BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

DIVISION OF SUPERVISION
AND REGULATION

SR 17-13

December 7, 2017

**TO THE OFFICER IN CHARGE OF SUPERVISION
AT EACH FEDERAL RESERVE BANK**

SUBJECT: Elimination of the Strength of Support Assessment (SOSA) for all Foreign Banking Organizations subject to the Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations

Applicability: This guidance applies to each foreign banking organization (FBO) with a banking presence in the United States regardless of size or complexity.

The purpose of this letter is to announce that the Federal Reserve will be eliminating the Strength of Support Assessment (SOSA), including the assignment of a SOSA ranking, from the FBO supervision program.[1] The decision to eliminate the use of the SOSA recognizes that Federal Reserve supervisory staff now have more timely access to a variety of resources for information on FBO parent banks, home country accounting practices and financial systems, and international supervisory and regulatory developments. Although the SOSA will be eliminated, Reserve Bank staff will continue to monitor and assess an FBO parent company and home country factors previously summarized in the SOSA documents through other components of the FBO supervision program.

With the elimination of the SOSA, the Federal Reserve is also addressing the use of the SOSA ranking by other Federal Reserve functions. Under the current Federal Reserve Policy on Payment System Risk (PSR Policy), an FBO's SOSA ranking can affect its eligibility for a positive net debit cap, the size of its net debit cap, and its eligibility to request a streamlined procedure to obtain maximum daylight overdraft capacity. The Federal Reserve Board proposed changes to the PSR Policy which would eliminate reliance upon the SOSA ranking in these matters.[2] Given the absence of a supervisory need for the SOSA, Federal Reserve supervisory staff will cease assigning SOSA rankings on the effective date of a final PSR Policy that does not

[1] FBO supervision program requirements, including the SOSA and the SOSA ranking, are described in the *Guidelines for Implementing the Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations* attached to SR letter 00-14, "Enhancements to the Interagency Program for Supervising the U.S. Operations of FBOs."

[2] Refer to the Board's press release at:

https://www.federalreserve.gov/newsevents/pressreleases/other20171211a.htm.

include reliance upon an FBO's SOSA ranking. When the Federal Reserve Board acts to finalize the PSR, supervisory staff will notify affected institutions that the SOSA has been eliminated.

Reserve Banks are requested to distribute this letter to appropriate supervisory staff and to each U.S. banking office and the head office of each FBO for which they have supervisory responsibility, as well as to the state bank supervisory authorities in their district. In addition, a Reserve Bank that is responsible for an FBO's U.S. supervisory strategy should distribute this letter to the FBO's home country supervisor. In cases where the responsibilities of SOSA and the U.S. supervisory strategy for a particular FBO are divided between the Federal Reserve and the Office of the Comptroller and the Currency (OCC), Board staff will coordinate with the Reserve Bank staff and OCC staff on communicating this program change to the head office of a FBO and its home country supervisor.

Questions about this guidance may be directed to Vaishali Sack, Manager, Supervisory Program Development and Analysis section, at (202) 452-5221. In addition, questions may be sent via the Board's public website.[3]

Michael S. Gibson
Director

Cross reference to:

- SR letter 00-14, "Enhancements to the Interagency Program for Supervising the U.S. Operations of FBOs"

[3] *See* http://www.federalreserve.gov/apps/contactus/feedback.aspx.