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Via Electronic Transmission

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Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
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Washington, D.C. 20551

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
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Washington, D.C. 20429

> RE: Comments to Notice of Proposed Rulemakings – Prudential Standards for Large Bank Holding Companies and Saving and Loan Holding Companies (FRB Docket No. R-1627 and RIN 7100—AF20) and Proposed Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements (FRB Docket No. R-1628 and RIN 7100—AF21; Docket ID OCC-2018—0037 and RIN 1557-AE56; FDIC RIN: 3064—AE96).

Ladies and Gentlemen:

We appreciate the opportunity to respond to the proposed rule issued by the Board of Governors of the Federal Reserve System ("Board" or "Federal Reserve") to amend Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies[1] ("Prudential Standards NPR") and to the proposed rule issued by the Board and the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC") (collectively the "Agencies") to make Proposed Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements[2] ("Capital and Liquidity NPR") (collectively, the "Proposals").

The undersigned regional banks are traditional banking organizations predominantly focused on domestic business activities. Each undersigned banking organization has consolidated assets

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[1] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies, 83 Fed. Reg. 61408 (Nov. 29, 2018).
[2] Proposed Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements, 83 Fed. Reg. 66024 (Dec. 21, 2018).

above $100 billion but below $250 billion and would qualify as a Category IV firm under the Proposals.[3] The Category IV firms have collectively responded to past proposals from the Agencies commenting on the use of static asset thresholds for determining whether financial institutions pose a systemic risk to the U.S. financial system and discussing the need to move away from asset thresholds toward a risk-based system for determining the application of regulatory standards.

Under the Proposals, the Federal Reserve has proposed to implement the Economic Growth, Regulatory Relief, and Consumer Protection Act[4] ("EGRRCPA") by establishing "four categories for purposes of determining applicable prudential standards for bank holding companies ("BHCs") and covered savings and loan holding companies with total consolidated assets of $100 billion or more."[5] In calculating the proposed application of the Enhanced Prudential Standards ("EPS"), the Proposals' four categories general rely upon asset size as the determining factor for application, with Category I standards applying to U.S. Global Systemically Important Bank Holding Companies ("GSIBs"); Category II standards applying to firms that have $700 billion or more in total consolidated assets or $75 billion or more in cross-jurisdictional activity; Category III standards applying to firms with $250 billion or more in consolidated assets or $75 billion or more in certain indicators including nonbank assets, weighted short-term wholesale funding, or off-balance-sheet exposures; and Category IV standards applying to firms with $100 billion in total consolidated assets.[6]

The undersigned Category IV banks appreciate the Proposals' recognition that Category IV firms "[a]s a class…have more traditional balance sheet structures, are largely funded by stable deposits, and have little reliance on less stable wholesale funding,"[7] and are "not likely to have as great of an impact on financial stability as the failure or distress of a firm subject to Category I, II, or III standards."[8] However, the Proposals' use of a $100 billion asset threshold to determine the applicability of EPS to firms under $250 billion is unnecessary given the Agencies recognition that Category IV firms risk profiles are smaller, less complex, and less likely to cause a systemic risk to the U.S. financial system. As such, the Proposals should be amended to raise the applicable asset threshold for Category IV firms from $100 billion to $250 billion, consistent with Congressional intent in enacting EGRRCPA. Additionally, the undersigned Category IV firms offer technical comments on the proposed regulatory relief contained in the Proposals, focusing on clarity surrounding the interplay between certain regulatory relief afforded in the proposals and necessary changes to the capital plan rule and changes to forms that the Proposals mentions will be forthcoming.

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[3] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies *supra* note 1 at 61412.
[4] Economic Growth, Regulatory Relief, and Consumer Protection Act, Pub. L. No. 115-174 (2018).
[5] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies *supra* note 1 at 61412.
[6] *See, id*. *See, also*, Proposed Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements, *supra* note 2 at 66028.
[7] Proposed Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements, *supra* note 2 at 66037.
[8] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies *supra* note 1 at 61420.

I. The Proposals' scoping criteria for Category IV should be modified to raise the $100 billion asset threshold to $250 billion, consistent with the authority provided in section 401 of EGRRCPA and commensurate with the lower risk profile of Category IV banks.

Congress enacted EGRRCPA recognizing the importance of utilizing a risk-based approach toward financial regulation and raised the asset thresholds for determining the application of EPS for systemically important financial institutions which were originally set by the Dodd-Frank Wall Street Reform and Consumer Protection Act.[9] Specifically, EGRRCPA exempted application of EPS to financial firms with consolidated assets below $100 billion ("Other Firms"), but also limited the application of EPS to firms with consolidated assets between $100 billion and $250 billion unless the Board is able to determine that a particular EPS is appropriate for a particular firm after applying a multi-factored analysis.

While EGRRCPA did provide the Board the authority to "tailor or differentiate" among companies on an individual basis or by category, the need to apply tailored EPS presently is not supported by the data provided to the Board by Category IV firms or from the Department of the Treasury's Office of Financial Research ("OFR"),[10] which indicates that these institutions, individually or as a category of institutions, do not pose a systemic risk to the U.S. financial stability. As an alternative to the proposed changes to the asset threshold for size, we feel the Board's approach for scoping proposed categories and applying the other risk-based indicators is a more appropriate approach for determining the application of the prudential standards. The Method 1 GSIB Surcharge score may also be a suitable alternative. A firm specific determination on the application of EPS using a specific risk-based indicator approach would more closely align the application of EPS with the intended relief of EGRRCPA and, importantly, it maintains effective mechanisms and defined processes by which the Board will be able to monitor and manage risks in the banking system over time while also enabling the Board to more dynamically allocate resources to those areas of the industry where the most risk is present.

A. Congress Intended EGRRCPA and the Implementing Regulations to Provide Regulatory Relief from the Enhanced Prudential Standards to BHC's with Consolidated Assets Under $250 Billion

EGRRCPA specifically raises the threshold for EPS application to $250 billion from $50 billion, although it does give the Board expanded authority to retain BHCs within EPS.[11]

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[9] Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Pub. L. No. 111-203, §165, 124 Stat. 1376, 1423 (2010) *amended by* the Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018, Pub. L. No. 115-174 (2018) (current version at 12 U.S.C. § 5365(2018).

[10] *See* DEP'T OF THE TREASURY, OFFICE OF FIN. RESEARCH, VIEWPOINT: SIZE ALONE IS NOT SUFFICIENT TO IDENTIFY SYSTEMICALLY IMPORTANT BANKS 17-04, 6 (Oct. 26, 2017) (stating that "size is not always a good proxy for systemic importance, except for the largest banks" and analyzing potential systemic risk among BHC's with consolidated assets above $50 billion utilizing the Basel Methodology).

[11] The expanded authority in EGRRCPA allows the Board, pursuant to the Administrative Procedure Act, to issue a rule or order requiring the application of any prudential standard to a bank or holding company (or a group of firms) upon a determination that such application is necessary to "to prevent or mitigate risks to the financial stability of the United States… or to promote the safety and soundness of the bank holding company or bank holding companies." To make an EPS determination under this provision, the statute delineates factors the Board must consider, which include: the BHC or BHCs' capital structure, riskiness, complexity, financial activities (including financial activities of subsidiaries), size, and any other risk-related factors that the Board of Governors deems

We believe that firms below $250 billion in assets should be exempt from EPS presently and subject to a periodic stress test regime specifically designed to examine systemic risk. However, we recognize that the risks at firms could change and the law provides the Board with the discrete and important ability to determine if and when EPS or other standards should be re-applied to these firms in the future.

The Proposals, however, do not articulate a process where specific determinations about firms and their risks will be employed. Rather, they provide conclusions about the "general" scale and complexity of firms between $100 billion to $250 billion and the possible relative level of impact their failure or distress might cause the system, and, based on such conclusions, place all firms in the $100 billion to $250 billion dollar asset range in a category that will receive tailored EPS regulation.

If the Board is going to seek to continue to apply EPS, we believe the statute requires making specific determinations/findings on a firm by firm or class basis, that this is a more sound process and promotes greater risk awareness and overall risk reduction in the financial system. Considering the significance of the regulatory implications associated with being subject to EPS, or even tailored EPS, we believe the most appropriate process for making these determinations requires raising the $100 billion asset threshold to $250 billion as Congress intended, with a procedure for making firm specific determinations on the application of EPS using the specific risk-based indicator approach such as the one outlined in the proposals or via Method 1 of the GSIB surcharge rule. Together, these changes would ensure that Category IV firms, and other firms below $100 billion, would have a clearer understanding and roadmap as to what changes those firms could make to their business models to limit the systemic risk that institution poses and warrant tailored relief from the application of the EPS. This transparency would assist firms in managing firm-specific risk and assist the Board in managing industry risk.[12]

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appropriate." Following the process outlined in EGRRCPA is important for several reasons. Besides providing the Board with the basis to act should a subject firm or firms present a risk, it also requires the Board to follow certain steps and consider particular criteria and make findings. These sound procedural requirements are valuable because they promote greater risk awareness and overall risk reduction in the financial system. Considering the significance of the regulatory implications associated with being subject to enhance prudential standards, we believe the most appropriate process for making these determinations requires firm specific determinations using the risk-based factors and/or method 1 of the GSIB surcharge methodology.

[12] Additionally, the undersigned institutions believe the Board, separately from the current Proposals, should revisit the recently adopted final rule establishing a new rating system for large financial institutions (the "LFI rating system"). As finalized, the LFI rating system would apply to BHCs with consolidated assets above $100 billion. For the aforementioned reasons, along with those in subsection I.B., the LFI rating system should be applied only to BHCs above $250 billion, consistent with EGRRCPA. Further, because the LFI focuses on capital, liquidity, and risk management—the same categories of regulation under the EPS, the LFI rating system should be tailored similar to the EPS to ensure both approaches are consistent with the framework contemplated by the tailoring proposals under EGRRCPA.

B. Category IV firms today are much closer in systemic risk profile to firms below $100 billion that are excluded from the application of EPS than to firms above $250 billion.

The EGRRCPA requires the Board to review the application of EPS to firms based upon risks to financial stability and promoting safety and soundness, taking into consideration specific factors including capital structure, riskiness, complexity, financial activities, size, and other risk-related factors. For the discussed below, we do not believe that the group of institutions that would be included in Category IV present a level of risk that warrants application of EPS.

First, the need to apply EPS is not supported by the data provided to the Board by Category IV firms or analysis from the OFR[1] which indicates that these institutions, individually or as a category of institutions, do not pose a systemic risk to the U.S. financial stability. As Congress debated EGRRCPA, various sources have produced data to determine the systemic risk posed by financial institutions.[13]

The primary method for reviewing and comparing systemic risk has been the Board's GSIB surcharge calculation methodology.[14] This GSIB surcharge regulation was finalized in 2015 and the final regulation implementing the surcharge requires BHC's with consolidated assets greater than $250 billion to annually calculate their systemic risk score for determining whether the surcharge should apply.

The GSIB calculation includes a multi-factor methodology for assessing the systemic risk posed by a banking organization based on a series of factors that are consistent with the multi-factor balancing test mandated by EGRRCPA. The GSIB surcharge has two methods for calculating the systemic loss default. Method 1 is based on the internationally accepted GSIB surcharge framework and focuses on size, interconnectedness, complexity, cross-jurisdictional activity, and substitutability.[15] Method 2 is similar, but replaces substitutability with reliance on short-term wholesale funding. Additionally, the Proposal focuses on utilizing an "alternative scoping criteria" outlined in the Proposal,[16] focusing on five factors previously discussed.

These methodologies provide a useful benchmark of systemic risk and when analyzed, show that EPS should not be applied to regional banks with consolidated assets under $250 billion consistent with EGRRCPA. Table 1[17] demonstrates the significant difference in aggregate Method 1 GSIB surcharge scores between firms over $250 billion as compared with firms below $250 billion, along with the delineations under the Proposals alternative methodology.

More specifically, Table 2 illustrates the risk profiles of Category IV firms compared to both Category III firms and other firms with consolidated assets below $100 billion that are exempt

[13] DEP'T OF THE TREASURY, OFFICE OF FIN. RESEARCH, *supra* note 10, at 16 (finding that "for large banks that are not G-SIBs, asset thresholds are too simplistic to assess systemic importance").
[14] *See* 12 C.F.R. Part 217 Subpart H.
[15] BD. OF GOVERNORS OF THE FED. RESERVE SYS., CALIBRATING THE GSIB SURCHARGE, 3 (July 20, 2015) *available at* https://www.federalreserve.gov/aboutthefed/boardmeetings/gsib-methodology-paper-20150720.pdf.
[16] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies *supra* note 1 at 61415.
[17] Data from Tables 1 through 5 is gathered from public filings as of 12/31/17.

from the EPS under the Proposals. When compared, the average total GSIB surcharge score for Category III firms is approximately 38 while the average score for Category IV firms is approximately 12, and the average for other firms is 7. As such, the average score of Category IV firms when compared to those firms below the $100 billion consolidated asset threshold is approximately 1.7 times higher, while the average score of Category III firms when compared to Category IV firms is 3.2 times higher.

In sum, as the Tables indicate, Category IV firms are closer in aggregate Method 1 GSIB surcharge score to those firms under the NPR's $100 billion consolidated asset threshold for EPS than they are to firms above the $250 billion threshold and, therefore, do not pose a systemic risk to U.S. financial stability and should be excluded from the application of EPS.

Separately, after reviewing the risk-based threshold approach the Agencies outline in the Proposals, utilizing $75 billion thresholds for each of four additional risk-based indicators, the risk-based threshold approach recognizes that Category IV firms balance sheets, compared to larger and more complex firms, do not contain the mix of assets and investments that pose a systemic risk to the U.S. financial system. Under the Proposals, these thresholds would apply to firms with total consolidated assets of $100 billion or more but less than $250 billion and that have $75 billion or more in weighted short-term wholesale funding, nonbank assets, or off-balance sheet exposure.[18] Table 3 utilizes these thresholds to demonstrate that Category IV firms, as defined in the Proposals,[19] are substantially below the proposed $75 billion dollar limit for each risk factor. In fact, in certain risk-based indicators, the Category IV firms aggregate total for the class of firms does not trigger the $75 billion for the risk-based indicator.[20] This distance from the thresholds set for these factors that "contribute to the systemic risk profile and safety and soundness risk profile of a firm"[21] demonstrate that Category IV firms as a category do not presently pose a systemic risk to U.S. financial stability and should be excluded from the application of EPS.

A review of either the risk-based indicator scoping criteria or the Method 1 GSIB methodology, show that application of the EPS is not warranted to Category IV firms. As such, the final Proposals should utilize a risk-based indicators approach, such as either the risk-based indicator scoping criteria or the Method 1 GSIB surcharge calculation, in addition to a $250 billion asset size threshold, for determining that Category IV firms should not be subject to EPS.

II. The Proposals provide welcomed regulatory relief and simplification for Category IV firms, but clarity to several aspects of the NPR is necessary to ensure the regulatory reform is achieved.

The Proposals include a number of provisions that provide meaningful regulatory relief for Category IV firms. However, while these reforms are welcome, several areas of the proposed

[18] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies *supra* note 1 at 61412.
[19] *See id.* at 61420.
[20] *See* Chart 3 (showing cumulative non-bank assets and cross-jurisdictional activity below the $75 billion threshold).
[21] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies *supra* note 1 at 61412.

regulatory relief are unclear given the Proposals discuss additional or forthcoming rulemakings from the Board that will finalize or clarify certain proposed areas of relief. As such, the true impact of the regulatory relief afforded by those provisions is muted until those proposals are released for comment. That said, we continue to support efforts to modify and tailor various provisions in the Proposals, including stress testing, capital, liquidity, and various reporting forms and offer the following recommendations. Moreover, notwithstanding the regulatory relief the Proposals afford Category IV firms, it is important to note that the undersigned institutions intend to continue to maintain specific liquidity and capital management protocols as prudent risk management practices consistent with safe and sound operation under minimum capital and liquidity requirements measured regularly by supervisory examinations.

A. Supervisory stress tests and company run stress tests.

The Prudential Standards NPR would "revise the frequency of supervisory stress testing to every other year and eliminate the requirement for firms subject to Category IV standards to conduct and publicly report the results of a company-run stress test."[22] The Board adds that for firms subject to Category IV standards the Prudential Standards NPR would "reduce compliance costs" by removing the requirement for conducting company run stress tests altogether.[23]

While this removal of the company run stress test is welcome by Category IV firms, clarity is necessary on the requirements contained in the "annual capital plan submission"[24] and the forthcoming "capital plan rule" that could limit this regulatory relief.

The Board's Prudential Standards NPR discusses a separate rulemaking on the capital plan rule and CCAR.[25] The Prudential Standards NPR also indicates that the Board may propose to allow Category IV firms to include in their annual capital plan submissions estimates of revenues, losses, reserves and capital levels based on a forward-looking analysis, taking into account the firm's idiosyncratic risks under a range of conditions, but would not require those firms to submit the results of company-run stress tests on the FR Y-14A.[26] Category IV firms would also be subject to supervisory stress testing on a biennial basis.

The Board should confirm in the capital plan proposal that the submissions take into account "the firm's idiosyncratic risks under a range of conditions" is different from the current capital plan rule that capital plans must include projections "under expected conditions and a range of scenarios" and are not required to include company run stress test results in capital plan submissions, either annually or biennially. The capital plan rule should not require reporting of company run stress tests in the FR Y-14A consistent with the Prudential Standards NPR.

Additionally, the Prudential Standards NPR states that in the proposed capital plan rule the Board intends to propose that the stress buffer requirements contained in the "stress buffer

[22] *Id.* at 61421.
[23] *Id.* at 61425.
[24] *See* BD. OF GOVERNORS OF THE FED. RESERVE SYS, PROPOSED REQUIREMENTS, Appendix 15 (Oct. 31, 2018) *available at* https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20181031a3.pdf.
[25] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies *supra* note 1 at 61421 FN 93.
[26] *Id.* at 61421.

requirements to large bank holding companies"[27] "be calculated in a manner that aligns with the proposed two-year supervisory stress testing cycle", but that the stress buffer requirements "be updated annually to reflect planned distributions, but only every two years to reflect stress loss projections."[28] Notwithstanding the NPR's requirement to do away with company run stress tests, it is unclear if some modicum of company run stress testing would be necessary in order to implement the proposed annual update for planned distributions—rendering the regulatory relief removing the company run stress tests moot. The Board should clarify its intentions with regard to company run stress tests in the forthcoming capital plan rule.

B. Clarity on capital plan rule.

The Prudential Standards NPR states that the Board "is considering proposing at a later date in the capital plan proposal to tailor Category IV standards to align with the proposed changes to stress testing provisions consistent with EGRRCPA."[29] The Board added "as part of the capital plan proposal, the Board intends to provide greater flexibility to these firms to develop their annual capital plans."[30] While greater flexibility in capital planning is necessary given the noncomplex business models of Category IV firms, the NPR and the forthcoming "capital plan proposal" continue to adhere to the notion of applying an annual capital plan requirement for planned distributions, notwithstanding the move to a two-year supervisory stress test and corresponding biennial updates to a firm's stress loss buffer.

The Board should not impose an annual capital plan prudential standard requirement on Category IV firms and should instead utilize the supervisory process for evaluating firm capital planning practices, and for measuring and maintaining minimum regulatory capital levels for supervisory safety and soundness. At a minimum, the Board should allow for *de minimis* or off-cycle capital distributions given the noncomplex nature of Category IV institutions and, in greater alignment with EGRRCPA intention, the Board should consider no restrictions on Category IV firm capital distributions as long as prescribed Stress Capital Buffers are maintained and review of a firm's alignment to the tailored Category IV capital planning standards is sufficient.

Category IV firms should have the option to request an off-cycle supervisory stress test to refresh a bank's stress capital buffer. Category IV firms are supportive of the Prudential Standards NPR's shift from an annual supervisory stress test to a two year supervisory stress testing cycle. However, in light of the Prudential Standards NPR's statement that the Board intends to continue to propose the stress capital buffer requirements for Category IV firms be calculated in a manner "that aligns with the proposed two-year supervisory stress testing cycle"[31] could create a situation where a Category IV firm is subject to an unnecessarily high stress capital buffer for a prolonged period of time. For example, if the Board proposed a scenario that generates significant hypothetical losses in any one asset class, a Category IV bank subject to a biennial supervisory stress test cycle could be stuck with that significant stress buffer for up to two years.

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[27] *Id*. at 61421 (FN 94).
[28] *Id.* at 61421.
[29] *Id.* at 61411 (FN 29).
[30] *Id.* at 61421.
[31] *Id.*

This could occur in the least opportune times for a Category IV firm and the economy given most sever scenarios for the stress capital buffer would likely occur during the height of the economic cycle resulting in a Category IV firm holding inflated stress capital buffers during a recessionary period, limiting recovery and by limiting additional lending. This could have profound impacts for the macro economy in severe recessions, particularly when taken into account with additional capital reserves that will now be required by the implementation of the Current Expected Credit Loss ("CECL") accounting standard. Accordingly, Category IV firms should have the option to request an off-cycle supervisory stress test to refresh each firm's stress capital buffer.

C. Clarity of Proposed Changes to the FR Y-14.

As supported by the discussion below, in order to align with the proposed elimination of the supervisory stress tests for firms under $250 billion, the undersigned request revisions of certain of the FR Y-14 reporting requirements for Category IV firms. The Prudential Standards NPR states that the Board "is proposing to maintain existing FR Y-14 reporting requirements for firms subject to Category IV standards in order to provide the Board with the data it needs to conduct supervisory stress testing and inform the Board's ongoing supervision of these firms,"[32] but further states (in a footnote) that the Board "plans to separately propose reductions in FR Y-14 reporting requirements for firms subject to Category IV standards as part of the capital plan proposal at a later date, to align with changes the Board would propose to the capital plan rule."[33] The Prudential Standards NPR, however, also indicates that under the "potential approach" Category IV standards would require a firm to include in its capital plans estimates of revenues, losses, reserves, and capital levels based on forward-looking analysis, taking into account the firm's idiosyncratic risks under a range of conditions *but would not require* the firm to submit the results of company-run stress tests on the FR Y-14A [emphasis added]."[34] The Prudential Standards NPR explicitly states, this change would "align with the proposed removal of company-run stress testing requirements from Category IV standards under the enhanced prudential standards rule."[35] Although the Board states that it is proposing to maintain existing FR Y-14 reporting requirements for Category IV firms, because it more specifically discusses removal of the FR Y-14A report, it is assumed that the Board is open to reductions to the FR Y-14 reporting requirements, namely FR Y-14M and FR Y-14Q for Category IV firms.

While the undersigned welcome the elimination of the FR Y-14A, in order to fully align with the proposed removal of the stress-testing requirements and the Congressional intent to provide regulatory relief, it is also necessary to make further changes to the FR Y-14M and FR Y-14Q reporting requirements for Category IV firms. All of the FR Y-14 reports were originally implemented in connection with section 165 of the Dodd-Frank Act and section 5 of the Bank Holding Company Act and each was designed to assist with the stress-testing requirement.[36] While FR Y-14A is used to report stress test results, both FR Y-14M and FR Y-14Q are used to

[32] *Id*.
[33] *Id.* at 61421 FN 93.
[34] *Id.*
[35] *Id.*
[36] Each of the FR Y-14A, FR Y-14M, and FR Y-14Q reports is titled "Capital Assessment and Stress Testing Report information collection."

collect BHC data (loan portfolios in the case of the FR Y-14M and various asset classes, capital components and categories of pre-provision net revenue in the case of the FR Y-14Q) that is used to support supervisory stress testing models and continuous monitoring efforts.[37] The Board has stated the financial data reported by a BHC on FR Y14A/Q/M reports is used to assess whether the BHC has the capital necessary to absorb losses under stress.[38]

Accordingly, the undersigned recommend changes to the reports to lessen the regulatory burden and, perhaps streamline the information that is reported. Reduction of the frequency of the FR Y-14M from monthly to quarterly would help to significantly lessen the time and resources spent on completion of the form. Because the FR Y-14Q is already completed on a quarterly basis, rather than advocating for a reduction in frequency, the undersigned request a review of the relevance of the information requested. It is unclear what relevance such information would have to the Board from a systemic risk standpoint. Removing these less relevant fields would decrease burden on the Category IV firms while also narrowing down the information the Board must review to only that which is most important.

D. Tailored Liquidity Requirements

The Prudential Standards NPR makes several helpful changes to liquidity risk management requirements for Category IV firms. In particular, the Prudential Standards NPR would modify the liquidity risk management requirements of Category IV firms as follows: (i) requiring that collateral positions be calculated on a monthly, rather than weekly basis; (ii) clarifying that firms need not establish liquidity risk limits for activities not relevant to the firm, but, instead must establish risk limits that are consistent with the firm's established liquidity risk tolerance and that reflect the firm's risk profile, complexity, activities, and size; and (iii) specifying fewer required elements of monitoring intraday liquidity risk exposures, consistent with the firm's risk profile, complexity, activities, and size.[39] The NPR, however, states that Category IV firms would remain subject to monthly, "tailored" FR 2052a liquidity requirements.[40] To fully implement these changes, the undersigned recommend changes to the reporting requirements.

Additionally, the Capital and Liquidity NPR removes the modified liquidity coverage ratio ("LCR") and Net Stable Funding Ratio ("NSFR") requirements for Category IV firms. The Agencies recognized, "these standardized liquidity requirements are less important for banking organizations subject to Category IV standards given their smaller systemic footprint, more limited size, and other applicable requirements."[41] The Capital and Liquidity NPR further states that Category IV firms "would also continue to be subject to internal liquidity stress testing requirements at the consolidated holding company level under the Board's regulations, which include a 30-day and 1-year planning horizons, and Complex Institution Liquidity Monitoring Report (FR 2052a) requirements."[42]

[37] *See*, Instructions for Preparation of Capital Assessments and Stress Testing Report FR Y-14M, pg. 2 and Instructions for Preparation of Capital Assessments and Stress Testing Report FR Y-14Q, pg. 2.
[38] 80 Fed. Reg. 55621 (Sept. 16, 2015).
[39] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies *supra* note 1 at 61420.
[40] *Id*. at 61420 FN. 90.
[41] *Id*. at. 66038.
[42] *Id.*

The changes presented in the Prudential Standards NPR, as well as those identified in the Capital and Liquidity NPR provide welcome regulatory relief. The removal of the LCR and NSFR for Category IV firms, in particular, will significantly lessen the regulatory burden. However, the Prudential Standard NPR's continued requirement for Category IV firms to report on the Complex Institution Liquidity Monitoring Report (the "FR 2052a") leaves Category IV firms with a sustained and unnecessary burden. Additionally, consistent with the established reduced systemic risk of Category IV firms, and the intended regulatory relief from both the LCR and the NSFR, we strongly recommend corresponding relief from Regulation WW[43], which would otherwise cause us to publicly disclose our 4Q 2018 LCR on or before March 1, 2019. The Regulation WW requirement is at once unnecessary, in conflict with the stated objectives of the Proposals, and would otherwise undermine any intended realized relief.

While the Prudential Standards NPR indicates that, with respect to the FR 2052a report, it would modify the current reporting frequency and granularity to align with the proposed tailoring framework,[44] little, if anything is done to lessen the requirements imposed on Category IV firms. The purpose of the FR 2052a is to collect data elements that enable regulators to assess the liquidity profile of reporting firms, primarily pursuant to the LCR Rule.[45] Accordingly, if the LCR requirement is removed for Category IV firms, there should be no need for the extensive information provided in the FR 2052a. The undersigned recommend that the FR 2052a report be replaced with a report that is less burdensome and more in line with the discontinued FR 2052b. A less detailed report with data points similar to those in the discontinued FR 2052b would continue to provide the Board with information regarding a BHC's liquidity positions (including cash, investment securities, secured borrowing capacity, etc.) but at a much less granular level than the FR 2052a. As indicated above, the Agencies have determined that standardized liquidity requirements are "less important for banking organizations subject to Category IV standards given their smaller systemic footprint, more limited size, and other applicable requirements."[46] As such, the liquidity-related information that was collected in was FR 2052b was more in line with the actual systemic risk presented. Reverting to the FR 2052b or a report with similar data points would save substantial time and the technology, accounting, and treasury resources that collaborate to complete the report on a monthly basis.

If the Federal Reserve retains the FR 2052a reporting requirement for Category IV firms, the Federal Reserve should clarify and confirm that the FR 2052a information will not represent a binding constraint for Category IV firms. Further, if the 2052a report continues to be required, the reporting frequency should be reduced to quarterly (coincident with the proposed quarterly Regulation YY liquidity stress testing requirement).

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[43] 12 C.F.R. Part 249 (2018).

[44] Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies *supra* note 1 at 61424.

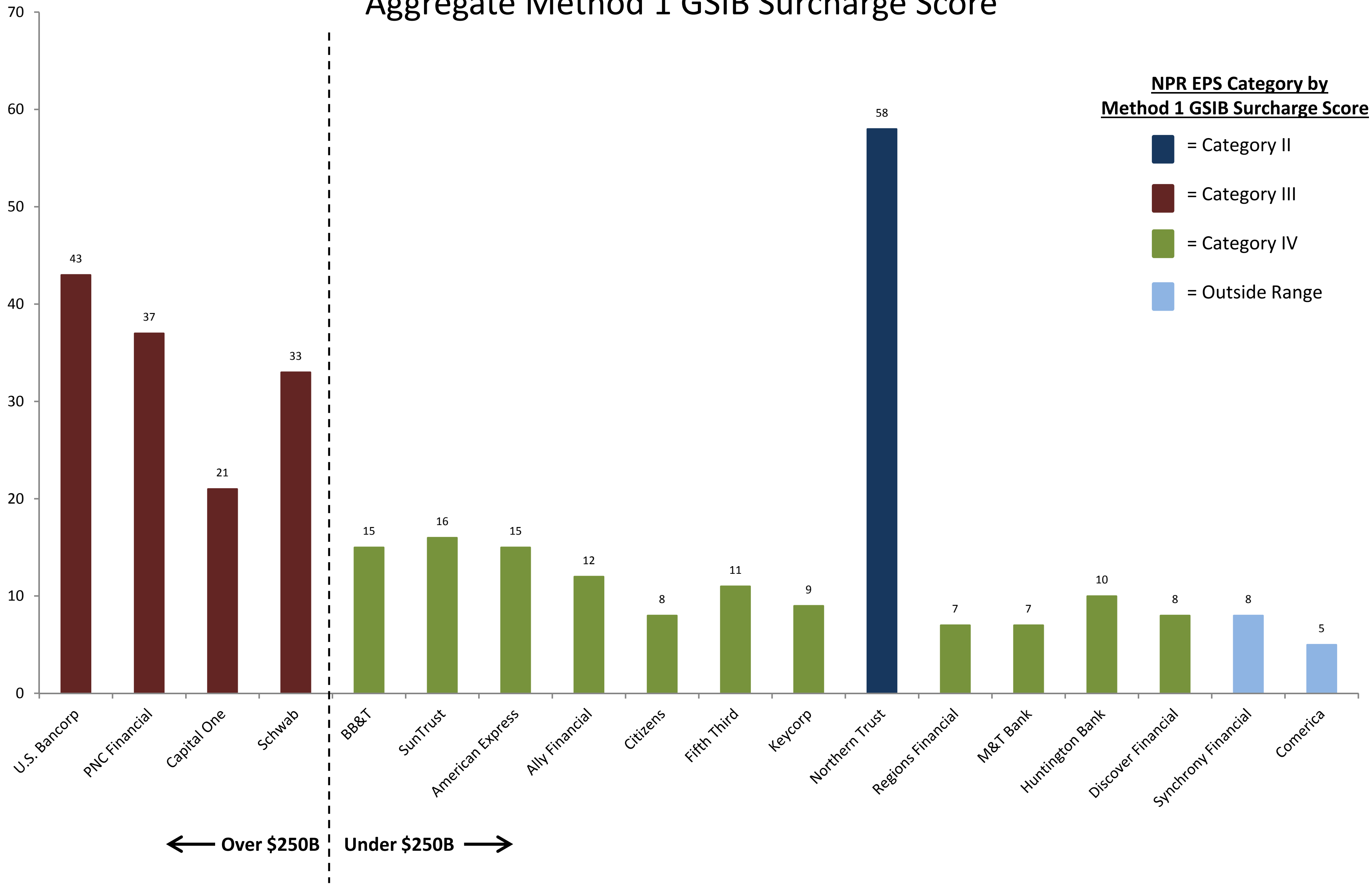
[45] "LCR Rule" means the final rule published at 79 Fed. Reg. 61440 (Oct. 10, 2014), (codified at 12 FCR part 50 (OCC), 12 CFR part 249 (Board), and 12 CFR part 329 (FDIC)).

[46] *See* Proposed Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements, *supra* note 2 at 66037.

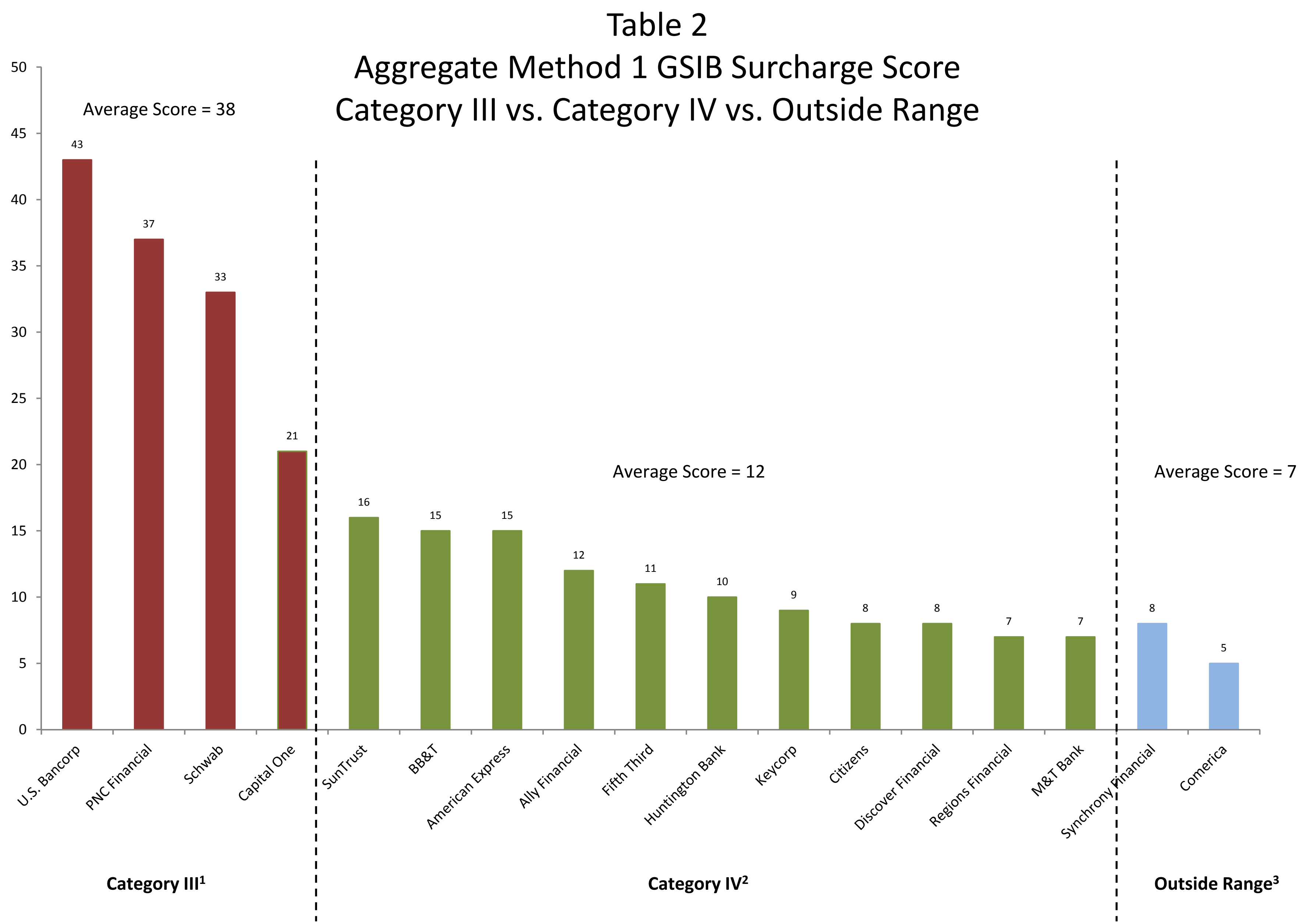
We thank the Agencies for the opportunity to comment on the Proposals and respectfully ask for consideration of the recommendations and suggestions in this letter.

Ally Financial, Inc.
Discover Financial Services
Fifth Third Bancorp
Regions Financial Corporation
SunTrust Banks, Inc.

Table 1
Aggregate Method 1 GSIB Surcharge Score



Note: Total assets figures sourced from Y-9C filings as of 6/30/18.



Note: Based on FR Y-15 data reported as of 11/2/18. For all BHCs except AXP, COF, PNC, and USB, the short-term wholesale funding metric was estimated via the following proxy measure: (short-term borrowings + repo)/risk-weighted assets. Method 1 scoring as of 12/31/16. Average scores are rounded to the nearest whole number.
(1) Includes BHCs with Method 1 scores between 25 and 45.
(2) Includes BHCs with Method 1 scores less than 25.
(3) Includes BHCs below $100BN total assets for relative comparison.

Table 3

Impacted Banks by Category, Asset Size, and Risk-Based Indicators ($US mm)						
Bank	Proposal Category (Primary Method)	Total Assets	Total Cross Jurisdictional Activity[1]	NBA[2]	wSTWF[3]	Off Balance Sheet Assets[4]
JPMorgan Chase	I	$2,590,050	$1,407,583	$7	$457,622	$712,201
Bank of America	I	2,291,858	745,768	5,237	401,456	589,991
Citigroup	I	1,912,334	1,872,886	49,407	342,651	582,025
Wells Fargo	I	1,879,700	254,474	16,404	192,565	332,905
Goldman Sachs	I	968,617	799,885	70,639	309,450	443,934
Morgan Stanley	I	875,875	682,352	32,633	318,135	230,646
BONY	I	352,928	243,409	5,494	85,770	22,473
State Street	I	248,398	245,879	6,896	40,966	8,956
Northern Trust	II	135,106	112,055	180	37,792	5,086
U.S. Bancorp	III	461,329	55,849	2,572	25,982	105,294
PNC Financial	III	380,796	12,054	2,071	20,765	66,229
Capital One	III	363,989	11,441	1,848	11,335	60,447
Schwab	III	261,882	12,588	5,454	51,270	5,460
BB&T	IV	222,681	1,446	1,392	21,444	27,339
SunTrust	IV	207,882	4,046	1,407	15,298	44,650
American Express	IV	184,848	46,077	429	9,653	21,638
Ally Financial	IV	171,345	1,140	8,067	9,762	4,455
USAA	IV	158,722	-	15,014	-	-
Citizens	IV	155,838	2,564	76	11,620	25,542
Fifth Third	IV	140,695	3,077	-	10,846	30,870
Keycorp	IV	138,165	2,501	863	9,160	30,545
Regions Financial	IV	124,789	1,047	399	1,964	21,934
M&T Bank	IV	118,426	367	40	10,490	13,792
Huntington Bank	IV	105,358	1,775	206	5,344	11,001
Discover Financial	IV	102,751	107	1,004	5,053	19,471

Note: Excludes U.S. Intermediate Holding Companies of Foreign Banking Organizations (FBOs). Total assets figures sourced from Y-9C filings as of 6/30/18.
(1) Cross Jurisdictional Activity calculated as the sum of Cross Jurisdictional Claims and Cross Jurisdictional Liabilities reported in FR Y-15 filings as of 6/30/18.
(2) Nonbank Assets calculated as the average of the 4 most recent figures for Equity Investments in Nonbank Subsidiaries reported in FR Y-9LP filings from Q3'17-Q2'18.
(3) Weighted Short-Term Wholesale Funding figures sourced from FR Y-15 filings as of 6/30/18.
(4) Off-Balance Sheet Assets figure computed as the Total Exposure figure from FR Y-15 filings minus Total Consolidated Assets as reported on Y-9C filings, both as of 6/30/18.