



# FINANCIAL SERVICES ROUNDTABLE

## Via Electronic Submission

September 21, 2015

Robert de V. Frierson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue N.W.  
Washington, DC 20551

### **Re: Amendments to the Capital Plan and Stress Test Rules**

Dear Secretary Frierson:

The Financial Services Roundtable (“FSR”)<sup>1</sup> welcomes the opportunity to provide the Board of the Governors of the Federal Reserve System (the “Board”) with comments on its proposed rule (the “Proposed Rule”) that would amend the capital plan and stress test rules.<sup>2</sup> In this letter, we provide comments on provisions of the Proposed Rule impacting (i) all covered banking organizations; (ii) banking organizations subject to the advanced approaches; and (iii) certain bank holding companies (“BHCs”) with total consolidated assets of more than \$10 billion but less than \$50 billion and savings and loan holding companies (“SLHCs”) with total consolidated assets of more than \$10 billion.

#### **I. All Banking Organizations**

The Proposed Rule would remove the requirement that a banking organization demonstrate its ability to maintain a pro forma tier 1 common capital ratio of five percent of risk-weighted assets under expected and stressed scenarios, in recognition of the new minimum common equity tier 1 capital requirement. FSR agrees with this proposed

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<sup>1</sup> As advocates for a strong financial future™, FSR represents the largest integrated financial services companies providing banking, insurance, payment and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. FSR member companies provide fuel for America’s economic engine, accounting directly for \$92.7 trillion in managed assets, \$1.2 trillion in revenue, and 2.3 million jobs.

<sup>2</sup> Amendments to the Capital Plan and Stress Test Rules, 80 Fed. Reg. 43647 (July 23, 2015).

amendment, as the common capital ratio requirement is unnecessary now that the new common equity tier 1 capital requirement is in force.

## **II. Banking Organizations Subject to the Advanced Approaches**

The Proposed Rule would amend the capital plan and stress test rules for advanced approaches banking organizations in two respects. First, the Proposed Rule would delay incorporation of the supplementary leverage ratio until the 2017 capital plan cycle. Second, the Proposed Rule would delay until further notice the use of the advanced approaches for calculating risk-based capital requirements for purposes of the capital plan and stress test rules.

FSR supports both of these proposed amendments. As to the former, FSR appreciates the Board's recognition of the need for additional time to develop the necessary systems to project the supplementary leverage ratio. As to the latter, FSR agrees that it is appropriate to defer use of the advanced approaches until the Board completes a broader review of how the capital plan and stress test rules interact with the regulatory capital rules.

## **III. Certain BHCs and SLHCs With Total Consolidated Assets of \$10 Billion or More**

### **A. Elimination of Fixed Dividend Assumptions**

The Proposed Rule would eliminate the requirement that (i) BHCs with total consolidated assets of more than \$10 billion but less than \$50 billion and (ii) SLHCs with total consolidated assets of more than \$10 billion incorporate fixed assumptions regarding dividends in their stress tests. These firms would instead be required to incorporate their own dividend payment assumptions consistent with internal capital needs and projections. The Board notes in the preamble to the Proposed Rule that the proposed change "is responsive to concerns raised by banking organizations that dividends made at the holding company level are often funded directly through a subsidiary bank's distribution to its holding company, but that subsidiary banks may be subject to dividend restrictions that would not permit the bank to upstream capital to its holding company." 80 Fed. Reg. 43639.

FSR supports this amendment, and recommends that it be broadened to apply to BHCs with \$50 billion or more total consolidated assets. Certain of these institutions also fund dividends through bank distributions to the holding company, and it is not clear why this aspect of the Board's capital planning and stress testing regime should draw a distinction between the two classes of institutions.

B. Company Run Stress Test Transition Provisions for Certain SLHCs

The Proposed Rule would delay for one stress test cycle the application of the company-run stress test rules to SLHCs with total consolidated assets of more than \$10 billion, such that these SLHCs would become subject to the stress test rules for the first time beginning January 1, 2017. The preamble to the Proposed Rule states that the delay would in effect reinstate a two-year transition period to comply with stress test requirements from January 1, 2015, the date these firms became subject to regulatory capital requirements.

FSR supports the delayed application of stress testing requirements to these firms. To ensure fairness and equality of treatment, FSR suggests the Board provide a minimum two-year transition period for insurance SLHCs and insurers that are nonbank financial companies designated for Board supervision by the Financial Stability Oversight Council to bring themselves into compliance with all Board capital plan and stress test rules that apply to these firms.

IV. Conclusion

We thank the Board for considering our views. If it would be helpful to discuss this matter further, please contact me via telephone at (202) 589-2424 or email at [Richard.Foster@FSRoundtable.org](mailto:Richard.Foster@FSRoundtable.org).

Sincerely,



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Counsel for Regulatory and Legal  
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