



**Commonwealth**Bank

# Commonwealth Bank of Australia

2016 Section 165(d) Dodd-Frank Act Tailored Resolution  
Plan

12/15/2016

**Public Section**

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## Public Section

### (i) Executive Summary

#### Requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Section 165(d) of the Dodd-Frank Act (“DFA”) and its implementing rules require, among other things, any company covered by section 165 (d) to produce a Resolution Plan (such Plan for Commonwealth Bank of Australia (herein referred to as “the Group”) being this “Resolution Plan”) to provide for such company’s rapid and orderly resolution in the event of material financial distress or failure. The implementing rules (collectively, the “Rule”) were jointly issued by the Federal Reserve System (the “Board”), codified at 12 C.F.R. Part 243, and the Federal Deposit Insurance Corporation (the “FDIC” and together with the Board, the “Agencies”), codified at 12 C.F.R. Part 381, on November 1, 2011. CBA is considered a “Covered company” under the Rule and must file this Resolution Plan with the Agencies. References to the Rule contained herein are to 12 C.F.R. Part 243 promulgated by the Board.

Under the requirements of the Rule, covered companies are required to assess their United States banking operations for the presence of “material entities”, “critical operations,” and “core business lines”. The United States entities CBA New York Branch (herein referred to as “the Branch”) supports only have a small United States operation, no core Business Lines (CBLs) or critical Operations (COs) relative to the Group’s global operations. On this basis, the Group has no material entities, and this Resolution Plan shall focus on the Branch as an operational and legal extension of the Group. Therefore, the focus of this Resolution Plan is the orderly resolution of the Branch driven by the requirements of the OCC’s receivership procedures for the orderly liquidation of a banking entity in resolution.

#### Description of the Group

The Group is a public company limited by shares, incorporated in Australia. Its principal ordinary share listing and quotation is on the Australian Securities Exchange (“ASX”). The Group’s registered office, and head office, is located in Sydney, Australia. The Group also operates in a number of other countries, including New Zealand, the United Kingdom, China, Singapore, Indonesia, Vietnam, Japan, South Africa and the United States.

The Group is Australia’s leading provider of integrated financial services including retail banking, premium banking, business banking, institutional banking, funds management, superannuation, insurance, investment and sharebroking products and services. The Group is one of the largest listed companies on the ASX and is included in the Morgan Stanley Capital Global Index.

The Group provides a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. It conducts its operations primarily in Australia, New Zealand and the Asia Pacific region. The Group operates in the following business segments:

- Retail Banking Services
- Business and Private Banking
- Institutional Banking and Markets
- Wealth Management
- International Financial Services

The Group reported its annual results for fiscal year 2016 on August 5, 2016. It had total consolidated assets of approximately AUD 933,078 million and a statutory net profit after tax (NPAT) of AUD 9,227 million.

#### Overview of the Branch

The Group maintains a licensed branch in New York (“the Branch”). In the United States, the Branch is regulated by the Office of the Comptroller of Currency (OCC) and it is also supervised by the Federal Reserve Bank of New York as a branch operation of a Foreign Banking Organization (FBO), The Group is regulated as a Bank Holding Company. Because the Group’s total consolidated global assets exceed \$50 billion, it is a covered company under Regulation QQ and must submit a resolution plan that covers its operations in the United States.

The Branch was established in 1977. The Branch has dedicated natural resources, financial institutions and transport teams to offer lending solutions that meet clients’ needs. The Branch also offers a range of global market services including foreign exchange, interest rate derivatives, commodities, fixed income products, and money market services. The Branch also provides a private placements service for non-US clients looking for off-market investors from the United States.

(ii) **Consolidated or segment financial information regarding assets, liabilities, capital and major funding sources**

The balance sheet of the Group as at December 2015. Please note all amounts are in Australian Dollars.

**Fig ii – 1**

<b>Assets</b>	<b>A\$M</b>
Cash and liquid assets	31,587
Receivables due from other financial institutions	12,350
Assets at fair value through Income Statement:	
Trading	27,140
Insurance	13,316
Other	1,488
Derivative assets	45,532
Available-for-sale investments	78,161
Loans, bills discounted and other receivables	669,163
Bank acceptances of customers	1,640
Property, plant and equipment	3,321
Investment in associates and joint ventures	2,673
Intangible assets	10,018
Deferred tax assets	394
Other assets	6,292
<b>Total assets</b>	<b>903,075</b>
<b>Liabilities</b>	
Deposits and other public borrowings	560,498
Payables due to other financial institutions	35,053
Liabilities at fair value through Income Statement	9,011
Derivative liabilities	37,357
Bank acceptances	1,640
Current tax liabilities	559
Deferred tax liabilities	360
Other provisions	1,657
Insurance policy liabilities	12,611
Debt issues	160,798
Managed funds units on issue	1,326
Bills payable and other liabilities	7,959
	828,829
Loan capital	14,399
<b>Total liabilities</b>	<b>843,228</b>
<b>Net assets</b>	<b>59,847</b>
<b>Shareholders' Equity</b>	
Share capital:	
Ordinary share capital	33,252
Other equity instruments	939
Reserves	2,554
Retained profits	22,548
<b>Shareholders' Equity attributable to Equity holders of the Bank</b>	<b>59,293</b>
Non-controlling interests	554
<b>Total Shareholders' equity</b>	<b>59,847</b>

Source: the Group Balance Sheet for half year as at December 31, 2015:

<https://www.commbank.com.au/content/dam/commbank/about-us/shareholders/pdfs/2014-asx/1h2016-interim-results-media-release-prerelease-28-jan.pdf>

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**(iii) A description of derivative activities and hedging activities**

The Branch engages in derivative activities for internal and client hedging purposes. Hedges are performed for interest rate, commodities and currency risk. There are no other derivatives or hedging activities.

**(iv) A list of memberships in material payment, clearing and settlement systems**

The Branch is a member of SWIFT and Depository Trust Company (DTC).

**(v) A description of foreign operations**

The Branch has no foreign operations (other than the Group) material to its resolution.

**(vi) The identities of material supervisory authorities**

The Branch is supervised by the following authorities:

USA

- (1) Office of the Comptroller of the Currency (OCC);
- (2) Federal Reserve Bank of New York;
- (3) Commodity Futures Trading Commission (CFTC);
- (4) National Futures Association (NFA)

Australia

- (1) The Australian Prudential Regulation Authority ("APRA"), the statutory authority overseeing banks, credit unions, building societies, and parts of the insurance industry;
- (2) The Reserve Bank of Australia (RBA), the Central Bank of Australia;
- (3) Australian Securities and Investments Commission (ASIC);
- (4) Australian Securities Exchange (ASX);
- (5) Australian Competition and Consumer Commission (ACCC); and
- (6) The Commonwealth Treasury (the Treasury)

**(vii) The identities of the principal officers**

- (1) Leon Allen, Managing Director Americas
- (2) Frances Cranston, Executive Director International Operations, Americas
- (3) David Giacalone, Head of Credit Risk, Americas
- (4) Charles Constantin, Head of Compliance & Regulatory Risk, Americas
- (5) Avi Beneson, Chief Financial Officer, Americas (acting)

**(viii) A description of the corporate governance structure and processes related to resolution planning**

The Resolution Plan is a living document meaning that it is subject to annual review and approval. Each iteration of the Resolution Plan will be updated to include changes in the Branch's business, operations, and entities. The Resolution Plan will be subject to review and challenge by senior management and subject matter experts both within the Branch and the Group and with assistance from external providers if required. Any new developments in regulations will be incorporated into the Resolution Plan with each iteration.

This process will follow the existing Group governance structure culminating in annual approval by the Executive Risk Committee, the body with delegated authority from the Group's Board to approve the Resolution Plan. The Board Risk Committee is principally responsible for approving the Group's risk tolerance related strategies and policies, and is responsible for the oversight of policy compliance and effectiveness of the risk and compliance management framework that is in place.

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(ix) **A description of material management information systems**

The Branch uses the following material management information's systems: CRLS, PeopleSoft GL, WallStreet, Murex and Midas

- CRLS captures customer credit risk information
- PeopleSoft GL provides all profit & loss and balance sheet information
- WallStreet provides a leading foreign exchange trading platform
- Murex is a trading platform for options products, bonds, interest rate derivatives and commodities
- Midas is a loan maintenance platform

(x) **A description, at a high level, of the covered company's resolution strategy, covering such items as the range of potential purchasers of the covered company, its material entities, and core business lines.**

The resolution of the Branch will be a relatively straightforward receivership whereby assets will be liquidated and distribution made to creditors. Upon determination of insolvency, the OCC will appoint a receiver to initiate orderly liquidation of the Group's assets within the United States. The receiver will "ring fence" all of the Group's assets located in the United States. The receiver will apply these assets to repay third party liabilities of the Branch. Once all the claims are satisfied, excess proceeds are returned to the Group's home office for treatment under the Australian resolution framework.