



May 2018

**President Trump passes bipartisan financial services regulatory relief legislation (S.2115)**

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# Final changes to enhanced prudence standards (EPS)

EPS applicable to US BHCs/IHCs			
Category	Requirement	Previous	Revised
<b>Stress testing</b>	<ul style="list-style-type: none"> <li>▪ DFAST</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$10 billion (company-run)</li> <li>▪ \$50 billion (company-run/supervisory)</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$100 billion (periodic supervisory stress test)</li> <li>▪ \$250 billion (annual supervisory stress test and periodic company-run stress test)</li> </ul>
<b>Resolution planning</b>	<ul style="list-style-type: none"> <li>▪ Resolution plan</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$50 billion</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$250 billion</li> </ul>
<b>Capital</b>	<ul style="list-style-type: none"> <li>▪ Risk-based and leverage capital requirements</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$50 billion</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$250 billion</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Countercyclical capital buffer (only applicable to US BHCs)</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$250 billion in total assets or \$10 billion in on-balance sheet foreign exposures</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Risk-based capital surcharge</li> </ul>	<ul style="list-style-type: none"> <li>▪ US G-SIBs</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Supplementary leverage ratio (SLR)</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$250 billion in total assets or \$10 billion in on-balance sheet foreign exposures</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Enhanced SLR</li> </ul>	<ul style="list-style-type: none"> <li>▪ US G-SIBs</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>▪ Liquidity Coverage Ratio (only final for US BHCs)</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$50 billion (modified LCR)</li> <li>▪ \$250 billion in total assets or \$10 billion in on-balance sheet foreign exposures</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$250 billion</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Net Stable Funding Ratio (proposed for US BHCs)</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$250 billion in total assets or \$10 billion in on-balance sheet foreign exposures</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>▪ Risk committee</li> <li>▪ CRO/standalone risk committee</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$10 billion</li> <li>▪ \$50 billion</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$50 billion</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>▪ Total loss-absorbing capacity/long-term debt</li> </ul>	<ul style="list-style-type: none"> <li>▪ US G-SIBs and IHCs of foreign G-SIBs</li> </ul>	<ul style="list-style-type: none"> <li>▪ N/A</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Early remediation requirements (proposed for both US BHCs and IHCs)</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$50 billion</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$250 billion</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Single counterparty credit limits (proposed for both US BHCs and IHCs)</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$50 billion</li> </ul>	<ul style="list-style-type: none"> <li>▪ \$250 billion</li> </ul>

# Examples of regulations and supervisory guidance aligned with EPS that require further action

Other requirements applicable to US BHCs/IHCs		
Category	Requirement	Current applicability
<b>August 2017 proposal for new Large Financial Institution (LFI) rating</b>	<ul style="list-style-type: none"> <li>FRB LFI rating system across Governance and Controls, Capital and CCAR, Liquidity and CLAR</li> </ul>	<ul style="list-style-type: none"> <li>\$50 billion - apply to all bank holding companies (BHCs) and non-insurance, non-commercial savings and loan holding companies (SLHCs), as well as FBOs IHCs</li> </ul>
<b>August 2017 Board Proposal</b>	<ul style="list-style-type: none"> <li>Supervisory expectations for boards of directors (only proposed for US BHCs)</li> </ul>	<ul style="list-style-type: none"> <li>\$50 billion</li> </ul>
<b>January 2018</b>	<ul style="list-style-type: none"> <li>FRB Risk Management proposal across senior management, business line management, independent risk management and controls and internal audit (3 lines of defense)</li> </ul>	<ul style="list-style-type: none"> <li>\$50 billion - apply to all bank holding companies (BHCs), savings and loan holding companies (SLHCs), and combined US operations of FBOs, as well as nonbank financial companies designated by the Financial Stability Oversight Council</li> </ul>
<b>Capital planning</b>	<ul style="list-style-type: none"> <li>Comprehensive Capital Analysis and Review</li> </ul>	<ul style="list-style-type: none"> <li>\$50 billion</li> </ul>
	<ul style="list-style-type: none"> <li>FRB SR Letter 15-18</li> </ul>	<ul style="list-style-type: none"> <li>US bank holding companies (BHCs) and IHCs of foreign banking organizations (FBOs) that are in the Large Institution Supervision Coordinating Committee portfolio, or have \$250 billion in total assets</li> </ul>
	<ul style="list-style-type: none"> <li>FRB SR Letter 15-19</li> </ul>	<ul style="list-style-type: none"> <li>\$50-250 billion</li> </ul>
<b>FBOs</b>	<ul style="list-style-type: none"> <li>FRB IHC requirement</li> </ul>	<ul style="list-style-type: none"> <li>\$50 billion (US non-branch assets)</li> <li>\$100 billion in global total consolidated assets</li> </ul>
<b>Supervisory expectations</b>	<ul style="list-style-type: none"> <li>FRBSR Letter 12-17</li> </ul>	<ul style="list-style-type: none"> <li>\$50 billion</li> </ul>
<b>Compliance risk management guidance</b>	<ul style="list-style-type: none"> <li>FRB SR Letter 08-8</li> </ul>	<ul style="list-style-type: none"> <li>\$50 billion</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>OCC heightened standards (only applicable to national banks)</li> </ul>	<ul style="list-style-type: none"> <li>\$50 billion</li> </ul>
<b>Funds transfer pricing</b>	<ul style="list-style-type: none"> <li>FRB SR 16-3</li> </ul>	<ul style="list-style-type: none"> <li>\$250 billion in total assets or \$10 billion in on-balance sheet foreign exposures (US BHCs)</li> <li>US assets of \$250 billion (FBOs)</li> </ul>

# CCAR/DFAST case study: changes to laws, regulations, and guidance



## One

### Senate bill would amend DFAST thresholds

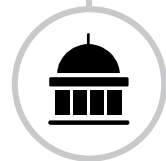
The Senate bill would raise the statutory asset threshold for the Federal Reserve Board's (FRB) annual supervisory stress tests from \$50 billion to \$250 billion. The FRB would be required to implement this change in law throughout its regulations, which may take time



## Two

### FRB would likely reexamine related CCAR threshold

Although the bill would not amend the FRB's capital plan rule, as it was not statutorily mandated, the FRB may reexamine the \$50 billion asset threshold under its CCAR program given the relationship between the DFAST and CCAR programs



## Three

### FRB may also reexamine asset thresholds under related guidance

In conjunction with changes to the DFAST and CCAR asset thresholds, the FRB may also consider how to amend the thresholds under SR Letters 15-18 and 15-19 to align this capital planning guidance and related supervisory expectations to the change in laws and regulations

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