can make the U.S. operations of a foreign banking organization vulnerable to large-scale funding runs. In addition, banking organizations

that fund long-term assets with short-term liabilities from financial intermediaries may need to rapidly sell less liquid assets to meet withdrawals and maintain their operations in a time of stress, which they may be able to do only at "fire sale" prices. Such asset fire sales can cause rapid deterioration in a firm's financial condition and negatively affect broader financial stability by driving down asset prices across the market.

- Nonbank assets. The level of U.S. nonbank assets provides a measure of business and operational complexity in the United States. Nonbank activities may involve a broader range of risks than those associated with traditional banking activities, can increase interconnectedness with other financial firms, and may be more susceptible to sudden losses and liquidity runs. In addition, nonbank assets reflect the degree to which a firm may be engaged in activities through legal entities that are not subject to the direct regulation and supervision applicable to a regulated banking entity.
- Off-balance sheet exposure. Off-balance sheet exposure reflects risks of a firm that are not included on its balance sheet, including relating to derivatives, securities borrowing and lending, and committed extensions of credit. Firms with significant off-balance sheet exposure may have to fund these positions in the market in a time of stress, which can put a strain on both capital and liquidity. In addition, because draws on off-balance sheet exposures such as committed credit and liquidity facilities tend to increase in times of stress, they can exacerbate the effects of stress on a banking organization and the financial system more broadly.

The proposals would set a threshold of $75 billion for each of the indicators other than size to determine the category of standards that applies to a foreign banking organization.[12] A threshold of $75 billion would represent a very significant level relative to the size of a foreign banking organization's U.S. operations—for example, $75 billion is between 30 and 75 percent of the total U.S. assets of a foreign banking organization with $100 billion to $250 billion in combined U.S. assets.

Appendix B summarizes notable proposed prudential standards for each category, and Appendix C shows the projected set of foreign banking organizations that would be subject to the proposals and estimates the categories of standards that would apply to them.[13]

As an alternative to this thresholds-based approach, the proposals request comment on use of a scoring methodology based on the GSIB identification methodology to determine the applicable category of standards for the U.S. operations and IHCs of foreign banking organizations. This alternative is described in section II.B.3 of the preamble to the Board-only proposal and section III.B.3 of the preamble to the interagency proposal. The proposals request comment on ranges for potential cutoffs of scores for Categories II-IV and invite comment on the methodology.

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[12] As discussed below, the proposals also would establish a $50 billion threshold for the application of standardized liquidity requirements to domestic and foreign banking organizations subject to Category IV standards.

[13] In addition to proposed changes to regulations, the Board-only proposal includes changes to related reporting forms and instructions.

C. Standardized Liquidity Requirements for Foreign Banking Organizations

The proposals would tailor the application of standardized liquidity requirements to foreign banking organizations based on the risk profile of a foreign banking organization's U.S. operations. Specifically, the proposals would require certain foreign banking organizations to comply with LCR and NSFR requirements for their IHCs. The proposals would also request comment on whether the Board should impose standardized liquidity requirements on a foreign banking organization with respect to its U.S. branch and agency network, including possible approaches for doing so.

Consistent with the domestic tailoring proposal, the standardized liquidity requirements for foreign banking organizations would increase in stringency based on the risk-based indicators described above, including the level of the weighted short-term wholesale funding of a foreign banking organization's U.S. operations. For example, the proposals would apply full LCR and NSFR requirements to foreign banking organizations that are subject to Category II standards and to foreign banking organizations that are subject to Category III standards and have $75 billion or more in weighted short-term wholesale funding. Reduced LCR and NSFR requirements would apply to foreign banking organizations subject to Category III standards that have less than $75 billion in weighted short-term wholesale funding. Reduced LCR and NSFR requirements would also apply to foreign banking organizations subject to Category IV standards that have weighted short-term wholesale funding of $50 billion or more.

Currently, an IHC of a foreign banking organization may be subject to the LCR rule or NSFR proposed rule only if it is a depository institution holding company that meets the applicability criteria. Under the proposal, all IHCs of foreign banking organizations that meet the applicability criteria would be included.

While the standardized liquidity requirements discussed above would address liquidity risks at the significant U.S. subsidiary operations of a foreign banking organization, liquidity vulnerabilities could still arise at the U.S. branches and agencies of a foreign banking organization, which could generate significant risks in the United States. Accordingly, the proposals would request comment on whether the Board should impose standardized liquidity requirements on foreign banking organizations with respect to their U.S. branches and agencies, including potential approaches for doing so. Any potential approach would require proposal through a separate rulemaking before becoming effective. The first approach would apply an LCR-based requirement to a foreign banking organization with respect to its U.S. branches and agencies in the aggregate. Such an approach would require a foreign banking organization to maintain an amount of liquid assets based on projected net outflows in stress conditions. The second approach would apply a simplified requirement based on the total asset size of a foreign banking organization's U.S. branches and agencies. The proposals would also solicit comment on other, alternative approaches. Because U.S. branches and agencies are part of a larger global bank and play an important role in ensuring that foreign banking organizations can meet their global dollar needs, the proposals include a request for comment on how standardized liquidity requirements should be adjusted to reflect these factors.

D. Additional Category IV Liquidity Tailoring for Domestic and Foreign Banking Organizations

The domestic tailoring proposal would not have included LCR and proposed NSFR requirements for domestic holding companies subject to Category IV standards, based on an assessment that these firms generally have more traditional balance sheet structures, are largely funded by stable retail deposits, and have less reliance on less stable short-term wholesale funding.

In developing the proposals for foreign banking organizations, however, staff observed that some firms that meet the criteria for Category IV standards could potentially have a heightened liquidity risk profile. For example, such firms may not be funded by stable deposits and may have material reliance on less stable short-term wholesale funding, but otherwise have a lesser liquidity risk profile than firms subject to Category III standards. To ensure that standardized liquidity requirements apply to all firms with heightened liquidity risks, the proposals include additional liquidity requirements that were not included in the domestic tailoring proposal for firms subject to Category IV standards.[14] The proposed requirements would apply consistently to both foreign banking organizations and domestic holding companies, although no domestic holding companies currently meet these additional criteria.

Specifically, the proposals would apply LCR and proposed NSFR requirements between 70 and 85 percent of the full requirements to domestic and foreign banking organizations subject to Category IV standards with $50 billion or more in weighted short-term wholesale funding.[15] These LCR and proposed NSFR requirements would apply to the parent U.S. depository institution holding company or IHC, as applicable, and would not apply to any subsidiary depository institutions.

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[14] The proposals also would make several clarifying revisions and technical changes to the domestic tailoring proposal relating to the Board's standardized liquidity requirements, internal liquidity stress testing requirements, capital rule, and GSIB surcharge rule.

[15] For foreign banking organizations, $50 billion in short-term wholesale funding would be measured based on combined U.S. assets.

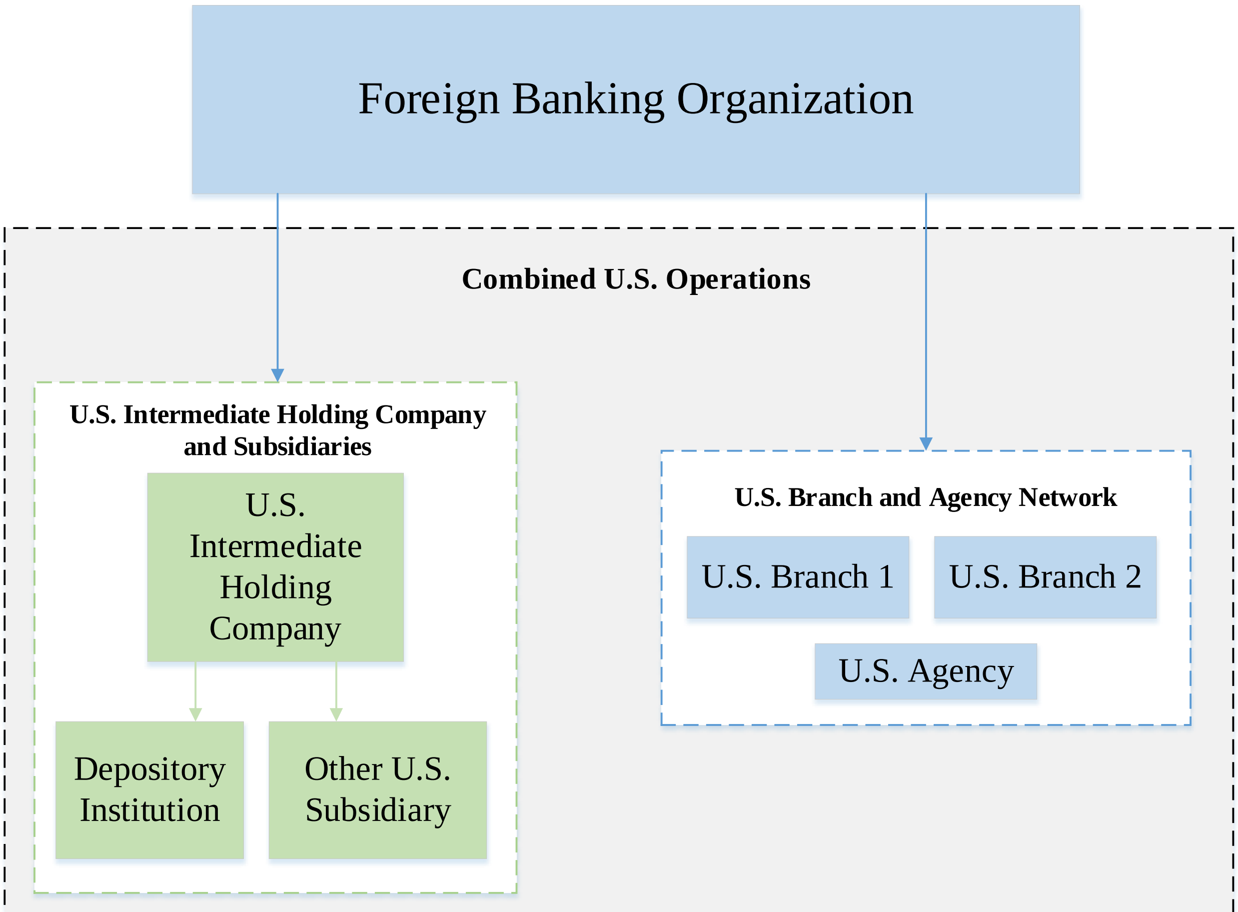
For a banking organization subject to Category IV standards, $50 billion or more in weighted short-term wholesale funding would be significant relative to the firm's total assets. Such banking organizations do not have a traditional balance sheet structure, rely less on funding from stable deposits, and have material reliance on less stable wholesale funding. Domestic and foreign banking organizations with less than $50 billion in weighted short-term wholesale funding would not be subject to an LCR or proposed NSFR requirement.

RECOMMENDATIONS:

For the reasons discussed above, staff recommends that the Board approve the attached draft notices of proposed rulemaking. Staff also recommends that the Board authorize staff to make technical, non-substantive changes to the attached materials prior to publication.

Attachments

Appendix A: Illustration of a Foreign Banking Organization's Structure (Simplified Example)



Appendix B: Proposed Requirements and Estimated Firm Categories

Proposed Capital and Other Requirements for Foreign Banking Organizations (FBOs)*

	Category II ≥ $700b U.S. assets or ≥ $75b in cross-jurisdictional activity	**Category III** ≥ $250b U.S assets or ≥ $75b in nonbank assets, wSTWF, or off-balance sheet exposure	**Category IV** Other firms with $100b to $250b U.S assets	**FBOs with $50b-$100b U.S. assets** ≥ $100b global assets and $50b to $100b U.S. assets
IHC	**U.S. IHC requirement**	**U.S. IHC requirement**	**U.S. IHC requirement**	**U.S. IHC requirement**
Capital (IHC)	**Stress testing** • CCAR (annual) • Annual company-run stress testing • Annual supervisory stress testing • Annual capital plan submission	**Stress testing** • CCAR (annual) • Company-run stress testing (two-year cycle) • Annual supervisory stress testing • Annual capital plan submission	**Stress testing** • CCAR (two-year cycle) • Supervisory stress testing (two-year cycle) • Annual capital plan submission	
	Risk-based capital • Countercyclical Buffer • No opt-out of AOCI capital impact	**Risk-based capital** • Countercyclical Buffer • Allow opt-out of AOCI capital impact	**Risk-based capital** • Allow opt-out of AOCI capital impact	**Risk-based capital** • Allow opt-out of AOCI capital impact
	Leverage capital • Supplementary leverage ratio	**Leverage capital** • Supplementary leverage ratio	**Leverage capital**	**Leverage capital**
Other (combined U.S. operations)	**Single-counterparty credit limits (SCCL)** • Meet home country SCCL consistent with Basel • IHC-level SCCL	**SCCL** • Meet home country SCCL consistent with Basel • IHC-level SCCL	**SCCL** • Meet home country SCCL consistent with Basel if global assets ≥ $250b	**SCCL** • Meet home country SCCL consistent with Basel if global assets ≥ $250b
	Risk management • U.S. risk committee and chief risk officer	**Risk management** • U.S. risk committee and chief risk officer	**Risk management** • U.S. risk committee and chief risk officer	**Risk management** • U.S. risk committee and chief risk officer

* For IHC and capital standards, "U.S. assets" refers to U.S. non-branch assets. For other standards, "U.S. assets" refers to combined U.S. assets, including U.S. subsidiaries, branches, and agencies. FBOs with limited U.S. presence and global assets of $100 billion or more would be subject to certain minimum standards.

Glossary: wSTWF – weighted short-term wholesale funding; IHC – intermediate holding company; AOCI – accumulated other comprehensive income; CCAR – Comprehensive Capital Analysis and Review.

Proposed Liquidity Requirements for Foreign Banking Organizations (FBOs)

	Category II or ≥ $75b in wSTWF	Category III with < $75b in wSTWF	Category IV	FBOs with $50b-$100b U.S. assets and ≥ $250b global assets
Liquidity	**Standardized** • Full daily LCR and NSFR (100%) – **IHC**	**Standardized** • Reduced daily LCR and NSFR (70-85%) – **IHC**	**Standardized** • If wSTWF < $50b: No LCR or NSFR • if wSTWF ≥ $50b: o Reduced monthly LCR and NSFR (70-85%) – **IHC**	
	Reporting • Report FR 2052a daily	**Reporting** • Report FR 2052a monthly	**Reporting** • Report FR 2052a monthly	
	Firm-specific • Liquidity stress tests (monthly) • Liquidity risk management	**Firm-specific** • Liquidity stress tests (monthly) • Liquidity risk management	**Firm-specific** • Liquidity stress tests (quarterly) • Reduced liquidity risk management	**Home country requirements** • Home country liquidity stress test

The Board is also requesting comment on whether it should impose standardized liquidity requirements on the U.S. branch and agency network of an FBO, as well as possible approaches for doing so.

Glossary: wSTWF – weighted short-term wholesale funding; LCR – liquidity coverage ratio rule; NSFR – net stable funding ratio proposed rule.

Appendix C: List of Firms and Projected Categories

List of Firms by Projected Category (based on estimated data)[16]

<table>
<tr><th>Category I
U.S. GSIBs</th><th>Category II
≥ $700b U.S. assets or
≥ $75b in cross-jurisdictional activity</th><th>Category III
≥ $250b U.S. assets or
≥ $75b in NBA, wSTWF, or off-balance sheet exposure</th><th>Category IV
Other firms with $100b to $250b U.S. assets</th><th>Other firms
$50b to $100b in U.S. assets</th></tr>
<tr><td rowspan="2"></td><td colspan="2">Barclays*
Credit Suisse*
Deutsche Bank*
Mizuho*
MUFG*
Toronto-Dominion*</td><td rowspan="2">Banco Santander
Bank of Montreal†
BBVA
BNP Paribas†
BPCE†
Société Générale†
Sumitomo Mitsui†</td><td rowspan="2">Bank of China
Bank of Nova Scotia
Canadian Imperial
Crédit Agricole
I & C Bank of China
Norinchukin
Rabobank</td></tr>
<tr><td></td><td>HSBC
Royal Bank of Canada
UBS</td></tr>
</table>

While Category II and III standards are not the same, foreign banking organizations do not currently report all of the data for the measure of cross-jurisdictional activity and, accordingly, the Board is providing a range of potential firm categorizations.

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16 Projected categories are based on data for Q3 2018. Actual categories would be based on 4-quarter averages.

17 * - Identifies firms that would be subject to Category III standards with weighted short-term wholesale funding of $75 billion or more if the agencies measure cross-jurisdictional activity for foreign banking organizations based on minimum estimates (i.e., excluding all transactions with non-U.S. affiliates). Firms subject to Category III standards with weighted short-term wholesale funding of $75 billion or more would be subject to full standardized liquidity requirements.

18 † - Identifies firms that would be subject to Category IV standards with weighted short-term wholesale funding of $50 billion or more. Firms subject to Category IV standards with weighted short-term wholesale funding of $50 billion or more would be subject to reduced standardized liquidity requirements.