

**FEDERAL RESERVE SYSTEM**  
**Docket No. OP-1512**

**Announcement of Financial Sector Liabilities**

Section 622 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, implemented by the Board's Regulation XX, prohibits a merger or acquisition that would result in a financial company that controls more than 10 percent of the aggregate consolidated liabilities of all financial companies ("aggregate financial sector liabilities"). Specifically, an insured depository institution, a bank holding company, a savings and loan holding company, a foreign banking organization, any other company that controls an insured depository institution, and a nonbank financial company designated by the Financial Stability Oversight Council (each, a "financial company") is prohibited from merging or consolidating with, acquiring all or substantially all of the assets of, or acquiring control of, another company ("covered acquisition") if the resulting company's consolidated liabilities would exceed 10 percent of the aggregate financial sector liabilities.<sup>1</sup>

Pursuant to Regulation XX, the Federal Reserve will publish the aggregate consolidated liabilities of all financial companies by July 1 of each year. For the first period (July 1, 2015-June 30, 2016), aggregate financial sector liabilities is equal to the financial sector liabilities calculated as of December 31, 2014. For all subsequent periods, aggregate financial sector liabilities will equal the average of the financial sector liabilities as of December 31 of each of the preceding two calendar years.

**For Further Information Contact:**

Felton Booker, Senior Supervisory Financial Analyst (202) 912-4651; Sean Healey, Senior Financial Analyst, (202) 912-4611; Christine Graham, Counsel, (202) 452-3005; Matthew Suntag, Senior Attorney, (202) 452-3694; for persons who are deaf or hard of hearing, TTY (202) 263-4869.

**Aggregate financial sector liabilities**

As of December 31, 2014, aggregate financial sector liabilities is equal to \$21,632,232,035,000. This measure is in effect from July 1, 2015 through June 30, 2016.

**Calculation methodology**

Aggregate financial sector liabilities equals the sum of the financial sector liabilities of all financial companies, calculated using the methodology set forth in Regulation XX and summarized below.

Financial sector liabilities of a U.S. financial company that was subject to consolidated risk-based capital rules as of December 31, 2014, equals the difference between its risk-weighted assets (as adjusted upward to reflect amounts that are deducted from regulatory capital elements pursuant to the Federal banking agencies' risk-based capital rules) and total regulatory capital, as calculated under the applicable risk-based capital rules. Companies in this category include bank holding companies and insured depository institutions. The Federal Reserve used information collected on the Consolidated Financial Statements for Holding Companies (FR Y-9C) and the

---

<sup>1</sup> 12 U.S.C. 1852(a)(2), (b).

Bank Consolidated Reports of Condition and Income (Call Report) to calculate liabilities of these institutions.

Financial sector liabilities of a U.S. financial company that was not subject to consolidated risk-based capital rules as of December 31, 2014, equal liabilities calculated in accordance with applicable accounting standards. Companies in this category include savings and loan holding companies, nonbank financial companies supervised by the Board, bank holding companies with total consolidated assets of less than \$1 billion, and U.S. depository institution holding companies that are not bank holding companies or savings and loan holding companies. “Applicable accounting standards” is defined as GAAP, or such other accounting standard or method of estimation that the Board determines is appropriate.<sup>2</sup> The Federal Reserve used information collected on the FR Y-9C, the Parent Company Only Financial Statements for Small Holding Companies (FR Y-9SP), and the Financial Company Report of Consolidated Liabilities (FR XX-1) to calculate liabilities of these institutions.

Section 622 provides that the financial sector liabilities of a “foreign financial company” equal the risk-weighted assets and regulatory capital attributable to the company’s “U.S. operations.” Under Regulation XX, financial sector liabilities of a foreign banking organization’s U.S. operations are calculated using the risk-weighted asset methodology for subsidiaries subject to risk-based capital rules, and applicable accounting standards for all branches, agencies, and nonbank subsidiaries. Financial sector liabilities attributable to the U.S. operations of a foreign financial company that is not a foreign banking organization are calculated in a similar manner to the method described for foreign banking organizations, but liabilities of a U.S. subsidiary not subject to risk-based capital rules are calculated based on the U.S. subsidiary’s liabilities under applicable accounting standards. The Federal Reserve used information collected on the Capital and Asset Report for Foreign Banking Organizations (FR Y-7Q) and the FR XX-1 to calculate liabilities of these institutions.

The Board granted requests from ten financial companies to use an accounting standard or method of estimation other than GAAP to calculate liabilities. Nine of the companies were insurance companies that report financial information under Statutory Accounting Principles (“SAP”), and one was a foreign company that controls a U.S. industrial loan company that reports financial information under International Financial Reporting Standards (“IFRS”). For the insurance companies, the Board approved a method of estimation that was based on line items from SAP reports, with adjustments to reflect certain differences in accounting treatment between GAAP and SAP. For the foreign company, the Board approved the use of IFRS.

**By order of the Board of Governors of the Federal Reserve System, acting through the Director of the Division Banking, Supervision and Regulation under delegated authority, July 1, 2015.**

---

**Robert deV. Frierson,  
Secretary of the Board.**

---

<sup>2</sup> A financial company may request to use an accounting standard or method of estimation other than GAAP if it does not calculate its total consolidated assets or liabilities under GAAP for any regulatory purpose (including compliance with applicable securities laws). 12 CFR 251.3(e).