

**Meeting between Federal Reserve Board Staff  
And Representatives of Credit Suisse Group AG  
April 19, 2013**

**Participants:** Mark Van Der Weide, Molly Mahar, Mary Aiken, Ann Misback, David Emmel, Naima Jefferson, Jordan Bleicher, Christine Graham, and Elizabeth MacDonald (Federal Reserve Board)

Wilson Ervin, Lewis Wirshba, Joseph Seidel, Carlos Onis, Peter Feeney, and John Dugan (Credit Suisse Group AG)

**Summary:** Representatives of Credit Suisse Group AG (the “Representatives”) met with Board staff to discuss the Board’s proposal to implement the enhanced prudential standards and early remediation requirements established under sections 165 and 166 of the Dodd-Frank Wall Street Reform and Consumer Protection Act for foreign banking organizations and foreign nonbank financial companies (the “proposal”). The representatives requested that the Board consider a tailored approach to address those risks that takes into account the unique circumstances of each foreign banking organization. The representatives also raised concerns about the costs associated with the proposal, particularly around systems development and restructuring. Finally, the representatives expressed concerns that the proposal would result in a less efficient use of capital and liquidity in global banking organizations, particularly if other jurisdictions pursue similar approaches.

The representatives also provided the attached material.

# Recommendations to Refine Proposal

Especially for FBOs with only non-bank activities, and which are not subject to Collins requirements

## IHC

- Agree IHC may be useful for extreme events (i.e. resolution coordination) and for consolidated host supervision statistics
- Should capture all major US operating entities; request flexibility around: non-consolidated entities, certain bank branch linked entities, and intermediate hold co entities (transition and tax reasons)
- Acknowledge CS (USA) Inc. as relevant IHC registrant (also the historic US public registrant)

## Liquidity

- Agree need for liquidity rules at the host country level to avoid certain stress events, address with targeted rules that respect legislative intent and goal of free international markets
  - Rules should permit free flow of liquidity when IHC is above the minimum

## Resolution

- Swiss approach has moved to global bail-in resolution with SNB liquidity support; ring fencing is not the primary option
  - Avoid hard ring fence that produces regimes that can “walk away”, and may have (perverse) incentives to do so
  - Supervisory colleges and RRP provide sufficient toolkit to identify and address gaps; consider FATCA style Inter-Governmental Agreements if there are issues between home country regulatory regimes
- Avoid measures that can be seen as protectionist and that will invite retaliation, respect legislation that directs FRB to show reasonable deference to comparable home country supervision
  - Avoid extraterritorial application of US trigger tests to off shore parents; risk of retaliation and supervisory conflict

## Capital

Existing capital rules at global and legal entity level should be sufficient

- These rules are unnecessarily onerous and discriminatory
  - The rules subject foreign owned broker-dealer activities to a higher standard than US owned broker dealers, who can use their consolidated capital and risk governance capabilities. Also creates tougher restrictions on counterparty
  - Avoid unnecessary and duplicative imposition of full bank regulation for broker dealer activities (90% SEC regulated)
- Allow the use of contingent capital, sub debt, or guarantees to form part of the available IHC capital base; this will clearly address the underlying concern over home country support for US operations

## Risk Governance

Leverage,  
Counterparty limits,  
Stress Testing

- If capital requirements are required at the IHC level, the FRB should accept global capital calculations when implemented by a competent home supervisor. In particular, the Swiss application of B3 and stress tests should be deemed sufficient.
  - Harmonize leverage tests with global Basel 3 timetable; reduce need for costly and unnecessary IT investments
- No need to require full governance and local counterparty risk requirements at this level, and competitively unfair
  - The existing risk governance structure used by US Broker Dealer should be considered sufficient.