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Opening Statement on General Electric Capital Corporation Final Order  
by Governor Daniel K. Tarullo

The proposed final order for the prudential standards applicable to General Electric Capital Corporation (GECC) comes against the backdrop of General Electric's (GE) announced plan to cut substantially the size and scope of GECC's balance sheet and activities. Before explaining how the proposed final order takes account of that plan, let me note why it is appropriate for us to proceed with adoption of the order today.

We have a statutory obligation to apply enhanced prudential standards to GECC following its designation by the Financial Stability Oversight Council as a systemically important nonbank. It has been two years since that designation, during which time the Board has carefully evaluated how the enhanced prudential requirements should be tailored to the characteristics of this particular institution, including consideration of comments received through the public notice and comment process we have followed. While GE has put forward a plan for substantial divestitures by GECC and has already begun to execute that plan, no one can know with complete assurance if or when it will be fully executed or how GE's stated intention to seek de-designation of GECC will proceed. Thus it is possible that GECC will remain a designated institution for some time to come, and we should have a regulatory framework in place to take account of that possibility.

Having said that, it would not be sensible for us to disregard GE's announced plan to reduce GECC's size by about 70%, particularly in light of the fact that it is demonstrably executing that plan. The proposed order fulfills our statutory and administrative obligations in a way that reflects the practical situation before us by separating required implementation of the

enhanced prudential standards into two phases. GECC will be subject to fundamental capital and liquidity requirements beginning January 1, 2016, but will not be subject to the full panoply of the order's enhanced standards until January 1, 2018. This approach will assure that GECC maintains important loss buffers for its continuing operations while it executes its divestiture strategy. If GECC is de-designated during the next two and a half years, the full set of enhanced prudential standards will never take effect.