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Memorandum

Federal Reserve Finalizes Rules to Tailor Enhanced Prudential Standards for U.S. and Foreign Banking Organizations

October 22, 2019

On October 10, 2019, the Federal Reserve issued a pair of final rulemakings—one issued by the Federal Reserve alone and another issued jointly by the Federal Reserve, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation—that together revise the framework for applying enhanced prudential standards to U.S. banking organizations and foreign banking organizations ("FBOs") under Section 165 of the Dodd-Frank Act, as amended by the 2018 Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Reform Act").[1]

The final rules, which are largely consistent with proposals issued in October 2018 and April 2019, follow the increase of the asset size threshold for general application of enhanced prudential standards from $50 billion to $250 billion under the Reform Act. Consistent with Congress' mandate under the Reform Act for the Federal Reserve to take into consideration risk-based factors (other than asset size alone) when determining whether to apply enhanced prudential standards to banking organizations with at least $100 billion in assets, the final rules delineate four categories of standards based on asset size and other factors such as the degree of a firm's cross-jurisdictional activity, reliance on short-term wholesale funding, nonbank assets, and off-balance sheet exposures. In particular, the final rules include the following categories:

	Category I	Category II	Category III	Category IV
U.S. Banking Organizations	U.S. GSIBs	• ≥$700B total assets; or • ≥$75B cross-jurisdictional activity and ≥$100B total assets	• ≥$250B total assets; or • ≥$100B total assets and ≥$75B of a risk-based indicator	Other firms with ≥$100B and <$250B total assets
FBOs—Capital and Liquidity EPS Requirements	N/A	• ≥$700B total IHC assets; or • ≥$75B cross-jurisdictional activity (subject to certain exclusions) of the IHC and ≥$100B in assets at the IHC	• ≥$250B total IHC assets; or • ≥$100B total IHC assets and ≥$75B of a risk-based indicator at the IHC	Other IHCs with ≥$100B and <$250B total assets
FBOs—Other EPS Requirements	N/A	• ≥$700B combined U.S. assets; or • ≥$75B cross-jurisdictional activity (subject to certain exclusions) of the combined U.S. operations and ≥$100B in combined U.S. assets	• ≥$250B combined U.S. assets; or • ≥$100B combined U.S. assets and ≥$75B of a risk-based indicator at the combined U.S. operations	Other FBOs with ≥$100B and <$250B combined U.S. assets

[1] The FDIC approved the interagency final rule by a vote of three to one, with Director Gruenberg dissenting, on October 15, 2019. The OCC is expected to adopt the interagency final rule soon.

In general, Category I firms will remain subject to the most stringent standards, while Category II firms will be subject to more stringent prudential standards (excluding GSIB-specific requirements). Category III firms will be subject to enhanced standards that are tailored to the firms' risk profile, while Category IV firms will be subject to significantly reduced requirements. In addition, FBOs with $50 billion or more in total consolidated assets will continue to be required to meet certain U.S. risk management requirements.

Federal Reserve Governors Powell, Quarles, Bowman and Clarida each voted in favor of the final rules during the Federal Reserve's October 10 open board meeting. Governor Brainard voted against the final rules, based on her view that the final rules "go beyond the requirements of [the Reform Act]" and "weaken core safeguards against the vulnerabilities that caused so much damage in the crisis."

The following is a high-level summary of certain key features of the final rules, as well as related rules amending resolution planning requirements.

Background

Since the 2008-2009 financial crisis, the Federal Reserve has applied a number of "enhanced prudential standards" to U.S. bank holding companies with $50 billion or more in total assets, as well as FBOs and U.S. IHCs exceeding certain asset thresholds, pursuant to Section 165 of the Dodd-Frank Act. These enhanced prudential standards include capital planning requirements; supervisory and company-run stress testing; risk management and risk committee requirements; single counterparty credit limits; and standardized liquidity requirements (including the liquidity coverage ratio ("LCR") rule and the proposed net stable funding ratio ("NSFR") rule), and liquidity risk management, stress testing, and buffer requirements.

As applied to FBOs, these enhanced prudential standards had been structured with tiered levels of regulation depending upon the size of an FBO's global and U.S. assets, with most standards generally applying to FBOs with total global consolidated assets of $50 billion or more and more stringent standards applying to FBOs with combined U.S. assets of $50 billion or more. In addition, prior to the Reform Act, the Federal Reserve required any FBO with $50 billion or more in combined U.S. assets (excluding assets of its U.S. branches and agencies) to establish a U.S. intermediate holding company ("IHC") to hold all of the FBO's interests in U.S. subsidiaries (with exceptions, including for the FBO's U.S. branches and agencies).

The Reform Act, signed into law on May 24, 2018, amended Section 165 of the Dodd-Frank Act with respect to the applicability of these enhanced prudential standards, most notably by raising the total asset threshold for general application of enhanced prudential standards from $50 billion to $250 billion. The Reform Act also authorized the Federal Reserve to apply enhanced prudential standards to banking organizations with between $100 and $250 billion in total assets, but only if the Federal Reserve first determines that a particular enhanced prudential standard is appropriate in consideration of various risk-based factors (including capital structure, riskiness, complexity, financial activities, size, and any other risk-related factors that the Federal Reserve deems appropriate).

On October 31, 2018, the Federal Reserve issued a pair of proposed rulemakings (the "Domestic Proposal") to implement the Reform Act amendments to Section 165 by differentiating between U.S. banking organizations based on certain risk-based factors, including asset size as well as other factors, and on April 8, 2019, the Federal Reserve issued a similar pair of proposed rulemakings (the "FBO Proposal") to implement the Reform Act amendments to Section 165 with respect to FBOs. In light of statutory requirements to account for national treatment and equality of competitive opportunity between foreign and domestic banking organizations, the FBO Proposal broadly aligned with the framework set forth in the Domestic Proposal, but included the important policy decision of determining the applicability of certain enhanced prudential standards based on an FBO's combined U.S. operations (including U.S. branch and agency assets) rather than the FBO's IHC.

The final rules implement the Reform Act amendments to Section 165 by differentiating between banking organizations based on certain risk-based factors other than asset size alone. The final rules' delineation of risk categories and standards applicable to each category is broadly consistent with those proposed in the Domestic Proposal and FBO Proposal, subject to certain key differences as discussed further below.[2]

Four Categories of Standards

A. CATEGORY I

Category I standards, which will constitute the most stringent of the enhanced prudential standards, will apply only to U.S. global systemically important bank holding companies ("GSIBs"), as determined in accordance with the Federal Reserve's current GSIB surcharge scoring methodology.[3] In general, the final rules make no changes to the requirements applicable to U.S. GSIBs, except to reduce the frequency of required company-run stress testing from semi-annual to annual.

Because the U.S. GSIB surcharge rule does not apply to any FBO or U.S. IHC, Category I standards will not apply to any FBO or U.S. IHC.

1. Capital

U.S. GSIBs and their subsidiary depository institutions will remain subject to the most stringent capital requirements, including a requirement to calculate risk-based capital ratios using both the advanced approaches and the standardized approach, the GSIB surcharge (at the holding company level only), the U.S. leverage ratio, the enhanced supplementary leverage ratio, a requirement to recognize most elements of accumulated other comprehensive income ("AOCI") in regulatory capital, the countercyclical capital buffer requirement, if applicable, and total loss-absorbing capacity and long-term debt requirements.

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[2] The Domestic Proposal and the FBO Proposal each proposed an alternative approach for tailoring enhanced prudential standards based on a single, comprehensive score based on the Global Systemically Important Bank ("GSIB") identification methodology. The final rules do not adopt the GSIB identification methodology approach (other than for Category I, as discussed herein).

[3] The eight banking organizations that have been identified as GSIBs to date are Bank of America, BNY Mellon, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, State Street, and Wells Fargo. Under the final rules, a U.S. banking organization that meets the criteria for Categories I, II, or III standards will be required to calculate its method 1 GSIB surcharge score annually.

2. Liquidity

Category I liquidity standards applicable to U.S. GSIBs will continue to include the full LCR requirement.[4] Consistent with current requirements, a subsidiary depository institution of a U.S. GSIB with $10 billion or more in total assets will be required to meet the LCR requirements.[5]

U.S. GSIBs will also continue to be subject to liquidity risk management, monthly internal liquidity stress testing and liquidity buffer requirements, as well as requirements to report certain liquidity data for each business day (through Form FR 2052a).

3. CCAR and Stress Testing

Prior to the enactment of the Reform Act, 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. The Reform Act amended this provision to require company-run stress tests on a "periodic" basis for firms subject to enhanced prudential standards. Under the final rules, U.S. GSIBs will no longer be required to conduct mid-year company-run stress tests, effective in the 2020 cycle, but will continue to be required to conduct an annual company-run stress test and be subject to an annual supervisory stress test. Consistent with the Reform Act, the final rules also eliminate the requirement for firms to include the "adverse" scenario in such supervisory and company-run stress tests (while retaining the requirement for firms to conduct stress tests under "baseline" and "severely adverse" scenarios), effective in the 2020 cycle.[6]

In addition, U.S. GSIBs will remain subject to both the qualitative and quantitative components of the annual Comprehensive Capital Analysis and Review ("CCAR") process.

B. CATEGORY II

Category II standards will apply to U.S. banking organizations and, for capital and liquidity standards, U.S. IHCs that have (i) at least $700 billion in total assets, or (ii) at least $100 billion in total assets and at least $75 billion in cross-jurisdictional activity. In addition, Category II standards other than capital and liquidity standards will apply to FBOs that have (i) at least $700 billion in combined U.S. assets, or (ii) at least $100 billion in combined U.S. assets and combined U.S. operations with at least $75 billion in cross-jurisdictional activity.

To reflect the structural differences between FBOs' operations in the United States and domestic holding companies, the final rules adjust the measurement of cross-jurisdictional activity for FBOs and U.S. IHCs to

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[4] The agencies also requested comment on the application of the NSFR rule under the Domestic Proposal and FBO Proposal. The final rules do not finalize any aspect of the NSFR and Federal Reserve staff noted that it expects to address the application of the NSFR in any subsequent rulemaking to adopt the proposed NSFR.

[5] While this $10 billion asset threshold is currently measured based on the most recent year-end Call Report, the final rules amend the LCR rules to measure this threshold based on the value of total assets over the four most recent calendar quarters.

[6] Because the final rule is effective after October 5, 2019, which was the due date for 2019 mid-cycle company-run stress tests, the removal of the mid-year company-run stress test and "adverse" scenario requirements will take effect for the 2020 stress test cycle.

exclude certain inter-affiliate liabilities and certain collateralized inter-affiliate claims.[7] The Federal Reserve noted in its release of the final rules that it may consider future changes regarding the measurement of cross-jurisdictional activity in a separate rulemaking process.

1. Capital

Generally applicable capital requirements will continue to apply to Category II U.S. banking organizations, U.S. IHCs and depository institution subsidiaries of FBOs. In addition to the generally applicable capital requirements, the final rules require a Category II U.S. banking organization, U.S. IHC and any depository institution subsidiary to maintain a minimum supplementary leverage ratio of 3% of tier 1 capital to on-balance-sheet assets and certain off-balance sheet exposures, and be subject to the countercyclical capital buffer, if applicable. Category II U.S. banking organizations and U.S. IHCs will also be required to recognize most elements of AOCI in regulatory capital, but U.S. IHCs continue to be exempt from calculating risk-based capital requirements using the advanced approaches under the capital rule.

2. Liquidity

U.S. banking organizations subject to Category II standards will continue to be subject to the full LCR. As under existing requirements, the LCR requirements will also apply to subsidiary depository institutions with total consolidated assets of $10 billion or more (subject to the revised asset threshold determination method described above).

Similarly, an FBO subject to Category II standards will be subject to the full LCR requirements with respect to its U.S. IHC, if it has one, and the same category of liquidity standards will apply to any depository institution subsidiary of such U.S. IHC that has $10 billion or more in assets. Currently, an FBO operating in the United States is not subject to the LCR rule with respect to its U.S. operations, except to the extent that a IHC has a depository institution subsidiary and meets the relevant applicability criteria. By contrast, the final rules require an FBO to maintain a minimum LCR for its U.S. IHC, regardless of whether the U.S. IHC has a depository institution subsidiary. Accordingly, the final rules will significantly affect FBOs that have a U.S. IHC but that do not have a U.S. depository institution subsidiary.

In the final rules, the Federal Reserve did not adopt a standardized liquidity requirement with respect to the U.S. branches and agencies of FBOs (the possibility of which was discussed in the proposal), but noted that it is still considering whether to develop and propose such branch- and agency-level liquidity requirements. A branch and agency level liquidity requirement was an issue that received significant pushback from the public during the

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[7] Specifically, the measurement of cross-jurisdictional activity for FBOs and U.S. IHCs excludes (i) cross-jurisdictional liabilities to non-U.S. affiliates and (ii) cross-jurisdictional claims on non-U.S. affiliates to the extent that these claims are secured by eligible "financial collateral" (*i.e.*, net of collateral value subject to haircuts in a manner consistent with the collateral haircut approach set forth in the Federal Reserve's Regulation Q). Eligible "financial collateral" is defined in the Federal Reserve's generally applicable risk-based capital requirements and would include certain types of high-quality collateral, including cash on deposit and securities issued by the U.S. government, as well as certain types of equity securities and debt. With the exception of cash on deposit, the banking organization also is required to have a perfected, first-priority interest in the collateral or, outside of the United States, the legal equivalent thereof.

comment period. Vice Chair Quarles indicated that the Federal Reserve will engage in discussions with foreign regulators to discuss branch liquidity requirements.

In addition, Category II standards will continue to apply liquidity risk management, monthly internal liquidity stress testing and liquidity buffer requirements, as well as daily FR 2052a reporting requirements, to subject firms.

3. CCAR and Stress Testing

Under the final rules, the Federal Reserve will continue to require a firm subject to Category II standards to submit an annual capital plan under CCAR, and will conduct both a qualitative and quantitative assessment of the capital plan. In addition, the final rules maintain annual supervisory stress testing for Category II firms and require company-run stress testing on an annual basis, but eliminate the requirement to conduct supervisory and company-run stress tests under the “adverse” scenario.

4. Single Counterparty Credit Limits

The final rules apply single-counterparty credit limits to a Category II U.S. banking organization and to the combined U.S. operations of a Category II FBO (which, in the case of an FBO, may be satisfied by a certification to the Federal Reserve that the Category II FBO meets comparable home-country standards on a consolidated basis). While the FBO Proposal would have applied single-counterparty credit limits separately to a U.S. IHC of a Category II FBO based on the risk profile of the parent FBO’s combined U.S. operations, the final rules’ single-counterparty credit limits apply separately to a U.S. IHC only if the U.S. IHC is itself a Category II or III firm based on its own risk profile. All U.S. IHCs subject to such single-counterparty credit limits will be subject to a uniform aggregate net credit exposure limit to a single counterparty equal to 25% of tier 1 capital.

C. CATEGORY III

Category III standards will apply to U.S. banking organizations and, for capital and liquidity standards, U.S. IHCs with total consolidated assets of $250 billion or more that do not meet the criteria for Category I or II, as well as to firms with between $100 billion and $250 billion in total assets that also have at least $75 billion of (i) total nonbank assets, (ii) off-balance sheet exposures, or (iii) weighted short-term wholesale funding. In addition, Category III standards other than capital and liquidity standards will apply to FBOs with combined U.S. assets of $250 billion or more that do not meet the criteria for Category I or II, as well as to FBOs with between $100 billion and $250 billion in combined U.S. assets that also have at least $75 billion of (i) total nonbank assets (calculated pursuant to Form FR Y-9LP), (ii) off-balance sheet exposures (calculated pursuant to Form FR Y-15), or (iii) weighted short-term wholesale funding (in each case, at its combined U.S. operations). For FBOs and IHCs, short-term funding from affiliates will be captured in the final rules’ measure of weighted short-term wholesale funding.

1. Capital

In addition to the generally applicable capital requirements, the final rules require U.S. banking organizations, U.S. IHCs and depository institution subsidiaries of FBOs subject to Category III standards to maintain a minimum supplementary leverage ratio of 3% as well as any applicable countercyclical capital buffer. However, such Category III firms will be exempt from advanced approaches capital requirements and will not be required to recognize most elements of AOCI in regulatory capital. Any depository institution subsidiary of a Category III IHC will likewise be subject to Category III capital standards.

2. Liquidity

Under the final rules, Category III standards will include full or reduced LCR requirements, depending on a banking organization's level of weighted short-term wholesale funding. Specifically, a Category III U.S. banking organization or U.S. IHC that has weighted short-term wholesale funding of $75 billion or more will be subject to the full LCR requirements, while a Category III U.S. banking organization or U.S. IHC that has less than $75 billion in weighted short-term wholesale funding will be subject to reduced LCR requirements equivalent to 85% of the full LCR requirements. The final rules do not otherwise alter the LCR calculations for these banking organizations relative to the full LCR requirements. As noted above for Category II FBOs, the Federal Reserve noted that it is still considering whether to develop and propose standardized liquidity requirements on an FBO with respect to its U.S. branch and agency network.

Like the current LCR requirements, the final rules apply Category III LCR requirements to depository institution subsidiaries that have total consolidated assets of $10 billion or more. The level of the LCR requirements applicable to the depository institution subsidiary will be the same as the level that apply to the Category III parent banking organization.

The final rules also maintain the existing liquidity risk management, monthly internal liquidity stress testing, and liquidity buffer requirements for firms subject to Category III standards. Category III firms will be subject to FR 2052a reporting requirements, on a daily or monthly basis depending on the firm's level of weighted short-term wholesale funding.

3. CCAR and Stress Testing

The final rules largely maintain existing CCAR capital planning and stress testing standards for firms subject to Category III standards. For example, Category III firms will continue to be required to submit an annual CCAR capital plan subject to quantitative and possible qualitative assessments, and will continue to be subject to annual supervisory stress testing by the Federal Reserve (but will not be required to conduct stress tests under the "adverse" scenario).

The final rules reduce the required frequency of company-run stress testing to every other year for Category III firms, but maintain the annual internal stress test requirement under the CCAR capital plan rule. As a result, in the intervening year between company-run stress tests under the enhanced prudential standards rule, the

Category III standards require a firm to conduct an internal capital stress test as part of its annual capital plan submission, without required public disclosure.

4. Single Counterparty Credit Limits

The final rules apply single-counterparty credit limits to a Category III U.S. banking organization and to the combined U.S. operations of a Category III FBO (which, in the case of an FBO, may be satisfied by a certification to the Federal Reserve that the Category III FBO meets comparable home-country standards on a consolidated basis). While the FBO Proposal would have applied single-counterparty credit limits separately to a U.S. IHC of a Category III FBO based on the risk profile of the parent FBO's combined U.S. operations, the final rules single-counterparty credit limits separately to a U.S. IHC only if the U.S. IHC is itself a Category III firm based on its own risk profile. All U.S. IHCs subject to such single-counterparty credit limits will be subject to a uniform aggregate net credit exposure limit to a single counterparty equal to 25% of tier 1 capital.

D. CATEGORY IV

Category IV standards will apply to U.S. banking organizations and, for capital and liquidity standards, U.S. IHCs with total assets of $100 billion or more that do not otherwise meet the thresholds for one of the other categories. In addition, Category IV standards other than capital and liquidity standards will apply to FBOs with combined U.S. assets of $100 billion or more that do not otherwise meet the thresholds for one of the other categories.

1. Capital

Category IV capital standards will include the generally applicable risk-based capital requirements and the U.S. leverage ratio, but will not apply the countercyclical capital buffer or the supplementary leverage ratio. As a result, U.S. banking organizations and U.S. IHCs subject to Category IV standards will generally have the same regulatory capital requirements as banking organizations with under $100 billion in total assets. Unlike firms with less than $100 billion in total consolidated assets, however, firms subject to Category IV standards will be required to monitor and report certain risk-based indicators.

2. Liquidity

Under the final rules, U.S. banking organizations and U.S. IHCs that are subject to Category IV liquidity standards and have weighted short-term wholesale funding of $50 billion or more will be subject to reduced LCR requirements equivalent to 70% of the full LCR requirements, while a Category IV U.S. banking organization or U.S. IHC that has less than $50 billion in weighted short-term wholesale funding will not be subject to any LCR requirements.

The final rules also reduce the frequency of required internal liquidity stress testing for Category IV firms to quarterly, rather than monthly. Category IV firms will, however, continue to be required to maintain a liquidity buffer sufficient to meet its projected net stressed cash-flow needs over a 30-day planning horizon under the firm's internal liquidity stress test, and to provide FR 2052a reporting.

The final rules also modify certain liquidity risk management requirements for firms subject to Category IV standards. First, the final rules require a Category IV firm to calculate its collateral positions on a monthly basis, rather than a weekly basis as currently required. Second, Category IV firms will not be required to establish liquidity risk limits for activities that are not relevant to the firm. Third, the final rules reduce the number of required elements of monitoring intraday liquidity risk exposures.

3. CCAR & Stress Testing

The final rules revise the frequency of supervisory stress testing for Category IV firms to every other year, and eliminate entirely the requirement for Category IV firms to conduct and publicly report the results of a company-run stress test, but maintain the annual internal stress test requirement under the CCAR capital plan rule. As with other categories of firms, the "adverse" scenario will no longer be required for such stress tests.

The final rules also maintain existing FR Y-14 reporting requirements for firms subject to Category IV standards in order to provide the Federal Reserve with the data it needs to conduct supervisory stress testing and inform the Federal Reserve's ongoing supervision of these firms.

4. Single Counterparty Credit Limits

The final rules do not apply single-counterparty credit limits to a Category IV U.S. banking organization or to the combined U.S. operations of a Category IV FBO unless the firm has $250 billion or more in total global consolidated assets (which, in the case of an FBO, may be satisfied by a certification to the Federal Reserve that the Category IV FBO meets comparable home-country standards on a consolidated basis), and does not apply single-counterparty credit limits separately to Category IV U.S. IHCs.

Depository Institution Stress Testing

The Reform Act amended Section 165 of the Dodd-Frank Act by raising the minimum asset threshold for insured depository institutions required to conduct company-run stress tests from more than $10 billion to more than $250 billion. The final rules implement this amended threshold such that only depository institutions with total consolidated assets greater than $250 billion will be required to conduct company-run stress tests.

The Reform Act also amended the required frequency for depository institution stress tests from "annual" to "periodic." The final rules implement this change in stress testing frequency to provide that depository institutions with total consolidated assets of more than $250 billion generally will be required to conduct company-run stress tests once every other year (conducted in even numbered years), except that bank subsidiaries of Category I or Category II banking organizations will be required to conduct a stress test on an annual basis.

Savings and Loan Holding Companies

Prior to the final rules, covered savings and loan holding companies have been subject to the Federal Reserve's regulatory capital rule and LCR rule in the same manner as a similarly situated bank holding company. However,

unlike bank holding companies of comparable size and risk profile, covered savings and loan holding companies have not otherwise been subject to capital planning or supervisory stress testing requirements.

Under the final rules, a covered savings and loan holding company will be subject to supervisory stress testing, a requirement to conduct and publicly disclose the results of a company-run stress test, risk management and risk committee requirements, liquidity risk management, stress testing, buffer requirements, and single-counterparty credit limits in the same manner as a similarly situated bank holding company would be subject under the enhanced prudential standards rule.

To implement the supervisory stress test, the final rules require covered savings and loan holding companies to report the FR Y-14 report in the same manner as a bank holding company. While the final rules do not establish CCAR capital planning requirements for covered savings and loan holding companies, the Federal Reserve noted that it intends to propose to apply those requirements to covered savings and loan holding companies as part of a separate proposal.

Potential Intraday LCR Requirement

In response to a commenter's assertion that language in the preamble accompanying the FBO Proposal introduced a new intraday LCR requirement (as compared to the current LCR rule, which as written requires firms to calculate compliance with the rule once a day at an elected calculation time), the agencies clarified that a banking organization must be able to demonstrate its ability to monetize HQLA and make the proceeds "continuously available" to the institution's liquidity management function, and not just at the institution's daily elected calculation time. The agencies' introduction of an effective intraday LCR requirement is likely to increase significantly the burden posed by the LCR rule to subject firms, particularly banking organizations with HQLA buffers that are generally encumbered during the day in clearing and settlement activities. The agencies' adoption of a new effective liquidity requirement through preamble language accompanying the final rules raises serious questions about the enforceability of this effective requirement under the Administrative Procedures Act.

Risk Committee, Risk Management and Reporting Requirements

Section 165(h) of the Dodd-Frank Act requires certain publicly traded bank holding companies, which includes FBOs, to establish a risk committee that is "responsible for the oversight of the enterprise-wide risk management practices" that meets other statutory requirements. The Reform Act raised the threshold for mandatory application of the risk-committee requirement from publicly traded bank holding companies with $10 billion in total consolidated assets to publicly traded bank holding companies with $50 billion or more in total consolidated assets.

To implement the Reform Act's changes, the final rules raise the total consolidated asset threshold for application of the risk-committee requirements without changing the substance of the risk-committee requirements for subject firms. Under the final rules, a publicly traded or privately held U.S. bank holding company or covered

savings and loan holding company with total consolidated assets of $50 billion or more will be required to maintain a risk committee.

FBOs with at least $50 billion but less than $100 billion in total consolidated assets, as well as FBOs with total consolidated assets of $100 billion or more but less than $50 billion in combined U.S. assets, will be required to maintain a risk committee and make an annual certification to that effect. Additionally, FBOs with total consolidated assets of $100 billion or more and $50 billion or more in combined U.S. assets will be required to comply with more detailed risk-committee and risk-management requirements, including a requirement to appoint a U.S. chief risk officer. The final rules eliminate the risk-committee requirements that apply for FBOs with less than $50 billion in total consolidated assets.

Similarly, the final rules raise the asset threshold for application of other risk-management requirements, such as company-run stress testing and compliance with home-country standards related to risk-based and leverage capital, liquidity risk management, and capital stress testing.

Notably, the final rules do not revise the $50 billion U.S. non-branch asset threshold for the U.S. intermediate holding company formation requirement.

In addition, to accommodate the revisions to the framework for determining the applicability of enhanced prudential standards to FBOs, the final rules make various changes to related reporting forms (including forms FR Y-7, FR Y-7Q, FR Y-9C, FR Y-14, FR Y-15, and FR 2052a).

Resolution Planning

The Reform Act eliminated the Dodd-Frank resolution planning requirement for firms with less than $100 billion in total consolidated assets and raised the minimum consolidated asset threshold for automatic application of the resolution planning requirement to $250 billion. To implement these changes, the Federal Reserve issued a separate resolution plan rule that applies resolution plan requirements to domestic banking organizations and FBOs subject to Category I, II or III standards under the enhanced prudential standards final rules, respectively, as well as to other FBOs that have $250 billion or more in total global consolidated assets.

While current resolution planning rules require a subject firm to file a resolution plan on an annual basis, the resolution plan rule extends this filing timeline by establishing three groups of resolution plan filers: biennial filers, triennial full filers, and triennial reduced filers.

Biennial filers will consist of U.S. GSIBs, which will be required to submit a resolution plan every two years, alternating between submissions of full and targeted plans (codifying the two-year filing cycle that U.S. GSIBs have been subject to over the last four years). Triennial full filers will consist of domestic banking organizations and FBOs subject to Category II or III standards under the applicable tailoring rules, and will submit a resolution plan every three years, alternating between full and targeted plans. Triennial reduced filers, consisting of other

FBOs that have $250 billion or more in total global consolidated assets, will submit a reduced content plan every three years.

Notwithstanding the above changes to the frequency and content of plan submissions, the agencies will retain the ability to jointly require interim updates between filings or more frequent filings from covered companies and could require a full plan submission when a targeted plan or reduced content plan would otherwise be required. In addition, the resolution plan rule requires covered companies to provide the agencies with notice of certain extraordinary events, such as major mergers, that occur between plan submissions.

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