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By Electronic Mail

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Notice of Proposed Rulemaking Implementing Enhanced Prudential Standards and Early Remediation Requirements of Dodd-Frank Sections 165 and 166: Docket No. 1438 and RIN 7100-AD-86

Ladies and Gentlemen:

The Institute of International Bankers ("IIB") appreciates the opportunity to comment on the notice of proposed rulemaking[1] of the Board of Governors of the Federal Reserve System (the "Board") implementing Sections 165 and 166 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"),[2] which provide for enhanced prudential standards and early remediation requirements for certain large U.S. bank holding companies and nonbank financial companies designated by the Financial Stability Oversight Council for supervision by the Board ("covered companies").

The IIB strongly supports enhancing U.S. and global financial stability through robust supervision and regulation—including the appropriate implementation of Sections 165 and 166. We commend the continuing efforts of the Board and other U.S. and non-U.S. regulators to harmonize and coordinate the development and implementation of the many fundamental reforms currently underway, including Sections 165 and 166 and the reforms developed by the Basel Committee on Banking Supervision. More specifically, we commend the Board's decision to address the application of Sections 165 and 166 to foreign banking organizations in a separate proposal. As the Board recognized, reconciling the implementation of Sections 165 and 166 with the existing Board framework for regulating foreign banking

[1] 77 Fed. Reg. 594 (Jan. 5, 2012) (the "Proposal"). In this letter, we refer to the text of the proposed rule as the "Proposed Rule".

[2] Codified as 12 U.S.C. §§ 5365 and 5366.

organizations, existing international agreements, and the home-country supervision of cross-border banking organizations will raise difficult practical and legal issues.[3]

The IIB does not believe that the Proposed Rule represents a model or template for future similar rules for foreign banking organizations. The IIB anticipates that it will comment fully on any future proposal applicable to foreign banking organizations, and we therefore respectfully reserve the right to revisit any of the comments included in this letter if the interaction between the Proposed Rule and any such future proposal warrants further discussion or raises issues related to the implementation of the Proposed Rule with regard to U.S. bank holding companies controlled by foreign banking organizations ("U.S. BHC subsidiaries")[4].

The IIB supports the specific recommendations and suggestions in the joint comment letter submitted by The Clearing House Association L.L.C., the American Bankers Association, the Financial Services Forum, The Financial Services Roundtable and the Securities Industry and Financial Markets Association (the "Joint Trade Associations Letter"). Our comments in this letter focus solely on the application of the Proposed Rule to U.S. BHC Subsidiaries and on certain other aspects of the Proposed Rule of particular interest to internationally headquartered banks ("international banks") and international markets. While the discussion below is organized according to the subparts of the Proposed Rule, our concerns fall broadly into two categories.

First, U.S. BHC subsidiaries differ from top-tier U.S. holding companies in a number of ways that have important implications for the Proposed Rule. Recognizing the wide range of institutions that would be subject to Section 165, Congress granted the Board the authority to tailor the implementation of Section 165 to differentiate among companies or categories of companies.[5] Importantly, U.S. BHC subsidiaries are part of a larger organization managed on an enterprise-wide basis. The IIB recognizes and strongly supports the authority of the Board to regulate, supervise and examine U.S. BHC subsidiaries in order to promote both the safety and soundness of an individual institution and U.S. financial stability more broadly.

However, we believe that the U.S. BHC subsidiaries should be viewed in a broader context of receiving benefits from, and having obligations to, their parent shareholder. Furthermore, a U.S. BHC subsidiary is affected by the supervision and regulation of the parent foreign banking organization exercised by its home country authority. We urge the Board to use the flexibility granted to it in the statute to tailor a final rule, or at least the application of a final rule, to take into account these differences between U.S. BHC subsidiaries and their counterpart top-tier U.S. holding companies.

Second, the Proposed Rule would have extraterritorial and international effects that would harm or needlessly burden foreign and cross-border transactions that strengthen the global

3 See 77 Fed. Reg. at 597-98.

4 The Proposed Rule would apply to only U.S. bank holding companies (including U.S. BHC subsidiaries) that have consolidated assets of $50 billion or more, but would not apply to foreign banking organizations or to U.S. operations of foreign banking organizations conducted outside the U.S. BHC subsidiary. See Proposal, 77 Fed. Reg. at 595, 595 fn. 6.

5 See Dodd-Frank Section 165(a)(2)(A).

and U.S. financial markets. In particular, the Proposed Rule would curtail transactions between covered companies and large foreign banking organizations and would harm the markets for non-U.S. government obligations.

CAPITAL REQUIREMENTS AND LEVERAGE LIMITS

Dodd-Frank requires that the Board apply heightened risk-based capital requirements and leverage limits to covered companies. Generally, the Proposed Rule would address this requirement in three ways – (1) by requiring all covered companies to comply with the Board's capital planning rule, (2) by applying future capital requirements implementing Basel III standards to covered companies, and (3) by contemplating the application of a quantitative risk-based capital surcharge on covered companies or a subset of covered companies. Further, the liquidity, stress test and early remediation provisions of the Proposed Rule will require enhancements to capital and capital planning to meet the standards of those provisions.

With regard to the requirements for capital planning, in the case of U.S. BHC subsidiaries, we urge the Board appropriately to take into account capital and leverage reform measures undertaken by home country regulators following the recent financial crisis, as is required by Section 165. In addition to granting the Board the general authority, for all Section 165 rulemakings, to draft flexible and tailored regulations, Congress specifically directed the Board to consider the structure of a covered company in the case of risk-based capital requirements and leverage limits.[6] The impact of consolidated home-country supervision on U.S. BHC subsidiaries and the presence of resources and management above these entities are structural elements that the Board should consider when implementing the capital planning rules with regard to U.S. BHC subsidiaries.

The implementation of Basel III and other measures addressing the recent financial crisis is still underway in many jurisdictions, including the United States. It is clear, however, that consolidated home-country prudential regulation will, in many cases, impose heightened capital requirements and stricter leverage limits that will support the activities of U.S. BHC subsidiaries subject to such regulations on a consolidated basis. Further, many jurisdictions are implementing comprehensive recovery planning measures that will ensure that both the consolidated group and important business lines and subsidiaries have sufficient capital and liquidity to protect and fund their operations during periods of economic and market stress. Failing to take these structural characteristics into account in any capital planning exercises would result in costly and burdensome duplication in the cross-border regulation of capital and leverage, and could harm financial stability by impeding appropriate cross-border allocations of capital to prevent distress to the corporate group. When implementing the final rule, the enhanced capital and leverage requirements applicable to a U.S. BHC subsidiary should take into account the effects of the consolidated home-country regulation of its top-tier affiliate and, when

6 See Dodd-Frank Section 165(b)(1)(A)(i) (requiring "risk-based capital requirements and leverage limits, unless the Board of Governors, in consultation with the Council, determines that such requirements are not appropriate for a company subject to more stringent prudential standards because of the activities of such company (such as investment company activities or assets under management) or structure, in which case, the Board of Governors shall apply other standards that result in similarly stringent risk controls").

appropriate, consider that affiliate and other non-U.S. affiliates as a source of capital and liquidity to the U.S. BHC subsidiary.

We also generally support the recommendations relating to the capital requirements and leverage limits of the Proposed Rule set forth in the Joint Trade Associations Letter. In particular, we agree that the capital planning, liquidity, stress test and early remediation requirements will also have impacts on the capital of a covered company that will satisfy the statutory requirement for the Board to apply "more stringent" standards on covered companies and will, in practice, result in covered companies maintaining capital above regulatory minimum requirements. Therefore, there should be no need to impose an additional capital "surcharge" on any covered companies or subset of covered companies.

If, however, the Board were to adopt such a capital surcharge in a final or future rule, the Board should take into account both (1) any similar enhanced capital requirement imposed by a U.S. BHC subsidiary parent's home-country regulation and (2) any "G-SIB" surcharge imposed on any parent foreign banking organization in accordance with international standards. For a U.S. BHC subsidiary, any additional "layering" of U.S. surcharges on an intermediate entity in the consolidated foreign banking organization will create significant inefficiencies with regard to capital allocation, and would fail to recognize how additional capital requirements imposed under home country or international standards support the U.S. BHC subsidiary and its U.S. operations. In the context of U.S. BHC subsidiaries, there is no clearer example of the structural considerations that Congress directed the Board to consider in implementing the capital and leverage requirements of Section 165.

LIQUIDITY

We concur with the comments in the Joint Trade Associations Letter supporting the practical and flexible approach taken in the Proposed Rule with regard to eligibility of a broader set of liquid assets (than is reflected in the current version of the Basel III liquidity framework) and permitting reasonable models and assumptions when addressing liquidity needs and liquidity risk tolerance. We also support the specific improvements to the liquidity requirements of the Proposed Rule recommended in the Joint Trade Associations Letter, and we share the concerns expressed in the Joint Trade Associations Letter regarding the prescriptive nature of the governance process in the liquidity provisions of the Proposed Rule.

We understand that the Board contemplates issuing "one or more future proposals that would require covered companies ... to satisfy specific quantitative liquidity requirements that are derived from, or consistent with, the international liquidity standards incorporated into Basel III."[7] We look forward to continuing to work with the Basel Committee and U.S. and international regulators to build flexibility into those final liquidity measures. We remain concerned about the scope of assets eligible for the Basel III liquidity measures and some of the limitations and categorizations of eligible assets. For this reason, we appreciate the Board's more flexible approach in including a range of assets without creating limits on eligibility, and are hopeful that the scope of eligible assets under the Basel III proposal can also be widened.

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7 77 Fed. Reg. at 605.

In keeping with the Board's focus on consistency with Basel III, however, we also urge the Board to ensure that the asset criteria for the liquidity requirements under Section 165 do not exclude assets recognized as eligible under Basel III. In particular, we are extremely concerned by the exclusion of non-U.S. sovereign obligations from the assets that would qualify as "highly liquid assets" under the Proposed Rule. While we understand that the Proposed Rule's definition of "highly liquid assets" provides a mechanism for the Board to include, in the future, other assets demonstrated to have appropriately liquid characteristics, we urge the Board to include in the final rule a determination that all high quality sovereign obligations would be available to U.S. BHC subsidiaries to satisfy all liquidity requirements under the final rule.

While the Basel III liquidity framework continues to be developed, it broadly recognizes sovereign obligations as appropriate sources of qualifying liquidity. We support the recommendation in the Joint Trade Associations Letter that sovereign debt securities be included in the definition of "highly liquid assets" if they are assigned a specific risk-weighting factor of 1.6 or less under the Board's market risk rules or if they would otherwise meet the standards for a 20% risk weighting under current Basel I capital rules. This standard would be consistent with the inclusion of sovereign debt securities under the Basel III liquidity framework (without any inappropriately restrictive categorization of such assets) and the current U.S. implementation of prior Basel accords, while also conforming to the Dodd-Frank requirement to eliminate reliance on credit ratings.

We also support the Joint Trade Associations Letter's recommendation for similar inclusion of securities or obligations of multinational organizations, multi-lateral development banks and central banks in the definition of "highly liquid assets" in the final rule.

The inclusion of sovereign debt and other securities as highly liquid assets in the final rule is appropriate not only because they are, in fact, highly liquid instruments or because their inclusion would bring the Proposed Rule into consistency with the Basel III approach, but also because their exclusion from the definition for U.S. covered companies would have a detrimental effect on the markets and liquidity of such instruments. U.S. covered companies are significant participants in the markets for sovereign and multinational organization debt. A shift away from using such instruments for fundamental asset-liability and liquidity management purposes by U.S. institutions would ironically impair the liquidity of such instruments for other market participants. More particularly, in our view, it would artificially and unnecessarily limit the potential trading counterparties for international banks in these instruments.

In furtherance of the statements in the Proposal and the recommendation in the Joint Trade Associations Letter that U.S. government, agency and government-sponsored enterprise debt securities be excluded from the diversification and concentration standards described in the Proposal, we would also recommend that any sovereign or multi-national organization securities that are included under the standards described above be excluded from the diversification and concentration standards described in the Proposal. At a minimum, a U.S. BHC subsidiary should be subject to more flexible diversification or concentration standards with regard to the sovereign or central bank securities of the home country of its parent foreign banking organization. The ability to transfer such securities to its parent and the access of the parent to local markets for such securities should alleviate any concern about inordinate risks posed by a concentration in such country's securities.

More generally in relation to liquidity planning and management, we would urge the Board to take into account the position of a U.S. BHC subsidiary within the larger context of the foreign banking organization. When examining liquidity plans and contingency funding plans of U.S. BHC subsidiaries, the Board should recognize that the parent organization and other affiliates, when appropriate, may be available sources of liquidity for the U.S. operations. The same context is also relevant to the related governance requirements. A U.S. BHC subsidiary is often part of enterprise-wide management of liquidity risk tolerance and liquidity allocation, and the final rule should afford U.S. BHC subsidiaries the flexibility to permit U.S. management to coordinate with the larger organization to achieve the goals set by the Board in the Proposed Rule, without imposing a particularly rigid form of governance.

SINGLE COUNTERPARTY CREDIT LIMITS

The Proposed Rule departs from the more sophisticated approaches developed and refined collaboratively with the Board for measuring counterparty exposure and risk in the context of the capital rules, and instead proposes a fundamentally different and proscriptive approach to the measurement and management of credit risk. We support the recommendations set forth in the Joint Trade Associations Letter, which relate to the single counterparty credit limits ("SCCLs") under the Proposed Rule.

U.S. BHC Subsidiaries

In particular, we agree that the method of calculation of credit exposure under the Proposed Rule is likely to overstate significantly true credit risk, especially in relation to derivative transactions. The Proposed Rule ignores the extensive development of models to measure credit risk in relation to the capital rules and imposes a risk "shifting" requirement when purchasing credit or equity protection. Covered companies would be unnecessarily required to develop an alternate and costly set of systems and records to comply with the SCCL requirements, in addition to those that have been developed to undertake credit risk management and capital calculations currently.

This concern is even more acute for U.S. BHC subsidiaries, where the added layer of international capital rules and home country risk management requirements make it apparent that the movement toward a completely separate credit risk monitoring mechanism applicable at the U.S. level would add significant inefficiencies and costs to the risk management processes of U.S. BHC subsidiaries. In developing a final rule, the Board should seek an approach consistent with current risk measurement standards employed by institutions and should endeavor to coordinate this approach with international risk management and capital calculation rules. In the absence of such coordination, multiple overlapping risk management systems would hinder rather than promote effective risk management for all covered companies.

The approaches taken in other jurisdictions demonstrate how legitimate counterparty concentration concerns can be addressed through modification and application of the established credit risk framework for capital requirements, including the use of approved modeling. For example, the European Council's recent directive strengthening its large exposure regime appropriately continues the use of internal credit-risk models developed by covered financial institutions and approved by their home-country regulators.[8] The final rule should build on, rather than set aside, the extensive international and U.S. investments in developing robust and accurate credit risk modeling.

Foreign Banking Organizations as Counterparties and Major Counterparties

Foreign banking organizations are also concerned about the impact of the SCCL on their relationships as counterparties to U.S. covered companies. To the extent that the approach under the Proposed Rule would overstate credit risk, and would cause U.S. covered companies to curtail lending, trading and hedging relationships, foreign banking organizations would particularly suffer because of their need to access U.S. markets through covered companies, which have the resources to provide services in the amounts requested and the infrastructure and expertise to efficiently provide this access. Such negative effects would be exacerbated by the disproportionate impact on foreign banking organizations of the 10 percent limit on exposure to "major counterparties" and the definition of "major counterparties" under the Proposed Rule. While only a handful of U.S. institutions would fall within the definition of major counterparty in the Proposed Rule, we estimate that almost forty foreign banking organizations would be deemed major counterparties. Thus, the Proposed Rule could significantly restrict transactions between covered companies and these foreign banking organizations and would likely hinder the ability of foreign banking organizations to manage their own risks in the liquid interdealer market. As a result, access to U.S. markets and especially to sources of U.S. dollar liquidity would be curtailed, thus harming foreign banking organizations' ability to hedge liquidity and other risks of their operations. We urge the Board to reconsider carefully the approaches to both counterparty exposure measurement and the major counterparty limit in accordance with the recommendations set forth in the Joint Trade Associations Letter.

Further, the Proposed Rule's potential aggregation of state-controlled non-U.S. banks and bank holding companies with their home-country sovereigns for purposes of the SCCL is inappropriate. Sovereign credit risk diverges significantly from the credit risk of entities controlled by that sovereign. The products and activities of banking organizations provide resources and sources of income separate from the sovereign. Indeed, the recovery underway in the financial system today highlights this divergence; financially stable governments hold equity positions in both robust and challenged financial institutions. The exposure of covered companies to a foreign banking organization has a wholly different purpose and risk profile from exposures incurred in relationships with sovereigns. For these reasons, the Board should not deem such banking organizations to be aggregated with the sovereign state.

In addition, a determination to aggregate a state-controlled banking organization with its home country sovereign would serve to eliminate, or at least significantly weaken, an essential stabilizing tool used by many countries in the most recent crisis. Aggregation with the sovereign could impede the orderly resolution of troubled institutions if extraordinary assistance or similar government intervention forces covered companies to reduce their credit exposures to the troubled institution to come into compliance with the SCCL under the Proposed Rule. This effect would cut off liquidity to the institution in a time of stress, put significant downward price pressure on the debt obligations of the troubled institution and could increase the difficulty of

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[8] See Directive 2009/111/EC.

restructuring the institution outside of an insolvency (or in a creditor-supported insolvency). Many of these effects are likely to precede any actual government intervention—the anticipation of that intervention could become a self-fulfilling expectation as it creates a "run" on the institution in the wholesale markets.

For the foregoing reasons, we strongly urge the Board to appropriately circumscribe the scope of exposures that are aggregated in the determination of credit exposure to a sovereign under the final rule by excluding foreign banking entities.

Non-U.S. Sovereign Obligations

The final rule should extend the exemption for U.S. government and agency obligations to also exclude other high quality sovereign obligations from the calculation of credit exposures. Subjecting these obligations to the SCCL would have harmful and disruptive effects on the markets for these securities, and would needlessly and harmfully curtail many appropriate banking activities, such as the use of non-U.S. government securities by U.S. and non-U.S. institutions in repurchase transactions for liquidity and foreign exchange risk management and for other customary treasury activities.[9]

Beyond limiting the direct use of sovereign obligations in treasury, risk management, liquidity, reserves and investment activities, subjecting sovereign obligations to the SCCL would also negatively affect the acceptance of such obligations as collateral for many types of transactions globally. In many jurisdictions, as in the United States, local sovereign debt securities constitute the primary type of collateral used in secured transactions. Further, high quality sovereign debt is used extensively as collateral in international derivative, repurchase and securities lending transactions. Because the Proposed Rule would decrease the liquidity of sovereign debt markets through limits on ownership of such securities, such securities would become less acceptable as collateral. The Proposed Rule also directly affects their use as collateral by potentially causing covered companies either (1) to request the posting of exemptive collateral (currently defined to include only U.S. government obligations) or (2) to reject sovereign debt securities (for which a covered company may be approaching its limit) as collateral in favor of other collateral to which a covered company can more easily "shift" its exposure under the discretionary "shift" permitted by the Proposed Rule. Such reactions by covered companies would have a disproportionate impact on foreign banking organizations as they are, and historically have been, the primary users of sovereign collateral in their dealings with counterparties, including U.S. covered companies.

We therefore support the recommendations in the Joint Trade Associations Letter that sovereign debt securities be excluded from the SCCL and not be subject to haircuts in relation to repurchase, securities lending or other transactions where they are used as collateral. We also support the limitation of this exception to those "high quality" sovereign obligations defined in the Joint Trade Associations Letter. Because the Board used its own discretion to include

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9 For a more detailed discussion of many of the vital economic roles of non-U.S. government securities, see Part V of our comment letter, dated February 13, 2012, regarding the pending proposed implementation of the Volcker Rule.

sovereign entities as counterparties,[10] it has the appropriate legal authority and discretion to tailor these exemptions.

We also note that concerns about the failure to exempt high quality foreign sovereign exposures from the SCCL are exacerbated by the aggregation methodology employed by the Proposed Rule. We have explained above why companies in which a sovereign has an investment should not be aggregated with the sovereign for purposes of the SCCL. In addition, we would urge the Board not to aggregate political subdivisions or entities that have their own source of revenue for repayment of obligations and for which the sovereign is not responsible. This could be accomplished through the application of a "means and purpose" test (like that employed in the national bank lending limits) or other similar methodology to determine whether political subdivisions of a sovereign government should be aggregated with that sovereign.[11]

RISK MANAGEMENT AND RISK COMMITTEE

The provisions of the Proposed Rule that prescribe certain risk management processes and standards constitute a prime example of where flexibility and recognition of the structural context of U.S. BHC subsidiaries is particularly important. Unlike top-tier U.S. institutions, enterprise-wide risk management for a U.S. BHC subsidiary will often need to be coordinated within the global risk management framework of the U.S. BHC subsidiary's parent foreign banking organization. Likewise, the prescriptive process and committee structure requirements in the Proposed Rule would be cumbersome—and could even impede appropriate risk management—if compliance is measured too rigidly at the U.S. BHC subsidiary level.

In implementing the final rule, we strongly urge the Board to provide for the flexibility to structure risk management compliance taking into account the status of the U.S. BHC subsidiary as a part of a broader corporate group and existing risk management structure for the U.S.-wide operations. We support efforts to strengthen risk management practices throughout each financial institution. However, we believe that if the goals of the Board's Proposed Rule can be met, and the functions assigned by the Proposed Rule can be carried out, using a form of risk management governance other than those prescribed in the Proposed Rule, then a U.S. BHC subsidiary (and all covered companies, for that matter) should be given the flexibility to use such form. We also urge the Board to recognize explicitly in the final rule that adaptations to risk management approaches will be permitted in order to comply with any applicable home country requirements of the U.S. BHC subsidiary's parent.

We generally support the recommendations relating to the risk management and related governance provisions of the Proposed Rule set forth in the Joint Trade Associations Letter, which also urge appropriate structural flexibility and the appropriate division of responsibility between management and the board of directors.

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10 Compare Section 165(c)(2) (restricting credit exposures to unaffiliated companies) with 77 Fed. Reg. at 613 (discussing the Board's proposed inclusion of foreign sovereigns in the definition of "counterparty").

11 See, e.g., 12 C.F.R. Part 32.5(f).

STRESS TESTING

The unique context of U.S. BHC subsidiaries is also relevant to the stress testing provisions of the Section 165 requirements, and we urge the Board to incorporate appropriate consideration of home-country requirements that are applicable to a U.S. BHC subsidiary in the final rule. For example, we would urge that the Board permit these covered companies to use information prepared for or resulting from home-country stress testing if the information is reasonably similar to what would otherwise be required. This approach would avoid the unnecessary burdens of requiring companies to comply with multiple comparable but different stress testing requirements.[12] In addition, we urge the Board, where appropriate, to consult on an institution-specific basis with home-country regulators regarding the elements of the institution's stress testing and the economic scenarios the Board is providing to it. As appropriate, the Board should also consult with home country authorities regarding the components of the supervisory stress testing under Section 165. This consultation would help to avoid gaps in the stress analysis of the entire corporate group as well as unnecessary duplication.

We would also urge the Board to consider carefully the company-run stress test scenarios that would be created by the U.S. BHC subsidiary. Such scenarios are likely to create insights into the unique types of issues that a U.S. BHC subsidiary considers, in contrast to a publicly traded top-tier U.S. bank holding company. Understanding such issues will enable the Board to better tailor the Section 165 requirements to a U.S. BHC subsidiary.

With regard to disclosure of a U.S. BHC subsidiary's stress test results, while we are in favor of summary disclosure, we believe that such disclosures are likely to need to be coordinated with any similar disclosures or securities law disclosures required of the foreign banking organization parent. U.S. BHC subsidiaries should be provided the flexibility to coordinate the form and timing of such disclosures, provided that they are released in a reasonably timely manner.

We generally support the recommendations relating to the stress testing portion of the Proposed Rule set forth in the Joint Trade Associations Letter and, in light of the additional home-country requirements to which U.S. BHC subsidiaries are subject, we join the Joint Trade Associations Letter in strongly urging the Board and other U.S. regulators to coordinate the multiple U.S. stress testing requirements.

EARLY REMEDIATION

The IIB strongly supports international efforts to coordinate cross-border cooperation and coordination in identifying and addressing distressed institutions. The efforts of the Financial Stability Board on recovery and resolution planning are at the center of these efforts. Recognizing that this framework is still under development, we would urge the Board to support and strengthen it by expressly providing in the final rule for consultation and coordination with home country authorities before any remedial actions are taken under Section 166 with regard to

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12 As noted below, we also urge the Board and other U.S. regulators to coordinate the multiple U.S. stress testing requirements.

a U.S. BHC subsidiary. At a minimum, the final rule should require consultation prior to any remedial actions beyond "Level 1".

In addition, we urge the Board to tailor the criteria for subjecting a covered company to the various levels of early remediation to the context of U.S. BHC subsidiaries. The automatic triggering of remediation by capital levels and stress-test results is particularly inappropriate in this context. For example, these automatic triggers would fail to take into account the extent to which capital available from the U.S. BHC subsidiary's parent supports its activities and whether its non-U.S. parents and affiliates would be sources of strength during a period of stress.

Further, we generally support the recommendations relating to the early remediation provisions of the Proposed Rule set forth in the Joint Trade Associations Letter.

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We appreciate your consideration of our comments on the Proposed Rule. If we can answer any questions or provide any further information, please contact the undersigned (646-213-1147, smiller@iib.org) or our General Counsel, Richard Coffman (646-213-1149, rcoffman@iib.org).

Very truly yours,

Sarah A. Miller

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