Chapman Client Alert

November 13, 2018 Current Issues Relevant to Our Clients

Federal Banking Regulators Propose New Bank Holding Company Category System to Apply to Capital and Liquidity Requirements and to Enhanced Prudential Standards

On October 31, 2018, the Federal Reserve Board (FRB)[1] and Office of the Comptroller of the Currency (OCC) approved a notice of proposed rulemaking (NPR) that would revise the thresholds for applying regulatory capital and liquidity requirements to banks and bank holding companies (BHCs) and otherwise revise some of those requirements. A copy of the NPR can be found here. The FDIC is expected to approve the same NPR (the Interagency NPR). Separately, the FRB approved an NPR (the FRB NPR) to revise the Regulation YY enhanced prudential standards (EPS) and the coverage of the Regulation Y capital planning requirements it issued under Dodd-Frank and to make other regulatory changes.[2] A copy of the FRB NPR can be found here.

This client alert outlines features of the proposals to adjust the applicability of certain capital and liquidity tests and certain EPS for BHCs. Both NPRs were issued in response to the requirements of the 2018 bipartisan banking bill (S. 2155) enacted into law last May, which required the federal banking agencies to end enhanced prudential standards for BHCs with less than $100 billion in assets and, starting 18 months after S. 2155 became law, to end generally such standards for BHCs with less than $250 billion in assets, except for BHCs with at least $100 billion in assets when the agencies determine such standards are appropriate to prevent or mitigate risks to financial stability or to promote the safety and soundness of the affected BHCs.

Four New Categories for BHCs

Existing categories

Today the major distinctions among BHCs are:

1. whether they have at least $50 billion or less in assets (with $50 billion in assets being the cut-off for basic EPS);

2. whether they have at least $250 billion in assets, or at least $10 billion in foreign assets, or less (with the $250 billion total assets and $10 billion foreign assets being the thresholds for an "advanced approaches" BHC (AA BHC), which is required to compute "risk weighted assets" (RWAs) under the "advanced approaches" (AA) and the "standardized approach" (SA) for risk-based capital requirements and is also subject to various forms of other heightened regulation, with all other BHCs only being required to compute RWAs under the SA (each an SA BHC) and not being subject to that other heightened regulation); and

3. whether they have been designated a "global systemically important bank" (U.S. GSIB), which imposes further heightened regulation.

As described below, these existing categories for BHCs determine most of the regulatory distinctions currently in effect for BHCs.

Proposed new categories

The two NPRs would create four new categories of BHCs, while retaining for certain purposes all of the above described existing categories other than the $50 billion asset category. In place of that threshold, all BHCs with less than $100 billion assets would not be subject to any of the restrictions described in this Client Alert (other than the generally applicable risk-based capital and leverage requirements). The four new proposed categories of BHCs are:

Category IV: All BHCs with at least $100 billion, but less than $250 billion, in assets and less than $75 billion in any of (a) nonbank assets;[3] (b) weighted short-term wholesale funding;[4] (c) off-balance sheet exposures;[5] and (d) cross-jurisdictional activities.[6]

Category III: All BHCs with at least $250 billion in assets, or that have at least at least $100 billion in assets and at least $75 billion in any of the assets, funding, or exposures described in clauses (a)-(c) of the above definition of Category IV BHCs, that do not qualify as Category I or II BHCs.

Category II: All BHCs with at least $700 billion in assets, or at least $100 billion in assets and at least $75 billion in cross-jurisdictional activities, that are not Category I BHCs.

Category I: All BHCs that have been identified by the FRB as U.S. GSIBs.

These proposed categories would only apply to U.S. BHCs that are not foreign banking organizations (FBOs) or intermediate holding companies (IHCs) of FBOs. The FRB NPR explains that IHCs will continue to be subject to the current Regulation YY EPS applicable to them until the FRB separately revises those rules. The FRB intends to soon issue an NPR to deal with IHCs under Regulation YY.

Current Bank Capital Requirements

Currently, bank regulatory capital requirements differ based upon three criteria:

1. All BHCs and their subsidiary banks are subject to only the generally applicable risk-based capital and leverage ratio requirements unless they qualify as AA BHCs. This includes a requirement to maintain a capital conservation buffer.[7]

2. AA BHCs (i.e., BHCs with at least $250 billion in assets or $10 billion in foreign assets) and their subsidiary banks are required to compute their risk-based capital ratio compliance based on the lower of the ratios produced under AA and the SA and are required both to meet a supplementary leverage ratio (SLR) test and to maintain any required countercyclical capital buffer. They are also required to compute their regulatory capital with the effects of most elements of "accumulated other comprehensive income" (AOCI).

3. AA BHCs that are also GSIBs, and their subsidiary banks, must meet all of the requirements applicable to AA BHCs and are separately required to meet an enhanced supplementary leverage ratio (eSLR) test (which also applies to their subsidiary banks) and to maintain a GSIB capital buffer (which is not required for their subsidiary banks).

Proposed Bank Capital Requirements

Although the Interagency NPR would maintain all of the capital elements described above that currently apply to BHCs and banks, it would rearrange how BHCs and their subsidiary banks qualify for those requirements based on four criteria:

1. **Category IV BHCs and BHCs not included in Categories I-IV** would be subject only to the generally applicable risk-based capital and leverage requirements, including the capital conservation buffer requirement.

2. **Category III BHCs** would no longer be AA BHCs and would be permitted to opt-out of the effects of AOCI in computing their regulatory capital, but they would remain subject to the SLR and any countercyclical capital buffer requirement.

3. **Category II BHCs** would continue to be AA BHCs required to include the effects of most elements of AOCI on their regulatory capital and would otherwise have to comply with all of the requirements applicable to Category III BHCs.

4. **Category I BHCs** (i.e., all U.S. GSIBs) would need to comply with all the requirements applicable to Category II BHCs and would continue to be subject to the GSIB capital buffer requirement.

The existing and proposed capital requirements are separately summarized in Attachment A.

Existing Bank Liquidity Ratio Requirements

Currently, bank regulatory liquidity ratio requirements also differ based upon three criteria:

1. All AA BHCs (and each of their bank subsidiaries with at least $10 billion in assets) are required to comply with the "liquidity coverage ratio" (LCR) test (the Full LCR) and would be required to comply with the proposed "net stable funding ratio" (NSFR) test (the Full NSFR).

2. All BHCs with at least $50 billion in assets that are not AA BHCs are required to comply with the Regulation WW, Subpart G "modified" LCR test (the Modified LCR) and would be required to comply with the proposed "modified" NSFR (the Modified NSFR).

3. All other BHCs and banks are not subject to either the Full or the Modified LCR and would not be subject to either the proposed Full or Modified NSFR.

Proposed Bank Liquidity Ratio Requirements

The liquidity requirements proposed in the Interagency NPR would also divide BHCs into three groups:

1. **Category I and II BHCs**, and their bank subsidiaries with at least $10 billion in assets, would be required to comply with the Full LCR and the proposed Full NSFR.

2. **Category III BHCs**, and their bank subsidiaries with at least $10 billion in assets, would still be subject to the Full LCR and proposed Full NSFR, but would not be required to maintain a 100% coverage ratio unless they have at least $75 billion in weighted short-term wholesale funding (STWF). The Interagency NPR proposes Category III BHCs that do not have $75 billion of weighted STWF be subject to a 70%-85% coverage ratio.

3. **Category IV BHCs and all BHCs with less than $100 billion in assets** (i.e., all BHCs that are not Category I, II, or III BHCs), and their subsidiary banks, would not be subject to the Full or the Modified LCR or NSFR.

The Modified LCR and the proposed Modified NSFR would be eliminated.

The existing and proposed liquidity ratio requirements are separately summarized in Attachment B.

Existing Regulation YY Enhanced Prudential Standards

Regulation YY currently distinguishes among four types of BHCs in applying enhanced prudential standards:

1. As required by Dodd-Frank Section 165(i)(2), all BHCs with less than $50 billion, but more than $10 billion, in assets, and all banks with at least $10 billion in assets,[8] must conduct a Subpart B annual company-run capital stress test, and any such BHC that is publicly owned must meet the Subpart C risk committee and chief risk officer requirements.

2. As the basic Dodd-Frank Section 165 EPS requirement, all BHCs with $50 billion or more in assets must comply with the Regulation YY requirements in Subparts D (covering capital stress tests, risk management and risk committees, liquidity risk management, and liquidity stress testing and buffers), E (covering annual FRB capital stress test analysis), and F (covering semiannual company-run capital stress tests).

3. In addition to these basic EPS, all AA BHCs with at least $250 billion in assets must comply with the Subpart H single counterparty credit limit (SCCL).[9]

4. In addition to all the EPS applicable to BHCS with at least $250 billion in assets, a U.S. GSIB is subject to minimum long-term debt and total loss absorbing capital (TLAC) requirements, and other restrictions, under Subpart G, a more restrictive SCCL (with stricter restrictions on exposures to other U.S. GSIBs) under Subpart H, and requirements for qualified financial contracts in Subpart I.

Separate from Regulation YY EPS, the capital planning requirements in Section 225.8 of Regulation Y (i.e., CCAR) require all BHCs with at least $50 billion in assets to participate in the CCAR capital planning program, with all such BHCs subject to "quantitative objections" from the FRB. Capital plans from BHCs with at least $250 billion in assets, or at least $75 billion in nonbank assets, and from all U.S. GSIBs are also subject to "qualitative objections" from the FRB.[10]

Proposed Regulation YY Enhanced Prudential Standards

For all BHCs, the FRB NPR proposes to eliminate the Subpart E "mid-year" (i.e., semiannual) company-run stress test. Aside from this change, the changes to Regulation YY enhanced prudential standards proposed in the FRB NPR can be divided into six categories:

1. As required by S. 2155, BHCs with less than $100 billion in assets would no longer be subject to the Subpart B annual company-run stress test requirement (although the requirement would continue to apply to any bank with more than $10 billion in assets), and BHCs with less than $50 billion in assets would no longer be subject to the Subpart C risk committee and chief risk officer requirements.

2. BHCs with less than $100 billion, but at least $50 billion, in assets would be subject to the Subpart C risk committee and chief risk officer requirements (but as noted below such BHCs would no longer be subject to the Regulation Y capital planning requirement).

3. **Category IV BHCs** would continue to be subject to the existing "basic" Regulation YY standards in Subparts D-F, but for Category IV BHCs:

    a. The Subpart D liquidity risk management provisions in Section 252.34 would be revised to (i) reduce from weekly to monthly the computation of certain collateral positions and (ii) replace prescriptive requirements for liquidity risk monitoring and risk limits and for intraday exposure monitoring with a general requirement that each Category IV BHC maintain such monitoring and limits as reflect its "capital structure, risk profile, complexity, activities, and size" and, in the case of general liquidity risk monitoring and risk limits, "are consistent with the company's established liquidity risk tolerance."

b. The Subpart D liquidity stress testing and buffer requirements in Section 252.35 would be revised to permit Category IV BHCs to perform quarterly (rather than monthly) liquidity stress tests.

c. The Subpart E supervisory stress test requirement would be revised to provide only biennial (rather than annual) FRB stress test analyses.

d. The Subpart F company-run stress test requirement would be eliminated.

Category IV BHCs would continue not to be subject to the SCCL. Under Regulation Y Category IV BHCs would continue to be "large and non-complex" BHCs, for which the FRB can only issue "quantitative objections" to capital plans under the CCAR process.[11]

4. **Category III BHCs** would continue to be subject to all the existing basic Regulation YY standards in Subparts D-F (and, if such a BHC had $75 billion or more in weighted short-term wholesale funding, would become subject to the same daily liquidity reporting as proposed for Category I and II BHCs), except (as also proposed for Category I and II BHCs through a revision to the FR 2052a reporting form) they would no longer be required to perform "mid-cycle" (i.e., semiannual) company-run stress tests. Under Subpart F, Category III BHCs would only be required to conduct and disclose every other year a company-run stress test. The SCCL would continue to apply to Category III BHCs.

5. **Category II BHCs** would be subject to all the restrictions applicable to Category III BHCs and would continue to be subject to daily liquidity reporting and annual, but not semiannual, company-run stress tests and annual reporting of such stress tests.

6. **Category I BHCs** (i.e., U.S. GSIBs) would be subject to all the restrictions applicable to Category II BHC and would continue to be subject to the enhanced SCCL and all other existing EPS other than the requirement for semiannual capital stress tests, which would be eliminated for all BHCs.

In addition to Regulation YY, the FRB NPR proposes to revise the CCAR capital planning requirements in Section 225.8 of Regulation Y to (i) require only BHCs with at least $100 billion in assets to participate in the capital planning program, and (ii) provide that FRB "qualitative" objections can only be made to plans from Category I-III BHCs.

The existing and proposed Regulation YY EPS and Regulation Y CCAR requirements are separately summarized in Attachment C.

When will the new rules become effective?

The new rules proposed in the two NPRs would only become effective if and when the FRB and, in the case of the Interagency NPR, the OCC and FDIC adopt final rules covering the relevant BHCs and banks.

Could the final rules be different from the proposed rules in the NPRs?

Yes. Both NPRs seek comments on the proposals and even raise alternative possible categories for BHCs, as well as potential differences in the possible treatment of those categories of BHCs.

What alternative types of categories were mentioned in the NPRs?

The most extensive description of an alternative method is a discussion how BHC categories could be established based on scores from the two methods currently used to identify a U.S. GSIB. Lower scores from those used to identify U.S. GSIBs would be used to place BHCs in Categories II-IV.[12] U.S. GSIBs would remain in Category I.

The NPRs also solicited comments suggesting other potential approaches.

What are the predicted effects if the proposed four category system for classifying BHCs were adopted?

Aside from the changes in treatment outlined in this Client Alert, FRB staff provided a list of what BHCs would be included in Categories I-IV. That list is reproduced in Attachment D. As can be seen, several current AA BHCs would become Category III BHCs and one would become a Category IV BHC, all of which would no longer be required to compute RWAs using the AA and would be able to opt out of the effects of AOCI on their regulatory capital computations.

Category III BHCs would also be able to comply with the Full LCR and the proposed Full NSFR at a reduced coverage ratio. Category IV BHCs and other BHCs with less than $100 billion but more than $50 billion in assets would no longer be subject to the Modified LCR or the proposed Modified NSFR.

The four category classification of BHCs proposed in the NPRs would have strikingly different effects on Northern Trust and American Express. Both BHCs are currently AA BHCs because each has more than $10 billion in foreign assets (although neither has $250 billion in assets). Because Northern Trust has more than $75 billion in “cross-jurisdictional activities,” it would become a Category II BHC, still an AA BHC, and subject to most of the the same requirements as a U.S. GSIB other than the U.S. GSIB capital buffer requirement, the eSLR, and the special U.S. GSIB SCCL. Because American Express has less than $75 billion in “cross-jurisdictional activities,” it would become a “Category IV” BHC , no longer an AA BHC, and subject to the least restrictive provisions applicable to any of the four categories of BHCs.

While the relief from liquidity and Regulation YY EPS proposed in the two NPRs are significant for BHCs with less than $250 billion in assets, the relief provided to BHCs with at least $100 billion, but less than $250 billion, in assets can be viewed as less than what could have been expected under S. 2155. That law required the banking agencies to eliminate enhanced standards for BHCs with less than $100 billion in assets, which the NPRs would accomplish.

Separately, after 18 months the law only permitted the banking agencies to apply enhanced standards to BHCs with less than $250 billion in assets based upon findings that such standards would be appropriate to prevent or mitigate risks to financial stability or to promote the safety and soundness of the affected BHCs. In effect, the NPRs propose a finding that the Category IV BHC standards are appropriate for all BHCs with at least $100 billion in assets and that the more stringent Category II or III standards are appropriate for BHCs with at least $100 billion in assets that also have at least $75 billion in the separately measured cross-jurisdiction activities, nonbank assets, weighted short-term wholesale liabilities, or off-balance sheet exposures that could cause them to be treated as Category II or III BHCs.

For More Information

If you would like further information concerning the matters discussed in this article, please contact the Chapman attorney with whom you regularly work.

1 Technically, the Board of Governors of the Federal Reserve System.

2 Those changes include an amendment to Regulation PP to increase from $50 billion to $100 billion the asset threshold for a “significant” BHC, in accordance with S. 2155, and extensive amendments to Regulation LL dealing with savings and loan holding companies, which are patterned off the FRB NPR’s treatment of BHCs described in this Client Alert.

3 Nonbank assets would be measured as the average amount of equity investments in nonbank subsidiaries.

4 The proposed weighted short-term wholesale funding indicator would track the measure currently reported on the Banking Organization Systemic Risk Report (FR Y-15) by BHCs and be consistent with the calculation used for purposes of the GSIB surcharge rule.

5 The proposal would define off-balance sheet exposure based on measures currently reported by BHCs with more than $100 billion in assets, specifically, as total exposure, as defined on FR Y-15, minus total consolidated assets, as reported on the Consolidated Financial Statements for Holding Companies (FR Y-9C).

6 Cross-jurisdictional activity would be defined as the sum of cross-jurisdictional assets and liabilities, as each is reported on the FR Y-15 by BHCs.

7 Beginning in 2019 this will require BHCs and banks to maintain “common equity tier 1” (CET 1) capital in the amount of 2.5% of RWAs in addition to the general 4.5% requirement for a total 7% CET 1 ratio in order to avoid restrictions on dividends and other payments.

8 Regulation YY only imposes this bank requirement on state member banks, because those are the banks for which the FRB is the primary federal regulator. As dictated by Dodd-Frank Section 165(i)(2), the OCC and FDIC separately imposed this bank requirement on national banks and insured State non-member banks. S. 2155 eliminated the requirement for BHCs with more than $10 billion, but less than $50 billion, in assets, so the FRB NPR would eliminate that requirement from Regulation YY Subpart B, but S. 2155 did not eliminate the requirement for banks and those requirements would remain in Subpart B and the corresponding OCC and FDIC regulations.

9 Unlike the capital and liquidity ratio requirements described above, the SCCL does not distinguish between BHCs depending upon whether they are AA BHCs, but depending upon whether they have at least $250 billion in assets (one of the two asset thresholds for an AA BHC). As noted below, this is also true for qualitative objections to Regulation Y capital plans, which also apply to BHCs with at least $75 billion in nonbank assets (but not those with $10 billion in foreign assets, but less than $250 billion in total assets and less than $75 billion in nonbank assets).

10 The FRB can object to any BHC's capital plan if it determines that the BHC "has not demonstrated an ability to maintain capital above each minimum ratio on a pro forma basis under expected and stressful conditions throughout the planning horizon." Such an objection is often referred to as a "quantitative objection." Separately, for AA BHCs and other BHCs with at least $75 billion in nonbank assets the FRB can object to such a BHC's capital plan for any of three reasons detailed in Section 225.8(f)(2)(ii)(B)(2)-(4) of Regulation Y, which are often referred to as "qualitative objections."

11 Section 225.8(f)(2)(ii) distinguishes between "large and non-complex" BHCs in clause (A) and all other covered BHCs in clause (B), with clause (A) only permitting an objection to a BHC's capital plan if the FRB "determines that the bank holding company has not demonstrated an ability to maintain capital above each minimum regulatory capital ratio on a pro forma basis under expected and stressful conditions throughout the planning horizon." In addition to this basis for an objection, clause (B) permits the FRB to object to all other covered BHC capital plans based on any of three separate categories of "qualitative" objections.

12 See pages 32-35 of the Interagency NPR https://www.federalreserve.gov/aboutthefed/boardmeetings/files/draft-interagency-fr-notice-20181031.pdf

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ATTACHMENT A

Existing Capital Requirements

	Risk-based capital	Leverage	AOCI Filter
1. All BHCs that are not AA BHCs (and their subsidiary banks):	i. Compute RWAs and regulatory capital using SA ii. Minimum risk-based capital requirements: CET 1 capital/RWAs≥4.5% (plus CCB) Tier 1 capital/RWAs≥6% Total capital/RWAs≥8%. Starting January 1, 2019, the required capital conservation buffer (CCB) will be 2.5%. That means the minimum CET1 capital/RWAs ratio will become 7% (it is currently 6.375% based upon a transitional CCB requirement of 1.875%). This 7% CET 1 capital/RWAs test is not a minimum capital requirement. Instead, a BHC or bank that does not meet the 7% requirement would be limited or even prevented from paying dividends and making other payments, including discretionary bonus payments to certain employees.	i. Maximum leverage: Tier 1 capital/average assets[1]≥4%	May opt out from requirement to adjust regulatory capital based upon AOCI.
2. All AA BHCs (and their subsidiary banks)	i. Compute RWAs and regulatory capital separately using the AA and SA. Report the lower of the two ratios.[2] ii. Minimum risk-based capital requirements: Same as above, except in addition to the CET 1 CCB requirement, an AA BHC and its subsidiary banks must maintain a CET 1 "countercyclical capital buffer" to prevent restrictions on dividends and other pay-outs. Currently, only certain foreign jurisdictions have imposed countercyclical capital buffers. Such foreign required buffers are weighted based upon a BHC's overall exposure to that jurisdiction, so that some US BHCs report countercyclical capital buffers.	i. Maximum leverage: In addition to the basic 4% leverage limit above, an AA BHC, and it subsidiary banks, must meet a separate "supplemental leverage ratio" (SLR) that measures Tier 1 capital against "total leverage exposure" (TLE). The minimum SLR is 3%	No opt-out. Must apply most elements of AOCI to regulatory capital computations.

1 Average total consolidated assets as reported on the BHC's or bank's regulatory reports minus amounts deducted from tier 1 capital such as goodwill, intangible assets, and certain deferred tax assets.

2 For purposes of CET 1 and Tier 1 capital compliance, this means use the higher RWA computation. Total capital differs under the SA and AA because certain allowances for loan and lease losses included in total capital under the SA must be deducted under the AA.

3. All U.S. GSIBs (and their subsidiary banks)	Risk-based capital	Leverage	AOCI Filter
	i. Compute RWAs and regulatory capital the same as for all AA BHCs. ii. Minimum risk-based capital requirements: Same as for all AA BHCs, except in addition to the CET 1 CCB and potential CET 1 countercyclical capital buffer, a U.S. GSIB BHC (but not its subsidiary banks) must maintain a CET1 GSIB buffer.[3] The GSIB buffer operates the same as the CCB and any "countercyclical capital buffer" (i.e., there are prohibitions on dividends and other payments unless the GSIB buffer is maintained).	i. Maximum leverage: Same as for AA BHCs, except under an "enhanced" SLR Tier 1 capital/TLE ≥5% (i.e., there is a 2% enhancement).	Same as for all AA BHCs.

Proposed Capital Requirements

1. All Category IV BHCs and other BHCs that are not Category I, II, or III BHCs (and their subsidiary banks)	Same as for current requirements for BHCs that are not AA BHCs.
2. Category III BHCs and their subsidiary banks	Same as for current requirements for BHCs that are not AA BHCs, except the SLR leverage limit applies and any countercyclical capital buffer would apply.
3. Category II BHCs and their subsidiary banks	Same as for current requirements for AA BHCs.
4. Category I BHCs	Same as for current requirements for U.S. GSIBs.

3 When the FRB issued the final GSIB surcharge rule in 2015, it estimated the GSIB buffer would range from 1%-4.5% based upon the U.S. GSIBs' then existing scores under the rule's two scoring methods.

ATTACHMENT B

Existing Liquidity Requirements

1. All BHCs that have less than $50 billion in assets	A. LCR: No form of liquidity coverage ratio requirement applies. B. Proposed NSFR: No form of net stable funding ratio requirement would apply.
2. BHCs with at least $50 billion in assets that are not AA BHCs	A. LCR: Modified LCR applies. B. Proposed NSFR: Modified NSFR would apply.
3. AA BHCs (including GSIBs) and their subsidiary banks with at least $10 billion in assets	A. LCR: Full LCR applies. B. Proposed NSFR: Full NSFR would apply.

Proposed Liquidity Requirements

1. All Category IV BHCs and other BHCs that are not Category I, II, or III BHCs	Same as currently for BHCs with less than $50 billion in assets (i.e., no form of LCR or NSFR requirement).
2. Category III BHCs and each of their bank subsidiaries with at least $10 billion in assets	Same as currently for AA BHCs, except coverage ratio under both LCR and NSFR would be less than 1.0 (the proposal suggests between 0.7 and 0.85).
3. Category I and II BHCs and each of their bank subsidiaries with at least $10 billion in assets	Same as currently for AA BHCs.

ATTACHMENT C

EPS under Existing and Proposed Regulation YY

1. Subpart B (Company run stress test requirements for smaller BHCs and for banks)

a. Existing coverage:

BHCs with more than $10 billion but less than $50 billion in assets.

State member banks with more than $10 billion in assets.

b. Proposed coverage: Only state member banks with more than $10 billion in assets.

2. Subpart C (Risk committee requirement for smaller publicly traded BHCs)

a. Existing coverage: Any publicly traded BHC with at least $10B but less than $50B in assets.

b. Proposed coverage: Any BHC with $50 billion or more in assets.

3. Subpart D (EPS for BHCs with $50 billion or more in assets)

a. Existing coverage: Any BHC with $50 billion or more in assets.

b. Proposed coverage: Any BHC with $100 billion or more in assets

- with modifications for Category IV BHCs only:

- in liquidity risk management requirements (Section 252.34):

1. existing clause (g) extensive requirements for liquidity risk limits and monitoring would only apply to Category I-III BHCs. New clause (g)(2) requirements would apply only to Category IV BHCs and would only require the existence of limits on liquidity risk and monitoring consistent with BHC's "established liquidity risk tolerance and that reflect the company's capital structure, risk profile, complexity, activities, and size."
2. existing clause (h) collateral, legal entity, and intraday liquidity risk monitoring would remain the same except subclause (1) would permit Category IV BHCs to compute collateral positions monthly rather than the existing weekly requirement that would continue to apply to Category I-III BHCs; and subclause (3) would permit a Category IV BHC to establish and maintain procedures for monitoring intraday liquidity exposures that "reflect its capital structure, risk profile, complexity, activities, and size," without needing to comply with the separate existing extensive requirements listed in subclause (3) that would continue to apply to Category I-III BHCs.

- in liquidity stress testing and buffer requirements (Section 252.35):

1. existing clause (a)(2) frequency of tests would remain monthly for Category I-III BHCs, but would be revised to quarterly for Category IV BHCs.

4. Subpart E (supervisory stress tests for BHCs with $50B or more in assets)

a. Existing coverage: Any BHC with $50 billion or more in assets.

b. Proposed coverage: Any BHC with $100 billion or more in assets.

- with a modification to Section 252.44:

1. existing clause (a) would no longer refer to an annual analysis. A proposed new clause (c) would preserve annual FRB stress analyses for Categories I-III BHCs, but would make such analyses biennial for Category IV BHCs.

5. Subpart F (company-run stress tests)

a. Existing coverage: Any BHC with $50 billion or more in assets.

b. Proposed coverage: Any Category I, II, or III BHC (i.e., no coverage of Category IV).

But modified for:

(a) all BHCs: to eliminate “mid-year” company-run stress test in Section 252.55. (but that still applies to IHCs, subject to expected proposal to change).

(b) Category III BHCs: to reduce frequency of company-run stress tests from annual to biennial in Section 252.54(a)(2)(ii).

Subpart G (GSIB Requirements): NO PROPOSED CHANGES

Subpart H-SCCL

a. Existing coverage: Any BHC with at least $250 billion in assets and any U.S. GSIB.

b. Proposed coverage: Any Category I-III BHC.

Capital Planning (CCAR) under Existing and Proposed Regulation Y

Section 225.8

Existing coverage: BHCs with $50 billion or more in assets.

Proposed coverage: BHCs with $100 billion or more in assets.

Existing definition of “large and noncomplex”[1] BHC: Any BHC with less than $250 billion in assets and less than $75 billion in nonbank assets that is not a GSIB.

Proposed definition: Any BHC that is a Category IV BHC (the existing dollar assets definition would continue to apply to IHCs until the expected proposal to change their treatment is adopted).

1 Such BHCs are only subject to Section 225.8(f)(2)(ii)(A) objections (i.e., “quantitative objections) not the more extensive clause (B) “qualitative objections” that the FRB can make to plans submitted by other BHCs.

ATTACHMENT D

List of Firms by Projected Category*

Category I U.S. GSIBs	**Category II** ≥ $700b Total Assets or ≥ $75b in Cross-Jurisdictional Activity	**Category III** ≥ $250b Total Assets or ≥ $75b in NBA, wSTWF, or Off-Balance Sheet Exposure	**Category IV** Other Firms with $100b to $250b Total Assets	**Other firms** $50b to $100b Total Assets
JPMorgan Chase Bank of America Citigroup Wells Fargo Goldman Sachs Morgan Stanley Bank of New York Mellon State Street	Northern Trust	U.S. Bancorp PNC Financial Capital One Charles Schwab	BB&T Corp. SunTrust Inc. American Express Ally Financial Fifth Third KeyCorp Regions Financial M&T Bank Huntington Discover	Synchrony Financial Comerica Inc. E*TRADE Financial Silicon Valley Bank NY Community Bancorp

* Projected categories are based on data for Q2 2018. Actual categories would be based on 4-quarter averages.