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Robert deV. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Proposed Amendments to the Capital Plan and Stress Test Rules (Docket No. R-1548; RIN 7100AE-59)

Ladies and Gentlemen:

The Institute of International Bankers ("IIB") appreciates the opportunity to provide comments on the recent notice of proposed rulemaking ("Proposal") by the Board of Governors of the Federal Reserve System (the "Board") to amend the capital plan and stress test rules for U.S. bank holding companies ("BHCs") with $50 billion or more in total consolidated assets and the U.S. intermediate holding companies ("IHCs") of foreign banking organizations ("FBOs").[1]

The IIB represents internationally headquartered financial institutions from over 35 countries around the world doing business in the United States. The IIB's members consist principally of FBOs that conduct banking operations in the United States through branches, agencies and bank subsidiaries, and nonbanking operations through subsidiaries such as commercial lending firms, broker-dealers, investment advisers and insurance companies.

I. Introduction

We welcome the Board's proposed tailoring of the capital planning and stress testing standards for "large and noncomplex" BHCs and IHCs, so that "noncomplex" firms subject to the Board's Comprehensive Capital Analysis and Review ("CCAR" and "CCAR Firms") benefit from reduced compliance burdens commensurate with their lower risk profiles. The Proposal would allow these firms, including a number of IHCs, to redeploy valuable

1 81 Fed. Reg. 67239 (Sept. 30, 2016).

resources where they are most needed, including by making additional credit available to customers and providing other services in the U.S. financial markets.

Under the Proposal, to qualify as "large and noncomplex," a CCAR Firm must satisfy three criteria as of December 31 of the calendar year prior to the CCAR cycle: (i) total consolidated assets of at least $50 billion but less than $250 billion (averaged over the preceding four quarters); (ii) on-balance sheet foreign exposures of less than $10 billion ("Foreign Exposure Threshold"); and (iii) average nonbank assets of less than $75 billion. The first two prongs of the proposed "large and noncomplex" definition incorporate the thresholds for mandatory application of the advanced approaches to BHCs in the U.S. Basel III regulatory capital rules (the "Advanced Approaches Thresholds"). The third prong introduces a new test to distinguish between "large and complex" and "large and noncomplex" institutions based on whether their average total nonbank assets meet or exceed $75 billion ("Nonbank Assets Threshold"). The Proposal would not amend or narrow the scope of the guidance in the Board's Supervisory Letter SR 15-19, which sets out the Board's expectations for capital planning at large and noncomplex CCAR Firms.[2]

We understand the cumulative effect of these proposed amendments to be:

- All CCAR Firms that fall below the Advanced Approaches Thresholds and the Nonbank Assets Threshold would be exempt from the qualitative assessment under CCAR and benefit from reduced reporting requirements related to stress testing and capital planning. Such "large and noncomplex" firms would remain subject to the supervisory expectations for stress testing and capital planning set forth in SR 15-19.

- All CCAR Firms that fall below the Advanced Approaches Thresholds but meet or exceed the Nonbank Assets Threshold would remain subject to the qualitative CCAR assessment and all related reporting requirements and would be evaluated subject to the supervisory expectations for stress testing and capital planning set forth in SR 15-19; and

- All CCAR Firms that exceed either of the Advanced Approaches Thresholds would remain subject to the CCAR qualitative assessment and all related reporting requirements and would be evaluated subject to the elevated supervisory expectations for stress testing and capital planning set forth in the Board's Supervisory Letter SR 15-18.[3]

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2 Supervisory Letter SR 15-19, Federal Reserve Supervisory Assessment of Capital Planning and Positions for Large and Noncomplex Firms (Dec. 18, 2015) ("SR 15-19").

3 Supervisory Letter SR 15-18, Federal Reserve Supervisory Assessment of Capital Planning and Positions for LISCC firms and Large and Complex Firms (Dec. 18, 2015).

While we support the Board's general approach, we have a number of recommended enhancements regarding the way in which the Proposal would apply to CCAR Firms, and IHCs in particular, which we have laid out in detail in this letter.

II. The newly introduced Nonbank Assets Threshold should be revised in several respects

We support the general objective of the Board in tailoring the applicability of CCAR. Nevertheless, we would suggest revising the methodology for classifying firms in several respects.

A. Calibrating the Nonbank Assets Threshold at $75 billion is unsupported as an indicator of systemic risk

While the Advanced Approaches Thresholds have been consistently used to tailor regulations for the most complex firms, such as in the regulatory capital rules and liquidity regulations, the use of a level of nonbank assets as a threshold has few parallels in other regulations applicable to U.S. BHCs and IHCs.[4] In particular, no other enhanced prudential standards apply to a U.S. BHC or IHC based solely on the firm's level of nonbank assets.

The Board's rationale for including the Nonbank Assets Threshold is to capture those CCAR Firms that are significantly engaged in nonbanking activities, which the Board views as having the potential to create additional systemic risk. Yet, the Board does not describe any empirical evidence that would support a conclusion that CCAR Firms with average total nonbank assets of $75 billion or more face materially different risks than firms below this threshold. In addition, the Board explains that it declined to propose a higher nonbank assets threshold of $125 billion due, not to a principled distinction between the firms that would fall above or below it, but rather to ensure that some requisite number of IHCs are captured. Indeed, the Board implies that the threshold was set, based on trial-and-error, specifically and "particularly" to scope in certain IHCs that a lower threshold "may exclude".[5] Again, the Board does not describe any empirical support for the need to scope in particular IHCs.

Therefore, the rationale and robustness of analysis supporting a $75 billion Nonbank Assets Threshold is missing from the Proposal, and significant additional consideration of its appropriateness is warranted. We respectfully submit that $100 billion in average total nonbank assets would be a more appropriate level for a Nonbank Assets Threshold. Unlike the $75 billion threshold, it has been used previously by the Board as a threshold for determining complexity of an organization. Specifically, the Board's resolution plan rule uses the concept of "non-bank assets" to tailor the initial submission deadline for resolution plans according to the

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4 As discussed below, the sole other example of the use of nonbank assets as a threshold is in the context of the Board's resolution plan regulation. See 12 C.F.R. §§ 243.3(a), 243.4(a)(3).

5 81 Fed. Reg. at 67243.

institution's relative systemic importance to U.S. financial stability.[6] Those institutions with $100 billion or more in total nonbank assets (or FBOs with total U.S. nonbank assets) are thus already considered to be in a different systemic category than those that fall below the threshold. Furthermore, the Board has used a $100 billion nonbank assets threshold for tailoring regulations in other contexts.[7]

In addition, under the resolution plan rule, the Board allows firms that fall below $100 billion in nonbank assets (or, for FBOs, $100 billion of U.S. nonbank assets), provided that they meet a certain backstop for a minimum level of bank assets, relief from the full resolution plan requirements by allowing them to file "tailored" plans. A revised Nonbank Assets Threshold of $100 billion would also be consistent with the nonbank assets threshold in the resolution plan rules in its operation – only by falling below the Nonbank Assets Threshold (and the Advanced Approaches Thresholds) would the firm benefit from reduced reporting requirements and relief from the CCAR qualitative assessment. The use of the $100 billion non-bank assets threshold in this context is a particularly pertinent analogue because the Board's resolution plan rule, like the capital plan and stress testing rules, is meant to address the risks that stem from an institution's increased complexity.

B. *The final rule should clarify that firms subject to the Board's Large Institution Supervision Coordinating Committee ("LISCC") framework that satisfy the criteria to be considered "large and noncomplex" benefit equally from relief from* the CCAR qualitative assessment

The Proposal defines "large and noncomplex bank holding company" as any BHC (or IHC of an FBO)[8] that has, as of December 31 of the calendar year prior to the capital plan

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6 12 C.F.R. §§ 243.3(a), 243.4(a)(3).

7 We note that the Board has applied a similar, albeit narrower, concept of "U.S. broker-dealer" assets in tailoring the frequency of liquidity monitoring reports for FBOs. The liquidity monitoring reports for FBOs with U.S. operations of $50 billion or more and $100 billion or more in U.S. broker-dealer assets are required to be filed on each business day, compared to monthly filings for FBOs with U.S. operations of $50 billion or more and less than $100 billion in U.S. broker-dealer assets. See FR 2052a Instructions, p. 3 (Oct. 24, 2014) ("FR 2052a Instructions"). Since, in the context of the FR 2052a Instructions, the Board has made the determination that an FBO's riskiness increases and, as a result, warrants more frequent reporting, when its U.S. operations reach and exceed $100 billion in U.S. broker-dealer assets, this determination underscores the fact that a threshold of $75 billion in non-bank assets, which is necessarily a more inclusive metric, is too low and without proper support.

8 A proposed rule of construction in Section 225.8(a)(5) of the Proposal would provide that any reference to a BHC in section 225.8 of the Board's Regulation Y (i.e., the capital plan rule) (12 C.F.R. Part 225.8) shall include a U.S. IHC to the extent the section is made applicable pursuant to a rule or order of the Board. The Board's Regulation YY (12 C.F.R. Part 252) provides that an IHC must comply with the capital plan rule in the same manner as a BHC.

cycle: (i) average total consolidated assets of less than $250 billion; (ii) consolidated total on-balance sheet foreign exposures at the most recent year-end equal to less than $10 billion; and (iii) average total nonbank assets of less than $75 billion. Under the plain language of the Proposal, large and noncomplex firms would no longer be subject to the qualitative assessment in CCAR even if they are designated as LISCC firms for supervisory purposes.

However, the Proposal's preamble notes that "all other bank holding companies subject to the capital plan rule (a LISCC firm, if the bank holding company is subject to the LISCC supervisory framework, or a large and complex firm, if the bank holding company [meets or exceeds any of the three thresholds described above]) would remain subject to objection to their capital plan based on qualitative deficiencies under the rule."[9] A footnote indicates that the current population of LISCC firms exceed at least one of the thresholds that would disqualify them from classification as "large and noncomplex."

As we understand the plain language of the proposed rule revisions, however, any CCAR Firm with assets and exposures below all three thresholds set forth in the definition of "large and complex bank holding company" would no longer be subject to the qualitative assessment in CCAR. In particular, the rule text of the proposed definition of "large and noncomplex" does not make any reference to LISCC firms. Accordingly, we ask the Board to clarify in the final rule that an IHC of an FBO that is a LISCC firm would not automatically be subject to the qualitative assessment in CCAR and would equally benefit from the proposed relief so long as the IHC is below each of the thresholds in the definition of "large and noncomplex bank holding company."

C. *The definition of "average total nonbank assets" should be narrowed to appropriately reflect a CCAR Firm's potential systemic risk*

The Board explains that the Nonbank Assets Threshold is intended to measure the degree to which a CCAR Firm's activities "have the potential to generate additional systemic risk".[10] But, as proposed, the definition of "average total nonbank assets" is overbroad and captures a significant amount of assets that do not represent a firm's relative systemic risk. Accordingly, the Board should revise the definition of "average total nonbank assets" to include only assets and activities that demonstrate a firm's degree of systemic importance and its associated systemic risk.

Specifically, the Board should eliminate the following asset classes from "average total nonbank assets" to the extent they are held by a consolidated nonbank subsidiary:

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9 81 Fed. Reg. at 67241 (emphasis added).

10 81 Fed. Reg. at 67242.

- Goodwill, deferred tax assets, defined benefit pension fund assets and other intangible assets *that are deducted from regulatory capital pursuant to the Board*'s Regulation Q. Such assets are not an appropriate measure of systemic risk since they are not exposures to counterparties that present default risk or that otherwise demonstrate a CCAR Firm's interconnectedness or complexity. Moreover, such assets are already fully deducted from a CCAR Firm's common equity tier 1 capital.[11] Thus, to include such assets in "average total nonbanking assets" would be unduly punitive as well as inconsistent with the objective of the Nonbank Asset Threshold of capturing assets that materially increase the risk profile of a CCAR Firm.

- Cash and Level 1 and Level 2A high-quality liquid assets ("HQLA"). Maintaining a minimum level of HQLA is required to mitigate a CCAR Firm's liquidity risk and thus also serves to reduce systemic risk.[12] In addition, Level 1 and Level 2A HQLA are characterized by a low degree of credit risk and accordingly attract very low risk-based capital requirements while cash is considered a riskless asset under the risk-based capital rules.[13] It would be unduly punitive to include such assets in "average total nonbank assets" if that measure is intended to gauge a CCAR Firm's potential systemic risk and would in fact have the perverse incentive of discouraging CCAR Firms from maintaining cash or surplus Level 1 and Level 2A HQLA in nonbanking subsidiaries.

- Intercompany assets between a consolidated subsidiary and its affiliates, including its parent IHC, its ultimate parent FBO and other non-U.S. affiliates. While the Proposal allows the elimination of affiliate assets between two nonbank subsidiaries of a CCAR Firm, other affiliate assets should be excluded since they do not reflect nonbank activities with third parties that increase interconnectedness in the financial system or that would reasonably give rise to systemic risk. Moreover, to include such intercompany exposures of a nonbank subsidiary to its parent or affiliates would overstate "average total nonbank assets".

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11 See 12 C.F.R. § 217.22(a).

12 12 C.F.R. Part 249 (the Board's Regulation WW implementing the liquidity coverage ratio). CCAR firms are also required under the Board's enhanced prudential standards to maintain a liquidity buffer consisting of highly liquid assets, which includes cash as well as HQLA. 12 C.F.R. § 252.35(b)(3)(i).

13 For these and related reasons, we are proposing that all assets in consolidated nonbank subsidiaries that meet the cash or Level 1/Level 2A definitions should be excluded, regardless of whether the CCAR Firm has designated such assets as part of its HQLA pool or its liquidity buffer.

D. Average total nonbank assets should be determined on a quarterly basis

All CCAR Firms will be subject to the revised reporting requirements designed to monitor their level of nonbank assets regardless of the firm's size or complexity, even though this metric ends up creating an important dividing line for only a small subset of CCAR Firms. We respectfully submit that the calculation frequency required in the final rule should not unduly increase burden on all CCAR Firms, consistent with the Proposal's stated purpose to provide relief to large and noncomplex firms. We support the Board's desire to prevent end-of-quarter fluctuations in the calculation, and we respectfully request that if the Board determines to require quarterly reporting of an average calculation, the average should be based on monthly calculations to minimize burden.

III. Use of "foreign exposures" is a misleading indicator of complexity in the context of IHCs and should be reconsidered

Under the Proposal, one of the thresholds that causes a U.S. BHC or IHC to be deemed "large and complex" is $10 billion or more in total on-balance-sheet foreign exposures.[14] While FFIEC 009 was recently amended to include IHCs as reporting entities,[15] the Board has not addressed the complexities inherent in applying the Foreign Exposure Threshold to an IHC given its nature as a subsidiary of a foreign organization.

The original purpose of the Foreign Exposure Threshold in connection with the capital regulations was to assist U.S. regulators in identifying those U.S. banking organizations that are sufficiently active internationally so as to warrant consistent application to them of international and Basel Committee on Banking Supervision standards. However, in the quest for thresholds to define larger or more systemically important banks, the Foreign Exposure Threshold has been given new purpose as a boundary for subjecting organizations to heightened prudential standards. The threshold has increasingly been applied in recent enhanced prudential standards rulemakings to the operations of FBOs and IHCs without considering whether such application is relevant, effective, appropriate or operationally practicable for an FBO and/or IHC. In our view, the Board should fundamentally reconsider its reliance on the Foreign Exposure Threshold to determine which IHCs demonstrate a level of complexity or risk stemming from international activity that warrants the application of more stringent prudential requirements.

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14 This figure is calculated as the sum of "total foreign countries cross-border claims on an ultimate-risk basis, plus total foreign countries claims on local residents on an ultimate-risk basis, plus total foreign countries fair value of foreign exchange and derivative products, calculated in accordance with the Federal Financial Institutions Examination Council (FFIEC) 009 Country Exposure Report". See 81 Fed. Reg. at 67254.

15 See Instructions for the Preparation of Country Exposure Report (FFIEC 009) (Sept. 2016) ("FFIEC 009 Instructions").

The Foreign Exposure Threshold is not inherently risk-based, as the calculations are mere snapshots of exposures without applying any relative risk analysis. Furthermore, applying the Foreign Exposure Threshold to IHCs does little to identify actual risk or complexity arising from international activities beyond perhaps the activities between the IHC and the FBO itself. Indeed, an IHC could potentially reach the $10 billion threshold solely due to routine transactions with its FBO parent and foreign affiliates. This outcome disproportionately affects IHCs, as a much higher proportion of their ordinary course transactions are likely to constitute foreign exposures. Also, many of such transactions are risk-reducing. For example, IHCs engage in a variety of transactions with affiliates to distribute risk to the geographic areas best suited to manage and hedge such risk. Thus, the foreign exposures calculation would penalize an IHC for adhering to established enterprise-wide risk management practices, which may in turn discourage and disrupt such practices. Since, in our view, the majority of such exposures would result from practices meant to manage and reduce, rather than generate, risk, the foreign exposures calculation would grossly overstate the true risk and complexity of the IHC. Furthermore, a U.S. banking organization applying the FFIEC 009 Instructions would generally be analyzing and capturing only third-party foreign exposures. By contrast, IHCs would unfairly have to take into account all intragroup exposure to non-U.S. entities.

At a minimum, we believe that the Board should address these practical difficulties by modifying the Foreign Exposure Threshold in the following ways:

- Specifically, an IHC's exposures to the FBO, the FBO's parent or to any of its affiliates (including exposures to the FBO's U.S. branches) should be excluded from the calculation. In addition, exposures of an IHC to the FBO's home country sovereign should be excluded. IHCs and their subsidiaries may be required to have exposures to their home country sovereigns.[16] Counting these affiliate and home country sovereign exposures as foreign exposures is unduly punitive for IHCs.

- Also, to the extent that the Board believes that certain governance arrangements in relation to funds result in such funds being "controlled" by an FBO's U.S. operations under the criteria in the BHCA, foreign exposure of such funds should not be aggregated with that of the IHC. Governance control over the economic stakes of other investors does not result in economic exposure of the IHC, as principal, of the type that warrants inclusion of the fund's underlying exposures in the foreign exposure calculation.

[16] In other contexts, the Board appears to have acknowledged that exposures of the IHC to the FBO and the FBO's parent, affiliates and home country sovereign should not be included in the foreign exposures calculation, as indicated in footnote 10 of the Board's Staff Memo accompanying its single counterparty credit limits proposal (81 Fed. Reg. 14328 (Mar. 16, 2016) (the "SCCL Proposal")). Nevertheless, such exclusions do not appear in the text of the proposed SCCL rule or in the SCCL Proposal's preamble.

Separately from our comments in relation to the Proposal, given the Board's increasing reliance on the Foreign Exposure Threshold,[17] we would appreciate the opportunity to meet with the Board to discuss the application and calibration of the Threshold and the underlying FFIEC 009 Instructions. We believe it is important to address a broader set of modifications involving the Foreign Exposure Threshold and the FFIEC 009 Instructions, including: (i) a review of the current level of the Threshold; (ii) the risk-insensitive treatment of highly liquid, investment grade sovereign debt; (iii) the counterintuitive treatment of credit risk mitigation instruments; (iv) the disregard for risk mitigating collateral provided in the context of reverse repurchase agreements and securities borrowing arrangements;[18] (v) the treatment of risk-mitigating guarantees provided by a non-U.S. parent of a U.S. counterparty or borrower;[19] (vi) the treatment of risk-mitigating insurance provided by non-U.S. firms for U.S. based credit exposures;[20] and (vii) the fact that all exposures to a U.S. branch of a foreign bank are deemed to be foreign exposures, regardless of whether the branch's head office writes a separate guarantee or not.[21]

IV. The Board should not further restrict de minimis distributions or impose a "black-out" period on distribution notices and requests for IHCs

The Proposal tightens the de minimis exemption threshold for capital distributions under the capital plan rule to address the Board's concern that CCAR Firms have increasingly been using the de minimis exemption as "an automatic add-on to approved common stock distributions . . . rather than for its intended use for unanticipated events."[22] The Proposal also imposes a one-quarter "black-out" period for notices for de minimis distributions or for requests for additional distributions that do not qualify for the de minimis category. The Board suggests

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17 As we have noted, "foreign exposures" are also used to create a threshold for the application of other stringent requirements to FBOs or IHCs. See, e.g., the U.S. implementation of Basel III (IHCs that meet the definition of advanced approaches banking organization in 12 C.F.R. § 217.100(b)(1)(i)(B)(2) must comply with the supplementary leverage ratio and countercyclical capital buffer, even if they obtain approval to opt out of the advanced internal-ratings-based approach to determining total risk-weighted assets under 12 C.F.R. § 252.153(e)(2)(i)(C))); the SCCL Proposal; the liquidity coverage ratio (12 C.F.R. § 249.1(b)(1)(ii)); and the net stable funding ratio proposal (81 Fed. Reg. 35124 (June 1, 2016)).

18 See FFIEC 009 Instructions, Section II.F.5. at p. 13.

19 See FFIEC 009 Instructions, Section II.F.1. at p. 11-12.

20 See FFIEC 009 Instructions, Section II.F.2. at p. 12.

21 See FFIEC 009 Instructions, Sections II.F.3. at p. 12 , III.B. at p. 16.

22 81 Fed. Reg. at 67247.

that without the black-out period, comprehensive review of a CCAR Firm's planned capital actions would be impossible, but the Board does not elaborate on its specific concerns.

Imposing a black-out period would restrict an IHC's ability to make necessary and appropriate distributions of surplus capital to its parent FBO even in extraordinary or unforeseen circumstances. Unlike U.S.-headquartered CCAR Firms, an IHC is a part of a larger organization with its own capital and liquidity planning requirements and processes. To prevent an IHC from making distributions for a full calendar quarter could impede the capital and/or liquidity planning of its FBO parent by creating barriers to the IHC's ability to transfer surplus capital to its parent or its affiliates as may be necessary to support the safety and soundness of the entire organization. Accordingly, we urge the Board not to adopt the proposed black-out period or the restrictions on the de minimis exemption.

It is arguable to what extent regular use of the de minimis exemption and the lack of a black-out period should raise supervisory concerns, since any CCAR Firm that must resort to relying on the exemption or requesting an approval for distributions is required to demonstrate that it would remain "well capitalized" after the distributions are made. These new limitations would appear even less necessary for non-public companies, such as IHCs, which do not face the same external pressures as public financial companies to make distributions in order to remain competitive. Accordingly, we would expect IHCs would be less likely to rely on the de minimis threshold as an "automatic" add-on than publicly traded BHCs. In addition, once an IHC makes distributions, whether or not under the de minimis threshold or within or outside the proposed black-out period, such distributions are likely to remain within the larger organization. An IHC's parent FBO could downstream capital much more easily, if needed, than a U.S. BHC could engage in external capital raising.

V. The Board should provide a more gradual phase-in of CCAR for newly-created IHCs and a transition period for any BHC/IHC that crosses the "complex" threshold

A. The Board should provide a more gradual phase-in of CCAR for newly-created IHCs

2017 CCAR Cycle. The Board has recognized that building a robust CCAR program is an iterative process. As an extension of this principle, the Board has indicated that, with respect to newly created IHCs' first capital planning and CCAR cycle beginning in January 2017, it "intends to conduct a more limited quantitative assessment of the [IHC's] capital plan based on the company's own stress scenario and any scenarios provided by the [Board] and a qualitative assessment of its capital planning processes and supporting practices."[23] The Board

[23] 79 Fed. Reg. 64026, 64037 (Oct. 27, 2014).

has also noted that public disclosures for the 2017 CCAR cycle would be limited and would not identify individual IHCs.[24]

2018 CCAR Cycle. In keeping with the logic of CCAR as a developing process (particularly for the new IHC construct), and with the general tenor of the Proposal, we respectfully propose that the 2018 CCAR cycle should include a quantitative assessment for all newly-formed IHCs that became subject to the process in 2017, with qualitative review performed by the Board as part of its supervisory process only. A newly-created IHC would thus not be subject to a capital plan objection on grounds of qualitative deficiencies in the 2018 CCAR cycle, even if it were "large and complex". Yet, the 2018 CCAR disclosures would still identify publicly the results of individual institutions.

2019 CCAR Cycle. Starting in 2019, we propose that those newly created IHCs that qualify as "large and complex" under the Proposal become subject to both the qualitative and quantitative assessments under CCAR. Staggering the requirements in this way will create a two-year lead-in period for the more complex newly-created IHCs that is similar to the two-year lead-in period that the Board provided for U.S. BHCs newly subject to CCAR that had not been subject to the CCAR precursor.[25]

In accordance with the Board's previous determination,[26] our proposed approach would not affect the application of CCAR to a previously existing BHC subsidiary of an FBO that has been designated as the FBO's U.S. IHC or that remains a subsidiary of the IHC (provided that CCAR is applicable to such BHC subsidiary). Nevertheless, we urge the Board to finalize the relief provided by the Proposal in time for the 2017 CCAR cycle so those BHCs that qualify as "large and noncomplex" may benefit.

B. *The Board should provide a transition period for any BHC/IHC that crosses the "complex" threshold*

Lastly, we support the Board's proposed extension and better alignment of the transition periods for the initial applicability of the capital plan and stress test rules to U.S. BHCs and IHCs that cross the initial $50 billion threshold. In making this adjustment, the Board recognizes that significant investments of time and resources would be necessary for a BHC or IHC new to the CCAR process to be able to meet the rules' requirements. The same concerns apply to "large and noncomplex" firms that subsequently cross any one of the three thresholds for "large and complex" designation under the Proposal. However, the Proposal does not

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24 Id.

25 The Board applied a more limited Capital Review Process to U.S. BHCs entering CCAR but that had not been previously subject to the Supervisory Capital Assessment Program, over a two-year transition period in 2012 and 2013. See 79 Fed. Reg. at 64037 and n.37.

26 See, e.g., 12 C.F.R. § 252.153(e)(1)(ii)(C).

provide a transition period for those CCAR Firms. To ensure that all CCAR Firms are allowed appropriate time to make the necessary relevant investments, operational enhancements and procedural preparations to effectively comply with the applicable CCAR requirements, we respectfully request that the Board include a transition period in the final rule for firms that become "large and complex", similar to that provided for those firms that cross the base $50 billion threshold.

VI. Conclusion

We would like to reiterate our support for the Proposal's main approach to tailoring the CCAR requirements to more closely reflect a CCAR Firm's risk profile. We also appreciate the opportunity to present for the Board's consideration the revisions outlined in this letter, which we believe should be consistent with the Board's objectives.

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We appreciate your consideration of our comments. Please contact the undersigned (646-213-1147; smiller@iib.org) or our General Counsel, Richard Coffman (646-213-1149; rcoffman@iib.org), if we can provide any additional information.

Sincerely,

Sarah A. Miller
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