

E-ALERT | Financial Institutions

February 24, 2014

FEDERAL RESERVE FINALIZES ENHANCED PRUDENTIAL STANDARDS FOR LARGE U.S. BANK HOLDING COMPANIES AND FOREIGN BANKING ORGANIZATIONS

INTRODUCTION

On February 18, 2014, the Board of Governors of the Federal Reserve System (“Board”) issued a long-awaited rule (“Final Rule”) implementing the enhanced prudential standards in section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). The Final Rule contains requirements that are applicable primarily to two types of banking organizations: (1) U.S. top-tier bank holding companies with total consolidated assets of \$50 billion or more, and (2) foreign banking organizations with total consolidated assets of \$50 billion or more.

The Final Rule finalizes proposals from two separate rulemakings: a proposed rule with enhanced prudential standards to be applied primarily to U.S. bank holding companies and nonbank financial companies designated by the Financial Stability Oversight Council (“FSOC”) for enhanced prudential supervision by the Board (“nonbank SIFs”);¹ and a proposed rule that would impose enhanced prudential standards on foreign banking organizations (“FBOs”)² and foreign nonbank financial companies designated by the FSOC for enhanced prudential supervision by the Board.³ This memorandum explains the key changes made by the Final Rule to the Proposed Rules.⁴

¹ See Federal Reserve, Enhanced Prudential Standards and Early Remediation Requirements for Covered Companies, 77 Fed. Reg. 594 (Jan. 5, 2012) (Proposed Rule). As described in greater detail in this memorandum, the Final Rules generally do not apply to nonbank SIFs.

² A “foreign banking organization” generally means a foreign bank that (1) operates a branch, agency, or commercial lending company subsidiary in the United States; (2) controls a bank in the United States; or (3) controls an Edge corporation acquired after March 5, 1987. The term also includes any company of which such a foreign bank is a subsidiary. See 12 C.F.R. § 211.11(o).

³ See Federal Reserve, Enhanced Prudential Standards and Early Remediation Requirements for Foreign Banking Organizations and Foreign Nonbank Financial Companies, 77 Fed. Reg. 594 (Jan. 5, 2012) (Proposed Rule).

⁴ The Final Rule also reflects a consolidation of the enhanced prudential standards rulemakings that the Federal Reserve previously issued. In October 2012, the Federal Reserve issued final rules that require (1) bank holding companies with total consolidated assets of \$50 billion or more and nonbank SIFs to submit to supervisory stress tests and to conduct company-run stress tests and (2) Federal Reserve-regulated entities with over \$10 billion in assets to conduct company-run stress tests. See Federal Reserve, Supervisory and Company-Run Stress Test Requirements for Covered Companies, 77 Fed. Reg. 62378 (October 12, 2012); Federal Reserve, Annual Company-Run Stress Test Requirements for Banking Organizations With Total Consolidated Assets Over \$10 Billion Other Than Covered Companies, 77 Fed. Reg. 62396 (October 12, 2012). These rules initially appeared in proposed form in the Federal Reserve’s notice of proposed rulemaking from January 5, 2012.

In sum, the Final Rules include the following requirements:

U.S. Bank Holding Companies	
Size	Requirements
Total consolidated assets of more than \$10 billion but less than \$50 billion ⁵	Company-run stress tests
Total consolidated assets equal to or greater than \$10 billion but less than \$50 billion (and bank holding company is publicly traded)	Risk committee
Total consolidated assets of \$50 billion or more	(1) Risk-based and leverage capital stress test requirements (2) Risk management (3) Risk committee (4) Liquidity risk management, stress testing, and buffers (5) Supervisory stress tests (6) Company-run stress tests (7) Debt-to-equity limits (upon determination that the bank holding company poses a grave threat to U.S. financial stability)

⁵ This requirement also applies to savings and loan holding companies with average total consolidated assets of greater than \$10 billion and state member banks with average total consolidated assets of greater than \$10 billion.

Foreign Banking Organizations	
Size	Requirements
Total consolidated assets of more than \$10 billion but less than \$50 billion	Company-run stress tests
Total consolidated assets equal to or greater than \$10 billion but less than \$50 billion (and FBO is publicly traded)	Risk committee
Total consolidated assets of \$50 billion or more, but combined U.S. assets of less than \$50 billion	<ul style="list-style-type: none"> (1) Risk-based and leverage capital (2) Risk management (3) Risk committee (4) Liquidity (5) Capital stress testing (6) Debt-to-equity limits (upon determination that the FBO poses a grave threat to U.S. financial stability)
Total consolidated assets of \$50 billion or more, and combined U.S. assets of \$50 billion or more	<ul style="list-style-type: none"> (1) Requirement to form a U.S. intermediate holding company (“IHC”) regulated as a U.S. bank holding company if the FBO has U.S. non-branch assets of \$50 billion or more (2) Risk-based and leverage capital (3) Risk management (4) Risk committee (5) Liquidity risk management, stress testing, and buffers (6) Capital stress testing (7) Debt-to-equity limits (upon determination that the FBO poses a grave threat to U.S. financial stability)

In general, despite many detailed comments, the Final Rule retained nearly all of the core requirements of the Proposed Rules. Perhaps most significantly, an FBO with large non-branch or agency operations in the United States will be required to house such operations in an IHC that will be regulated in almost every respect in the same manner as a U.S. bank holding company, with nearly identical requirements for risk-based capital, leverage capital, liquidity, etc. There were, however, a few significant changes and a number of minor changes. The most significant changes are summarized below, followed by a detailed chart describing all of the key requirements in the Final Rule and changes made to each when compared to the Proposed Rules.

MOST SIGNIFICANT CHANGES

- Nonbank SIFIs are not subject to the new requirements in the Final Rule but will instead become subject to individually tailored enhanced prudential standards (see below).
- The Final Rule does not include final restrictions on single counterparty credit limits or a framework for early remediation as contained in the Proposed Rules; these will be issued later.
- The requirement to form a U.S. IHC that will be regulated as a U.S. bank holding company applies to an FBO with at least \$50 billion in U.S. non-branch assets and not, as provided in the Proposed Rules, to an FBO with at least \$10 billion (but less than \$50 billion) in U.S. non-branch assets.
- FBOs required to form an IHC must do so by July 1, 2016 – instead of the July 1, 2015, compliance deadline in the Proposed Rules – but are required to submit an implementation plan to the Board by January 1, 2015, outlining a proposed process for complying with the requirement.
- An IHC that satisfies the size threshold requirement for the advanced approaches capital rules is not required to use the advanced approaches methodology, but may elect to do so. An IHC that meets the size threshold for the advanced approaches rule will remain subject to several other requirements applicable to advanced approaches banks, including the supplementary leverage ratio, the countercyclical capital buffer, and the requirement to include accumulated other comprehensive income in regulatory capital.
- While an IHC must hold the entire 30-day liquidity buffer in the United States, branches and agencies must hold only the first 14-days of the liquidity buffer in the United States.
- An IHC will need to maintain a separate risk committee that assesses IHC risks, even if the IHC's parent FBO maintains a U.S. risk committee separate from the IHC risk committee.
- In determining whether an FBO meets the on-balance sheet size threshold requirement to form an IHC, the FBO may exclude subsidiaries acquired, or formed to hold assets acquired, in the ordinary course of business and for the sole purpose of securing or collecting a debt previously contracted in good faith by a branch or agency (“DPC subsidiary”). DPC subsidiaries may be held by the U.S. branch or agency outside of the IHC.
- An FBO that reaches a combined U.S. asset level of \$50 billion or more must comply with risk-based and leverage capital requirements on or before the ninth quarter after it reaches that threshold, rather than complying after 12 months under the Proposed Rules.

Nonbank SIFIs

Nonbank SIFIs were subject to the enhanced prudential standards in the Proposed Rules. Public commenters asserted that the standards were inappropriate for nonbank SIFIs due to their differing business models and activities and that the Proposed Rules lacked specificity as to how the

standards would apply to nonbank SIFIs. The Board recognized these differences and removed nonbank SIFIs from the Final Rule. (The exception is that nonbank SIFIs are subject to the stress test requirements that were finalized in 2012 and included in the Final Rule as part of the rule's consolidation of the enhanced prudential standard rulemakings.)

The Board intends to thoroughly assess a nonbank SIFI's business model, capital structure, and risk profile to determine how enhanced prudential standards should apply. The Board will subsequently tailor application of enhanced prudential standards by regulation or order to an individual nonbank SIFI or category of nonbank SIFIs, but only after providing notice and the opportunity to comment to a nonbank SIFI.

Savings and Loan Holding Companies

The Proposed Rules made clear that the enhanced prudential standards would not apply to savings and loan holding companies; instead, the Board intended to issue a separate proposal to apply the standards to savings and loan holding companies with "substantial banking activities." "Substantial banking activities" generally means that the company (1) has total consolidated assets of \$50 billion or more, and (2) either (a) controls a savings association that accounts for 25 percent or more of the company's total consolidated assets, or (b) controls a savings association with total consolidated assets of \$50 billion or more.

The Final Rule does not alter the approach for savings and loan holding companies set forth in the Proposed Rules. Savings and loan holding companies are subject to the company-run stress test requirements finalized in 2012 but not the other enhanced prudential standards.

* * * *

The attached charts compare the requirements in the Final Rule to the versions of the requirements set forth in the Proposed Rules.

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COMPARISON OF FINAL RULE TO PROPOSED RULES

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COMPARISON OF FINAL RULE TO PROPOSED RULES

I. U.S. Banking Organizations

A. Company-Run Stress Test Requirements for U.S. Banking Organizations with Total Consolidated Assets Over \$10 Billion and Less Than \$50 Billion

Provision	Final Rule	Changes to Proposed Rules
Applicability	Applies to (1) a bank holding company with average total consolidated assets of greater than \$10 billion but less than \$50 billion; (2) a savings and loan holding company with average total consolidated assets of greater than \$10 billion; and (3) a state member bank with average total consolidated assets of greater than \$10 billion (each a “covered entity”).	Not applicable; standard previously finalized in a separate rulemaking.
Stress Test Requirement	A covered entity is required to conduct a stress test using economic scenarios (baseline, adverse, and severely adverse) provided by the Board. The Board may require a covered entity with significant trading activity to include a trading and counterparty component in its adverse and severely adverse scenarios.	Not applicable; standard previously finalized in a separate rulemaking.
Stress Test Methodology	A covered entity is required in the stress test to estimate for each quarter under each scenario: <ul style="list-style-type: none"> ■ Losses, pre-provision net revenue, provision for loan and lease losses, and net income, and ■ Potential impact on pro forma regulatory capital levels and pro forma capital ratios. 	Not applicable; standard previously finalized in a separate rulemaking.
Oversight of Stress Test Processes	The Board of Directors or a committee thereof of a covered entity is required to review and approve the policies and procedures of the stress testing processes no less than annually. The Board of Directors and senior management also must receive a summary of the results of the stress test conducted and consider the results in the entity’s capital planning,	Not applicable; standard previously finalized in a separate rulemaking.

Provision	Final Rule	Changes to Proposed Rules
	assessment of capital adequacy, and risk management practices.	
Reports of Stress Test Results	A covered entity is required to report the results of its stress test to the Board in the manner and form prescribed by the Board. The report is required to include, under the baseline scenario, adverse scenario, severely adverse scenario, and any other scenario required, a description of the types of risks being included in the stress test; a summary description of the methodologies used in the stress test; and, for each quarter of the planning horizon, estimates of aggregate losses, pre-provision net revenue, provision for loan and lease losses, net income, and regulatory capital ratios. In addition, the report must include an explanation of the most significant causes for the changes in regulatory capital ratios and any other information required by the Board.	Not applicable; standard previously finalized in a separate rulemaking.
Disclosure of Stress Test Results	In general, a covered entity is required to disclose a summary of the results of the stress test on the entity's website.	Not applicable; standard previously finalized in a separate rulemaking.

Effective Date:

- Bank holding company that meets the asset threshold on or before December 31, 2012: beginning with the stress test cycle that commenced on October 1, 2013.
- Bank holding company that meets the asset threshold and is a subsidiary of a FBO that is currently relying on SR 01-01 (May 19, 2010): beginning with the stress test cycle that commences on October 1, 2015, unless extended by the Board.
- State member bank that meets the asset threshold as of November 15, 2012, and is a subsidiary of a bank holding company that participated in the 2009 Supervisory Capital Assessment Program: beginning with the stress test cycle that commenced on November 15, 2012.

- State member bank that meets the asset threshold on or before December 31, 2012, and is not a subsidiary of a bank holding company that participated in the 2009 Supervisory Capital Assessment Program: beginning with the stress test cycle that commenced on October 1, 2013.
- Savings and loan holding company that meets the asset threshold on or before the date on which it is subject to minimum regulatory capital requirements: beginning with the stress test cycle that commences in the calendar year after the year in which the company became subject to minimum regulatory capital requirements, unless extended or accelerated by the Board.

B. Risk Committee Requirement for Publicly Traded Bank Holding Companies with Total Consolidated Assets of \$10 Billion or Greater and Less than \$50 Billion

Provision	Final Rule	Changes to Proposed Rules
Applicability	Applies to a bank holding company that has total consolidated assets of \$10 billion or more and a class of stock that is publicly traded (“covered bank holding company”).	No material changes to the Proposed Rules.
Risk Committee	A covered bank holding company is required to maintain a risk committee that approves and periodically reviews the risk management policies of its global operations and oversees the operation of its global risk management framework.	Revised to have the board of directors review and approve risk management <i>policies</i> rather than, as the Proposed Rules provided, reviewing and approving risk management <i>practices</i> .
Risk Management Framework	The covered bank holding company’s risk management framework must be commensurate with its structure, risk profile, complexity, activities, and size, and must include: <ul style="list-style-type: none"> ■ Policies and procedures establishing risk-management governance, risk-management procedures, and risk-control infrastructure for its global operations; and ■ Processes and systems for implementing and monitoring compliance with such policies and procedures, including: 	No material changes to the Proposed Rules.

Provision	Final Rule	Changes to Proposed Rules
	<ul style="list-style-type: none"> ○ Processes and systems for identifying and reporting risks and risk-management deficiencies, including regarding emerging risks, and ensuring effective and timely implementation of actions to address emerging risks and risk-management deficiencies for its global operations; ○ Processes and systems for establishing managerial and employee responsibility for risk management; ○ Processes and systems for ensuring the independence of the risk-management function; and ○ Processes and systems to integrate risk management and associated controls with management goals and its compensation structure for its global operations. 	
Risk Committee Governance	<p>The risk committee is required to:</p> <ul style="list-style-type: none"> ■ Have a formal, written charter, approved by the company’s board of directors; ■ Include at least one member having experience in identifying, assessing and managing risk exposures of large, complex firms; ■ Be chaired by a director who is (1) not an officer or employee of the bank holding company (and has not been one during the previous three years), (2) not a member of the immediate family of a person who is or has been within the past three years an executive officer of the bank holding company, and (3) an independent director under SEC Regulation S-K if the company’s securities are traded on an SEC-registered national securities exchange or, if the company’s securities are not traded on an SEC-registered national securities exchange, would qualify as an independent director under the listing standards of a national securities exchange as demonstrated to the Board’s satisfaction; and 	Replaced the Proposed Rules’ restrictive definition of “risk management expertise” – a term used to describe the expertise required for one Board member on the committee – with a more generic requirement that at least one director on the committee have experience identifying, assessing, and managing risk exposures of large, complex firms.

Provision	Final Rule	Changes to Proposed Rules
	<ul style="list-style-type: none"> ■ Meet at least quarterly, and otherwise as needed, and fully document and maintain records of its proceedings, including risk management decisions. 	

Effective Date:

- A bank holding company that has total consolidated assets of \$10 billion or more and a class of stock that is publicly traded as of July 30, 2014: July 1, 2015.
- Other bank holding companies: beginning on the first day of the ninth quarter following the date on which the bank holding company's total consolidated assets equal or exceed \$10 billion and the date on which any class of its stock becomes publicly traded.

C. Enhanced Prudential Standards for Bank Holding Companies with Total Consolidated Assets of \$50 Billion or More

Provision	Final Rule	Changes to Proposed Rules
Applicability	Applies to a bank holding company with total consolidated assets of \$50 billion or more ("covered bank holding company").	No longer applies to nonbank SIFIs, which will instead be subject to individually tailored standards.
Risk-based and Leverage Capital, and Capital Stress Test	<p>A covered bank holding company must comply with existing Federal Reserve regulations related to capital plans and stress tests that apply uniquely to such companies.</p> <p>Applicable capital stress test requirements, as adopted on October 12, 2012, are discussed in section D of this memorandum.</p>	No material changes to the Proposed Rules.
Risk Management and Risk Committee	A covered bank holding company is required to maintain an independent committee of its board of directors with the sole and exclusive function of taking responsibility for the company's global risk-management policies and framework. The committee must report	The Proposed Rules were adopted in substance, with minor changes included in the Final Rule, including:

Provision	Final Rule	Changes to Proposed Rules
	<p>directly to the Board and must receive and review reports from the chief risk officer at least quarterly.</p> <p>The risk committee must have a formal, written charter approved by the company’s board of directors; have at least one member with risk management experience relevant to large, complex financial firms; be chaired by an independent director; meet at least quarterly; and fully document and maintain records of its proceedings.</p> <p>The risk committee is responsible for approving and reviewing the covered bank holding company’s risk management policies and overseeing an appropriate risk management framework commensurate with the company’s capital structure, risk profile, complexity, activities and size.</p>	<ul style="list-style-type: none"> ■ clarifying the global responsibility of the risk committee; ■ specifying that the risk committee must be an independent committee of the board of directors; and ■ specifying minimum intervals at which the risk committee must take certain actions, such as holding meetings and reviewing reports from the chief risk officer.
Chief Risk Officer	<p>A covered bank holding company is required to employ a chief risk officer who:</p> <ul style="list-style-type: none"> ■ has experience in identifying, assessing, and managing risk exposures of large, complex firms; ■ is appropriately compensated and incentivized to provide objective risk assessments of the company; ■ reports directly to both the risk committee and chief executive officer of the company; and ■ is responsible for (i) establishment of, and monitoring of, risk limits on an enterprise-wide basis; (ii) implementation of, and compliance with, the risk management policies, procedures and framework established by the risk committee; and (iii) the management of risks and risk controls consistent with the company’s risk control framework, including through monitoring and testing risk controls. 	<p>The Final Rule states that the chief risk officer must have experience in managing risk at large, complex firms, as opposed to the Proposed Rules’ use of the restrictive term “risk management expertise,” which had been used to describe the expertise required for one Board member on the committee.</p>

Provision	Final Rule	Changes to Proposed Rules
	<p>The chief risk officer is responsible for reporting risk management deficiencies and emerging risks to the risk committee, and resolving risk management deficiencies in a timely manner.</p>	
<p>Liquidity Risk Management</p>	<p>A covered bank holding company is required to establish a framework for the management of liquidity risk. Specifically:</p> <ul style="list-style-type: none"> ■ A covered bank holding company must produce short-term and long-term comprehensive cash flow projections. The short-term projections must be updated daily. ■ A covered bank holding company must establish and update at least annually a contingency funding plan with strategies to address liquidity needs during stress events. The contingency funding plan must incorporate information generated by the liquidity stress testing (discussed below). ■ A covered bank holding company must establish limits on liquidity risk, including limits on concentrations in funding sources, projected maturities within various time horizons, and off-balance sheet exposures and other exposures that could create funding needs during a stress event. The company’s liquidity risk tolerance must be approved by its board of directors. ■ A covered bank holding company must establish procedures to monitor its compliance with its liquidity risk tolerance; its liquidity risk in relation to assets pledged or available to be pledged as collateral; its liquidity risk within and across business entities; and its liquidity risk in light of intraday exposures. ■ The Final Rule imposes supervisory responsibilities on the board of directors and risk committee, and supervisory and management responsibilities on senior management. For example, senior 	<p>The Final Rule tracks the Proposed Rules in most material respects. Adjustments include the following:</p> <ul style="list-style-type: none"> ■ The Final Rule revises the requirement discussed below of validation of stress tests by an independent validation function. Instead, the Final Rule requires that a covered bank holding company incorporate conservative assumptions in developing stress scenarios and other elements of the testing process, and that these assumptions and processes be approved by the chief risk officer and be subject to independent review. ■ The Final Rule contains adjustments that clarify the oversight role, as opposed to management role, of the board of directors, and further specifies actions that the risk committee and senior management must take in order to monitor liquidity risk and report on such risk to the board as a whole. For example (i) contingency funding plans are to be

Provision	Final Rule	Changes to Proposed Rules
	<p>management must approve new products and business lines, and evaluate the liquidity costs, benefits and risks associated with new products and business lines that could have significant effects on the company's liquidity risk profile.</p> <ul style="list-style-type: none"> ■ A covered bank holding company is required to establish an "independent review" function (separate from the funding function) to evaluate liquidity risk management and report material issues to the board of directors or the risk committee. <p>The Final Rule does not impose quantitative metrics like those set forth in the Basel III liquidity standards.</p>	<p>reviewed and approved by risk committees, not by the board of directors as a whole; (ii) the board of directors is no longer required to "establish," but is rather required to "approve," the bank's liquidity risk tolerance; and (iii) senior management must review cash flow projections and determine at least quarterly that the company is operating in line with its established liquidity risk tolerance.</p>
Liquidity Stress Testing and Buffer	<p>A covered bank holding company is required to conduct monthly liquidity stress tests and maintain a buffer of highly liquid assets to cover cash-flow needs under stressed conditions. Specifically,</p> <ul style="list-style-type: none"> ■ A covered bank holding company must establish liquidity stress test policies and procedures and management information systems. Liquidity stress tests must be conducted at least monthly, and the Board may require more frequent testing. The results of these tests must be used in establishing the liquidity buffer and contingency funding plan. ■ A covered bank holding company must maintain a liquidity buffer of unencumbered, highly liquid assets established based on the liquidity stress tests. The buffer must be sufficient to meet the company's projected net stressed cash flow needs over a 30-day planning horizon under each stress scenario. 	<p>The Final Rule tracks the Proposed Rules in most material respects. Adjustments include the following:</p> <ul style="list-style-type: none"> ■ The Final Rule revises the definition of an unencumbered asset in the Proposed Rules, relevant to the calculation of the liquidity buffer. Unlike the Proposed Rules, the Final Rule does not treat as encumbered (i) assets designated as a hedge on a trading position and (ii) assets pledged to U.S. government-sponsored enterprises and foreign central banks, so long as the asset is not securing currently extended credit.

Effective Date:

- A bank holding company that has total consolidated assets of \$50 billion or more as of June 30, 2014: January 1, 2015 (with respect to the risk management, risk committee, chief risk officer, liquidity risk management, and liquidity stress testing and buffer requirements).
- Other bank holding companies: beginning on the first day of the fifth quarter following the date on which the bank holding company's total consolidated assets equal or exceed \$50 billion (with respect to the risk management, risk committee, chief risk officer, liquidity risk management, and liquidity stress testing and buffer requirements).
- Applies to a bank holding company with total consolidated assets of \$50 billion or more and controlled by a foreign bank organization from January 1, 2015 through June 30, 2016 (with respect to the risk management, risk committee, chief risk officer, liquidity risk management, and liquidity stress testing and buffer requirements). Starting on July 1, 2016, the U.S. intermediate holding company established by the FBO must comply with these requirements.

D. Supervisory and Company-Run Stress Test Requirements for U.S. Bank Holding Companies with \$50 Billion or More in Total Consolidated Assets and Nonbank SIFIs

Provision	Final Rule	Changes to Proposed Rules
Applicability	Applies to (1) bank holding companies (other than FBOs) with consolidated assets of \$50 billion or more and (2) nonbank SIFIs (each a “covered company”).	Not applicable; standard previously finalized in a separate rulemaking.
Supervisory Stress Tests	<p>The Board will conduct an annual analysis of the capital of each covered company, taking into account the ability of the company to absorb losses under various adverse economic and financial scenarios.</p> <p>Each covered company must submit consolidated data to the Board as the Board deems necessary to estimate projected net income, losses, and post-stress capital levels and ratios over a period of at least nine calendar quarters under each scenario. The Board will evaluate whether each company has capital necessary to absorb losses and continue functioning as a credit intermediary under each stress scenario, and will communicate</p>	Not applicable; standard previously finalized in a separate rulemaking.

Provision	Final Rule	Changes to Proposed Rules
	these results to the company.	
Disclosure and Use of Supervisory Stress Tests	<p>The Board will publish a summary of the results of the stress test.</p> <p>After the stress test has been completed, each covered company will be required to make appropriate changes to its capital plan and capital planning process; its exposures, concentrations and risk positions; and its plans for economic recovery or resolution. Each company will also be required to update its resolution plan in light of the Board’s results.</p>	Not applicable; standard previously finalized in a separate rulemaking.
Company-run Stress Tests	<p>Each covered company must conduct an annual stress test using baseline, adverse, and severely adverse financial and economic scenarios developed by the Board. In addition, such companies must conduct a mid-cycle stress test by March 31 of each year using baseline, adverse, and severely adverse scenarios that the companies develop.</p> <p>The stress tests must evaluate potential losses, pre-provision net revenues, allowance for loan and lease losses, and pro forma capital positions over the planning horizon, and must include calculations of capital levels and capital ratios, including those specified by the Board.</p> <p>Each covered company must establish a system of controls, oversight, and documentation to ensure effectiveness of the tests.</p>	Not applicable; standard previously finalized in a separate rulemaking.
Disclosure and Use of Company-run Stress Tests	<p>Covered companies must report the results of company stress tests to the Board on or before January 5th, in the case of annual tests, and July 5th, in the case of mid-cycle tests.</p> <p>Covered companies must also publicly disclose a summary of their stress test results on a delayed basis. The summary must include, at a minimum, a description of the severely adverse scenario that covers (1) the types of risks included in the test, (2) the testing methodologies employed, (3)</p>	Not applicable; standard previously finalized in a separate rulemaking.

Provision	Final Rule	Changes to Proposed Rules
	estimated losses, revenues, income, provisions and capital ratios, (4) the most significant causes for changes in capital ratios, and (5) certain information related to changes in regulatory capital ratios at the company's insured depository institution subsidiaries that are required to run company stress tests.	

Effective Date:

- Companies that were covered companies as of November 15, 2012: already in effect.
- U.S.-domiciled bank holding companies that are covered companies as of November 15, 2012, and are subsidiaries of FBOs that are currently relying on Supervision and Regulation Letter SR 01-01: October 1, 2015.
- Companies that become covered companies after November 15, 2012: the cycle beginning the calendar year after the year in which the company first becomes a covered company.

E. Debt-to-Equity Limits for U.S. Banking Organizations

Provision	Final Rule	Changes to Proposed Rules
Applicability	Applies to bank holding companies with total consolidated assets of \$50 billion or more.	No material changes to the Proposed Rules.
Designation as a "Grave Threat"	<p>The FSOC, or the Board on behalf of the FSOC, may notify a covered company that it has been identified as posing a grave threat to the financial stability of the United States, and that the imposition of a debt-to-equity ratio is necessary to mitigate such risk.</p> <p>Absent an extension, no later than 180 days after receiving such a notice, an identified bank holding company must achieve and maintain a debt-to-</p>	No material changes to the Proposed Rules.

Provision	Final Rule	Changes to Proposed Rules
	equity ratio of no more than 15-to-1.	
Extension of Time to Comply	The Board may extend the 180-day compliance period for up to two additional 90-day periods if the identified company has made good faith efforts to comply and each extension would be in the public interest.	No substantive changes to the Proposed Rules, but the Final Rule revises the procedure for requesting an extension.
Relief from Requirement	Once a debt-to-equity limitation has been imposed by the FSOC, it will remain in effect until the FSOC notifies the identified company otherwise.	No material changes to the Proposed Rules.

Effective Date: June 1, 2014.

II. Foreign Banking Organizations

A. Enhanced Prudential Standards for Foreign Banking Organizations with Total Consolidated Assets of \$50 Billion or More and Combined U.S. Assets of \$50 Billion or More

1. Formation of an Intermediate Holding Company (“IHC”) for FBOs with U.S. Non-Branch Assets of \$50 Billion or More⁶

Provision	Final Rule	Changes To Proposed Rules
Applicability	Applies to an FBO that has total consolidated assets of \$50 billion or more and total non-branch U.S. assets of \$50 billion or more.	The Proposed Rules would have applied to an FBO with total consolidated assets of \$50 billion or more, and total non-branch assets of only \$10 billion or more.
Requirement to Establish an IHC	An FBO that meets the size requirements above for consolidated and total non-branch U.S. assets must establish a U.S. IHC. An IHC must be organized under the laws of the United States, the laws of the fifty states, or the District of Columbia, and must be governed by a board of directors or managers elected or appointed by the owners. IHCs are subject to Board examination.	No material changes to the Proposed Rules.
Definition of U.S. Non-Branch Assets	An FBO must calculate its non-branch assets by taking the average of the sum of the total consolidated assets of each top-tier U.S. subsidiary of the FBO (excluding any section 2(h)(2) company ⁷ and any branch or agency subsidiary acquired, or formed to hold assets acquired, in the ordinary course of business and for the sole purpose of securing or collecting a debt previously contracted in good faith by the branch or agency (“DPC subsidiaries”), if applicable), for the four most recent consecutive	No material changes to the Proposed Rules, although the Proposed Rules would not have excluded DPC subsidiaries for purposes of calculating U.S. non-branch assets.

⁶ While the basic requirements applicable to IHCs are set forth in this subpart, additional requirements described below also may apply to an IHC.

⁷ A Section 2(h)(2) subsidiary refers to a U.S. subsidiary held under Section 2(h)(2) of the Bank Holding Company Act, which allows qualifying FBOs to retain certain interests in foreign commercial firms that conduct business in the United States.

Provision	Final Rule	Changes To Proposed Rules
	<p>quarters, as reported to the Board.</p> <p>In calculating non-branch assets, an FBO must exclude amounts corresponding to balances between a top-tier U.S. subsidiary and any other top-tier U.S. subsidiary (excluding 2(h)(2) companies and DPC subsidiaries), to the extent not otherwise eliminated in consolidation.</p>	
Entities that Must Be Held in IHC	<p>An FBO subject to the IHC requirement must hold its interests in any U.S. subsidiary under the IHC. This requirement applies to functionally regulated, U.S. subsidiaries of the FBO, such as broker-dealers, insurance companies, and insured depository institutions.</p> <p>An FBO is not required to hold DPC subsidiaries or section 2(h)(2) companies under the IHC.</p>	No material changes to the Proposed Rules, although the Proposed Rules did not include an exception for DPC subsidiaries.
Board Notification	An FBO must notify the Board within 30 days of establishing an IHC.	No material changes to the Proposed Rules.
Alternative IHC Structures	<p>An FBO may apply to the Board to (1) establish multiple IHCs, (2) use an “alternative structure” to hold its combined U.S. operations, or (3) not to transfer its ownership interests in certain subsidiaries to the IHC.</p> <p>In making its determination, the Board will consider whether applicable law would prohibit the FBO from owning or controlling one or more U.S. subsidiary through a single IHC, or whether “other factors” warrant an exception based on the FBO’s activities, operations, structure, or similar considerations.</p> <p>A request for an alternative structure generally must be submitted</p>	The Final Rule clarifies that the Board has authority to permit an FBO to avoid transferring ownership interests in certain subsidiaries to the IHC, and the conditions that the Board may impose on an FBO’s U.S. operations if such relief is granted.

Provision	Final Rule	Changes To Proposed Rules
	<p>to the Board at least 180 days before the FBO must form an IHC.</p> <p>The Board may impose various conditions on the FBO when it grants relief, including requiring the U.S. operations of the FBO to comply with enhanced prudential standards, requiring the FBO to enter into a supervisory agreement, and determining what other requirements apply to a multiple IHC structure based on the combined assets of the IHCs (rather than on a standalone basis).</p>	
Implementation Plan	<p>An FBO subject to the IHC requirement must submit an implementation plan detailing the FBO's plan to come into compliance with the Final Rule's requirements. The implementation plan must include:</p> <ul style="list-style-type: none"> ■ a list of U.S. subsidiaries; ■ detailed information about subsidiaries not required to be held under the IHC (DPC Subsidiaries and 2(h)(2) companies), and an exemption request for other subsidiaries for which the FBO seeks an exemption from the IHC requirement; ■ a projected timeline for transfer of ownership interest in U.S. subsidiaries to the IHC, and a timeline of all planned capital actions or strategies for capital accumulation; ■ quarterly pro forma financial statements for the IHC from January 1, 2015 through January 1, 2018; and ■ description of risk management and liquidity stress testing practices of FBO. 	No parallel requirement in the Proposed Rules.
Capital Requirements	All IHCs (following implementation of the revised capital framework) must meet the following minimum requirements:	Revised to clarify that an IHC that meets the threshold for application of the advanced approaches risk-

Provision	Final Rule	Changes To Proposed Rules
	<ul style="list-style-type: none"> ■ CET1 risk-based capital requirement of 4.5%; ■ tier 1 risk-based capital of 6%; ■ total risk-based capital of 8%; and ■ leverage ratio of 4%. <p>All IHCs will be subject to the capital conservation buffer and countercyclical capital buffer in the same manner as a bank holding company.</p> <p>An IHC that meets the threshold for application of the advanced approaches risk-based capital rules is not required to comply with such requirements, but may opt-in to using the advanced approaches risk-based capital rules.</p> <p>If an IHC has \$50 billion or more in consolidated assets, it will be subject to the capital plan rule in 12 C.F.R. § 225.8, requiring the IHC to demonstrate its ability to maintain capital above the minimum risk-based capital ratio under baseline and stressed conditions over a minimum nine quarter planning horizon.</p> <p>If the parent FBO of an IHC has total consolidated assets of \$50 billion or more, it is required to meet home-country risk-based and leverage standards published by the Basel Committee, including Basel III requirements, on an ongoing basis. If the parent FBO of an IHC is not subject to Basel standards in its home country, it must demonstrate to the Board that it would have met the Basel Capital Framework standards at a consolidated level. Failure of the FBO to meet these standards may result in the Board's imposition of conditions or restrictions on its combined U.S. operations.</p>	<p>based capital rules is not required to comply with such rules, but may choose to do so.</p>

Provision	Final Rule	Changes To Proposed Rules
Supplementary Leverage Ratio	<p>The supplementary leverage ratio of 3% required by Basel III applies to an IHC with total consolidated assets of \$250 billion or more, <u>or</u> on-balance sheet foreign exposures of \$10 billion or more.</p> <p>The banking regulators have proposed for comment a rule that would require a U.S. BHC with more than \$700 billion in consolidated assets or \$10 trillion in assets under custody to hold an additional “buffer” of leverage capital under the supplemental leverage ratio at both the holding company level and the bank level: the bank holding company’s supplemental leverage ratio would need to be 5 percent, and the subsidiary bank’s supplemental leverage ratio would need to be 6 percent. An IHC that met these asset thresholds would also be subject to these higher requirements for leverage capital.</p>	No material changes to the Proposed Rules.
Risk Management and Risk Committee	<p>The IHC must have a separate risk committee that reviews its risk management policies and oversees its risk management framework, comprised of a committee of the board of directors of the IHC. The IHC’s risk management framework must be commensurate with its structure, risk profile, complexity, activities, and size, and be consistent with the FBO’s risk management policies for combined U.S. operations. The IHC’s risk committee must meet quarterly and document its decisions. The IHC’s risk committee must include one member who:</p> <ul style="list-style-type: none"> ■ is not an officer or employee of the company or its affiliates and has not been an officer or employee of the company or its affiliates during the previous three years, <u>and</u> ■ is not a member of the immediate family of a person who is, or has been within the last three years, an executive officer of 	The Proposed Rules would not have required an FBO with an IHC to have a separate IHC risk committee unless the FBO conducted its U.S. operations solely through the IHC. Under the Final Rule, every IHC must have a separate risk committee.

Provision	Final Rule	Changes To Proposed Rules
	<p>the company or its affiliates.”</p> <p>The IHC’s risk committee must also include at least one member having experience in identifying, assessing, and managing risk exposures of large, complex financial firms.</p>	
Liquidity Requirements	<ul style="list-style-type: none"> ■ The IHC must comply with liquidity risk management requirements, conduct liquidity stress tests, and hold a liquidity buffer, as described in more detail below. 	No material changes to the Proposed Rules.
Stress Test Requirements	<p>The IHC will also be required to conduct an annual supervisory stress test, and two company-run stress tests per year, in parallel to the stress testing requirements imposed on U.S. BHCs. The Board will publish a summary of the results of the stress test.</p>	No material changes to the Proposed Rules.

Effective Date:

- An FBO that meets the relevant asset threshold on June 30, 2015: July 1, 2016. This represents a one-year delay in the effective date in the Proposed Rules. The FBO must transfer any U.S. banks, U.S. holding companies, and U.S. subsidiaries holding at least 90% of the FBO’s U.S. non-branch assets to the IHC by July 1, 2016, with all subsidiaries transferred to the IHC by July 1, 2017.
- An FBO that subsequently meets the asset threshold triggering a requirement to form an IHC: Nine quarters to comply with the IHC formation requirement.
- An FBO must file an “implementation plan” with the Board on or before January 1, 2015 for each FBO that has U.S. non-branch assets of \$50 billion or more as of June 30, 2014. For entities that meet the IHC formation requirements after June 30, 2014, the Board may require submission of an implementation plan.
- The Final Rule delays the effective date of the leverage capital requirement and stress test requirement to the IHC until January 1, 2018, and October 1, 2017, respectively. All other requirements must be complied with by July 1, 2016.

2. Risk-Based and Leverage Capital Requirements for FBOs with Combined U.S. Assets of \$50 Billion or More

Provision	Final Rule	Changes To Proposed Rules
Risk-Based and Leverage Capital Requirements	<p>An FBO must certify to the Board that it meets home-country risk-based and leverage capital adequacy standards consistent with the Basel Capital Framework.</p> <p>If the FBO is not subject to Basel Capital Framework in its home country, it must demonstrate to the Board that it would meet or exceed these standards.</p>	<p>The Proposed Rule would have required FBOs with total consolidated assets of \$50 billion or more, but total combined U.S. assets of only \$10 billion or more, to meet capital requirements similar to those imposed on U.S. BHCs.</p>
Reporting Requirement	<p>An FBO must provide to the Board all reports relating to its compliance with capital adequacy measures concurrently with filing Form FR Y-7Q.</p>	<p>No material changes to the Proposed Rules.</p>
Result of Noncompliance	<p>The failure of an FBO to comply with the requirements of this provision may result in the Board's imposition of conditions or restrictions on its combined U.S. operations.</p>	<p>No material changes to the Proposed Rules.</p>

Effective Date:

- An FBO that meets the relevant asset threshold on June 30, 2015 is required to comply with the risk-based and leverage capital requirements beginning on July 1, 2016.
- An FBO that meets the relevant asset threshold must comply with the risk-based and leverage capital requirements beginning on the first day of the ninth quarter following the date on which its combined U.S. assets equal or exceed \$50 billion.

3. Risk Management and Risk Committee Requirements for FBOs with Combined U.S. Assets of \$50 Billion or More

Provision	Final Rule	Changes To Proposed Rules
Applicability	Applies to an FBO that has total consolidated assets of \$50 billion or more and total non-branch assets of \$50 billion or more.	The Proposed Rules would have applied to an FBO with total consolidated assets of \$50 billion or more, and total non-branch assets of \$10 billion or more.
U.S. Risk Committee	The U.S. risk committee of an FBO is required to review and approve the risk management policies of the combined U.S. operations and oversee operation of an appropriate risk management framework. The risk management framework must be consistent with FBO's enterprise-wide risk management policies. The U.S. risk committee must meet at least quarterly, and document and maintain records of its proceedings.	Revised to have the U.S. risk committee review and approve risk management <i>policies</i> rather than, as the Proposed Rules provided, reviewing and approving risk management <i>practices</i> .
Composition of Risk Committee	<p>The U.S. risk committee must include one member who:</p> <ul style="list-style-type: none"> ■ is not an officer or employee of the company or its affiliates and has not been an officer or employee of the company or its affiliates during the previous three years, <u>and</u> ■ is not a member of the immediate family of a person who is, or has been within the last three years, an executive officer of the company or its affiliates. <p>The U.S. risk committee must also include at least one member having experience in identifying, assessing, and managing risk exposures of large, complex financial firms.</p>	No material changes to the Proposed Rules.
Location of the Risk	An FBO that conducts U.S. activities through U.S. branches or agencies (in addition to its IHC, if any) may maintain its U.S. risk	The Proposed Rules would not have required an FBO with an IHC to have

Provision	Final Rule	Changes To Proposed Rules
Committee	<p>committee as a committee of the global board of directors, on a standalone basis or as part of its enterprise-wide risk committee, or as a committee of the board of directors of its U.S. intermediate holding company. If the FBO conducts its U.S. operations solely through an IHC, the U.S. risk committee must be located at the IHC.</p> <p>Under the Final Rule, each IHC is separately required to have a risk committee to oversee the risks of the IHC. This risk committee may also fulfill the responsibilities of the U.S. risk committee.</p>	a separate IHC risk committee unless the FBO conducted its U.S. operations solely through the IHC. Under the Final Rule, each IHC must have a separate risk committee.
U.S. Chief Risk Officer (“CRO”)	<p>An FBO with combined U.S. operations of \$50 billion or more is required to appoint a U.S. CRO who:</p> <ul style="list-style-type: none"> ■ is employed by and located at the U.S. branch, U.S. agency, IHC, or other U.S. subsidiary; ■ receives compensation and other incentives consistent with providing objective risk assessments of the FBO; ■ reports directly to the U.S. risk committee and the global CRO (unless the Board approves an alternative reporting structure); ■ regularly provides information to the U.S. risk committee, the global CRO, and the Board; and ■ is directly responsible for (i) overseeing the measurement, aggregation, and monitoring of risks undertaken by the FBO’s combined U.S. operations, (ii) overseeing the implementation and compliance with risk management and risk control infrastructure policies and procedures, and (iii) overseeing the management of risks and risk controls under the risk- 	No material changes to the Proposed Rules.

Provision	Final Rule	Changes To Proposed Rules
	<p>management framework for the combined U.S. operations.</p> <p>The U.S. CRO must provide the U.S. risk committee and the global CRO information regarding the nature of, and changes to, material risks undertaken by the FBO's combined U.S. operations, including risk management deficiencies and emerging risks, and how such risks relate to the FBO's global operations. The U.S. CRO must also meet regularly and as needed with the Board to assess compliance with risk management requirements.</p>	
FBO Responsibilities	<p>An FBO must take appropriate measures to ensure its combined U.S. operations implement the risk management policies overseen by the U.S. risk committee, and the U.S. operations provide sufficient information to the U.S. risk committee so it can carry out its responsibilities.</p>	<p>No material changes to the Proposed Rules.</p>
Result of Noncompliance	<p>The failure of FBO to comply with the requirements of this provision may result in the Board's imposition of conditions or restrictions on its combined U.S. operations.</p>	<p>No material changes to the Proposed Rules.</p>

Effective Date:

- An FBO that meets the relevant asset threshold on June 30, 2015: July 1, 2016 (with respect to the risk management and risk committee requirements).
- Other FBOs: An FBO that meets the relevant asset threshold must comply with the risk management and risk committee requirements beginning on the first day of the ninth quarter following the date on which its combined U.S. assets equal or exceed \$50 billion.

4. Liquidity Risk Management Requirements for FBOs with Combined U.S. Assets of \$50 Billion or More

Provision	Final Rule	Changes To Proposed Rules
Liquidity Risk Management Requirements	<p>The FBO’s U.S. risk committee (or subcommittee) must annually approve the acceptable level of liquidity risk for the FBO’s combined U.S. operations, receive and review updated information from senior management at least semiannually to evaluate compliance with the liquidity risk tolerance, and to approve contingency funding plans for the combined U.S. operations at least annually.</p>	<p>No material changes to the Proposed Rules, although the Final Rule includes a requirement for semiannual review of information to evaluate compliance with liquidity risk tolerance.</p>
Responsibility of U.S. CRO	<p>The U.S. CRO must review strategies, policies, and procedures for managing liquidity risk of the U.S. operations of the FBO, and determine whether the combined U.S. operations are operating in accordance with the established liquidity risk tolerance.</p> <p>The U.S. CRO must also review and approve new products and business lines and evaluate the potential liquidity impacts of such activities.</p> <p>The U.S. CRO must establish the FBO’s liquidity risk limits, and review cash-flow projections and compliance with liquidity risk limits at least quarterly.</p> <p>Finally, the U.S. CRO must approve liquidity stress testing practices, review the results of such testing, and approve the size and composition of the liquidity buffer.</p>	<p>No material changes to the Proposed Rules.</p>
Independent Review Function	<p>The FBO must establish and maintain a review function, independent of management, to regularly review and assess the adequacy, and compliance with applicable legal and other requirements, of the FBO’s liquidity risk management processes. The review function must report material issues with the liquidity</p>	<p>No material changes to the Proposed Rules.</p>

Provision	Final Rule	Changes To Proposed Rules
	risk management process to the U.S. risk committee and the enterprise-wide risk committee.	
Cash-Flow Projections	The FBO must produce comprehensive cash flow projections for its combined U.S. operations that project cash flows over short-term and long-term horizons. Short-term projections must be updated daily, while longer-term projections must be updated at least monthly.	The Proposed Rules had requested comment on whether the FBO should prepare cash flow projections for all of its activities conducted in U.S. dollars, but the Final Rule requires cash flow projections only for the FBO's combined U.S. operations.
Contingency Funding Plan	The FBO must establish, maintain, and annually update a contingency funding plan for its combined U.S. operations, setting out strategies for addressing liquidity needs during stress events.	The Proposed Rules would have required the U.S. CRO to review the contingency funding plan. The Final Rule assigns this responsibility to the U.S. risk committee.
Liquidity Risk Limits	The FBO's U.S. CRO must establish limits on liquidity risk consistent for its combined U.S. operations, including with respect to concentrations in funding sources, the amount of liabilities maturing within different time horizons, and off-balance sheet exposures.	No material changes to the Proposed Rules.
Liquidity Risk Monitoring	The FBO must establish and maintain procedures for monitoring liquidity risk, including with respect to collateral, legal entities, currencies, business lines, and intraday exposures.	No material changes to the Proposed Rules.

Effective Date:

- FBO that meets the relevant asset threshold on June 30, 2015: July 1, 2016 (with respect to the liquidity risk management requirements).
- Other FBOs: An FBO that meets the relevant asset threshold must comply with the liquidity risk management requirements beginning on the first day of the ninth quarter following the date on which its combined U.S. assets equal or exceed \$50 billion.

5. Liquidity Stress Testing and Liquidity Buffer Requirements for FBOs with Combined U.S. Assets of \$50 Billion or More

Provision	Final Rule	Changes To Proposed Rules
Liquidity Stress Testing Requirement	<p>An FBO that has total combined U.S. assets of \$50 billion or more must conduct monthly stress tests to separately assess the potential impact of liquidity stress scenarios on cash flows, liquidity position, profitability, and solvency of its combined U.S. operations, and separately conduct such stress tests on (1) its U.S. branches and agencies on an aggregate basis, and (2) its IHC, if any. The liquidity stress tests must comply with specific requirements set forth in the Final Rule, including requirements related to the maintenance of policies and procedures, controls and oversight, and management information systems.</p> <p>An FBO must make results of any liquidity internal stress tests and liquidity buffers required by home country regulators available to the Board.</p>	No material changes to the Proposed Rules.
Required Stress Scenarios and Planning Horizon	<p>The FBO’s stress testing must involve at least three scenarios: (1) adverse market conditions, (2) an idiosyncratic stress event for the U.S. branches and agencies, and the IHC (if any), and (3) a combination of (1) and (2).</p> <p>Required stress testing must include overnight, 30-day, 90-day,</p>	No material changes to the Proposed Rules.

Provision	Final Rule	Changes To Proposed Rules
	and one-year planning horizons.	
Liquidity Buffer Requirement	<p>Based on detailed calculations set forth in the Final Rule, an FBO must maintain a liquidity buffer for its IHC, if any, and a separate liquidity buffer for its U.S. branches and agencies.</p> <p>The entire liquidity buffer must be held in the U.S. for the IHC, while branches and agencies are required to hold only the first 14 days of the liquidity buffer in the United States, with the remainder held on a consolidated level.</p>	No material changes to the Proposed Rules.

Effective Date:

- An FBO that meets the relevant asset threshold on June 30, 2015: July 1, 2016 (with respect to the liquidity stress testing and liquidity buffer requirements).
- Other FBOs: An FBO that meets the relevant asset threshold must comply with the liquidity stress testing and liquidity buffer requirements beginning on the first day of the ninth quarter following the date on which its combined U.S. assets equal or exceed \$50 billion.

6. Capital Stress Testing Requirements for FBOs with Combined U.S. Assets of \$50 Billion or More

Provision	Final Rule	Changes To Proposed Rules
Consolidated Capital Stress Testing Requirement	<p>Annually, an FBO must conduct consolidated stress tests or be subject to supervisory stress tests, as required by the FBO's home country supervisor, meet minimum standards set by the FBO's home country supervisor, and provide required information (as discussed in greater detail below) to the Board.</p> <p>If an FBO conducts an internal stress test, the FBO's home country supervisor must conduct an annual evaluation and review</p>	No material changes to the Proposed Rules.

Provision	Final Rule	Changes To Proposed Rules
	of the internal stress test. The capital stress testing regime must include requirements for governance and controls of stress testing practices by management and the board of the FBO.	
Information Requirements	An FBO with combined U.S. assets of \$50 billion or more must report to the Board summary information about its stress testing activities and results, including qualitative and quantitative information listed in the Final Rule. Additional information must be reported if, on a net basis, the U.S. branches and agencies of the FBO provide funding to the FBO's non-U.S. offices and affiliates, including more detailed descriptions of stress test methodologies, the FBO's projected financial and capital position over the planning horizon, and additional information requested by the Board.	No material changes to the Proposed Rules.
Additional Standards	<p>Unless otherwise determined by the Board, an FBO that fails to meet the capital stress test requirements must:</p> <ul style="list-style-type: none"> ■ maintain eligible assets in U.S. branches and agencies in an amount not less than 108 percent of third party liabilities, calculated on an aggregate basis; ■ to the extent the FBO has not established an IHC, conduct an annual stress test of U.S. subsidiaries (or, if approved by the Board, an enterprise-wide stress test) to ascertain whether subsidiaries have capital necessary to absorb losses as a result of adverse economic conditions; and ■ report on an annual basis a summary of the results of the stress test to the Board. <p>If the FBO does not meet the capital stress test requirements, the Board may require the U.S. branches and agencies of the FBO,</p>	No material changes to the Proposed Rules.

Provision	Final Rule	Changes To Proposed Rules
	and a U.S. subsidiary of the FBO (not held in an IHC) to maintain a liquidity buffer or be subject to intragroup funding restrictions.	

Effective Date:

- FBO that meets the relevant asset threshold on June 30, 2015: July 1, 2016 (with respect to the capital stress testing requirements).
- Other FBOs: An FBO that meets the relevant asset threshold must comply with the capital stress testing requirements beginning on the first day of the ninth quarter following the date on which its combined U.S. assets equal or exceed \$50 billion.

B. Enhanced Prudential Standards for Foreign Banking Organizations with Total Consolidated Assets of \$50 Billion or More But Combined U.S. Assets of Less than \$50 Billion

1. Applicability of Enhanced Prudential Standards

Provision	Final Rule	Changes To Proposed Rules
Applicability	Enhanced prudential standards apply to FBOs with \$50 billion or more in total consolidated assets, but less than \$50 billion in combined U.S. assets.	No material changes to the Proposed Rules.

Effective Date:

- FBO that has total consolidated assets of \$50 billion, but less than \$50 billion in combined U.S. assets as of June 30, 2015: July 1, 2016 (with respect to the capital, risk management, liquidity, and stress test requirements listed below).
- FBO that crosses the asset thresholds described above after June 30, 2015: on or before the ninth quarter following the date on which its total consolidated assets equal or exceed \$50 billion (with respect to the capital, risk-management, liquidity, and stress test requirements listed below).

2. Risk-Based and Leverage Capital Requirements for FBOs with Total Consolidated Assets of \$50 Billion or More but Combined U.S. Assets of Less than \$50 Billion

Provision	Final Rule	Changes To Proposed Rules
FBO Requirement to Meet Basel Regulatory Capital Standards	An FBO is required to certify to the Board that it meets home-country risk-based and leverage capital adequacy standards consistent with the Basel Committee on Banking Supervision regulatory capital framework (“Basel Capital Framework”). If the FBO is not subject to standards consistent with the Basel Capital Framework in its home country, it must “demonstrate” to the Board that it would meet or exceed these standards.	No material changes to the Proposed Rules.
Reporting Requirement	An FBO must provide to the Board reports relating to its compliance with these capital measures concurrently with filing Form FR Y-7Q.	No material changes to the Proposed Rules.
Results of Noncompliance	Failure of the FBO to meet the standards of the Basel Capital Framework may result in the Board’s imposition of conditions or restrictions on the FBO’s combined U.S. operations.	No material changes to the Proposed Rules.

3. Risk Management and Risk Committee Requirements for FBOs with Total Consolidated Assets of \$50 Billion or More but Combined U.S. Assets of Less than \$50 Billion

Provision	Final Rule	Changes To Proposed Rule
Certification of U.S. Risk Committee	An FBO must certify annually (concurrently with filing Form FR Y-7) to the Board that it maintains a committee of its global board of directors, on a standalone basis or as part of its enterprise-wide	No material changes to the Proposed Rules.

Provision	Final Rule	Changes To Proposed Rule
	risk committee, that: <ul style="list-style-type: none"> ■ oversees the risk management policies of the FBO's combined U.S. operations, and ■ includes at least one committee member with experience in identifying, assessing, and managing risk exposures for large, complex firms. 	
Responsibilities of U.S. Risk Committee	The U.S. Risk committee must take appropriate measures to ensure that its combined U.S. operations implement the risk management policies overseen by the U.S. risk committee, and that the combined U.S. operations provide sufficient information to the committee to enable it to fulfill its responsibilities.	No material changes to the Proposed Rules.
Results of Noncompliance	Failure of the FBO to meet the standards of the Basel Capital Framework may result in the Board's imposition of conditions or restrictions on its combined U.S. operations.	No material changes to the Proposed Rules.

4. Liquidity Risk Management Requirements for FBOs with Total Consolidated Assets of \$50 Billion or More but Combined U.S. Assets of Less than \$50 Billion

Provision	Final Rule	Changes To Proposed Rules
Annual Liquidity Risk Management Reporting	An FBO must report annually to the Board the results of an internal liquidity stress test based on the Basel Committee principles for risk management, as applied to the consolidated operations of the FBO, or the combined U.S. operations of the FBO. The tests must include 30-day, 90-day, and one-year stress	No material changes to the Proposed Rules.

Provision	Final Rule	Changes To Proposed Rules
	test horizons.	
Results of Noncompliance	An FBO that fails to conduct liquidity stress tests and file the necessary report with the Board must limit the net aggregate amount owed by the FBO's non-U.S. offices and its non-U.S. affiliates to the combined U.S. operations to 25 percent or less of the third party liabilities of its combined U.S. operations, on a daily basis.	No material changes to the Proposed Rules.

5. Capital Stress Testing Requirements for FBOs with Total Consolidated Assets of \$50 Billion or More but Combined U.S. Assets of Less than \$50 Billion

Provision	Final Rule	Changes To Proposed Rules
Capital Stress Test Requirements	<p>Annually, an FBO must internally conduct consolidated stress tests or be subject to supervisory stress tests, as required by the FBO's home country supervisor, and meet minimum standards set by the FBO's home country supervisor. Such stress tests must meet minimum governance and control standards under the Final Rule.</p> <p>If an FBO internally conducts a consolidated stress test, the FBO's home country supervisor must conduct an annual evaluation and review of the internal stress test. The capital stress testing regime must include requirements for governance and controls of stress testing practices by management and the board of the FBO.</p>	The Proposed Rules would have applied capital stress testing requirements to an FBO with consolidated assets of more than \$10 billion, but combined U.S. assets of less than \$10 billion.

Provision	Final Rule	Changes To Proposed Rules
Additional Standards	<p>II. Unless otherwise determined by the Board, an FBO that fails to meet the capital stress test requirements must:</p> <ul style="list-style-type: none"> ■ maintain eligible assets in U.S. branches and agencies in an amount not less than 105 percent of third party liabilities, calculated on an aggregate basis; ■ conduct an annual stress test of U.S. subsidiaries (or, if approved by the Board, an enterprise-wide stress test) to ascertain whether subsidiaries have capital necessary to absorb losses as a result of adverse economic conditions; and ■ report on an annual basis a summary of the results of the stress test to the Board. 	No material changes to the Proposed Rules.

C. Company-Run Stress Test Requirements for Foreign Banking Organizations and Foreign Savings and Loan Holding Companies with Total Consolidated Assets Over \$10 Billion and Less than \$50 Billion

Provision	Final Rule	Changes to Proposed Rules
Applicability	Applies to (1) a FBO with greater than \$10 billion in total consolidated assets and (2) a foreign savings and loan holding company (<i>i.e.</i> , a savings and loan holding company incorporated or organized under the laws of a country other than the United States) with greater than \$10 billion in total consolidated assets (each a “covered entity”).	No material changes to the Proposed Rules.
Capital Stress Test Requirement	A covered entity is required to be subject on a consolidated basis to a capital stress testing regime by its home-country supervisor that includes (1) an annual supervisory capital stress test administered by the supervisor or an annual evaluation by the supervisor of a capital stress test conducted	No material changes to the Proposed Rules.

Provision	Final Rule	Changes to Proposed Rules
	<p>by the organization and (2) requirements for governance and controls of stress testing practices by relevant management and the board of directors. A covered entity also is required to conduct such stress tests or be subject to a supervisory stress test and meet any minimum standards set by its home country supervisor.</p> <p>In general, if a covered entity does not satisfy the above requirements, unless the Board determines in writing, the entity is required to (a) maintain eligible assets in its U.S. branches and agencies that are not less than 105 percent of the average value of the total liabilities of all U.S. branches and agencies, (b) conduct an annual stress test of its U.S. subsidiaries (that may be part of an enterprise-wide stress test) to determine whether those subsidiaries have the capital necessary to absorb losses as a result of adverse economic conditions, and (c) report on an annual basis a summary of the results of the stress test to the Board.</p>	

Effective Date:

- FBO that meets the asset threshold as of June 30, 2015: beginning on July 1, 2016.
- Other FBOs: beginning on the first day of the ninth quarter following the date on which the FBO's total consolidated assets exceed \$10 billion.
- Foreign savings and loan holding company: beginning on the first day of the ninth quarter following the date on which its total consolidated assets exceed \$10 billion.

D. Risk Committee Requirement for Publicly Traded Foreign Banking Organizations with Total Consolidated Assets Equal to or Greater than \$10 Billion and Less than \$50 Billion

Provision	Final Rule	Changes to Proposed Rules
Applicability	Applies to a FBO with a class of stock (or similar interest) that is publicly traded and total consolidated assets of at least \$10 billion but less than \$50 billion (“covered FBO”).	No material changes to the Proposed Rules.
Risk Committee Certification	A covered FBO is required to certify on an annual basis to the Board that it maintains a committee of its global board of directors that oversees the risk management policies of the combined U.S. operations of the organization and includes at least one member having experience in identifying, assessing, and managing risk exposures of large, complex firms.	No material changes to the Proposed Rules.

Effective Date:

- A FBO that has total consolidated assets of \$10 billion or more and a class of stock that is publicly traded as of July 30, 2015: July 1, 2016.
- Other FBOs: beginning on the first day of the ninth quarter following the date on which the FBO’s total consolidated assets equal or exceed \$10 billion and the date on which any class of its stock becomes publicly traded.

E. Debt-to-Equity Limits for Foreign Banking Organizations

Provision	Final Rule	Changes to Proposed Rules
Applicability	Applies to FBOs with total consolidated assets of \$50 billion or more.	No material changes to the Proposed Rules.
Designation as a	The FSOC, or the Board on behalf of the FSOC, may notify a covered company that it has been identified as posing a grave threat to the	No material changes to the Proposed

Provision	Final Rule	Changes to Proposed Rules
"Grave Threat"	<p>financial stability of the United States, and that the imposition of a debt-to-equity ratio is necessary to mitigate such risk.</p> <p>Absent an extension, no later than 180 days after receiving such a notice, an identified bank holding company must achieve and maintain a debt-to-equity ratio of no more than 15-to-1.</p> <p>In the case of FBOs, the ratio generally applies to the U.S. intermediate holding companies of such organizations. In addition, U.S. branches of such FBOs (which are not held by a U.S. intermediate holding company) must maintain eligible assets that, on a daily basis, meet or exceed 108% of the average daily liabilities of such branches over the previous calendar quarter.</p>	Rules.
Extension of Time to Comply	The Board may extend the 180-day compliance period for up to two additional 90-day periods if the identified company has made good faith efforts to comply and each extension would be in the public interest.	No substantive changes to the Proposed Rules, but the Final Rule revises the procedure for requesting an extension.
Relief from Requirement	Once a debt-to-equity limitation has been imposed by the FSOC, it will remain in effect until the FSOC notifies the identified company otherwise.	No material changes to the Proposed Rules.

Effective Date: June 1, 2014.