

Meeting Between Staff of the Federal Reserve Board and the Institute of International Bankers
May 26, 2016

Participants: Felton Booker, Thomas Boemio, Sean Healey, Elizabeth Kessenides, Will Giles, Mark Buresh, and Josh Strazanac (Federal Reserve Board)

Paul Begey, Richard Coffman, and Sarah Miller (Institute of International Bankers); Allison Breault, Knox McIlwain, and Erika Nijenhuis (Cleary Gottlieb Steen & Hamilton LLP); Deepesh Jain and Yakov Mirocznik (Barclays plc); Humberto Reboredo, Joseph Seidel, and Joseph Shropshire (Credit Suisse AG)

Summary: Staff of the Federal Reserve Board met with representatives of the Institution of International Bankers, Cleary Gottlieb Steen & Hamilton LLP, Barclays, and Credit Suisse to discuss the Board's outstanding proposal on long-term debt (LTD) and total loss absorbing capacity (TLAC) requirements for the U.S. intermediate holding companies (IHCs) of foreign global systemically important banks (G-SIBs). These representatives (i) expressed concern that eligible LTD would be treated as equity for U.S. tax law, but debt for foreign tax law; (ii) encouraged the Board to either encourage the U.S. Treasury Department to treat eligible LTD as debt by regulation, or to change the requirements for eligible LTD such that it would be treated as debt under U.S. tax law; (iii) encouraged the Board to permit a conversion order only when certain, objective criteria tied to the capital adequacy of a covered entity are met; (iv) encouraged the Board to require that eligible LTD be, upon conversion, the most senior class of equity; and (v) encouraged the Board to give firms and their regulators time to address the firm's inadequacies after the Board gives some type of notice to the institution that the Board intends to order the conversion of the firm's LTD, but before the Board issues the conversion order.