

**U.S. TREASURY REPORT: BANKS AND CREDIT UNIONS**  
***TWO YEAR PROGRESS REPORT***



JULY 2019



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Founded in 2006, the Committee undertook its first major report at the request of the incoming U.S. Secretary of the Treasury, Henry M. Paulson. Over ten years later, the Committee's research continues to provide policymakers with an empirical and non-partisan foundation for public policy.



**U.S. Treasury Report: Banks and Credit Unions**

***Two Year Progress Report***

The U.S. Treasury Department's report, *A Financial System that Creates Economic Opportunities: Banks and Credit Unions*, set forth reforms for the banking sector that would help ensure the stability of the financial system and spur economic growth.<sup>1</sup> The Committee on Capital Markets Regulation ("the **Committee**") has prepared a two-year progress report on actions by the Congress and U.S. banking regulators, including the Federal Reserve Board, Office of the Comptroller of the Currency and Federal Deposit Insurance Company, to implement the U.S. Treasury Department's recommendations.

The Committee finds that while the Congress and U.S. banking regulators have made meaningful progress, they still have significantly further to go to implement the U.S. Treasury Department's recommendations.

The Committee's staff identified 44 recommendations that would have a significant impact on U.S. banking regulation. We have listed those recommendations below, organized in the same manner as by the U.S. Treasury Department: A. Capital and Liquidity, B. Living Wills, C. Foreign Banking Organizations and D. Improving the Volcker Rule. The Committee staff found that there has been: no proposal on 13 of the U.S. Treasury Department's recommendations, proposed rulemakings on 22 of the recommendations, and legislative action or final rulemakings on 9 of the recommendations. Therefore, 35 out of the 44 key recommendations (or 79.5%) by the U.S. Treasury Department have not been finalized more than two years after the release of U.S. Treasury Department report. Furthermore, we note that the finalized legislative and regulatory actions are primarily focused on tailoring existing rules to reduce the regulatory burden on smaller banks. There has been significantly less progress on the U.S. Treasury Department's recommendations for the largest banking organizations, including increasing the transparency of stress tests and revising the Volcker Rule.

On the next page, we provide a status overview of the U.S. Treasury Department's recommendations. A more detailed table including the U.S. Treasury Department's recommendations and a summary of the relevant legislative or regulatory actions follows.

The Committee staff has also exercised its judgment as to the extent to which Congress and regulators' actions fully implement the U.S. Treasury Department's recommendations. To that end, the Committee staff has rated the fulfillment of each recommendation on a scale of 0-3, where "3" means the action wholly fulfills the recommendation; "2" means the action partially fulfills the recommendation; "1" means the level of fulfillment is unclear due to a lack of specificity in the recommendation; and "0" means there is no proposal.

For the avoidance of doubt, this progress report is solely intended to assess the extent to which Congress and regulators have acted on the U.S. Treasury Department's recommendations. It does not constitute an endorsement of the U.S. Treasury Department's recommendations or each legislative or regulatory action taken.

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<sup>1</sup> U.S. DEPT. OF THE TREASURY, *A Financial System that Creates Economic Opportunities: Banks and Credit Unions* (June 2017) <https://www.treasury.gov/press-center/press-releases/documents/a%20financial%20system.pdf>

Status Overview

Number	Recommendation Topic	Status	Rating
<b>A.</b>	<b>Capital and Liquidity</b>		
1	Increase DFAST Threshold	Legislated	3
2	Simplify DFAST Process: Eliminate Mid-Year Cycle	Proposed Rulemaking	3
3	Simplify DFAST Process: Reduce Number of Scenarios	Proposed Rulemaking	3
4	Increase the Enhanced Prudential Standards Threshold	Legislated	3
5	Increase the CCAR Threshold	Proposed Rulemaking	3
6	Narrow Applied Scope of the Liquidity Coverage Ratio	Proposed Rulemaking	2
7	Adjust Applied Scope of the Single Counterparty Credit Limit	Legislated	3
8	Revise Capital Distribution Assumptions in CCAR	Proposed Rulemaking	3
9	Change CCAR Process to a Two-Year Cycle	Proposed Rulemaking	2
10	Delay Net Stable Funding Ratio and Trading Book Review	Proposed Rulemaking	1
11	Simplify the Capital Regime	Proposed Rulemaking	2
12	Introduce Additional Risk Sensitivity to the Capital Regime	Proposed Rulemaking	2
13	Harmonize Current Expected Credit Losses (the accounting standard) with Regulatory Efforts	Final Rulemaking	1
14	Subject CCAR Supervisory Models to Notice and Comment	No Proposal	0
15	Subject CCAR Economic Scenarios to Notice and Comment	No Proposal	0
16	Limit the Use of CCAR Qualitative Assessment and Objection	Final Rulemaking	2
17	Implement Other CCAR Transparency Modifications	Proposed Rulemaking	2
18	Implement Countercyclical Capital Requirements	No Proposal	0
19	Increase Transparency of Operational Risk Capital Requirements	No Proposal	0
20	Create Deductions from the SLR Exposure Denominator	Legislated	2
21	Expand the definition of HQLA	Legislated	3
22	Adjust Cash Flow Assumptions for Liquidity Coverage Ratio	No Proposal	0
23	Revisit International Standards: G-SIB Surcharge	No Proposal	0
24	Revisit International Standards: Mandatory minimum debt ratio	No Proposal	0
25	Revisit International Standards: eSLR for G-SIBs	Proposed Rulemaking	3
<b>B.</b>	<b>Living Wills</b>		
26	Increase the Living Will Threshold	Legislated	3
27	Adopt Two-Year Living Will Timing Cycle	Proposed Rulemaking	3
28	Develop Living Will Assessment Framework and Guidelines	Proposed Rulemaking	2
<b>C.</b>	<b>Foreign Banking Organizations</b>		
29	Adjust Thresholds for FBO Prudential Standards	Proposed Rulemaking	3
30	Increase Intermediate Holding Company (IHC) CCAR Threshold	Proposed Rulemaking	3
31	Recalibrate Other IHC Regulatory Standards	No Proposal	0
32	Recalibrate Total Loss-Absorbing Capacity (TLAC) Rule	No Proposal	0

# COMMITTEE ON CAPITAL MARKETS REGULATION

Number	Recommendation Topic	Status	Rating
<b>D.</b>	<b>Improving the Volcker Rule</b>		
33	Exempt from Volcker Rule firms with under \$10bn in assets	Legislated	3
34	Exempt from Volcker Rule certain firms with assets over \$10bn	No Proposal	0
35	Proprietary Trading (Eliminate the Rebuttable Presumption)	Proposed Rulemaking	3
36	Proprietary Trading (Consider Eliminating the Purpose Test)	Proposed Rulemaking	3
37	Increase Market-making Flexibility	Proposed Rulemaking	2
38	Evaluate Additional Modifications to the RENTD Framework	No Proposal	0
39	Eliminate Requirement for Ongoing Hedge Calibration	No Proposal	0
40	Eliminate Requirement to Documentation Certain Hedging	Proposed Rulemaking	2
41	Adjust Threshold for Volcker Rule Compliance Regime	Proposed Rulemaking	3
42	Increase Banks' Ability to Tailor Compliance Programs	Proposed Rulemaking	3
43	Eliminate Unnecessary Reporting Metrics	Proposed Rulemaking	3
44	Simplify Covered Funds Definition and Appropriate Exemptions	No Proposal	0
<b>Total Legislated: 7</b> <b>Total Final Rulemaking: 2</b>		<b>Total Proposed Rulemaking: 22</b> <b>Total No Proposal: 13</b>	

**A. Capital and Liquidity**

Number	Recommendation	STATUS	Substantive Result of Action	Rating
<i>APPROPRIATE TAILORING OF DFAST, CCAR, LCR, AND SCCL</i>				
1	<ul style="list-style-type: none"> <li><b>DFAST Threshold:</b> The threshold for participation for company-run DFAST should be raised to \$50 billion in total assets (from the current threshold of more than \$10 billion). The banking regulators should be granted authority to further calibrate this threshold on an upward basis by reference to factors related to the degree of risks and complexity of the institution.</li> </ul>	Legislated <sup>2</sup> (increase was to \$250bn)	<ul style="list-style-type: none"> <li>“A nonbank financial company supervised by the [Federal Reserve] and a bank holding company described in subsection (a) shall conduct periodic stress tests. All other financial companies that have total consolidated assets of more than [\$250bn] and are regulated by a primary Federal financial regulatory agency shall conduct periodic stress tests.”<sup>3</sup></li> <li>Under the referenced subsection (a), among other things, “the Board of Governors may... apply any prudential standard... to any bank... with total consolidated assets equal to or greater than [\$100bn]... [if it]... takes into consideration the bank’s... capital structure, riskiness, complexity, financial activities (including financial activities of subsidiaries), size, and any other risk-related factors that the Board of Governors deems appropriate.”<sup>4</sup></li> <li>Consistent with the statute, the Federal Reserve has proposed to eliminate company-run stress-testing for Category IV firms with \$100 billion or more in total assets.<sup>5</sup></li> </ul>	3

<sup>2</sup> Section 401(a)(4) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Available at: <https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf>.

<sup>3</sup> 12 U.S.C. § 5365(i)(2)(A).

<sup>4</sup> 12 U.S.C. § 5365(a)(2)(C).

<sup>5</sup> Board of Governors of the Federal Reserve System, *Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies*, 83 FED. REG. 61408 (Nov. 29, 2018).



Number	Recommendation	STATUS	Substantive Result of Action	Rating
2/3	<ul style="list-style-type: none"> <li><b>DFAST Process:</b> The mid-year DFAST cycle should be eliminated, and the number of supervisory scenarios should be reduced from three to two—the baseline and severely adverse scenario. Further, as a company-led process, leeway should be granted for banks to determine the appropriate number of models that are sufficient to develop appropriate output results, aligned with the scale and complexity of the banking organization and nature of its asset mix.</li> </ul>	<p>Eliminate Mid-Year Cycle: Proposed Rulemaking<sup>6</sup></p> <p>Reduce Number of Scenarios: Proposed Rulemaking<sup>7</sup></p>	<ul style="list-style-type: none"> <li><b>Mid-Year Cycle:</b> “Prior to the enactment of EGRRCPA, section 165 of the Dodd-Frank Act required a bank holding company subject to enhanced prudential standards to conduct semi-annual company-run stress tests. EGRRCPA revised this requirement to ‘periodic.’ In the Board’s experience, the mandatory mid-cycle stress test has provided modest risk management benefits and limited incremental information to market participants beyond what the annual company-run stress test provides. Accordingly, the proposal would remove the mid-cycle stress test requirement for all bank holding companies, including U.S. GSIBs, effective in the 2020 cycle.”<sup>8</sup></li> <li><b>Number of Scenarios:</b> Under the EGRRCPA, “[e]ach Federal primary financial regulatory agency...shall... establish methodologies for the conduct of stress tests... that shall provide for at least 2 different sets of conditions, including baseline and severely adverse.”<sup>9</sup></li> <li>“Consistent with the changes made by section 401 of EGRRCPA, and for the reasons set forth above regarding why the inclusion of the ‘adverse’ scenario is unnecessary, the proposal would remove the ‘adverse’ scenario as a required scenario for all of the Board’s current and proposed company-run and supervisory stress testing requirements, and revise the definition of the “severely adverse” scenario.”<sup>10</sup></li> </ul>	<p>Eliminate Mid-Year Cycle:  3</p> <p>Reduce Number of Scenarios:  3</p>

<sup>6</sup> Board of Governors of the Federal Reserve System, *Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies*, 83 FED. REG. 61408, 61417 (Nov. 29, 2018) <https://www.federalregister.gov/documents/2018/11/29/2018-24464/prudential-standards-for-large-bank-holding-companies-and-savings-and-loan-holding-companies#citation-28-p61411>.

<sup>7</sup> Board of Governors of the Federal Reserve System, *Regulations LL and YY; Amendments to the Company-Run and Supervisory Stress Test Rules*, 84 FED. REG. 4002 (Feb. 14, 2019) <https://www.federalregister.gov/documents/2019/02/14/2019-00484/regulations-ll-and-yy-amendments-to-the-company-run-and-supervisory-stress-test-rules>.

<sup>8</sup> Board of Governors of the Federal Reserve System, *Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies*, 83 FED. REG. 61408, 61417 (Nov. 29, 2018) <https://www.federalregister.gov/documents/2018/11/29/2018-24464/prudential-standards-for-large-bank-holding-companies-and-savings-and-loan-holding-companies#citation-28-p61411>.

<sup>9</sup> 12 U.S.C. § 5365(i)(2)(C); Section 401(a)(5) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Available at: <https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf>.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
4	<ul style="list-style-type: none"> <li>• <b>Enhanced Prudential Standards Thresholds:</b> The threshold in Section 165 of Dodd-Frank for enhanced prudential standards should be raised to be better tailored to the complexity of bank holding companies.</li> </ul>	Section 165 threshold: Legislated <sup>11</sup>	<ul style="list-style-type: none"> <li>• “The Board of Governors may... apply any prudential standard...to any bank... with total consolidated assets equal to or greater than [\$100bn]... [if it]... takes into consideration the bank’s... capital structure, riskiness, complexity, financial activities (including financial activities of subsidiaries), size, and any other risk-related factors that the Board of Governors deems appropriate.”<sup>12</sup></li> <li>• “EGRRCPA amended section 165 of the Dodd-Frank Act to increase the minimum asset thresholds for the application of enhanced prudential standards to bank holding companies. The proposal would revise the Board's enhanced prudential standard rule to reflect the new thresholds for U.S. top-tier bank holding companies.”<sup>13</sup></li> <li>• The proposed categories I, II, III and IV apply to banking organizations with total consolidated assets of \$100 billion or more based on certain risk characteristics.<sup>14</sup></li> </ul>	3

<sup>10</sup> Board of Governors of the Federal Reserve System, *Regulations LL and YY; Amendments to the Company-Run and Supervisory Stress Test Rules*, 84 FED. REG. 4002, 4004 (Feb. 14, 2019) <https://www.federalregister.gov/documents/2019/02/14/2019-00484/regulations-ll-and-yy-amendments-to-the-company-run-and-supervisory-stress-test-rules>.

<sup>11</sup> Section 401(a)(5) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Available at: <https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf>.

<sup>12</sup> 12 U.S.C. § 5365(a)(2)(C).

<sup>13</sup> BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, *Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies* (Nov. 29, 2018), available at <https://www.federalregister.gov/documents/2018/11/29/2018-24464/prudential-standards-for-large-bank-holding-companies-and-savings-and-loan-holding-companies#citation-28-p61411>.

<sup>14</sup> Id.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
5	<ul style="list-style-type: none"> <li>• <b>CCAR Thresholds:</b> The Federal Reserve should also revise the threshold for the application of Comprehensive Capital Analysis and Review (CCAR) to match the revised threshold for the application of the enhanced prudential standards.</li> </ul>	CCAR threshold: Proposed Rulemaking <sup>15</sup>	<ul style="list-style-type: none"> <li>• “Under the proposal, a bank holding company with less than \$100 billion in total consolidated assets would no longer be subject to the capital stress testing... requirements of the enhanced prudential standards rule[.]”<sup>16</sup></li> <li>• To maintain consistency with the threshold for application of enhanced prudential standards, the proposal would also raise the applicability threshold for bank holding company capital planning requirements in the Board's Regulation Y from \$50 billion to \$100 billion in total consolidated assets.”<sup>17</sup></li> <li>• “Raising the threshold for application of CCAR and the capital plan rule from \$50 billion to \$100 billion would maintain consistency with the threshold as amended by EGRRCPA.”<sup>18</sup></li> </ul>	3

<sup>15</sup> BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, *Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies* (Nov. 29, 2018), available at <https://www.federalregister.gov/documents/2018/11/29/2018-24464/prudential-standards-for-large-bank-holding-companies-and-savings-and-loan-holding-companies#citation-28-p61411>.

And see for further discussion: <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/board-memo-20181031.pdf>

<sup>16</sup> Id.

<sup>17</sup> Id.

<sup>18</sup> Id. at footnote 28.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
6	<ul style="list-style-type: none"> <li> <b>Liquidity Coverage Ratio:</b>                      The scope of application of the LCR should be narrowed to apply only to internationally active banks: the U.S. LCR should be limited to G-SIBs and a less stringent standard (i.e., an LCR that is not “super-compliant”) should be applied to internationally active bank holding companies that are not G-SIBs.                 </li> </ul>	Proposed Rulemaking <sup>19</sup>	<ul style="list-style-type: none"> <li>Category I: “Under the proposal, the most stringent set of standards (Category I) would apply to U.S. GSIBs and their subsidiary depository institutions. ... Category I liquidity standards would include the full LCR requirement.”<sup>20</sup></li> <li>Category II: “Category II standards would apply to banking organizations with \$700 billion or more in total consolidated assets or \$75 billion or more in cross-jurisdictional activity that are not subject to Category I standards. ... These standards would include the full LCR... requirements.”<sup>21</sup></li> <li>Category III: “The proposal would apply reduced LCR... requirements to a banking organization subject to Category III standards that has less than \$75 billion in weighted short-term wholesale funding.”<sup>22</sup></li> <li>Category IV: “Under the proposal, Category IV standards would not include an LCR... requirement.”<sup>23</sup></li> </ul>	2  (The proposal still applies the U.S. LCR to certain non-G-SIBs.)

<sup>19</sup> Office of the Comptroller of the Currency, Treasury; the Board of Governors of the Federal Reserve System; and the Federal Deposit Insurance Corporation, *Proposed Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements* (Dec. 21, 2018), available at <https://www.federalregister.gov/documents/2018/12/21/2018-27177/proposed-changes-to-applicability-thresholds-for-regulatory-capital-and-liquidity-requirements>.

<sup>20</sup> Id.

<sup>21</sup> Id.

<sup>22</sup> Id.

<sup>23</sup> Id.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
7	<ul style="list-style-type: none"> <li> <b>Single Counterparty Credit Limit:</b> The scope of application of the SCCL should apply only to banks that are subject to the revised threshold for the application of the enhanced prudential standards.                 </li> </ul>	Legislated <sup>24</sup>	<ul style="list-style-type: none"> <li>As amended, the statutory asset threshold for the application of SCCL is \$250bn, but “the Board of Governors may... apply any prudential standard...to any bank... with total consolidated assets equal to or greater than [\$100bn]... [if it]... takes into consideration the bank’s... capital structure, riskiness, complexity, financial activities (including financial activities of subsidiaries), size, and any other risk-related factors that the Board of Governors deems appropriate.”<sup>25</sup></li> <li>“The regulations prescribed by the Board of Governors under paragraph (1) shall prohibit each nonbank financial company supervised by the Board of Governors and bank holding company described in subsection (a) from having credit exposure to any unaffiliated company that exceeds 25 percent of the capital stock and surplus (or such lower amount as the Board of Governors may determine by regulation to be necessary to mitigate risks to the financial stability of the United States) of the company.”<sup>26</sup></li> <li>Under the proposed prudential regulation framework, “the most stringent single-counterparty credit limits would continue to apply to U.S. GSIBs. ... The proposal would apply the single-counterparty credit limit requirements to covered savings and loan holding companies that are subject to Category II or III standards.”<sup>27</sup></li> </ul>	3

<sup>24</sup> Section 401(a)(1) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Available at: <https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf>

<sup>25</sup> 12 U.S.C. § 5365(a)(2)(C).

<sup>26</sup> 12 U.S.C. § 5365(e)(2).

<sup>27</sup> Board of Governors of the Federal Reserve System, Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies, 83 FED. REG. 61408, 61417 (Nov. 29, 2018) <https://www.federalregister.gov/documents/2018/11/29/2018-24464/prudential-standards-for-large-bank-holding-companies-and-savings-and-loan-holding-companies#citation-28-p61411>.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
<i>IMPROVE CAPITAL AND LIQUIDITY SUPERVISORY PROCESS AND GUIDANCE</i>				
8/9	<ul style="list-style-type: none"> <li><b>Fed Stress Tests (CCAR):</b> The Federal Reserve should (i) reassess assumptions in the CCAR process that create unrealistically conservative results, such as the assumption that firms continue to make capital distributions and grow their balance sheets and risk-weighted asset exposure in severely adverse scenarios; (ii) improve its modeling practices by better recognizing firms’ unique risk profiles; and (iii) consider changing the CCAR process to a two-year cycle (with more frequent reviews permitted to allow revisions to capital plans in the case of extraordinary events).</li> </ul>	<p style="text-align: center;">Revisions to Capital Distribution Assumptions: Proposed Rulemaking<sup>28</sup></p> <p style="text-align: center;">CCAR process two-year cycle: Proposed Rulemaking</p>	<ul style="list-style-type: none"> <li><b>CCAR Assumptions:</b> The proposed rule would: (i) remove the current assumption that a firm would pay planned dividends and make planned repurchases over the planning horizon (except for four quarters of planned common stock dividends to incentivize firms to engage in disciplined dividend planning); (ii) assume that a firm does not make any planned issuance of regulatory capital instruments except for M&amp;A reflected in the balance sheet estimates; (iii) assume that firms take actions to maintain a constant level of assets over the planning horizon; and (iv) assume a firm’s risk-weighted assets and leverage ratio denominator generally remain unchanged over the planning horizon.<sup>29</sup></li> <li><b>CCAR Two-Year Cycle:</b> For Category IV banks (those with between \$250bn and \$100bn in assets and outside categories I-III), supervisory stress-testing would move to a two-year cycle, company-run stress-testing would be eliminated, and “[t]he Board also intends at a future date to revise its guidance relating to capital planning... to allow more flexibility in how firms subject to Category IV standards perform capital planning.”<sup>30</sup></li> <li>Banks with less than \$100bn in assets would no longer be subject to CCAR at all.<sup>31</sup></li> </ul>	<p style="text-align: center;">Revisions to Capital Distribution Assumptions: 3</p> <p style="text-align: center;">CCAR process two-year cycle: 2</p> <p style="text-align: center;">(The proposal does not shift banks with more than \$250bn in assets onto a two-year CCAR cycle.)</p>

<sup>28</sup> Board of Governors of the Federal Reserve System, *Proposed Rule Regarding the Stress Buffer Requirements* (Apr. 5, 2018). Available at: <https://www.federalregister.gov/documents/2018/04/25/2018-08006/amendments-to-the-regulatory-capital-capital-plan-and-stress-test-rules>.

<sup>29</sup> Id. at 18165-18167.

<sup>30</sup> BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, *Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies* (Nov. 29, 2018), available at <https://www.federalregister.gov/documents/2018/11/29/2018-24464/prudential-standards-for-large-bank-holding-companies-and-savings-and-loan-holding-companies#citation-28-p61411>.

<sup>31</sup> BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, *Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies* (Nov. 29, 2018), available at <https://www.federalregister.gov/documents/2018/11/29/2018-24464/prudential-standards-for-large-bank-holding-companies-and-savings-and-loan-holding-companies#citation-28-p61411>.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
10	<ul style="list-style-type: none"> <li><b>Net Stability Funding Ratio and Trading Book Review:</b> U.S. banking regulators should delay adoption of the Net Stable Funding Ratio and Fundamental Review of the Trading Book standards until U.S. regulators can appropriately assess and calibrate them.</li> </ul>	<p>Fundamental Review of the Trading Book<sup>32</sup> (Implementation Delayed by Basel Committee until 2022; Proposal Expected Late 2019)</p> <p>NSFR: Proposed Rulemaking<sup>33</sup> (Final Rule Expected Sept. 2019)<sup>34</sup></p>	<ul style="list-style-type: none"> <li><b>NSFR:</b> “Under the requirement, a covered company would calculate a weighted measure of the stability of its equity and liabilities over a one-year time horizon (its available stable funding amount or <b>ASF amount</b>). The proposed rule would require a covered company's ASF amount to be greater than or equal to a minimum level of stable funding (its required stable funding amount or <b>RSF amount</b>) calculated based on the liquidity characteristics of its assets, derivative exposures, and commitments over the same one-year time horizon.”<sup>35</sup></li> <li>“A covered company's NSFR would measure the ratio of its ASF amount to its RSF amount.”<sup>36</sup></li> <li>“The proposed rule would require a covered company to maintain a minimum NSFR of 1.0.”<sup>37</sup></li> </ul>	<p>1</p> <p>(It is unclear whether the existing timeline is consistent with the Treasury’s intended delay or whether U.S. regulators are assessing and calibrating the FRTB or NSFR.)</p>

<sup>32</sup> Bank for International Settlements, *Governors and Heads of Supervision finalise Basel III reforms* (Dec. 7, 2017) <https://www.bis.org/press/p171207.htm>.

<sup>33</sup> Office of the Comptroller of the Currency, Department of the Treasury; Board of Governors of the Federal Reserve System; and Federal Deposit Insurance Corporation, *Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements* (June 1, 2016) <https://www.federalregister.gov/documents/2016/06/01/2016-11505/net-stable-funding-ratio-liquidity-risk-measurement-standards-and-disclosure-requirements>.

Also see: <https://www.federalreserve.gov/newsevents/speech/brainard20180419a.htm>.

<sup>34</sup> Office of Information and Regulatory Affairs, *View Rule: Regulation WW--Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements* (last accessed June 5, 2019) <https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=201904&RIN=7100-AE51> (“Board Expects Further Action... 09/00/2019”).

<sup>35</sup> Office of the Comptroller of the Currency, Department of the Treasury; Board of Governors of the Federal Reserve System; and Federal Deposit Insurance Corporation, *Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements* (June 1, 2016) <https://www.federalregister.gov/documents/2016/06/01/2016-11505/net-stable-funding-ratio-liquidity-risk-measurement-standards-and-disclosure-requirements>.

<sup>36</sup> Id.

<sup>37</sup> Id.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
11	<ul style="list-style-type: none"> <li>• <b>Simplifying the Capital Regime:</b> Treasury recommends keeping the standardized approaches for calculating risk weighted assets but reducing reliance upon the advanced approaches for calculating firms’ overall risk-based capital requirements.</li> </ul>	Proposed Rulemaking <sup>38</sup>	<ul style="list-style-type: none"> <li>• <u>Reduced Reliance on Advanced Approaches:</u> Regulators have not formally reduced reliance on advanced approaches, although they continue the historical practice of not requiring the “use of the capital rule’s advanced approaches in the supervisory stress test due to the significant resources required to implement the advanced approaches on a pro forma basis and the complexity and opaqueness associated with introducing the advanced approaches in supervisory stress test projections[.]”<sup>39</sup></li> <li>• In connection with implementing recent Basel adjustments, regulators are considering “potentially replacing the advanced approaches with the risk-based capital requirements based on the Basel standardized approaches for credit and operational risk,”<sup>40</sup> but have not yet acted.</li> <li>• <u>Stress Capital Buffer:</u> The new stress capital buffer requirement is consistent with the spirit, if not the specific mechanics, of this recommendation. According to Randal Quarles, Vice Chair for Supervision at the Federal Reserve: “The stress capital buffer would... effect a substantial simplification of [the regulatory capital framework for large banks]. By my math, the number of different capital requirements applicable to large banks would fall from 18 to eight and the number of different total loss absorbing capacity requirements for large banks would fall from 24 to 14.”<sup>41</sup></li> </ul>	2  (Regulators have made discrete moves towards simplifying the capital regime, but they have not formally reduced reliance upon the advanced approaches as recommended.)

<sup>38</sup> Board of Governors of the Federal Reserve System, Proposed Rule Regarding the Stress Buffer Requirements (Apr. 5, 2018). Available at: <https://www.federalregister.gov/documents/2018/04/25/2018-08006/amendments-to-the-regulatory-capital-capital-plan-and-stress-test-rules>; <https://www.govinfo.gov/content/pkg/FR-2018-04-25/pdf/2018-08006.pdf>; <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20180410a1.pdf>

<sup>39</sup> Id.

<sup>40</sup> Dept. of Treasury, Federal Reserve System, Fed. Dep. Ins. Corp., *Regulatory Capital Rule: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996*, 29 (May 28, 2019) <https://www.fdic.gov/news/board/2019/2019-05-28-notational-fr-a.pdf>; Dept. of Treasury, Federal Reserve System, Fed. Dep. Ins. Corp., *Proposed changes to applicability thresholds for regulatory capital requirements for certain U.S. subsidiaries of foreign banking organizations and application of liquidity requirements to foreign banking organizations, certain U.S. depository institution holding companies, and certain depository institution subsidiaries*, 60 (Apr. 8, 2019) <https://www.federalreserve.gov/newsevents/pressreleases/files/foreign-bank-fr-notice-2-20190408.pdf>.

<sup>41</sup> *Stress Testing: A Decade of Continuity and Change*, Remarks by Randal K. Quarles, Vice Chair for Supervision at the Board of Governors of the Federal Reserve System, at “Stress Testing: A Discussion and Review,” a research conference sponsored by the Federal Reserve Bank of Boston (Boston, MA, July 9, 2019).



Number	Recommendation	STATUS	Substantive Result of Action	Rating
12	<ul style="list-style-type: none"> <li><b>Additional Risk Sensitivity:</b> However, U.S. regulators should consider where it would be appropriate to introduce more appropriate risk sensitivity such as in the measurement of derivative and securities lending exposures for the standardized approaches and the proposed SCCL.</li> </ul>	Proposed Rulemaking <sup>42</sup>	<ul style="list-style-type: none"> <li>“The addition of a new approach [to measuring derivative exposure], called the standardized approach for counterparty credit risk (SA-CCR), would provide important improvements to risk-sensitivity and calibration relative to [the current exposure methodology (CEM)], but also would provide a less complex and non-model-dependent approach than [the internal models methodology (IMM)].”<sup>43</sup></li> <li>“For example, the industry has raised concerns that IMM does not appropriately recognize collateral, including the risk-reducing nature of variation margin, and does not provide sufficient netting for derivative contracts that share similar risk factors. The agencies intend for the proposed implementation of SA-CCR to respond to these concerns, and to be substantially consistent with international standards issued by the Basel Committee on Banking Supervision[.]”<sup>44</sup></li> <li>“[F]or valuing a derivative contract under the SCCL, the proposal would require an advanced approaches banking organization... to use SA-CCR or IMM and... a non-advanced approaches banking organization ... to use CEM or SA-CCR.”<sup>45</sup></li> </ul>	2  (The proposal addresses derivative exposures, but does not address securities lending exposures.)

<sup>42</sup> Board of Governors of the Federal Reserve System; the Federal Deposit Insurance Corporation; and the Office of the Comptroller of the Currency, Standardized Approach for Calculating the Exposure Amount of Derivative Contracts (Dec. 17, 2018) <https://www.federalregister.gov/documents/2018/12/17/2018-24924/standardized-approach-for-calculating-the-exposure-amount-of-derivative-contracts>.

<sup>43</sup> Id. at 64661-64662.

<sup>44</sup> Id. at 64662.

<sup>45</sup> Id. at 64663.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
13	<ul style="list-style-type: none"> <li><b>Current Expected Credit Losses (“CECL”) (the accounting standard)<sup>46</sup>:</b> U.S. prudential regulators should review the potential impact of the CECL standard on banks’ capital levels and formulate recommendations to harmonize the application of the standard with regulators’ supervisory efforts.</li> </ul>	Final Rulemaking <sup>47</sup>	<ul style="list-style-type: none"> <li><b>Transitional Phase-In:</b> The rule creates a new term, “adjusted allowances for credit losses” (AACL), applicable to banking organizations that have adopted CECL.<sup>48</sup></li> <li> “[A]mounts of AACL are eligible for inclusion in a banking organization’s tier 2 capital up to 1.25 percent of the banking organization’s standardized total risk-weighted assets (excluding its standardized market risk-weighted assets, if applicable).”<sup>49</sup></li> <li> This credits AACL towards regulatory capital even as GAAP treatment would not permit this under the prior definition of (e.g., “allowance for loan and lease losses” (ALLL)).</li> <li> The final rule permits electing banking organizations to phase in the impact of adopting CECL over a three-year period.<sup>50</sup></li> <li> The Federal Reserve has also provided additional information on positions that it plans to take on incorporating the CECL accounting standard into its supervisory stress test and into its assessment of company-run stress tests.<sup>51</sup></li> <li> <b>Harmonization:</b> Regulators have not addressed the actual impact of CECL on regulatory capital ratios by either “adjusting capital calculations or revising the overall capital requirements,” as requested by many commenters.<sup>52</sup></li> </ul>	<p>1</p> <p>(The final rule phases in the use of CECL, but it does not adjust the substantive impact of CECL on capital requirements.)</p>

<sup>46</sup> CECL requires banks to set reserves using a lifetime forecast of losses, which generally requires a bank to provision a much larger amount for loan losses at the time of loan origination than would be required under the current “incurred loss” accounting model.

<sup>47</sup> Office of the Comptroller of the Currency, *Regulatory Capital Rule: Implementation and Transition of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule and Conforming Amendments to Other Regulations* (Dec. 18, 2018) <https://www.occ.treas.gov/news-issuances/news-releases/2018/nr-ia-2018-142a.pdf>.

<sup>48</sup> Id.

<sup>49</sup> Id.

<sup>50</sup> Id. at 22.

<sup>51</sup> Board of Governors of the Federal Reserve System, Statement on the current expected credit loss methodology (CECL) and stress testing (Dec. 21, 2018) <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20181221b1.pdf>.

<sup>52</sup> Office of the Comptroller of the Currency, *Regulatory Capital Rule: Implementation and Transition of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule and Conforming Amendments to Other Regulations*, 13 (Dec. 18, 2018) <https://www.occ.treas.gov/news-issuances/news-releases/2018/nr-ia-2018-142a.pdf>.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
<i>IMPROVING THE TRANSPARENCY OF THE CCAR AND OTHER SUPERVISORY PROCESSES</i>				
14/15	<ul style="list-style-type: none"> <li> <b>Improving CCAR transparency:</b> The Federal Reserve should subject its stress-testing and capital planning review frameworks to public notice and comment, including with respect to its models, economic scenarios, and other material parameters and methodologies.                     </li> </ul>	<p style="text-align: center;">Subject Models to Notice and Comment: No Proposal</p> <p style="text-align: center;">Subject Economic Scenarios to Notice and Comment: No Proposal</p>	<ul style="list-style-type: none"> <li> <b>Supervisory Models:</b> The Federal Reserve discloses information about supervisory models but does not subject them to notice and comment.<sup>53</sup> </li> <li>                     The added disclosures contain “three components: (1) Enhanced descriptions of supervisory models, including key variables; (2) modeled loss rates on loans grouped by important risk characteristics and summary statistics associated with the loans in each group; and (3) portfolios of hypothetical loans and the estimated loss rates associated with the loans in each portfolio.”<sup>54</sup> </li> <li>                     “Publication of the supervisory model disclosure prior to the release of the supervisory stress test results will help firms and the public anticipate the extent to which changes in supervisory results may result from changes in the models.”<sup>55</sup> </li> <li>                     The Federal Reserve published the enhanced Supervisory Stress Test Methodology (i.e., model) disclosures in March 2019, and it will do so in the first quarter of each calendar year.<sup>56</sup> </li> <li> <b>Economic Scenarios:</b> The Federal Reserve does publish its economic scenarios, it but does not subject them to notice and comment.<sup>57</sup> However, “[t]he Board is... weighing the costs and benefits of publishing the scenarios for comment.”<sup>58</sup> </li> </ul>	<p style="text-align: center;">Subject Models to Notice and Comment:  0</p> <p style="text-align: center;">Subject Economic Scenarios to Notice and Comment:  0</p>

<sup>53</sup> Board of Governors of the Federal Reserve System, Federal Reserve Board finalizes set of changes that will increase the transparency of its stress testing program for nation's largest and most complex banks (Feb. 5, 2019) <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20190205a.htm>.

<sup>54</sup> Board of Governors of the Federal Reserve System, Enhanced Disclosure of the Models Used in the Federal Reserve's Supervisory Stress Test (Feb. 28, 2019) <https://www.federalregister.gov/documents/2019/02/28/2019-03505/enhanced-disclosure-of-the-models-used-in-the-federal-reserves-supervisory-stress-test>.

<sup>55</sup> Id.

<sup>56</sup> Board of Governors of the Federal Reserve System, Dodd-Frank Act Stress Test 2019: Supervisory Stress Test Methodology (Mar. 2019) <https://www.federalreserve.gov/publications/files/2019-march-supervisory-stress-test-methodology.pdf>.

<sup>57</sup> Board of Governors of the Federal Reserve System, *Federal Reserve Board releases scenarios for 2019 Comprehensive Capital Analysis and Review (CCAR) and Dodd-Frank Act stress test exercises* (Feb. 5, 2019) <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20190205b.htm>.

<sup>58</sup> Board of Governors of the Federal Reserve System, *Amendments to Policy Statement on the Scenario Design Framework for Stress Testing*, 84 FED. REG. 6651 (Feb. 28, 2019) <https://www.federalregister.gov/documents/2019/02/28/2019-03504/amendments-to-policy-statement-on-the-scenario-design-framework-for-stress-testing>.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
16	<ul style="list-style-type: none"> <li>• <b>CCAR qualitative assessment:</b> The qualitative CCAR element should no longer be the sole basis for the Federal Reserve’s objection to capital plans for all banks subject to CCAR. The qualitative assessment should be adjusted to the horizontal capital review<sup>59</sup> for all banking organizations (as the Federal Reserve has already implemented for non-complex banks with less than \$250 billion in assets).<sup>60</sup></li> </ul>	Final Rulemaking <sup>61</sup>	<ul style="list-style-type: none"> <li>• <u>Adjustment:</u> “In recognition of the continued progress that firms have made in their risk management and capital planning practices... the Board believes it is appropriate to transition away from the qualitative objection under the capital plan rule. Instead, supervisors would incorporate a robust qualitative assessment of capital planning practices into the traditional supervisory approach with respect to LISCC and large and complex firms.”<sup>62</sup></li> <li>• <u>Timing:</u> “A firm must participate in four CCAR exercises and successfully pass the qualitative evaluation in the fourth year to no longer be subject to a potential qualitative objection. If a firm does not pass in its fourth year, it will continue to be subject to a possible qualitative objection until it passes.”<sup>63</sup></li> </ul>	2  (The final rule phases out the use of qualitative objections only if a firm meets certain requirements.)

<sup>59</sup> “Horizontal examinations are assessments of a common area or practice (such as internal audit) across multiple firms by a coordinated team of examiners. Throughout the year, the Federal Reserve conducts horizontal examinations aimed at assessing whether firms have sound capital planning practices in place to enable them to reliably determine their capital needs under expected and stressful conditions. The focus of a given year’s capital planning horizontal examinations are determined in the fall of each year, and findings from the exams serve as key inputs for the annual CCAR qualitative assessment.” BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, *Comprehensive Capital Analysis and Review 2018: Assessment Framework and Results - June 2018* (July 20, 2018) <https://www.federalreserve.gov/publications/2018-june-ccar-assessment-framework-results-qualitative-assessment.htm>.

<sup>60</sup> We understand this recommendation to mean that the qualitative objection should be removed from CCAR and incorporated into horizontal capital review.

<sup>61</sup> Board of Governors of the Federal Reserve System, Amendments to the Capital Plan Rule (Mar. 3, 2019) <https://www.federalregister.gov/documents/2019/03/13/2019-04515/amendments-to-the-capital-plan-rule>.

<sup>62</sup> Board of Governors of the Federal Reserve System, Amendments to the Capital Plan Rule (Mar. 3, 2019) <https://www.federalregister.gov/documents/2019/03/13/2019-04515/amendments-to-the-capital-plan-rule>.

<sup>63</sup> Board of Governors of the Federal Reserve System, Federal Reserve Board announces it will limit the use of the "qualitative objection" in its Comprehensive Capital Analysis and Review (CCAR) exercise, effective for the 2019 cycle (Mar. 6, 2019) <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20190306b.htm>.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
17	<ul style="list-style-type: none"> <li>• <b>Other CCAR transparency modifications:</b> The CCAR process could also be modified to provide management with greater control of capital distribution planning by providing firms an accurate understanding of the capital buffers they would have after considering the projected results of the Federal Reserve’s supervisory models under the severely adverse scenario. This additional certainty about the size of a firm’s capital cushion could be achieved through (i) changing the sequence of the CCAR process; or (ii) integrating the risk-based capital and CCAR stress testing regimes, without increasing post-stress capital requirements.</li> </ul>	Proposed Rulemaking <sup>64</sup>	<ul style="list-style-type: none"> <li>• <u>Stress Buffer Requirements:</u> “Under the proposal, the Board would use the results of the annual supervisory stress test to establish the size of a firm’s stress capital buffer requirement. The stress capital buffer requirement would replace the static 2.5 percent of standardized risk-weighted assets component of a firm’s capital conservation buffer requirement.”<sup>65</sup></li> <li>• “A firm’s stress capital buffer requirement would be floored at 2.5 percent of risk-weighted assets.”<sup>66</sup></li> <li>• “As under the current capital rule, a firm would be subject to increasingly strict limitations on capital distributions and discretionary bonus payments as the firm’s standardized approach capital ratios decline below the firm’s standardized approach capital conservation buffer requirement.”<sup>67</sup></li> <li>• “The proposal would use the results of the annual supervisory stress test to size specific buffer requirements above minimum capital requirements that restrict capital distributions under the capital rule and establish a single approach to capital distribution limitations, effectively integrating the capital rule and the capital plan rule.”<sup>68</sup></li> <li>• <u>Policy Statement on Scenario Design:</u> “The Board is adopting amendments to its policy statement on the scenario design framework for stress testing. As revised, the policy statement clarifies that the Board may adopt a change in the unemployment rate in the severely adverse scenario of less than 4 percentage points under certain economic conditions and institutes a guide that limits procyclicality in the stress test for the change in the house price index in the severely adverse scenario.”<sup>69</sup></li> </ul>	<p style="text-align: center;">2</p> <p>(Although the proposal integrates the capital rule and the capital plan rule, banks still lack a thorough understanding of the required buffer, because the Federal Reserve has not provided full transparency as to the models used to determine losses.)</p>

<sup>64</sup> Board of Governors of the Federal Reserve System, *Proposed Rule Regarding the Stress Buffer Requirements* (Apr. 5, 2018). Available at:

<https://www.govinfo.gov/content/pkg/FR-2018-04-25/pdf/2018-08006.pdf>.

<sup>65</sup> Id. at 2.

<sup>66</sup> Id. at 2.

<sup>67</sup> Id. at 2.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
18	<ul style="list-style-type: none"> <li>• <b>Countercyclical capital requirements:</b> Any countercyclical capital measures should be implemented through the existing CCAR and CFAST stress testing process rather than through the countercyclical capital buffer (currently included in the risk-based capital rules).</li> </ul>	No Proposal	N/A	0
19	<ul style="list-style-type: none"> <li>• <b>Operational risk capital requirements:</b> The method of calculating operational risk capital requirements under the advanced approaches should be made more transparent as compared to the current approach.</li> </ul>	No Proposal	N/A	0

<sup>68</sup> Board of Governors of the Federal Reserve System, *Amendments to the Regulatory Capital, Capital Plan, and Stress Test Rules* (April 25, 2018)

<https://www.federalregister.gov/documents/2018/04/25/2018-08006/amendments-to-the-regulatory-capital-capital-plan-and-stress-test-rules>.

<sup>69</sup> Board of Governors of the Federal Reserve System, *Amendments to Policy Statement on the Scenario Design Framework for Stress Testing*, 84 Fed. Reg. 6651 (Feb. 28, 2019) <https://www.federalregister.gov/documents/2019/02/28/2019-03504/amendments-to-policy-statement-on-the-scenario-design-framework-for-stress-testing>.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
20	<ul style="list-style-type: none"> <li><b>Deductions from SLR:</b> Significant adjustments should be made to the calculation of the supplemental leverage ratio (“<i>SLR</i>”). In particular, deductions from the leverage exposure denominator should be made, including for: (i) cash on deposit with central banks; (ii) U.S. Treasury securities; and (iii) initial margin for centrally cleared derivatives.</li> </ul>	Legislated <sup>70</sup>	<ul style="list-style-type: none"> <li><u>Deductions from SLR:</u> The Economic Growth, Regulatory Relief, and Consumer Protection Act directed prudential regulators to exclude funds of custodial banks deposited with central banks from the calculation of the custodial bank’s SLR.<sup>71</sup> The Federal Reserve, OCC, and FDIC proposed such a rule in April 2019.<sup>72</sup></li> </ul>	<p>2</p> <p>(The law and corresponding rule implement only the deduction for cash on deposit with central banks, but not the deductions for U.S. Treasury securities and initial margin for centrally cleared derivatives.)</p>

<sup>70</sup> Section 402 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Available at: <https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf>.

<sup>71</sup> Section 402 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Available at: <https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf>.

<sup>72</sup> Office of the Comptroller of the Currency; the Board of Governors of the Federal Reserve System; and the Federal Deposit Insurance Corporation, *Regulatory Capital Rule: Revisions to the Supplementary Leverage Ratio To Exclude Certain Central Bank Deposits of Banking Organizations Predominantly Engaged in Custody, Safekeeping and Asset Servicing Activities*, 84 FED. REG. 18175 (April 30, 2019) <https://www.federalregister.gov/documents/2019/04/30/2019-08448/regulatory-capital-rule-revisions-to-the-supplementary-leverage-ratio-to-exclude-certain-central>.

Number	Recommendation	STATUS	Substantive Result of Action	Rating
21	<ul style="list-style-type: none"> <li>• <b>Expanding the definition of HQLA:</b> There should be expanded treatment of certain qualifying instruments as HQLA. This would include categorizing high-grade municipal bonds as Level 2B liquid assets (rather than generally not being counted as HQLA currently).</li> </ul>	Legislated <sup>73</sup>	<ul style="list-style-type: none"> <li>• “For purposes of [Liquidity Coverage Ratio] and any other regulation that incorporates a definition of the term ‘high-quality liquid asset’ or another substantially similar term, the appropriate Federal banking agencies shall treat a municipal obligation as a high-quality liquid asset that is a level 2B liquid asset if that obligation is, as of the date of calculation: (A) liquid and readily-marketable; and (B) investment grade.”<sup>74</sup></li> <li>• The Office of the Comptroller of the Currency, Department of the Treasury, Federal Reserve, and FDIC promulgated a final rule consistent with the statute in May 2019.<sup>75</sup></li> </ul>	3
22	<ul style="list-style-type: none"> <li>• <b>Cash Flow Assumptions for LCR:</b> In addition, improvements should be made to the degree of conservatism in cash flow assumptions incorporated into calculations of the LCR to more fully reflect banks’ historical experience with calculation methodologies.</li> </ul>	No Proposal	N/A	0

<sup>73</sup> Section 403(a)(2) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Available at: <https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf>

<sup>74</sup> 12 U.S.C. § 1828(aa)(2).

<sup>75</sup> Office of the Comptroller of the Currency, Department of the Treasury, Board of Governors of the Federal Reserve System, and Federal Deposit Insurance Corporation, *Liquidity Coverage Ratio Rule: Treatment of Certain Municipal Obligations as High Quality Liquid Assets* (May 28, 2019) <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20190530a1.pdf>.



Number	Recommendation	STATUS	Substantive Result of Action	Rating
23/24/25	<ul style="list-style-type: none"> <li><b>International Standards:</b> U.S. rules implementing international standards that should be revisited include (i) the G-SIB risk-based surcharge for U.S. G-SIBs, including the short-term wholesale funding component; (ii) the mandatory minimum debt ratio included in the Federal Reserve’s TLAC and minimum debt rule; and (iii) the calibration of the eSLR for G-SIBs.</li> </ul>	<p>G-SIB surcharge: No Proposal</p> <p>Mandatory minimum debt ratio: No Proposal</p> <p>eSLR for G-SIBs: Proposed Rulemaking<sup>76</sup></p>	<ul style="list-style-type: none"> <li><u>eSLR for G-SIBs</u>: “[T]he Board and the OCC are proposing to recalibrate the eSLR requirements to provide improved incentives and to better ensure that the eSLR serves as a backstop to risk-based capital requirements rather than the binding constraint.”<sup>77</sup></li> <li>The proposal would “modify the current 2 percent leverage buffer, which applies to each GSIB, to equal 50 percent of the firm's GSIB risk-based capital surcharge”<sup>78</sup></li> <li>By replacing the flat 2 percent floor with a buffer proportional to the G-SIB surcharge, the proposal brings eSLR into closer alignment with international standards.</li> </ul>	<p>G-SIB surcharge: 0</p> <p>Mandatory minimum debt ratio: 0</p> <p>eSLR for G-SIBs: 3</p>

<sup>76</sup> Board of Governors of the Federal Reserve System, Proposed Rule Regarding the Stress Buffer Requirements, Apr. 5, 2018. Available at: <https://www.federalregister.gov/documents/2018/04/25/2018-08006/amendments-to-the-regulatory-capital-capital-plan-and-stress-test-rules>, <https://www.govinfo.gov/content/pkg/FR-2018-04-25/pdf/2018-08006.pdf>; Office of the Comptroller of the Currency, Treasury, and the Board of Governors of the Federal Reserve System, Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Certain of Their Subsidiary Insured Depository Institutions; Total Loss-Absorbing Capacity Requirements for U.S. Global Systemically Important Bank Holding Companies (April 19, 2019) <https://www.federalregister.gov/documents/2018/04/19/2018-08066/regulatory-capital-rules-regulatory-capital-enhanced-supplementary-leverage-ratio-standards-for-us>, <https://www.govinfo.gov/content/pkg/FR-2018-04-19/pdf/2018-08066.pdf>.

<sup>77</sup> Office of the Comptroller of the Currency, Treasury, and the Board of Governors of the Federal Reserve System, *Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Certain of Their Subsidiary Insured Depository Institutions; Total Loss-Absorbing Capacity Requirements for U.S. Global Systemically Important Bank Holding Companies* (Apr. 19, 2018) <https://www.federalregister.gov/documents/2018/04/19/2018-08066/regulatory-capital-rules-regulatory-capital-enhanced-supplementary-leverage-ratio-standards-for-us>, <https://www.govinfo.gov/content/pkg/FR-2018-04-19/pdf/2018-08066.pdf>.

<sup>78</sup> Id.

**B. Living Wills**

Number	Recommendation	STATUS	Summary of Action	Rating
26	<ul style="list-style-type: none"> <li>• <b>Living Will Threshold:</b> Treasury recommends changing the threshold for compliance with living will requirements from current level of \$50 billion to match the revised threshold for application of enhanced prudential standards.</li> </ul>	Legislated <sup>79</sup>	<ul style="list-style-type: none"> <li>• As amended, the statutory asset threshold is \$250bn, but “the Board of Governors may... apply any prudential standard... to any bank... with total consolidated assets equal to or greater than [\$100bn]... [if it]... takes into consideration the bank’s... capital structure, riskiness, complexity, financial activities (including financial activities of subsidiaries), size, and any other risk-related factors that the Board of Governors deems appropriate.”<sup>80</sup></li> <li>• “The Board of Governors shall require each nonbank financial company supervised by the Board of Governors and bank holding companies described in subsection (a) to report periodically to the Board of Governors, the Council, and the Corporation the plan of such company for rapid and orderly resolution in the event of material financial distress or failure[.]”<sup>81</sup></li> <li>• In light of the changes to the resolution planning requirements of Section 165(d) of the Dodd-Frank Act, the FDIC has invited comment on the prospect of raising the \$50bn asset threshold of its own separate</li> </ul>	3

<sup>79</sup> Section 401(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Available at: <https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf>

<sup>80</sup> 12 U.S.C. § 5365(a)(2)(C).

<sup>81</sup> 12 U.S.C. § 5365(d)(1).

Number	Recommendation	STATUS	Summary of Action	Rating
27	<ul style="list-style-type: none"> <li>• <b>Living Will Timing Cycle:</b> Agencies should formalize a change of the living will process to a two-year cycle. The agencies could require firms to provide notice of material events that occur between living will submissions.</li> </ul>	Proposed Rulemaking <sup>83</sup>	<p>resolution planning requirements under the Federal Deposit Insurance Act.<sup>82</sup></p> <ul style="list-style-type: none"> <li>• “The proposal... establishes a graduated set of resolution planning requirements that depend on the level of risk a firm poses for the financial system.”<sup>84</sup></li> <li>• “For the most systemically important firms, the proposal would adopt the current practice of requiring resolution plans to be submitted on a two-year cycle.”<sup>85</sup></li> <li>• “The proposal would tailor the rule's requirements for firms that do not pose the same systemic risk as the largest institutions, requiring these plans to be submitted on a three-year cycle.”<sup>86</sup></li> <li>• The rule introduces new types of plans based on informational content, including regular, targeted and reduced content resolution plans and reduces requirements for less risky institutions.<sup>87</sup></li> </ul>	3

<sup>82</sup> Federal Deposit Insurance Corporation, *Resolution Plans Required for Insured Depository Institutions With \$50 Billion or More in Total Assets*, 84 FED. REG. 16620 (April 22, 2019) <https://www.federalregister.gov/documents/2019/04/22/2019-08077/resolution-plans-required-for-insured-depository-institutions-with-50-billion-or-more-in-total>.

<sup>83</sup> Board of Governors of the Federal Reserve System, *Resolution Plans Required* (Apr. 16, 2019) <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/resolution-plans-fr-notice-20190408.pdf>.

<sup>84</sup> Board of Governors of the Federal Reserve System, *Agencies invite comment on modifications to resolution plan requirements; proposal keeps existing requirements for largest firms and reduces requirements for firms with less risk* (Apr. 16, 2019) <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20190416a.htm>.

<sup>85</sup> Id.

<sup>86</sup> Id.

<sup>87</sup> Id.

Number	Recommendation	STATUS	Summary of Action	Rating
28	<ul style="list-style-type: none"> <li> <b>Living Will Guidelines:</b> The agencies should be held accountable to develop specific, clear, and accountable guidance for living will submissions as well as the assessment framework for determining deficiencies in living will submissions (including remediation procedures). All assessment framework and guidance should be subject to a public notice and comment process.                 </li> </ul>	Proposed Rulemaking <sup>88</sup>	<ul style="list-style-type: none"> <li> <b>Deficiencies and Shortcomings:</b> “To provide an opportunity for public comment on these terms and a clearer articulation of the standards the agencies apply in identifying deficiencies and shortcomings [in resolution plans], the proposal would define a deficiency and a shortcoming.”<sup>89</sup> </li> <li> <b>Guidance Generally:</b> The Federal Reserve and FDIC generally issue guidance to firms as to how to meet their living will obligations.<sup>90</sup> </li> <li> <b>Guidance to U.S. G-SIBs:</b> “The Board and the FDIC are adopting this final guidance for the 2019 and subsequent resolution plan submissions by the eight largest, complex U.S. banking organizations... [describing]... expectations regarding a number of key vulnerabilities in plans for an orderly resolution[.]”<sup>91</sup> </li> <li>                     “[T]he final guidance is not a regulation but represents the Agencies’ supervisory expectations for how the firms’ resolution plans should address key vulnerabilities in resolution.”<sup>92</sup> </li> </ul>	2  (The proposal subjects the guidance for living will submissions, but not the full assessment framework, to notice and comment.)

<sup>88</sup> Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, *Resolution Plans Required* (May 14, 2019) <https://www.federalregister.gov/documents/2019/05/14/2019-08478/resolution-plans-required>.

<sup>89</sup> Id.

<sup>90</sup> Board of Governors of the Federal Reserve System, *Living Wills (or Resolution Plans)* (last updated Mar. 29, 2019) <https://www.federalreserve.gov/supervisionreg/resolution-plans.htm>.

<sup>91</sup> Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, *Final Guidance for 2019*, 84 FED. REG. 1438 (Feb. 4, 2019) <https://www.federalregister.gov/documents/2019/02/04/2019-00800/final-guidance-for-the-2019>.

<sup>92</sup> Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, *Final Guidance for 2019*, 84 FED. REG. 1438 (Feb. 4, 2019) <https://www.federalregister.gov/documents/2019/02/04/2019-00800/final-guidance-for-the-2019>.

C. Foreign Banking Organizations

Number	Recommendation	STATUS	Summary of Action	Rating
<i>APPLYING ENHANCED PRUDENTIAL STANDARDS FOR FBOS BASED UPON THEIR U.S. FOOTPRINTS RATHER THAN GLOBAL CONSOLIDATED ASSETS</i>				
29	<ul style="list-style-type: none"> <li> <b>FBO Prudential Standards:</b> The application of enhanced prudential standards and living will requirements to FBOs should be based on their U.S. risk profile (using the same revised threshold as is used for the application of enhanced prudential standards to U.S. bank holding companies) and should not be based on global consolidated assets.                 </li> </ul>	Proposed Rulemaking <sup>93</sup>	<ul style="list-style-type: none"> <li>“The proposal would revise the thresholds for application of enhanced prudential standards to foreign banking organizations and tailor the stringency of those standards based on the U.S. risk profiles of these firms. The proposal generally would align with the framework the Board proposed for large U.S. bank holding companies[.]”<sup>94</sup></li> <li>“[A] foreign banking organization with \$100 billion or more in total consolidated assets and a significant U.S. presence would be subject to... enhanced prudential standards depending on the size of its U.S. operations and the materiality of the same risk-based indicators that were included in the domestic proposal[.]”<sup>95</sup></li> </ul>	3

<sup>93</sup> Board of Governors of the Federal Reserve System, Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies, available at <https://www.federalreserve.gov/newsevents/pressreleases/files/foreign-bank-fr-notice-1-20190408.pdf>; Board of Governors of the Federal Reserve System, Proposed changes to applicability thresholds for regulatory capital requirements for certain U.S. subsidiaries of foreign banking organizations and application of liquidity requirements to foreign banking organizations, certain U.S. depository institution holding companies, and certain depository institution subsidiaries, available at <https://www.federalreserve.gov/newsevents/pressreleases/files/foreign-bank-fr-notice-2-20190408.pdf>; Board of Governors of the Federal Reserve System, Resolution Plans Required, available at <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/resolution-plans-fr-notice-20190408.pdf>.

<sup>94</sup> Board of Governors of the Federal Reserve System, Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies, available at <https://www.federalreserve.gov/newsevents/pressreleases/files/foreign-bank-fr-notice-1-20190408.pdf>.

<sup>95</sup> Board of Governors of the Federal Reserve System, Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies, available at <https://www.federalreserve.gov/newsevents/pressreleases/files/foreign-bank-fr-notice-1-20190408.pdf>.

Number	Recommendation	STATUS	Summary of Action	Rating
			<ul style="list-style-type: none"> <li>“Foreign banking organizations with \$100 billion or more in total consolidated assets that do not meet the thresholds for application of Category II, Category III, or Category IV standards due to their limited U.S. presence would be subject to requirements that largely defer to compliance with similar home-country standards at the consolidated level, with the exception of certain risk-management standards.”<sup>96</sup></li> </ul>	
<i>RECALIBRATING IHC REQUIREMENTS</i>				
<b>30</b>	<ul style="list-style-type: none"> <li><b>IHC CCAR Threshold:</b> Consistent with the thresholds recommended for U.S. BHCs, the threshold for IHCs to comply with U.S. CCAR should be raised from the current \$50 billion level to match the revised threshold for enhanced prudential standards, subject to the ability of the Federal Reserve to impose these requirements on smaller IHCs in cases where the potential risks posed by the firm justify the additional requirements.</li> </ul>	Proposed Rulemaking <sup>97</sup>	<ul style="list-style-type: none"> <li>As amended, the general statutory asset threshold is \$250bn, but “the Board of Governors may... apply any prudential standard...to any bank... with total consolidated assets equal to or greater than [\$100bn]... [if it]... takes into consideration the bank’s... capital structure, riskiness, complexity, financial activities (including financial activities of subsidiaries), size, and any other risk-related factors that the Board of Governors deems appropriate.”<sup>98</sup></li> </ul>	3

<sup>96</sup> Board of Governors of the Federal Reserve System, Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies, available at <https://www.federalreserve.gov/newsevents/pressreleases/files/foreign-bank-fr-notice-1-20190408.pdf>.

<sup>97</sup> Section 401 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA), available at: <https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf>; Board of Governors of the Federal Reserve System, Regulations LL and YY, Amendments to the Company-Run and Supervisory Stress Test Rules, available at <https://www.govinfo.gov/content/pkg/FR-2019-02-14/pdf/2019-00484.pdf>; Board of Governors of the Federal Reserve System, Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies, available at <https://www.federalreserve.gov/newsevents/pressreleases/files/foreign-bank-fr-notice-1-20190408.pdf>.

<sup>98</sup> 12 U.S.C. § 5365(a)(2)(C).

Number	Recommendation	STATUS	Summary of Action	Rating
			<ul style="list-style-type: none"> <li>• “The proposed rule would... make conforming changes to the Board’s company-run and supervisory stress test requirements for... U.S. intermediate holding companies of foreign banking organizations[.]”<sup>99</sup></li> <li>• “Consistent with the domestic proposal and EGRRCPA’s amendments to section 165 of the Dodd-Frank Act, this proposal generally would increase the asset size threshold for application of the enhanced prudential standards framework to foreign banking organizations.... Capital standards, including stress testing and capital planning, would apply to a U.S. intermediate holding company that meets the thresholds for Categories II, III and IV... based on its total consolidated assets or the materiality of the risk-based indicators.”<sup>100</sup></li> </ul>	
31	<ul style="list-style-type: none"> <li>• <b>Other IHC regulatory standards</b>, such as resolution planning and liquidity, should also be recalibrated. In considering such a recalibration, greater emphasis should be given to the degree to which home country</li> </ul>	No Proposal	<ul style="list-style-type: none"> <li>• The Federal Reserve’s recent proposal on foreign banking organizations permits only those with the most limited U.S. presence to defer to home-country regulations.<sup>101</sup></li> </ul>	0

<sup>99</sup> Board of Governors of the Federal Reserve System, Regulations LL and YY; Amendments to the Company-Run and Supervisory Stress Test Rules (Feb. 14, 2019) <https://www.govinfo.gov/content/pkg/FR-2019-02-14/pdf/2019-00484.pdf>.

<sup>100</sup> Board of Governors of the Federal Reserve System, Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies 21 (Apr. 8, 2019) <http://business.cch.com/BFLD/Fed-NPR-Tailored-PrudentialStandards-Large-FBOs-Domestic-HBs-SLHCs-04082019.pdf>.

<sup>101</sup> Board of Governors of the Federal Reserve System, Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies (Apr. 8, 2019) <http://business.cch.com/BFLD/Fed-NPR-Tailored-PrudentialStandards-Large-FBOs-Domestic-HBs-SLHCs-04082019.pdf>.

Number	Recommendation	STATUS	Summary of Action	Rating
	<p>regulations are comparable to the regulations applied to similar U.S. BHCs. Where regulations are sufficiently comparable, FBOs should be allowed to meet certain U.S. requirements through compliance with home country regimes.</p>		<ul style="list-style-type: none"> <li>“For foreign banking organizations with \$100 billion or more in total consolidated assets and a limited U.S. presence (i.e., less than \$100 billion in combined U.S. assets), the proposal would not apply the category framework, and instead would continue to rely largely on compliance with similar home-country standards at the consolidated, foreign-parent level.”<sup>102</sup></li> </ul>	
<i>RECALIBRATING THE FEDERAL RESERVE’S LONG-TERM DEBT AND TLAC RULE</i>				
32	<ul style="list-style-type: none"> <li><b>Total Loss-Absorbing Capacity (TLAC) Rule:</b> Treasury recommends the Federal Reserve consider recalibration of the internal TLAC requirement. In assessing the appropriate calibration, the Federal Reserve should consider the foreign parent’s ability to provide capital and liquidity resources to the U.S. IHC, provided arrangements are made with home country supervisors for deploying unallocated TLAC from the parent, among other factors.</li> </ul>	No Proposal	N/A	0

<sup>102</sup> Id.



**D. Improving the Volcker Rule**

Regulators have indicated that the existing proposal may be substantially revised prior to finalization.<sup>103</sup> For example, Craig Phillips of the Treasury Department said in March 2019 that the Volcker Rule “might have to be re-submitted” and that Treasury looks forward to further refining and “better calibrating” the Volcker Rule.<sup>104</sup>

Number	Recommendation	STATUS	Summary of Action	Rating
<i>EXEMPT SMALLER INSTITUTIONS FROM THE VOLCKER RULE</i>				
33/34	<ul style="list-style-type: none"> <li><b>Under \$10bn in Assets:</b> Exempt banking entities with \$10 billion or less in assets from the Volcker Rule.</li> <li><b>Over \$10bn in Assets:</b> Exempt banking entities with over \$10 billion in assets that are not subject to the market risk capital rules from the proprietary trading prohibitions of the Volcker Rule.</li> </ul>	<p>\$10 billion or less in assets - Legislated<sup>105</sup></p> <p>Over \$10 billion in assets – No Proposal</p>	<ul style="list-style-type: none"> <li>“[T]he term ‘insured depository institution’ does not include an institution... that does not have and is not controlled by a company that has: (i) more than \$10,000,000,000 in total consolidated assets; and (ii) total trading assets and trading liabilities, as reported on the most recent applicable regulatory filing filed by the institution, that are more than 5 percent of total consolidated assets.”<sup>106</sup></li> <li>The OCC, Federal Reserve, FDIC, SEC and CFTC Volcker Rule proposal is consistent with the above revised statutory threshold.<sup>107</sup></li> </ul>	<p>\$10 billion or less in assets:</p> <p style="margin-left: 40px;">3</p> <p>Over \$10 billion in assets:</p> <p style="margin-left: 40px;">0</p>

<sup>103</sup> Jesse Hamilton and Benjamin Bain, *Wall Street Nears a Big Win in the Latest Revamp of Volcker Rule*, BLOOMBERG (April 25, 2019) (“A new Volcker proposal to replace last year’s version -- an effort one agency head joked could be called Volcker 2.1 -- would push back a final overhaul of the trading rule. Still, several officials including Treasury Department counselor Craig Phillips, who has led that agency’s work on regulatory policies, have openly suggested a re-proposal may be necessary. Even when proposing Volcker 2.0 in 2018, Fed Vice Chairman for Supervision Randal Quarles said regulators might not be done with the job, calling it ‘an important milestone in comprehensive Volcker rule reform, but not the completion of our work.’”).

<sup>104</sup> Jesse Hamilton, *Trump’s Push to Ease Wall Street Rules Hindered by Missteps*, BLOOMBERG (Mar. 11, 2019) <https://www.bloomberg.com/news/articles/2019-03-11/trump-bid-to-ease-wall-street-rules-hurt-by-regulators-missteps>.

<sup>105</sup> Section 203(5) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). Available at: <https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf>.

<sup>106</sup> 12 U.S.C. § 1851(h)(1).

<sup>107</sup> Office of the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; Securities and Exchange Commission; and Commodity Futures Trading Commission, *Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests In, and Relationships With, Hedge Funds and Private Equity Funds*, 84 FED. REG. 2778 (Feb. 8, 2019) <https://www.federalregister.gov/documents/2019/02/08/2019-00797/proposed-revisions-to-prohibitions-and-restrictions-on-proprietary-trading-and-certain-interests-in>.

Number	Recommendation	STATUS	Summary of Action	Rating
<i>SIMPLIFY THE DEFINITION OF PROPRIETARY TRADING</i>				
35	<ul style="list-style-type: none"> <li>• <b>Rebuttable Presumption:</b> Eliminate the 60-day rebuttable presumption from the definition of proprietary trading.</li> </ul>	Proposed Rulemaking <sup>108</sup>	<ul style="list-style-type: none"> <li>• “[T]he 2013 final rule... contains a rebuttable presumption that the purchase or sale of a financial instrument by a banking entity is for the trading account if the banking entity holds the financial instrument for fewer than 60 days[.]”<sup>109</sup></li> <li>• [T]he proposal would remove the short-term intent prong from the 2013 final rule’s definition of trading account and eliminate the associated rebuttable presumption[.]”<sup>110</sup></li> </ul>	3
36	<ul style="list-style-type: none"> <li>• <b>Purpose Test:</b> Assess whether to eliminate the purpose test from the definition of proprietary trading.</li> </ul>	Proposed Rulemaking <sup>111</sup>	<ul style="list-style-type: none"> <li>• “[T]he Agencies propose to retain the existing dealer prong [of the definition of proprietary trading] and a modified version of the market risk capital prong, and to replace the 2013 final rule’s short-term intent prong with a new third prong based on the accounting treatment of a position[.]”<sup>112</sup></li> </ul>	3

<sup>108</sup> Office of the Comptroller of the Currency, Federal Reserve Board of Governors, Federal Deposit Insurance Corporation, Securities and Exchange Commission, and Commodity Futures Trading Commission, *Proposed Revisions to Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds* (July 17, 2018), available at <https://www.federalregister.gov/documents/2018/07/17/2018-13502/proposed-revisions-to-prohibitions-and-restrictions-on-proprietary-trading-and-certain-interests-in>, <https://www.govinfo.gov/content/pkg/FR-2018-07-17/pdf/2018-13502.pdf>.

<sup>109</sup> Id.

<sup>110</sup> Id. at 33438.

<sup>111</sup> Id.

<sup>112</sup> Id. at 33447.

Number	Recommendation	STATUS	Summary of Action	Rating
<i>PROVIDE INCREASED FLEXIBILITY FOR MARKET-MAKING</i>				
37	<ul style="list-style-type: none"> <li>• <b>Market-making Flexibility:</b> Regulators should give banks additional flexibility to adjust their determinations of the reasonable amount of market-making inventory: for illiquid securities, banks should have greater leeway to anticipate changes in markets; for over-the-counter derivatives, regulators should focus more on ensuring that banks appropriately hedge the positions they maintain; banks that have not yet established a market-making presence in a particular asset class should have more discretion to meet the RENTD condition; banking entities should be able to enter into block trades even if they involve a trading volume outside of historical averages.</li> </ul>	Proposed Rulemaking <sup>113</sup>	<ul style="list-style-type: none"> <li>• “[T]he 2013 final rule implements the statutory exemptions for... market making-related activities. The proposal would make... changes to... improve the practical application of these exemptions.”<sup>114</sup></li> <li>• “[T]he proposal would establish a presumption that trading within internally set risk limits satisfies the requirement that permitted underwriting and market making-related activities must be designed not to exceed the reasonably expected near-term demands of clients, customers, or counterparties (“RENTD”).”<sup>115</sup></li> </ul>	2  (The proposal introduces a market-making exemption for trading within preset limits, but it does not specifically address illiquid securities, hedging, and block trades as recommended.)
38	<ul style="list-style-type: none"> <li>• <b>RENTD Framework:</b> Policymakers should evaluate the benefits of other potential modifications to the RENTD framework, including an ability for banking entities to opt out of the RENTD requirement altogether if they adopt enhanced trader mandates or hedge all significant risks.</li> </ul>	No Proposal	N/A	0

<sup>113</sup> Id.

<sup>114</sup> Id. at 33438.

<sup>115</sup> Id. at 33439.

Number	Recommendation	STATUS	Summary of Action	Rating
<i>REDUCE THE BURDEN OF HEDGING BUSINESS RISKS</i>				
39	<ul style="list-style-type: none"> <li>• <b>Hedge Calibration:</b> Banks should not be required to maintain ongoing calibration of a hedge over time.</li> </ul>	No Proposal	N/A	0
40	<ul style="list-style-type: none"> <li>• <b>Documentation of Hedging:</b> Eliminate the requirement to maintain documentation of the specific assets and risks being hedged.</li> </ul>	Proposed Rulemaking <sup>116</sup>	<ul style="list-style-type: none"> <li>• “[T]he proposal would provide that compliance with the enhanced documentation requirement would not apply to purchases and sales of financial instruments for hedging activities that are identified on a written list of financial instruments pre-approved by the banking entity that are commonly used by the trading desk for the specific types of hedging activity for which the financial instrument is being purchased or sold.”<sup>117</sup></li> <li>• “[U]nder the proposal, at the time of the purchase or sale of the financial instruments, the related hedging activity would need to comply with written, pre-approved hedging limits for the trading desk purchasing or selling the financial instrument, which would be required to be appropriate for the size, types, and risks of the hedging activities commonly undertaken by the trading desk; the financial instruments purchased and sold by the trading desk for hedging activities; and the</li> </ul>	2  (The proposal creates an exemption rather than eliminating the requirement entirely as recommended.)

<sup>116</sup> Id.

<sup>117</sup> Id. at 33467.

Number	Recommendation	STATUS	Summary of Action	Rating
			levels and duration of the risk exposures being hedged.” <sup>118</sup>	
<i>REDUCE THE BURDENS OF THE VOLCKER RULE’S COMPLIANCE REGIME</i>				
41	<ul style="list-style-type: none"> <li>• <b>Volcker Rule Compliance Regime:</b> The existing “enhanced” compliance program under the regulations should apply only to those banking entities with at least \$10 billion in trading assets and liabilities on a consolidated basis (current application is to all banking entities with over \$50 billion in total consolidated assets).</li> </ul>	Proposed Rulemaking <sup>119</sup>	<ul style="list-style-type: none"> <li>• “Under the proposal, a banking entity with significant trading assets and liabilities [defined as over \$10bn] would be required to establish a six-pillar compliance programs commensurate with the size, scope, and complexity of its activities and business structure that meets six specific requirements already included in the 2013 final rule.”<sup>120</sup></li> <li>• The proposal would also “provide tailored compliance program requirements for banking entities <i>without</i> significant trading assets and liabilities, including a presumption of compliance for banking entities with limited trading assets and liabilities[.]”<sup>121</sup></li> </ul>	3
42	<ul style="list-style-type: none"> <li>• <b>Tailored Compliance:</b> Banks should be given greater ability to tailor their compliance programs to the particular activities engaged in by the bank and the particular risk profile of that activity.</li> </ul>	Proposed Rulemaking <sup>122</sup>	<ul style="list-style-type: none"> <li>• “[T]he Agencies are proposing to eliminate the current enhanced compliance program requirements found in Appendix B of the 2013 final rule. The Agencies believe that the six-pillar compliance program requirements (currently in... the 2013 final rule) can be appropriately tailored to the</li> </ul>	3

<sup>118</sup> Id. at 33467.

<sup>119</sup> Id.

<sup>120</sup> Id. at 33439.

<sup>121</sup> Id. at 33436.

<sup>122</sup> Id.

Number	Recommendation	STATUS	Summary of Action	Rating
			<p>size and activities of each banking entity that is subject to these requirements.”<sup>123</sup></p> <ul style="list-style-type: none"> <li>• “The proposed approach would afford banking entities flexibility to integrate the... compliance program requirements into other compliance programs of the banking entity, which may reduce complexity for banking entities currently subject to the enhanced compliance program requirements.”<sup>124</sup></li> </ul>	
43	<ul style="list-style-type: none"> <li>• <b>Reporting Metrics:</b> Agencies should eliminate any required metrics for reporting that are not necessary for effective supervision.</li> </ul>	Proposed Rulemaking <sup>125</sup>	<ul style="list-style-type: none"> <li>• “[T]he proposal would streamline the metrics reporting and recordkeeping requirements by tailoring the requirements based on a banking entity’s size and level of trading activity, completely eliminating particular metrics based on experience working with the data, and adding a limited set of new metrics.”<sup>126</sup></li> <li>• “The proposal also would provide certain firms with additional time to report metrics to the Agencies, beyond the current deadlines[.]”<sup>127</sup></li> </ul>	3

<sup>123</sup> Id. at 33488.  
<sup>124</sup> Id. at 33489.  
<sup>125</sup> Id.  
<sup>126</sup> Id. at 33440.  
<sup>127</sup> Id. at 33440.

Number	Recommendation	STATUS	Summary of Action	Rating
<i>FOCUS AND SIMPLIFY COVERED FUNDS RESTRICTIONS</i>				
44	<ul style="list-style-type: none"> <li>• <b>Covered Funds Definition:</b> Regulators should adopt a simple definition of covered funds that focuses on the characteristics of hedge funds and private equity funds with appropriate additional exemptions as needed.</li> </ul>	No Proposal	<ul style="list-style-type: none"> <li>• The Federal Reserve, OCC, FDIC, SEC and CFTC have formally solicited public comment on the prospect of adopting a “characteristics-based” approach to the definition of “covered funds.”<sup>128</sup></li> <li>• “As the Agencies consider whether to further tailor the covered fund definition, the Agencies invite commenters’ views and request comment on whether it may be appropriate to exclude from the definition of “covered fund” entities that lack certain characteristics commonly associated with being a hedge fund or a private equity fund[.]”<sup>129</sup></li> </ul>	0

<sup>128</sup> Id. at 33477-33478.

<sup>129</sup> Id. at 33477.

