



December 20, 2019

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

Re: Docket No. R-1534; RIN 7100-AE 38
Single-Counterparty Credit Limits Applicable to Certain Foreign
Banking Organizations

Ladies and Gentlemen:

The Institute of International Bankers (“IIB”)¹ and the Bank Policy Institute (“BPI”)² appreciate the opportunity to provide comments on the proposal (the “Proposal”)³ by the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) to amend the compliance dates for the single-counterparty credit limit rule (the “U.S. SCCL Rule”) finalized by the Federal Reserve Board and published in the Federal Register on August 6, 2018.⁴

¹ The Institute of International Bankers (“IIB”) is the only national association devoted exclusively to representing and advancing the interests of the international banking community in the United States. Its membership is comprised of internationally headquartered banking and financial institutions from over 35 countries around the world doing business in the United States. Through its advocacy efforts the IIB seeks results that are consistent with the U.S. policy of national treatment and that appropriately limit the extraterritorial application of U.S. laws to the global operations of its member institutions. Further information is available at www.iib.org.

² The Bank Policy Institute is a nonpartisan public policy, research and advocacy group, representing the nation’s leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation’s small business loans, and are an engine for financial innovation and economic growth.

³ 84 Fed. Reg. 64031 (Nov. 20, 2019).

⁴ 12 C.F.R. Part 252, Subparts H and Q (the “SCCL Rule”); 83 Fed. Reg. 38460 (Aug. 6, 2018).

The final U.S. SCCL Rule allows a covered foreign banking organization (“Covered FBO”) to comply with the U.S. SCCL Rule as applicable to its combined U.S. operations by certifying to the Federal Reserve Board that it meets, on a consolidated basis, the large exposures standards established by its home country supervisors that are consistent with the Basel Committee’s large exposures framework.⁵ This deference to home country compliance was intended to prevent application of two nearly redundant SCCL frameworks to the combined U.S. operations of Covered FBOs.

As noted in the Proposal, the home countries of Covered FBOs have made progress in implementing the Basel Large Exposures Framework over the past year and many instituted large exposures limits even prior to the adoption of the Basel Large Exposures Framework in its current form. Despite this progress, the Framework may not be fully implemented in the home countries of many Covered FBOs before the initial compliance dates of the final rule, creating a brief implementation gap (the “Implementation Gap”). As discussed in the comment letters submitted by the IIB and BPI on the proposed SCCL reporting form, FR 2590,⁶ and the IIB’s supplemental letter on the Implementation Gap⁷, it would be significantly burdensome and inefficient to require Covered FBOs to build a compliance framework for the U.S. SCCL Rule solely for use during a temporary Implementation Gap.

For these reasons, we support the Federal Reserve Board’s proposal to amend the final SCCL Rule to extend the initial compliance dates for the combined U.S. operations of Covered FBOs by eighteen months. The extension would provide additional time for foreign jurisdictions’ versions of the Basel Large Exposures Framework to become effective. We believe that offering relief for a finite period of eighteen months after the relevant compliance dates would avoid creating an open-ended Implementation Gap for Covered FBOs and should be sufficient time for implementation in all major jurisdictions. If, however, certain home countries need additional time to implement the Basel Large Exposures Framework, we believe that it would be appropriate to allow individual institutions to seek reasonable, limited extensions beyond the eighteen months proposed, as appropriate.

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⁵ Basel Committee on Banking Supervision (the “Basel Committee”), Supervisory framework for measuring and controlling large exposures (Apr. 2014) (the “Basel Large Exposures Framework”).

⁶ Letter to Ms. Ann Misback from the IIB, dated October 5, 2018 and Letter to Ms. Ann Misback from the BPI, dated October 5, 2018.

⁷ Letter to Mr. Mark E. Van Der Weide, dated December 21, 2018.

We thank you in advance for your consideration of this important issue. If you have any questions, please do not hesitate to contact Briget Polichene ((646) 213-1147, bpolichene@iib.org), Stephanie Webster ((646) 213-1149, swebster@iib.org) or Gregg Rozansky, ((646) 736-3960, gregg.rozansky@bpi.com)).

Sincerely,



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Gregg Rozansky
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cc:

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