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Chairman Johnson, Ranking Member Crapo, and other members of the committee, thank you for the opportunity to testify on the Federal Reserve's activities in mitigating systemic risk and implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). In today's testimony, I will provide an update on the Federal Reserve's recent activities pertaining to the implementation of the Dodd-Frank Act and describe our key regulatory and supervisory priorities for 2014. I will also discuss the Federal Reserve's expectations with regard to information security at the financial institutions it oversees.

Since testifying before this committee in July 2013, the Federal Reserve and other banking supervisors have made considerable progress in implementing the congressional mandates in the Dodd-Frank Act and otherwise improving financial stability and mitigating systemic risks. While these efforts have helped to produce a sounder, more stable, and more resilient financial system, work remains to be done to address the problems of "too-big-to-fail" and systemic risk.

Recent Dodd-Frank Act Implementation Milestones

Since your last oversight hearing, the Federal Reserve, often in tandem with some or all of the other agencies represented at this hearing, has made progress on a number of important Dodd-Frank Act reforms.

Liquidity rules for large banking firms

In October, the Federal Reserve and the other U.S. banking agencies issued a proposed rule, consistent with the enhanced prudential standards requirements in section 165 of the Dodd-Frank Act, which would implement the first broadly applicable quantitative liquidity requirement for U.S. banking firms. Liquidity standards for large U.S. banking firms are a key contributor to financial stability, as they work in concert with capital standards, stress testing, and other enhanced prudential standards to help ensure that large banking firms have a sufficiently strong liquidity risk profile to prevent creditor and counterparty runs.

The proposed rule's liquidity coverage ratio, or LCR, would require covered banking firms to hold minimum amounts of high-quality liquid assets, such as central bank reserves and high-quality government and corporate debt, that could be converted quickly and easily into cash sufficient to meet expected net cash outflows over a short-term stress period. The proposed LCR would apply to internationally active banking organizations—that is, to bank holding companies and savings and loan holding companies with $250 billion or more in total consolidated assets or $10 billion or more in on-balance-sheet foreign exposures. The proposal would also apply a less stringent, modified LCR to bank holding companies and savings and loan holding companies that are not internationally active, but that have more than $50 billion in total assets. The proposal would not apply to bank holding companies with less than $50 billion in total assets.

The proposal's LCR is based upon a liquidity standard agreed to by the Basel Committee on Banking Supervision, but is more stringent than the Basel Committee standard in several areas, including the range of assets that will qualify as high-quality liquid assets and the assumed rate of outflows for certain kinds of funding. In addition, the proposed rule's transition period is shorter than that in the Basel Committee standard. The proposed accelerated phase-in of the U.S. LCR reflects our objective that large U.S. banking firms maintain the improved liquidity positions that they built following the financial crisis, in part due to our supervisory oversight. We believe the proposed LCR should help ensure that these improved liquidity positions will not weaken as memories of the financial crisis fade.

Stress testing and capital planning requirements

The comprehensive stress testing conducted by the Federal Reserve, pursuant to the Dodd-Frank Act and in connection with the annual Comprehensive Capital Analysis and Review (CCAR), has become a key part of our supervisory efforts for large banking firms, and we are continuing to develop and expand the scope of this exercise. Most recently, the Federal Reserve issued proposed supervisory guidance regarding internal stress testing by banking firms with total consolidated assets between $10 billion and $50 billion as mandated by the Dodd-Frank Act and issued interim final rules clarifying how banking firms should incorporate the revised Basel III regulatory capital framework into their capital projections for the CCAR and Dodd-Frank Act stress testing cycles that began in the fall.

We are continuing to improve the implementation of our stress testing framework by refining the formulation of the hypothetical macroeconomic scenarios that form the basis of the stress tests. In designing coherent stress scenarios, we draw on many of the modeling tools used to inform monetary policy, but also aim to reflect the fact that not all significant risks facing banks arise in typical recessions. As a result, our scenarios now generally incorporate other adverse developments, such as an exceptionally large decline in housing prices, the default of the largest counterparty, and a worsening of global economic conditions more severe than might normally be expected to accompany a deep recession in the United States. In order for our stress testing to remain focused on key vulnerabilities facing the banking system, our stress scenarios will evolve further over time as banking firms' risk characteristics and business models evolve, the relationship between scenario variables and banking firm performance shifts, and the economic and market environment in which banking firms operate changes.

Over the past six months, the Federal Reserve also has increased the transparency of our capital planning and stress testing work. We have published both a policy statement describing the scenario development process for future capital planning and stress testing exercises and a paper discussing our expectations for internal capital planning at large banking firms and the range of practices we have observed at these companies during the past three CCAR exercises. The transparency of our stress testing processes complements our enhanced transparency around the results of the exercises and our assessments of firms' capital planning, all of which aim to give investors, analysts, and the public valuable information about firms' financial conditions and resiliency to stress.

Volcker Rule

In December, the U.S. banking agencies, the Securities and Exchange Commission (SEC), and the Commodity Futures Trading Commission finalized the Volcker Rule to implement section 619 of the Dodd-Frank Act. As you know, the Volcker Rule prohibits banking entities from engaging in short-term proprietary trading of certain securities and derivatives for their own account. The Volcker Rule also imposes limits on banking entities' investments in, and relationships with, hedge funds and private equity funds. The finalization of this rule took a substantial amount of time and effort in part because of the intrinsic challenges in distinguishing between the proprietary trading that is outlawed by the Dodd-Frank Act and the hedging and market making activities that are allowed by the act.

The ultimate success of the final rule will depend on how well the implementing agencies supervise and enforce the rule. While the Federal Reserve's supervisory role will be less than that of the Office of the Comptroller of the Currency and the SEC, we will continue to work with the other implementing agencies to develop an effective and consistent supervisory framework and to ensure that the Volcker Rule is implemented in a manner that upholds the aims of the statute, while not jeopardizing important activities such as market making and hedging. In pursuit of this goal, shortly after the adoption of the Volcker Rule, the Federal Reserve and the other implementing agencies agreed to create an interagency working group, which has already begun to meet. In mid-January, the five implementing agencies approved an interim final rule to permit banking entities to retain interests in certain collateralized debt obligations backed primarily by trust preferred securities that would otherwise be subject to the Volcker Rule's covered fund investment prohibitions.

Derivatives push-out

In December, the Federal Reserve also approved a final rule clarifying the treatment of uninsured U.S. branches and agencies of foreign banks under section 716 of the Dodd-Frank Act, which is commonly known as the derivatives push-out provision. The provision, which became effective in July 2013, generally prohibits certain types of federal assistance, such as discount window lending and deposit insurance, to swap entities such as swap dealers and major swap participants. Insured depository institutions that are swap entities may avail themselves of certain statutory exceptions and are eligible for a transition period of up to two years to comply with the provision. Under the final rule, uninsured U.S. branches and agencies of foreign banks are treated as insured depository institutions for the purposes of section 716 and therefore qualify for the same statutory exceptions as insured depository institutions and are eligible to apply for the same transition period relief. The final rule also establishes a process for state member banks and uninsured state branches or agencies of foreign banks to apply to the Federal Reserve for the transition period relief.

Federal Reserve emergency lending authority

Also in December, the Federal Reserve issued a proposal relating to its emergency lending authority in section 13(3) of the Federal Reserve Act that would implement sections 1101 and 1103 of the Dodd-Frank Act. As required by these statutory provisions, the proposed rule is designed to ensure that any emergency lending program or facility is adequately secured by collateral to protect taxpayers from loss and is for the purpose of providing liquidity to the financial system, and not to aid an individual failing financial company.

Risk retention

Section 941 of the Dodd-Frank Act generally requires firms to retain credit risk in securitization transactions that they sponsor. In August, the U.S. banking agencies, the Federal Housing Finance Agency, the Department of Housing and Urban Development, and the SEC revised a proposed rule issued in 2011 to implement that statutory provision. The proposed rule would provide securitization sponsors with several options to satisfy the risk retention requirements in section 941 and, as required by the Dodd-Frank Act, would exempt certain securitizations, including securitizations of "qualified residential mortgages" (QRM), from risk retention. The revised proposal would define QRM to have the same meaning as the term "qualified mortgage" established by the Consumer Financial Protection Bureau in January 2013, and, as such, would include a maximum back-end debt-to-income ratio of 43 percent, a 30-year limit on the term of the mortgage, and a 3 percent cap on points and fees. While the revised proposal's definition of QRM has been broadened as compared to that in the original proposal, it continues to exclude many loans with riskier product features, such as home-equity lines of credit; reverse mortgages; and loans with negative amortization, interest-only, and balloon payments. The revised proposal also requested comment on an alternative, stricter definition of QRM that would include a maximum 70 percent loan-to-value ratio requirement and certain credit history standards in addition to the qualified mortgage criteria. The comment period for the revised proposal closed at the end of October, and the agencies are now carefully reviewing comments.

Assessment fees

Section 318 of the Dodd-Frank Act directs the Federal Reserve to collect assessment fees equal to the expenses it estimates are necessary or appropriate for the supervision and regulation of large financial companies. The Federal Reserve issued a final rule implementing this statutory provision in August of last year. The rule, which became effective in October, sets forth how the Federal Reserve determines which companies are charged, estimates the applicable supervisory expenses of the Federal Reserve related to covered companies, determines each covered company’s assessment fee, and bills for and collects the assessment fees. Payments for the 2012 assessment period were due in December, and the Board collected approximately $433 million from 72 companies. As required by law, these fees were transferred to the U.S. Treasury.

Key Regulatory Priorities for 2014

The Federal Reserve’s regulatory program in 2014 will concentrate on establishing enhanced prudential standards for large U.S. banking firms and foreign banks operating in the

United States pursuant to section 165 of the Dodd-Frank Act and on further enhancing the resiliency and resolvability of U.S.-based global systemically important banks, or GSIBs.

Enhanced prudential standards for large U.S. and foreign banking firms

The Federal Reserve has issued proposed rules, pursuant to section 165 of the Dodd-Frank Act, which would establish enhanced prudential standards for U.S. bank holding companies and foreign banking organizations with total global consolidated assets of $50 billion or more. We anticipate that these rules will be finalized in the near term. For the large U.S. bank holding companies, the outstanding proposed standards include liquidity requirements, risk-management requirements, single-counterparty credit limits, and an early remediation regime. Finalizing these outstanding proposals would complement the capital planning, resolution planning, and stress testing requirements for large U.S. bank holding companies that the Board previously finalized.

The Federal Reserve has also proposed enhanced prudential standards for large foreign banking organizations with a U.S. banking presence. Prior to the financial crisis, the Federal Reserve's approach to regulating the U.S. operations of foreign banks rested on substantial structural flexibility for the foreign bank, substantial reliance by the Federal Reserve on the supervisory and regulatory framework of the foreign bank's home country, and substantial expectations of support by the parent foreign bank of its U.S. operations. A number of developments since the 1990s prompted a reevaluation of this approach to the regulation of foreign banks in the United States, just as the Federal Reserve had in the past reevaluated its approach in response to changes in the size and scope of foreign banking activities and financial market changes. Most notably, the U.S. operations of foreign banks in the years leading up to the financial crisis grew much larger and became much more complex and interconnected with the rest of the U.S. financial system. For example, five of the top 10 U.S. broker–dealers are currently owned by foreign banks and together hold almost $1.2 trillion in assets. The U.S. operations of large foreign banks also became much more dependent on the most unstable sources of short-term wholesale funding and established very substantial net credit exposures to the parent foreign bank in the years leading up to the financial crisis. As a result, during the crisis, these banks were heavy users of the Federal Reserve's liquidity facilities.

Under the proposed rule, foreign banking organizations with a large U.S. presence would be required to organize their U.S. subsidiaries under a single U.S. intermediate holding company that would serve as a platform for consistent supervision and regulation. These U.S. intermediate holding companies would be subject to the same generally applicable risk-based capital, leverage, and capital planning requirements that apply to U.S. bank holding companies. In addition, U.S. intermediate holding companies and the U.S. branches and agencies of foreign banks with a large U.S. presence would be required to meet liquidity requirements similar to those applicable to large U.S. bank holding companies. The Federal Reserve issued the proposed rule to promote the resiliency of the U.S. operations of foreign banking organizations and, in turn, U.S. financial stability.

Other regulatory efforts to improve the resiliency and resolvability of GSIBs

The financial crisis made clear that policy makers must devote significant attention to the potential threat to financial stability posed by our most systemic financial firms. Accordingly, the Federal Reserve has been focused on developing regulatory proposals that are designed to reduce the probability of failure of a GSIB to levels that are meaningfully below those for less systemically important firms and materially reduce the consequences to the broader financial system and economy in the event of failure of a GSIB. Our goal has been to establish regulations that force GSIBs to internalize the large negative externalities associated with their disorderly failure and that aim to offset any remaining too-big-to-fail subsidies these firms may enjoy.

GSIB risk-based capital surcharges

A key component of the Federal Reserve's program to improve GSIB resiliency is our forthcoming proposal to impose graduated common equity risk-based capital surcharges on GSIBs. This proposal will be based on the GSIB capital surcharge framework developed by the Basel Committee, under which the size of the surcharge for an individual GSIB is a function of the firm's systemic importance. We currently are working on the implementing regulation for the Basel Committee GSIB risk-based capital surcharge framework and expect to issue a proposal fairly soon. By further increasing the amount of the most loss-absorbing form of capital that is required to be held by the firms that potentially pose the greatest risk to financial stability, we intend to reduce the probability of failure of these firms to offset the greater negative externalities their failure would have on the financial system and to offset any funding advantage such firms may have because of their perceived status as too-big-to-fail.

GSIB leverage surcharges

To further bolster the regulatory capital regime for the most systemic U.S. banking firms, the Federal Reserve and the other U.S. banking agencies have proposed to strengthen the internationally agreed-upon Basel III leverage ratio as applied to U.S. GSIBs. This proposal would require U.S. GSIBs to maintain a tier 1 capital buffer of at least 2 percent above the minimum Basel III supplementary leverage ratio of 3 percent, for a total of 5 percent. In light of the significantly higher risk-based capital rules for GSIBs under Basel III, imposing a stricter leverage requirement on these firms is appropriate to help ensure that the leverage ratio remains a relevant backstop for these firms. And we have calibrated the proposed GSIB leverage surcharge thresholds to raise the leverage standards for these firms by an amount that is roughly commensurate with the Basel III increase in the risk-based capital thresholds for these firms. We expect to finalize this proposal in the coming months.

We also intend to incorporate in the United States the revisions to the Basel III leverage ratio recently agreed to by the Basel Committee. These changes would strengthen the ratio in a number of ways, including by introducing a much stricter treatment of credit derivatives.

Resolvability of GSIBs

Our enhanced regulation of GSIBs also includes efforts to improve their resolvability. The Federal Reserve's resolvability efforts include work with the Federal Deposit Insurance Corporation (FDIC) to improve the bankruptcy resolution planning of large banking firms and work to assist the FDIC in making large banking firms more resolvable under the Orderly Liquidation Authority (OLA) of the Dodd-Frank Act.

The Federal Reserve is consulting with the FDIC on a proposal that would require the largest, most complex U.S. banking firms to maintain a minimum amount of long-term unsecured debt outstanding at the holding company level. While minimum capital requirements are designed to cover losses up to a certain statistical probability, in the event that the equity of a financial firm is wiped out, successful resolution without taxpayer assistance would be most effectively accomplished if a firm has sufficient long-term, unsecured debt to absorb additional losses and to recapitalize the business transferred to a bridge operating company. The presence of debt explicitly identified for possible bail-in on a "gone concern" basis should help other creditors clarify their positions in an orderly liquidation process.

A requirement for long-term debt could have the benefit of improving market discipline, since the holders of that debt would know they faced the prospect of loss should the firm enter resolution. In addition, this requirement should have the effect of preventing the erosion of the current long-term debt holdings of GSIBs, which, by historical standards, are currently at fairly high levels. Absent a minimum requirement of this sort, there likely would be declines in these levels as the flatter yield curve of recent years steepens. We have recently seen some evidence of the beginnings of such declines. At the international level, the Federal Reserve is working through the Basel Committee and the Financial Stability Board (FSB) to develop an international proposal for gone concern loss absorbency requirements for GSIBs.

Regulatory Reform, Shadow Banking, and Short-term Wholesale Funding

"Shadow banking" is a term used to describe a wide variety of activities involving credit intermediation and maturity transformation outside the insured depository system. These activities are often funded through collateralized borrowing arrangements known as "securities financing transactions," a term that generally refers to repos and reverse repos, securities lending and borrowing, and securities margin lending. Some of this activity involves the short-term funding of highly liquid securities, and directly supports the current functioning of important markets, including those in which monetary policy is executed. Securities financing transactions can also directly or indirectly fund less liquid instruments.

In normal times, lending through securities financing transactions, even when backed by less-liquid instruments, appears low-risk because of the fact that the transactions are usually short-term, over-collateralized, and exempt from the automatic stay in insolvency proceedings. But during times of stress, lenders may become unwilling to lend against a wide range of assets, including very high-quality securities, forcing liquidity-strained institutions to rapidly liquidate positions. The rapid constriction of large amounts of short-term wholesale funding and associated asset liquidations in times of stress in the financial markets can result in large fire sale externalities, direct and indirect contagion to other financial firms, and disruptions to financial stability. A dynamic of this type engulfed the financial system in 2008.

While the term "shadow banking" suggests activity outside of the banking system, reality is more complex. In many cases, shadow banking takes place within, or in close proximity to, regulated financial institutions. Most of the largest banking organizations rely to a significant extent on securities financing transactions and other forms of short-term wholesale funding to finance their operations, and if such a firm were to come under stress, the fire sale externalities could be very similar to those we saw during the financial crisis. Banking organizations also participate in shadow banking by lending to unregulated shadow banks, and by providing shadow banks with credit and liquidity support that enhances their ability to borrow from other market participants. In still other cases, unregulated shadow banks are able to operate without coming into contact with the banking system. As prudential requirements for regulated firms become more stringent, it is likely that market participants will face increasing incentives to move additional activity beyond the regulatory perimeter.

Since the crisis, regulators have collectively made progress in addressing some of the close linkages between shadow banking and traditional banking organizations. We have increased the regulatory charges on support that banks provide to shadow banks; for example, by including within the LCR requirements for banks to hold liquidity buffers when they provide credit or liquidity facilities to securitization vehicles or other special purpose entities. Changes have also been made to accounting and capital rules that make it more difficult for banks to reduce the amount of capital they are required to hold by shifting assets off balance sheet.

We are also addressing risks from derivatives transactions, which can pose some of the same contagion and financial stability risks as short-term wholesale funding in the event that large volumes of derivatives positions must be liquidated quickly. Standardized derivatives transactions are currently in the process of moving to central clearing, while non-standardized trades will be subject to margin requirements. In September 2013, the Basel Committee and the International Organization of Securities Commissions adopted final standards on margin requirements that will require financial firms and systemically important nonfinancial entities to exchange initial and variation margin on a bilateral basis for non-cleared derivatives trades. The Federal Reserve and other federal financial regulatory agencies are now working to modify the outstanding U.S. proposals on non-cleared derivatives margin requirements to more closely align them with the requirements in this landmark global agreement.

Still, we have yet to address head-on the financial stability risks from securities financing transactions and other forms of short-term wholesale funding that lie at the heart of shadow banking. There are two fundamental goals that policy should be designed to achieve. The first is to address the specific financial stability risks posed by the use of large amounts of short-term wholesale funding by the largest, most complex banking organizations. The second is to respond to the more general macroprudential concerns raised by short-term collateralized borrowing arrangements throughout the financial system.

One option to address concerns specific to large, complex banking firms would be to pursue modifications to bank liquidity standards that would require firms that have matched books of securities financing transactions to hold larger liquid asset buffers or maintain more stable funding structures. The Basel Committee has recently proposed changes to its Net Stable Funding Ratio that would move in this direction.

A complementary bank regulatory option would be to require banking firms that rely on greater amounts of short-term wholesale funding to hold higher levels of capital. The rationale behind this approach would be that while solid requirements are needed for both capital and liquidity adequacy at large banking firms, the relationship between the two also matters. For example, a firm with little reliance on short-term wholesale funding is less susceptible to runs and, thus, to need to engage in fire sales that can depress capital levels at the firm and impose externalities on the broader financial system. A capital surcharge based on short-term wholesale funding levels would add an incentive for firms to use more stable funding and, where a firm concluded that higher levels of such funding were nonetheless economically sensible, the surcharge would increase the loss absorbency of the firm. Such a requirement would be consistent with, though distinct from, the long-term debt requirement that the Federal Reserve is developing to enhance prospects for resolving large firms without taxpayer assistance.

Turning to policies that could be used to address concerns about short-term collateralized borrowing arrangements more broadly throughout the financial system, the Federal Reserve is also carefully analyzing proposals to establish minimum numerical floors for collateral haircuts in securities financing transactions. In its most universal form, a system of numerical haircut floors for securities financing transactions would require any entity that wants to borrow against a security to post a minimum amount of excess margin to its lender that would vary depending on the asset class of the collateral. Like minimum margin requirements for derivatives, numerical haircut floors for securities financing transactions would serve as a mechanism for limiting the build-up of leverage at the transaction level, and could mitigate the risk of pro-cyclical margin calls.

In August, the FSB issued a consultative document that outlined a framework of minimum margin requirements for securities financing transactions. The FSB’s current proposal has some significant limitations, however, including (1) a scope of application that is limited to transactions in which a regulated entity lends to an unregulated entity against non-sovereign collateral, and (2) a relatively low calibration. If the scope of the FSB’s proposal was expanded to cover a much broader range of firms and securities and the calibration of the proposal was strengthened, the FSB proposal could represent a significant step toward addressing financial stability risks in short-term wholesale funding markets.

Information Security at Financial Institutions

Before closing, I would like to discuss briefly the Federal Reserve's expectations with regard to information security at the financial institutions it oversees, as recent events have led to an increased focus on the potential for cyber attacks on the information technology infrastructures of these institutions.

Cyber attacks on financial institutions and the data they house pose significant risks to the economy and to national security more broadly. While some attacks are conducted with the intent of disrupting customer access and normal business operations of financial institutions, other attacks include malicious software implanted to destroy data and systems, intrusions to gain access to unauthorized information, and account takeovers for financial fraud. The varied and evolving nature of these attacks make them a continuing challenge to address.

The Federal Reserve requires the financial institutions it regulates to develop and maintain effective information security programs that are tailored to the complexity of each institution's operations and that include steps to protect the security and confidentiality of customer information. In addition, to address any data breaches that occur, the Federal Reserve requires supervised financial institutions to develop and implement programs to respond to events in which individuals or firms obtain unauthorized access to customer information held by the institution or its service providers. Specifically, when a financial institution becomes aware of an incident of unauthorized access to sensitive customer information, the institution should conduct a reasonable investigation to promptly determine the likelihood that the information has been or will be misused; assess the nature and scope of the incident; identify the types of information that have been accessed or misused; and undertake risk mitigation, which can include notifying customers, monitoring for unusual account activity, and re-issuing credit and debit cards.

The Federal Reserve's approach to information security supervision leverages internal firm expertise, published guidance, and collaboration between the Board, the Reserve Banks, and other U.S. banking agencies to promote effective protection of data and systems by supervised institutions. The Reserve Banks employ examiners specializing in information technology supervision to conduct the bulk of their information security examination activities. Federal Reserve staff has also developed guidance, some collaboratively with other banking regulators, to define expectations for information security and data breach management. Nine significant information security guidance documents have been issued since July 2001. We are continuing to focus on this risk through our participation in the Federal Financial Institutions Examination Council's recently established working group aimed at enhancing supervisory initiatives on cybersecurity and critical infrastructure protection.

Although many agencies throughout the U.S. government are working to address problems posed by cyber attacks--in part as a result of initiatives such as the executive order issued last February that directed the National Institute of Standards and Technology to develop a cybersecurity framework--we believe there should be increased attention and coordination across the federal government to support the security of the nation's financial infrastructure. In particular, we support efforts to leverage the technical capabilities of law enforcement and national security agencies with respect to cyber threats and attacks at financial institutions.

Financial regulators set expectations for security programs and controls at financial institutions, and they help to validate that these expectations are being met. However, financial regulators do not maintain the technical capacity to identify many of the most sophisticated threats, to respond to threats as they occur, or to evaluate the alternatives for immediate and effective responses to new types of viruses or attacks. We appreciate the efforts of U.S. government agencies to date and encourage continued coordination across agencies to ensure the safety and security of the financial system.

Conclusion

The financial regulatory architecture is considerably stronger today than it was in the years leading up to the crisis, but work remains to complete the post-crisis global financial reform program. Over the coming year, the Federal Reserve will be working with other U.S. financial regulatory agencies, and with foreign central banks and regulators, to propose and finalize a number of the important remaining initiatives. In this continuing endeavor, our goal is to preserve financial stability at the least cost to credit availability and economic growth. We are focused on reducing the probability of failure of systemic financial firms, improving the resolvability of systemic financial firms, and monitoring and mitigating emerging systemic risks.

Thank you for your attention. I would be pleased to answer any questions you might have.