Summary of Proposed Prudential Requirements Applicable to Foreign Banking Organizations and Foreign Nonbank Financial Companies Subject to FRB Supervision

Requirement	**Foreign Banking Organization ("FBO") with total consolidated assets of $10 billion or more**	**FBO with total consolidated assets of $50 billion or more**	**FBO with total consolidated assets of $50 billion or more and non-branch U.S. assets of $10 billion or more**	**FBO with total consolidated assets of $50 billion or more and U.S. assets of $50 billion or more**
Intermediate holding company ("IHC")	Not subject to an IHC requirement unless the FBO has at least $50 billion in consolidated assets and non-branch U.S. assets of $10 billion or more.	Not subject to an IHC requirement unless the FBO also has non-branch U.S. assets of $10 billion or more.	The FBO would be required to hold and operate all U.S. operations (other than those conducted through a branch or agency or a company held pursuant to Section 2(h)(2) of the Bank Holding Company Act ("BHC Act") (a "2(h)(2) company")) through one or more IHCs organized under U.S. law and governed by a board of directors. This requirement would apply to all U.S. subsidiaries (other than 2(h)(2) companies) based on the BHC Act definition of control, including companies controlled pursuant to the merchant banking authority. The IHC would not to be wholly-owned by the FBO and would be permitted to have minority investors. Compliance would be required by the later of July 1, 2015 or 12 months after crossing the asset thresholds described above. The IHC requirement would not automatically apply to a foreign nonbank financial company supervised by the FRB.	Subject to IHC requirement.

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Risk-Based Capital and Leverage Limits	Not subject to specific capital standards unless the FBO has at least $50 billion of assets.	The FBO would be required to certify or otherwise demonstrate to the FRB's satisfaction that it meets capital adequacy standards at the consolidated level that are consistent with the Basel III framework. A company would be able to satisfy this requirement by certifying that it meets the capital adequacy standards of its home country supervisor if those standards are consistent with the Basel III framework. An FBO would not be subject to the current minimum leverage ratio requirement applicable to BHCs, but the Basel III capital accord includes a leverage ratio requirement. The FRB by rulemaking may impose additional capital surcharges on global systemically important banking organizations. Compliance required by the later of July 1, 2015 or 12 months after reaching the asset threshold.	The FBO would be required to meet home country capital standards that are consistent with Basel III requirements. In addition, an IHC would be required to calculate and meet capital adequacy standards, including minimum risk-based capital and leverage ratio requirements and any restrictions based on capital adequacy in accordance with FRB requirements applicable to a bank holding company ("BHC") even if the IHC does not control a depository institution. An IHC established on July 1, 2015 would be required to meet applicable capital adequacy standards as of that date. An IHC established at a later date would be required to meet applicable standards as of the time it is established.	The FBO would be required to meet home country capital standards consistent with Basel III requirements. In addition, an IHC with $50 billion or more of consolidated assets would also be required to comply with the capital plan rule (Section 225.8 of the FRB's Regulation Y) in the same manner and to the same extent as a BHC subject to that requirement, meaning that the IHC would need to submit annual capital plans to the FRB demonstrating an ability to maintain capital above minimum levels under both baseline and stressed conditions over a minimum nine quarter, forward looking planning horizon. An IHC that meets the asset threshold on July 1, 2015 would be required to submit its first capital plan on January 5, 2016. An IHC that meets the asset threshold at a later date would be required to comply with the capital plan requirement beginning in October of the calendar year after the year in which it is established or otherwise crosses the asset threshold.

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Liquidity Requirements	Not subject to specific liquidity standards unless the FBO has at least $50 billion of assets.	The FBO would be required to report to the FRB on an annual basis the results of an internal liquidity stress test for either the consolidated operations of the company or its combined U.S. operations only. A company that does not comply with this requirement would be required to cause its combined U.S. operations to remain in a net due to funding position or a net due from funding position with non-U.S. affiliated entities equal to not more than 25% of the third party liabilities of its combined U.S. operations on a daily basis. Compliance would be required by the later of July 1, 2015 or 12 months after reaching the asset threshold.	Subject to an annual liquidity stress test requirement.	• **Cash Flow Projections—** The FBO would be required to produce short term and long term cash flow projections for U.S. operations, incorporating dynamic analysis. • **Liquidity Stress Tests—** The FBO would be required to conduct monthly liquidity stress tests separately on its IHC and branch and agency network, using overnight, 30-day, 90-day and one year time horizons. The stress tests must assume that for the first 30 days of a liquidity stress horizon, only highly liquid assets that are unencumbered may be used to meet projected funding needs. • **Liquidity Buffers—**The FBO would be required to maintain separate liquidity buffers for its IHC and branch and agency network consisting of unencumbered highly liquid assets for its U.S. operations sufficient to meet the cash flow needs over a 30 day horizon, calculated in the manner

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Liquidity Requirements (continued)				described in the proposal. Generally, cash or securities issued or guaranteed by the U.S. government, a U.S. government agency, or a U.S. government sponsored entity could be treated as high quality liquid assets. Other assets could be treated as high quality liquid assets if the FBO demonstrates to the FRB that the asset has low credit risk, is traded in an active secondary two-way market that has committed market makers and independent bona fide offers to buy and sell and is the type of asset that investors have typically purchased during periods of financial market distress. Cash assets included in an IHC's liquidity buffer would not be permitted to be held in an account at an affiliate of the IHC. U.S. branches or agencies of an FBO subject to a liquidity buffer requirement would be required to hold the first 14 days of the buffer in the U.S. The full amount of the

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Liquidity Requirements (continued)				buffer for an IHC would be required to be maintained in the U.S. • **Contingency Funding Plan—**The FBO would be required to establish and maintain a contingency funding plan for its U.S. operations for responding to a liquidity crisis and would be required to update the plan at least annually. • **Liquidity Risk Limits—** The FBO would be required to establish and maintain limits on potential sources of liquidity risk, including concentrations of funding by instrument type, single counterparty, counterparty type, secured and unsecured funding, liabilities maturing within various time horizons and off balance sheet exposures. • **Monitoring—**An FBO would be required to monitor liquidity risk related to collateral positions of its U.S. operations, liquidity risks across its U.S. operations and intraday liquidity

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Liquidity Requirements (continued)				positions of its U.S. operations. With respect to collateral positions, the FBO would be required to calculate all collateral positions of its U.S. operations on a weekly basis, including the value of assets pledged relative to the amount of security required under the applicable contracts and the amount of assets available to be pledged. The FBO would also be required to monitor levels of available collateral by legal entity (including constraints on transferability), jurisdiction and currency exposure, monitor shifts between intraday, overnight and term pledging of collateral and track operational and timing requirement associated with accessing collateral. • **Risk Committee**—The risk committee (see risk management requirements below) would be required to review and approve the FBO’s liquidity risk tolerance for U.S.

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Liquidity Requirements (continued)				operations at least annually, taking into account capital structure, risk profile, complexity, activities and size of U.S. operations. • **Chief Risk Officer**—A U.S. chief risk officer (see risk management requirements below) would be required to review and approve the liquidity costs, benefits, and risk of each new business line and product, and the U.S. chief risk officer must annually review significant business lines and products for liquidity risk. The U.S. chief risk officer would be required to, on a quarterly basis, review cash flow projections, stress test practices, stress test results, the size and composition of a liquidity buffer, specific limits on potential sources of liquidity risk, and liquidity risk information systems. • **Independent Review**—The FBO would also be required to establish an independent review function

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Liquidity Requirements (continued)				to evaluate liquidity risk management. Compliance would be required by the later of July 1, 2015 or one year after crossing the asset threshold.
Single Counterparty Limits	Not subject to single counterparty exposure limits unless the FBO has at least $50 billion of assets.	U.S. operations would be subject to a single counterparty exposure limit of 25% of FBO's capital stock and surplus. An FBO with total consolidated assets of $500 billion or more would be subject to a limit of 10% of its capital and surplus with respect to exposures to financial counterparties of similar size. The FBO would be required to take into account loans, deposits and lines of credit, repurchase and reverse repurchase agreements, securities lending and borrowing transactions, guarantees, acceptances or letters of credit, purchases of or investments in securities issued by the counterparty, counterparty credit exposure in connection with derivatives transactions and similar transactions that the FRB determines to be credit exposure. For purposes of determining	An IHC would be subject to a separate and additional single counterparty limit of 25% of its capital stock and surplus, following the same general principles described in the prior column for determining credit exposure to a particular counterparty. An IHC with total consolidated assets of $500 billion or more would be subject to a limit of 10% of its capital and surplus with respect to exposures to financial counterparties of similar size.	Subject to single counterparty exposure limits.

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Single Counterparty Limits (continued)		credit exposure, the FBO would be required to take into account all exposures of its U.S. subsidiaries to a counterparty, including any exposures to subsidiaries of the counterparty. For this purpose, a company will be treated as a subsidiary of a company if the first company owns or controls with power to vote 25% or more of a class of voting securities of the other company, owns or controls 25% or more of the total equity of the other company, or consolidates the other company for financial reporting purposes. Generally, foreign sovereigns will be considered to be counterparties, but the proposal provides an exception from the single counterparty limit for obligations of or fully guaranteed as to principal and interest by the U.S. government and its agencies, by Fannie Mae and Freddie Mac (while they are operating under U.S. government conservatorship or receivership), or by the FBO's home country sovereign. Intraday credit exposure would also not be subject to the single counterparty		

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Single Counterparty Limits (continued)		limits. The proposal includes an attribution rule under which an FBO would be required to treat a transaction with any person as a transaction with a particular counterparty to the extent that the proceeds of the transaction are transferred to or used for the benefit of a particular counterparty. The proposal allows an FBO to take into account eligible collateral, eligible guarantees, eligible credit and equity derivatives and, for securities financing transactions, the effect of bilateral netting agreements. The FBO would be required to comply with the single counterparty limit on a daily basis as of the end of each day and submit a monthly compliance report. Compliance would be required by the later of July 1, 2015 or one year after crossing the asset threshold.		

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Risk Management	If the FBO’s stock is publicly traded, the FBO would be required to certify annually to the FRB that it maintains a U.S. risk committee that oversees the U.S. risk management practices of the company and has at least one member with risk management expertise commensurate with the company’s capital structure, risk profile, complexity, activities and size of U.S. operations. The risk committee would be required to review and approve a risk management framework that includes policies and procedures relating to risk management governance, risk management practices and risk control infrastructure, processes and systems for identifying and reporting risks and risk management deficiencies, processes and systems for monitoring compliance with risk management requirements, processes designed to ensure effective and timely corrective actions to address deficiencies, specification of management responsibility, and integration of risk management and control	Regardless of whether the FBO has publicly traded stock, it would be required to comply with the annual risk committee certification. At least one member of the committee would be required to be an independent member who is not an officer or employee of the company (and has not been an officer or employee during the last three years) or a member of the immediate family of a person who is, or has been within the last three years, an executive officer of the company or its affiliates. The FBO would be required to appoint a U.S. chief risk officer employed by a U.S. subsidiary or U.S. office of the FBO responsible for implementing and maintaining a risk management framework for the FBO’s U.S. operations. Compliance would be required by the later of July 1, 2015 or 12 months after reaching the asset threshold.	If an FBO conducts its U.S. activities solely through an IHC, the risk committee would be required to be maintained at the IHC.	Subject to risk management requirements.

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Risk Management (continued)	objectives in management goals and compensation structure. Compliance would be required by the later of July 1, 2015 or 12 months after reaching the asset threshold.			
Stress Testing	An FBO with total consolidated assets of more than $10 billion but combined U.S. assets of less than $50 billion and foreign savings and loan holding companies with total consolidated assets of more than $10 billion would be required to be subject to a consolidated capital stress testing regime that includes either an annual supervisory capital stress test conducted by the company’s home country supervisor or an internal capital adequacy stress test conducted by the company. If an FBO or foreign savings and loan holding company does not meet this requirement, its U.S. branch and agency network would be required to maintain eligible assets equal to 105% of third party liabilities, and the company would be required to conduct an annual stress test of any U.S. subsidiary not held under an IHC (other than a	FBO would be required to meet home country stress test requirement.	FBO would be required to meet home country stress test requirement. In addition, an IHC with more than $10 billion but less than $50 billion of assets would be required to conduct an annual company-run stress test in the same manner as a BHC. The FBO would be required to file a regulatory report containing the results of its stress tests by March 31of each year and publicly disclose a summary of the results under the severely adverse scenario between June 15 and June 30. Compliance required beginning with the stress test cycle that begins October 1, 2015 or the cycle that begins in October of the calendar year following the year in which the IHC is established.	FBO would be required to meet home country stress test requirements. In addition, an IHC with $50 billion or more of U.S. assets would be required to conduct semi-annual company run stress tests and would be subject to an annual supervisory stress test in generally the same manner as a BHC. With respect to the company-run stress tests, one test would use scenarios provided by the FRB and the other would use scenarios developed by the company. The FBO would be required to file a regulatory report containing the results of its stress tests by January 5 of each year and publicly disclose a summary of the results under the severely adverse scenario between March 15 and March 31. If an FBO with combined U.S. assets of $50 billion or more does not comply with the stress test requirement, the FBO’s U.S.

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Stress Testing (continued)	2(h)(2) company). Compliance required by October 2015 or, if the company first meets the assets threshold after July 1, 2015, by October of the calendar year after the year in which the company meets the asset threshold.			branch and agency network must maintain eligible assets equal to 108% of third party liabilities and the FBO would be required to conduct an annual stress test of any U.S. subsidiary not held under an IHC (other than a 2(h)(2) company). The FRB may also impose intragroup funding restrictions on the U.S. operations of an FBO with combined U.S. assets of $50 billion or more that does not satisfy the stress testing requirements. Compliance would be required beginning with the stress test cycle that begins October 1, 2015 or the cycle that begins in October of the calendar year following the year in which the IHC is established or reaches the asset threshold.

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Debt-to-equity limits	Not subject to a potential debt-equity-limit requirement unless total assets are at least $50 billion.	A company would be subject to a requirement that it maintain a debt-to-equity ratio of not more than 15-to-1 upon a determination by the FSOC that the company poses a grave threat to the financial stability of the U.S. and that imposition of such a requirement is necessary to mitigate the risk that the company poses to the financial stability of the U.S. This requirement would become effective upon the effective date of a final rule.	Subject to a potential debt-equity-limit requirement.	Subject to a potential debt-equity-limit requirement.
Early Remediation	Not subject to early remediation requirements.	Would be subject to Level 1 Remediation requirements (see column to the far right) and may be subject to remediation requirements on a case-by-case basis.	Would be subject to Level 1 Remediation requirements (see column to the right) and may be subject to other remediation requirements on a case-by-case basis.	U.S. operations of an FBO with combined U.S. assets of $50 billion or more that meet certain triggers described in the rule would be subject to mandatory remediation requirements upon the occurrence of a trigger event. • **Level 1 Remediation**—The FRB will conduct a targeted supervisory review of combined U.S. operations to evaluate whether the combined U.S. operations are experiencing financial distress or material risk management weakness. Triggered if the FBO shows capital structure or planning

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Early Remediation (continued)				weaknesses, even though the FBO or IHC maintains risk-based ratios 200-250 basis points above minimum and leverage ratio 75-100 basis points above minimum, the firm does not comply with capital plan or stress testing rules, or the firm has manifested signs of weakness in meeting risk management, risk committee or liquidity risk standards. The FRB may also take into account market indicators that suggest remediation may be necessary. • **Level 2 Remediation**—IHC distributions will be limited to no more than 50% of the average of the firm's net income during the previous two quarters, U.S. branch and agency network must maintain a net due to position to head office and non-U.S. affiliates and must hold 30-day liquidity buffer in the U.S., IHC and U.S. branch and agency network subject to growth restrictions, and FBO must

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Early Remediation (continued)				enter into non-public memorandum of understanding. Triggered if any risk-based capital ratio required to be maintained by the FBO or IHC does not exceed the minimum by 200-250 basis points, if any leverage ratio required to be maintained by the IHC or FBO does not exceed the minimum by 75-100 basis points, the firm's Tier 1 common risk-based capital falls below 5% under the supervisory stress test's severely adverse scenario, or the firm has demonstrated multiple deficiencies in meeting the risk management and risk committee requirements or the enhanced liquidity standards. • **Level 3 Remediation**—FBO must enter into formal written agreement to take corrective actions, IHC prohibited from making capital distributions, U.S. branch and agency network must remain in net due to position to head office and

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Early Remediation (continued)				non-U.S. affiliates and subject to a 105% asset maintenance requirement, IHC and U.S. branch and agency network subject to growth restrictions, FBO and IHC prohibited from increasing pay or paying bonus to U.S. senior management, and management may be subject to removal. Triggered if any risk-based capital ratio or leverage ratio required to be maintained by the IHC or FBO falls below a required minimum, the firm's Tier 1 common risk-based capital falls below 3% under the supervisory stress test's severely adverse scenario, or the firm is in substantial noncompliance with the risk management and risk committee requirements or the enhanced liquidity standards. • **Level 4 Remediation—**The FRB will consider whether termination or resolution of U.S. operations is appropriate. Triggered if any risk-based capital

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Early Remediation (continued)				requirement required to be maintained by the IHC or FBO is more than 100-250 basis points below a required minimum or any leverage ratio required to be maintained by the IHC or FBO is more than 100-250 basis points below a required minimum. Compliance would be required by the later of July 1, 2015 or 12 months after the company crosses the asset threshold.

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