



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

October 16, 2023

Spencer A. Sloan, Esq.  
Simpson Thacher & Bartlett LLP  
900 G Street, NW  
Washington, D.C. 20001

Dear Mr. Sloan:

This letter responds to your request dated September 25, 2023, on behalf of U.S. Bancorp, Minneapolis, Minnesota, for complete relief from certain commitments that U.S. Bancorp made to the Board of Governors of the Federal Reserve System (“Board”) in connection with U.S. Bancorp’s application (“Application”) under section 3 of the Bank Holding Company Act<sup>1</sup> to acquire MUFG Union Bank, National Association, San Francisco, California (“MUFG Union Bank”). Specifically, in connection with the Application, U.S. Bancorp committed (1) prior to becoming a “Category II banking organization” for purposes of the Board’s enhanced prudential standards rule,<sup>2</sup> to submit quarterly implementation plans for complying with Category II requirements under the rule; and (2) to meet Category II requirements by the earlier of (i) the date it is obligated to do so by regulation or (ii) by December 31, 2024, if notified by the Federal Reserve by January 1, 2024, to comply with such requirements (collectively, the “Commitments”).<sup>3</sup> The Commitments stated that the Federal Reserve

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<sup>1</sup> 12 U.S.C. § 1842.

<sup>2</sup> 12 CFR part 252.

<sup>3</sup> See U.S. Bancorp, FRB Order No. 2022-22 at 12 n.35 (Oct. 14, 2022) (“Order”).

would likely provide such notification unless the firm “can demonstrate through its quarterly implementation plan a credible path to reducing its projected risk profile such that the requirements should not apply (including, for example, a path toward a material reduction in assets).”<sup>4</sup> Approval of this request would relieve U.S. Bancorp from the Commitments.<sup>5</sup>

U.S. Bancorp represents that, since its acquisition of MUFG Union Bank, it has taken actions to reduce its risk profile. U.S. Bancorp represents that it has reduced its investment securities portfolio by approximately \$30 billion, completed loan sales and securitizations of approximately \$7 billion, and executed other asset reductions since approval of the Application. U.S. Bancorp reported consolidated assets of \$680.8 billion as of June 30, 2023, lower than the \$700 billion threshold for qualification as a Category II banking organization, and represents that its average consolidated assets in the third quarter of 2023 declined to \$665 billion. In addition, U.S. Bancorp represents that it has strengthened its capital position. U.S. Bancorp reported a common equity tier 1 risk-based capital ratio of 9.1 percent as of June 30, 2023, an increase from 8.4 percent as of December 31, 2022. U.S. Bancorp also represents that it has reduced its use of short-term wholesale funding and that its cross-jurisdictional activity has declined. U.S. Bancorp represents that these metrics are currently well below the applicable thresholds for qualification as a Category II banking organization. U.S. Bancorp represents that it anticipates taking further actions to reduce its projected risk profile, including further net reductions in assets and increases in regulatory capital. It remains staff’s expectation that U.S. Bancorp would continue to provide updates to supervisory staff on these actions on a quarterly basis.

Staff observes that the Board recently invited comment on a proposed rule that, if adopted, would subject U.S. Bancorp as a Category III banking organization to certain prudential standards currently applicable to Category II banking organizations. In

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<sup>4</sup> Id.

<sup>5</sup> U.S. Bancorp also made certain commitments to the Board related to an interim update to its resolution plan required under the resolution plan rule, 12 CFR parts 243 and 381. See Order at 38 n.71. As U.S. Bancorp performed fully under these commitments within the specified time period, these commitments are considered to be moot.

September 2023, the Board invited comment on a proposal that would modify large banking organization capital requirements, including by requiring Category III banking organizations generally to include accumulated other comprehensive income (“AOCI”) into their assessment of capital adequacy (the “Capital Proposal”).<sup>6</sup> The Capital Proposal—if adopted as proposed—would provide a three-year phase-in period beginning July 1, 2025, for the AOCI inclusion requirement that currently applies to Category II banking organizations. The Board is currently accepting public comments on the proposal, and any final rule would be adopted following consideration of those comments.

Based on all the facts of record, the Director of the Division of Supervision and Regulation, acting pursuant to authority delegated by the Board,<sup>7</sup> and after consulting with the General Counsel, has approved U.S. Bancorp’s request for complete relief from the Commitments. This action is based on the representations set forth in your correspondence related to your request, including the current and projected risk profile of U.S. Bancorp. Any change in the facts presented could result in a different conclusion and should be reported to Board staff immediately. This determination should not be construed as granting relief from any other conditions or commitments to which U.S. Bancorp may be subject.

Sincerely yours,

*(Signed) Ann E. Misback*

Ann E. Misback  
Secretary of the Board

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<sup>6</sup> Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity, 88 Fed. Reg. 64028 (Sept. 18, 2023).

<sup>7</sup> 12 CFR 265.7(a)(2).