



Ms. Ann E. Misback
Secretary, Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Brussels, 11 December 2019
EBF_ 039145

SUBJECT: EBF comments on the FRB proposal to extend compliance dates for FBOs subject to the SCCL rule

Dear Ms. Misback,

The EBF and its Members support the Board of Governors of the Federal Reserve System's (FRB) proposal (Proposed Rule) to amend the single-counterparty credit limits (SCCL) compliance dates for foreign banking organizations (FBOs) at the combined U.S. operations (CUSO) level by extending them for 18 months. We welcome this further step towards greater international financial regulatory cooperation and the availability of deference and substituted compliance for FBOs.

The final SCCL rule allows an FBO to comply with the SCCL applicable to its CUSO by certifying to the FRB that it meets, on a consolidated basis, SCCL standards established by its home country supervisor that are consistent with the 2014 Basel large exposures framework (Basel Large Exposure Standard). In doing so, the FRB appropriately deferred to home country compliance with the Basel Large Exposure Standard "to prevent application of two nearly redundant SCCL frameworks"¹ to an FBO's CUSO. The current compliance dates are January 1, 2020 for FBOs that are global systemically important banks (G-SIBs) and July 1, 2020 for other FBOs subject to the SCCL rule.

Since 2014, EU banks have been subject to, and compliant with, the EU large exposure framework included in the EU's Capital Requirements Regulation (CRR1)². In May 2019, the EU adopted the revised CRR (CRR2), which was published in the Official Journal of the European Union on June 7, 2019 and becomes effective on June 28, 2021. The CRR2 large exposure framework is consistent with the Basel Large Exposure Standard.

As noted in the preamble to the Proposed Rule, the Basel Large Exposure Standard is in the process of being implemented in many non-U.S. jurisdictions, but, as is the case with the EU, that framework is not required to be fully implemented until after the initial

¹ 84 Fed. Reg 64031,64033 (Nov. 20, 2019).

² The differences between the CRR1 and the Basel Large Exposure Standard are described in the EBF's letter of May 17, 2019 requesting extension sent to Mr Michael S. Gibson, Director of the Supervision and Regulation Division, and Ms Norah Barger, Senior Adviser in the Supervision and Regulation Division.

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compliance dates of the final SCCL rule. Therefore, the proposed 18-month extensions would appropriately address the timing concerns of EU institutions that the EBF and other trade associations have previously identified. If finalized as proposed, the FRB's SCCL compliance date of July 1, 2021 for FBO G-SIBs would align with the EU SCCL equivalent effective date of June 28, 2021, thereby allowing EU banks to certify to substituted SCCL compliance at the CUSO level rather than having to incur duplicative and unnecessary conformance costs to comply with U.S. requirements during the implementation gap period.

Furthermore, since the current SCCL rule is applicable to G-SIB FBOs as of January 1, 2020, we respectfully request that the FRB finalizes the Proposed Rule as quickly as possible. In the meantime, we understand that EU-headquartered G-SIB FBOs have requested relief for any gap period arising should the finalization not occur until after January 1, 2020. The EBF supports the granting of that gap relief to the extent necessary.

We appreciate your consideration of our request and remain at your disposal should you have any questions.

Sincerely yours,



Wim Mijs,
Chief Executive Officer
European Banking Federation