

MEMORANDUM

TO: Public File – Notice of Public Rulemaking:
Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and Their Subsidiary Insured Depository Institutions (12 CFR Part 324, RIN 3064-AE01) (“Supplementary Leverage Capital NPR”)

FROM: FDIC Staff

DATE: September 27, 2013

SUBJECT: FDIC Meeting with Representatives from the American Bankers Association (“ABA”), The Clearing House Association, L.L.C. (“Clearing House”), the Securities Industry and Financial Markets Association (“SIFMA”), and Certain Banking and Securities Organizations

On September 27, 2013, FDIC staff met with representatives of The Clearing House, SIFMA, ABA, and certain banking, securities, and economic consulting organizations (collectively, the “SIFMA/Clearing House/ABA representatives”). This meeting involved the SIFMA/Clearing House/ABA representatives’ concerns regarding the Supplementary Leverage Capital NPR, which was issued in the Federal Register of August 20, 2013, with a comment period deadline of October 21, 2013.

The SIFMA/Clearing House/ABA representatives provided the following proposals involving the Basel Committee’s and the banking agencies’ consideration of certain leverage ratio revisions to reduce the likelihood that the leverage ratio will be a binding capital measure (in comparison with the Basel III risk-based capital rules): (1) exclude balances held on deposit at central banks from the exposure measure; (2) allow netting of securities financing transactions if certain criteria are met; (3) recognize netting and collateral for derivatives through the use of Non-internal Models Method (“NIMM”) (or the Current Exposure Method (“CEM”)), where the NIMM (or the CEM) adopted appropriately recognizes collateral and netting; (4) provide partial netting credit for certain hedging methods on credit default swaps; and (5) estimate drawdowns on unfunded credit facilities using certain assumptions. These proposals are contained in a joint trading association comment letter (by SIFMA, the ABA, and related international trade associations), dated September 20, 2013, to the Basel Committee on Banking Supervision on its revised Basel III leverage ratio framework and disclosure requirements.

The FDIC representatives at this meeting were:

- Bobby Bean, Associate Director, Capital Markets/RMS;
- George French, Deputy Director, Policy, RMS
- Jason Cave, Special Advisor to the Chairman for Supervisory Matters
- Karl Reitz, Chief, Capital Markets Strategies Section, Capital Markets/RMS;
- Michael Phillips, Counsel, Legal Division

The SIFMA/Clearing House/ABA representatives at this meeting were:

- SIFMA: Carter McDowell; Nicholas Leonard Colucci
- The Clearing House: Brett Mathew Waxman
- ABA: Hugh Carney
- JP Morgan Chase: Deborah Ann Toennies
- Goldman Sachs: Faryar Shirzad
- Morgan Stanley: Tim Lyons
- Covington & Burling: John Dugan; Jennifer Jing Xi
- McKinsey & Company: Thomas Poppensieker; Sonja Pfetsch
- Institute of International Finance: Jermy Prenio; Barbara F. Verheij Frohn