



# Commonwealth Bank of Australia

2022

Section 165(d) Dodd-Frank Act Tailored Resolution Plan

July 1, 2022

**Public Section**

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## Public Section

### (i) Executive Summary

#### Requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Section 165(d) of the Dodd-Frank Act (“DFA”) and its implementing rules require, among other things, any company covered by section 165 (d) to produce a Resolution Plan (such Plan for Commonwealth Bank of Australia (herein referred to as “the Group”) being this “Resolution Plan”) to provide for such company’s rapid and orderly resolution in the event of material financial distress or failure. The implementing rules (collectively, the “Rule”) were jointly issued by the Federal Reserve System (the “Board”), codified at 12 C.F.R. Part 243, and the Federal Deposit Insurance Corporation (the “FDIC” and together with the Board, the “Agencies”), codified at 12 C.F.R. Part 381, on November 1, 2011. CBA is considered a “Covered company” under the Rule and must file this Resolution Plan with the Agencies. References to the Rule contained herein are to 12 C.F.R. Part 243 promulgated by the Board.

Under the requirements of the Rule, covered companies are required to assess their United States banking operations for the presence of “material entities”, “critical operations,” and “core business lines”. The United States entities CBA New York Branch (herein referred to as “the Branch”) supports only a small United States operation, no core Business Lines (CBLs) or critical Operations (COs) relative to the Group’s global operations. On this basis, the Group has no material entities, and this Resolution Plan shall focus on the Branch as an operational and legal extension of the Group. Therefore, the focus of this Resolution Plan is the orderly resolution of the Branch driven by the requirements of the Office of the Comptroller of Currency (OCC)’s receivership procedures for the orderly liquidation of a banking entity in resolution.

#### Description of the Group

The Group is a public company limited by shares, incorporated in Australia. Its principal ordinary share listing and quotation is on the Australian Securities Exchange (“ASX”). The Group’s registered office, and head office, is located in Sydney, Australia. With offices in Asia, Europe, New Zealand and North America offering a range of financial services.

The Group is Australia’s leading provider of integrated financial services including retail banking, premium banking, business banking, institutional banking, funds management, superannuation, insurance, investment and share broking products and services.

The Group is the second largest listed companies on the ASX and is included in the Morgan Stanley Capital Global Index.

The Group provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. The Group operates in the following business segments:

- Retail Banking Services
- Business Banking
- Institutional Banking and Markets

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- Wealth Management
  - International Financial Services

The Group reported its annual results for fiscal year 2021 on August 11, 2021. It had total consolidated assets of AUD \$1,092 billion and a statutory net profit after tax (NPAT) of AUD \$8,843 million.

### Overview of the Branch

The Group maintains a licensed branch in New York (“the Branch”). In the United States, the Branch is regulated by the OCC and it is also supervised by the Federal Reserve Bank of New York as a branch operation of a Foreign Banking Organization (FBO). The Group is regulated as a Bank Holding Company. Because the Group’s total consolidated global assets exceed \$50 billion, it is a covered company under Regulation QQ and must submit a resolution plan that covers its operations in the United States.

The Branch was established in 1977. The Branch has dedicated banks and government, non-bank financial institution, transport, future cities and networks and natural resources teams to offer lending solutions that meet clients’ needs. The Branch also offers a range of global market services including foreign exchange, interest rate derivatives, commodities, fixed income products, money market services and capital markets services. The Branch also provides a private placements service for non-US clients looking for off-market investors from the United States.

## Consolidated or segment financial information regarding assets, liabilities, capital and major funding sources

The balance sheet of the Group as at June 2021. Please note all amounts are in Australian Dollars

<b>Assets</b>	Appendix	30 Jun 21 \$M
Cash and liquid assets		100,041
Receivables from financial institutions		5,085
Assets at fair value through Income Statement		36,970
Derivative assets		21,449
Investment securities:		
At amortised cost		4,278
At fair value through other comprehensive income		86,560
Assets held for sale		1,201
Loans, bills discounted and other receivables	2.1	811,356
Property, plant and equipment		5,284
Investments in associates and joint ventures		3,941
Intangible assets	6.1	6,942
Deferred tax assets		2,067
Other assets		6,788
<b>Total assets</b>		<b>1,091,962</b>
<b>Liabilities</b>		
Deposits and other public borrowings	3.1	766,381
Payables to financial institutions		19,059
Liabilities at fair value through Income Statement		8,381
Derivative liabilities		18,486
Current tax liabilities		135
Deferred tax liabilities		228
Liabilities held for sale		405
Provisions		3,733
Term funding from central banks		51,856
Debt issues		103,003
Bills payable and other liabilities		12,217
		983,884
Loan capital		29,360
<b>Total liabilities</b>		<b>1,013,244</b>
<b>Net assets</b>		<b>78,718</b>
<b>Shareholders' Equity</b>		
Ordinary share capital	4.2	38,420
Reserves	4.2	3,249
Retained profits	4.2	37,044
<b>Shareholders' Equity attributable to equity holders of the Bank</b>		<b>78,713</b>
Non-controlling interests	4.2	5
<b>Total Shareholders' Equity</b>		<b>78,718</b>

Source: the Group 2021 full year results: <https://www.commbank.com.au/about-us/investors/results.html>

## **A description of derivative activities and hedging activities**

The Branch engages in derivative activities for internal and client hedging purposes. Hedges are performed for interest rate, commodities, credit and currency risk. There are no other derivatives or hedging activities.

### (ii) **A list of memberships in material payment, clearing and settlement systems**

The Branch is a member of SWIFT and Depository Trust Company (DTC).

### (iii) **A description of foreign operations**

The Branch has no foreign operations (other than the Group) material to its resolution.

### (iv) **The identities of material supervisory authorities**

The Branch is supervised by the following authorities:

#### USA

- (1) Office of the Comptroller of the Currency (“OCC”);
- (2) Federal Reserve Bank of New York.
- (3) Commodities Futures Trading Commission (“CFTC”)

#### Australia

- (1) The Australian Prudential Regulation Authority (“APRA”), the statutory authority overseeing banks, credit unions, building societies, and parts of the insurance industry;
- (2) The Reserve Bank of Australia (RBA), the Central Bank of Australia;
- (3) Australian Securities and Investments Commission (ASIC);
- (4) Australian Securities Exchange (ASX);
- (5) Australian Competition and Consumer Commission (ACCC);
- (6) The Commonwealth Treasury (the Treasury);
- (7) Office of the Australian Information Commissioner (OAIC);
- (8) Australian Transaction Reports and Analysis Centre (AUSTRAC)

### (v) **The identities of the principal officers:**

- (1) Bill Woodley, Co-Branch Manager, Americas
- (2) Carolyn McGuire, Co-Branch Manager, Americas
- (3) Greg Kilayko, Chief Operating Officer, Americas
- (4) Nick Sewell, Head of Credit Risk, Americas
- (5) Paul Walsh, Head of Compliance & Regulatory Risk, Americas

(6) Brett Smith, Chief Financial officer, Americas

(7) Lisa Balfe, Head of New York Treasury

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(vi) **A description of the corporate governance structure and processes related to resolution planning**

The Resolution Plan is a living document and is subject to a tri-annual review and approval. Each iteration of the Resolution Plan will be updated to include changes in the Branch's business, operations, and entities. The Resolution Plan will be subject to review and challenge by senior management and subject matter experts both within the Branch and the Group and with assistance from external providers if required. Any new developments in regulations will be incorporated into the Resolution Plan with each iteration.

This process will follow the existing Group governance structure culminating in triennial approval by the Executive Leadership Team (ELT) Committee, the body with delegated authority from the Group's Board to approve the Resolution Plan. The Board or approved delegated committee is principally responsible for approving the Group's risk tolerance related strategies and policies, and is responsible for the oversight of policy compliance and effectiveness of the risk and compliance management framework that is in place.

(vii) **A description of material management information systems**

The Branch uses the following material management information's systems:

- CRLS captures customer credit risk information;
- PeopleSoft GL provides all profit & loss and balance sheet information;
- Wall Street is the Bank's source of truth for foreign exchange positions and risk management;
- Murex is the Sales and Trading platform for derivatives, Commodity financing products and Fixed Income securities;
- Midas is the current loan maintenance platform, which will be retired, and is being replaced by Loan IQ

(viii) **A description, at a high level, of the covered company's resolution strategy, covering such items as the range of potential purchasers of the covered company, its material entities, and core business lines.**

The resolution of the Branch will be a relatively straightforward receivership whereby assets will be liquidated and distribution made to creditors. Upon determination of insolvency, the OCC will appoint a receiver to initiate orderly liquidation of the Group's assets within the United States. The receiver will "ring fence" all of the Group's assets located in the United States. The receiver will apply these assets to repay third party liabilities of the Branch. Once all the claims are satisfied, excess proceeds are returned to the Group's home office for treatment under the Australian resolution framework.