CREDIT SUISSE

June 21, 2019

Submitted via electronic mail

Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219
Attention: Legislative and Regulatory Activities Division
Docket ID OCC-2018-0037

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Attention: Ann E. Misback, Secretary
Docket No. R-1628; RIN 7100-AF21
Docket No. R-1658; RIN 7100-AF45

Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Attention: Robert E. Feldman, Executive Secretary
RIN 3064-AE96
RIN 3064-AE93

RE: Proposed Rules Tailoring Enhanced Prudential Standards, Applicability of Capital and Liquidity, and Resolution Planning Requirements for Foreign Banking Organizations

Ladies and Gentlemen:

Credit Suisse Holdings (USA), Inc. ("Credit Suisse" or "CS") welcomes the opportunity to provide comments on the proposed rule tailoring enhanced prudential standards (the "tailoring proposal"), the proposed rule on applicability of capital and liquidity requirements, and the proposed rule amending resolution planning requirements (collectively, the "proposals") issued by the Board of Governors of the Federal Reserve System (the "Board"), the Federal Deposit Insurance Corporation ("FDIC"), and the Office of the Comptroller of the Currency ("OCC") (collectively, the "Agencies").

We welcome the decision of the Agencies to tailor prudential requirements for Foreign Banking Organizations ("FBOs") and their Intermediate Holding Companies ("IHCs") based on size and risk profile. We generally support using a risk-based approach to regulation that would recognize that large FBOs and their IHCs have dramatically reduced their systemic footprint within the United States since the 2008 global financial crisis (the "Crisis"). The IHCs today look fundamentally different than the largest and most complex U.S. bank holding companies ("BHCs") (i.e., the U.S. Global Systemically Important Banks or "GSIBs").

However, we are concerned that the proposals, as written, exhibit unintended biases against FBOs, meaning they do not take into account the radically reduced footprint and risk profile of FBOs

and IHCs, nor do they take into account the comprehensive regulatory and supervisory changes at both the U.S. and home country levels that have occurred over the past decade.[1] The proposals also do too little to level the playing field between IHCs and U.S. BHCs and, in many cases, seem to exacerbate the inequities faced by IHCs. For example, the proposals disproportionately capture IHCs in higher categories by 'tainting' an IHC's risk profile with the attributes of the parent's combined U.S. operations ("CUSO") and by including transactions between affiliates in the risk-based indicator ("RBI") calculations that are eliminated in consolidation for U.S. BHCs. As a consequence, 'tailoring' for larger IHCs often increases the stringency of their requirements. Moreover, the proposals do too little to reduce the post-Crisis global trend toward fragmentation in capital and liquidity requirements, a trend which undermines the broader goal of ensuring financial stability.

We urge the Agencies to take greater account of post-Crisis changes described in Section I and the need to promote greater competitive equality, and to seek to achieve a more optimal balance between home and host country regulation as the Agencies finalize these proposals (and as they consider future rulemakings).

Overall Considerations

- ***Recognize post-Crisis reforms***: The Agencies should tailor regulation for FBOs in light of the considerable post-Crisis enhancements to resolvability and resilience of such firms (at both home and host level), including the introduction of the IHC regulatory regime and the creation of the internal total loss-absorbing capacity ("Internal TLAC" or "iTLAC") requirement.
- ***Ensure a level playing field***: The Board should comply with the statutory requirement that it give due regard to the principle of national treatment and equality of competitive opportunity. It should take into account the extent to which the foreign financial company is subject to consolidated home country standards that are comparable to those applied to financial companies in the United States.[2] These principles are designed to create a level-playing field and promote competitive equality. However, as written, the proposals further contribute to a regulatory framework that puts IHCs at a competitive disadvantage relative to U.S. BHCs.
- ***Recognize parent firm strength***: The Agencies should recognize that parent firms, where subject to requirements that meet or exceed internationally agreed standards, are sources of strength. In particular, Internal TLAC, including outstanding eligible covered IHC long-term debt ("LTD"), ensures that a cash collateralized component of parent support is preplaced to ensure resilience in the event of serious stress; this requirement is expensive and does not have to be met by domestic firms placed in similar tailoring categories.
- ***Avoid fragmentation***: The Agencies should seek a more balanced cross-border approach to avoid fragmentation. We believe that the U.S. can achieve important long-term financial stability benefits from a framework that ensures a balanced degree of group flexibility, instead of a narrow focus on host certainty; group flexibility generally requires some discount to consolidated requirements.

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[1] In the preamble to the proposasl, the Agencies often refers back to incomplete histories of events that preceded the development of the post-Crisis regulatory and supervisory reforms to justify the imposition of additional (or potential future) requirements on FBOs and IHCs. Many of the FBOs, including Credit Suisse, were generally strong and liquid during the Crisis, and often acted as safe havens for investors looking to avoid more troubled firms, including domestic firms. It should also be noted that the Board looked to combat stigmatic concerns about use of liquidity facilities during the Crisis by requesting that a broad range of firms use those facilities. We believe this was an important and positive step taken by the Board to stem the downward spiral of markets. We do not believe that these facts are now relevant to this discussion given the regulatory and structural changes that have occurred since the Crisis; we also do not believe that it is in the Board's interest to stigmatize past decisions that were made in the public interest.

[2] 12 U.S.C. 5365(b)(2).

Specific Recommendations

The Board should recognize iTLAC LTD as a quantified 'source of strength'. This paid-in and prepositioned capital commitment should provide credit for CCAR and DFAST

Paramount among the recommendations below, we request that the Board provide credit to IHCs for the internal long-term debt ("LTD") portion of their Internal TLAC requirement. This prefunded and prepositioned capital requirement, which is not applicable to any U.S. BHC in Categories II, III, and IV, acts as a significant risk-reduction and stability mechanism for IHC subsidiaries of GSIBs. Such IHCs, consequently, present a much lower risk than comparable U.S. BHCs in the same categories, as well as standalone U.S. GSIBs (see Section I below, in particular Figure 3 on p.8), as the Board has the ability to immediately convert LTD into common equity tier 1 capital ("CET1") when an IHC is in default or in danger of default and certain other conditions are met. Providing credit for the LTD portion of iTLAC would help promote competitive equality with U.S. BHCs and would be a concrete way of giving greater recognition to parental support; it would also generally reduce "misallocation risks" that arise from excessive capital ring fencing.

Specifically, we recommend that the Board recognize, and permit IHCs to recognize, conversion of outstanding LTD into CET1 in the calculation of post-stress minimum capital requirements. We also recommend that the Agencies consider additional ways of granting regulatory recognition to the safety-enhancing role of iTLAC LTD.

Categorization Mechanics and RBIs

- *Apply IHC requirements based on IHC attributes*: Requirements should be applied to the IHC solely on the basis of IHC risk attributes, not the attributes of the CUSO. Defining the risk profile of the IHC using CUSO attributes will result in a miscalibration of requirements. This misaligned test inherently leads to inefficient regulation and potentially ineffective outcomes.
- *Treat IHCs equally with U.S. BHCs*: Calculation of RBIs should exclude transactions between affiliates. Such transactions are an inherent feature of internationally active banks. Used for risk management, liquidity optimization and other enterprise-wide management, they do not present the same risks as third-party transactions. Treating these transactions like third-party transactions also means that IHCs are treated very differently from U.S. BHCs. U.S. BHCs eliminate transactions between the top-tier U.S. BHC and its subsidiaries in consolidation, meaning the proposals artificially inflate an IHC's risk profile compared with that of a U.S. BHC.
- *Calibrate the RBIs to be more risk-sensitive*:
    - Cross-jurisdictional activity: The cross-jurisdictional activity ("CJA") indicator should be amended to reflect that it is a basic – and often risk *reducing* – feature of FBO activity. It should also be amended to avoid the unintended effect of driving activity away from FBO branches, which would reduce market liquidity. Specifically, exposure to FBO branches by an IHC or U.S. BHC should not count toward those entities' CJA metric, as such exposures do not implicate the policy concerns underpinning the CJA indicator.
    - Weighted short-term wholesale funding: The weighted short-term wholesale funding ("wSTWF") RBI recognizes the liquidity of a firm's liabilities only. Consideration of asset liquidity is essential to determining whether there are risks associated with short-term funding. In addition, wSTWF should be calculated equally between FBOs.
    - Non-bank assets : The non-bank assets ("NBA") measurement is a blunt tool that does not appropriately identify risk in an FBO and should be removed as an RBI. If retained, it should be reflect asset riskiness.

IHC Capital Requirements[3]

- The Agencies should finalize the proposed removal of the mid-cycle company-run stress test requirement for all IHCs. The Agencies should also permit all IHCs the option of choosing between the proposed Standardized Approach to Counterparty Credit Risk ("SA-CCR") and current exposure methodology ("CEM").

IHC Liquidity Requirements

- *Take into account existing requirements*: The Agencies should take into account existing liquidity requirements applicable to IHCs and not apply any additional requirements. However, if the Agencies decide to apply new requirements, they should only do so on a "modified" basis; under those circumstances, there should also be a reconsideration of the application of existing Regulation YY requirements.
- *In particular, the NSFR should not apply to IHCs*: As CS will soon be subject to the net stable funding ratio ("NSFR") on a consolidated basis, and because full recognition of iTLAC LTD is granted only where the remaining maturity of the LTD is greater than two years (meaning IHCs with LTD have long-term funding built in),[4] applying the NSFR to IHCs is not warranted. In addition, application of the NSFR to IHCs based on risk category is premature, given the absence of any impact analysis on affected firms and the length of time since the rule was originally proposed. We recommend, instead, that the Agencies: (a) remove any IHC-level requirement; or, (b) if they do decide to apply an IHC-level requirement, only do so after a thorough notice-and-comment process and quantitative impact analysis.

Potential Branch-Level Liquidity Requirements

- *New branch liquidity requirements are unnecessary*: No new branch liquidity requirements should be introduced. However, if the Board opts to introduce branch liquidity requirements in the future, it should do so on a modified basis following international consultation and consider revisiting what would then become duplicative branch liquidity requirements (i.e., the Regulation YY buffer that is already in place). It is essential that this exercise preserve the resilience provided by a branch system and does not lead to additional international fragmentation.

Single Counterparty Credit Limits (SCCL)

- *Take account of post-Crisis gains and tailor application*: The SCCL requirements should take greater account of post-Crisis enhancements to resilience and resolvability and only apply to IHCs and U.S. BHCs whose failure could have systemic consequences.

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[3] We support the Board's proposal with respect to changes in availability of the accumulated other comprehensive income ("AOCI") filter for Category III and IV IHCs. In addition, we support the Institute of International Bankers' ("IIB") request that the Board consider revisiting the applicability of the supplementary leverage ratio ("SLR") and the countercyclical capital buffer ("CCyB") for FBOs with comparable home-country requirements. CS is already subject to the SLR and a form of CCyB on a consolidated basis. The SLR applies to CS's parent through Basel III and CS's parent is already subject to a number of countercyclical requirements, as Vice Chair Quarles has noted in his speech in March. Randal Quarles, "Frameworks for the Countercyclical Capital Buffer," March 29, 2019. Available at: https://www.federalreserve.gov/newsevents/speech/quarles20190329a.htm.

[4] 12 CFR §252.162(b).

Resolution Planning [5]

- *Finalize as proposed*: The Board and FDIC should finalize their proposal extending the resolution planning cycle.

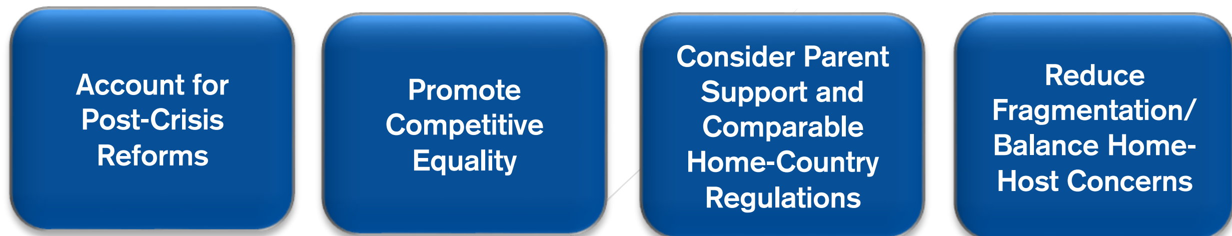
Additional Tailoring of Prudential Requirements for FBOs and IHCs

- *Recognize LTD as CET1 in capital stress tests*: The Board should recognize that iTLAC LTD is a paid-in and prepositioned capital commitment for Comprehensive Capital Analysis and Review ("CCAR") and Dodd-Frank Act Stress Test ("DFAST") exercises, and, therefore, it should be recognized as CET1 on a post-stress basis in the Board's capital stress testing regime.
- *Reevaluate LISCC designation*: The Board should reevaluate the inclusion of IHCs in the Large Institution Supervision Coordinating Committee ("LISCC") portfolio in light of the risk-based categorizations contained in the proposals.
- *Tailor stress testing process more generally*: The Board should make additional changes to the stress testing process in order to tailor it more appropriately to IHCs.
- *Recalibrate iTLAC requirement*: The Board should recalibrate the iTLAC requirement for non-resolution entities with credible resolution plans to the lower end of the Financial Stability Board ("FSB") range.
- *Issue FBO-specific LFI board and management guidance*: The Board should issue board of director and risk management guidance that is tailored to IHCs and FBOs as part of its new Large Financial Institution ("LFI") rating system.

[5] Credit Suisse appreciates the proposal from the Board and the FDIC with respect to resolution planning submission relief. The proposal is a formal recognition that firms and Agencies' understandings have "matured over several resolution plan cycles," which has resulted in annual filing requirements becoming "less necessary." CS appreciates the formal recognition that CS and other FBOs do not pose equivalent systemic risk to larger banking institutions, and, in light of that fact, CS also appreciates the proposed movement to triennial filings. See also Credit Suisse, "Proposed Resolution Planning Guidance for Eight Large, Complex U.S. Banking Organizations," September 14, 2018. Available at: https://www.federalreserve.gov/SECRS/2018/October/20181011/OP-1614/OP-1614_091418_132586_249836541745_1.pdf.

I. Overall Considerations

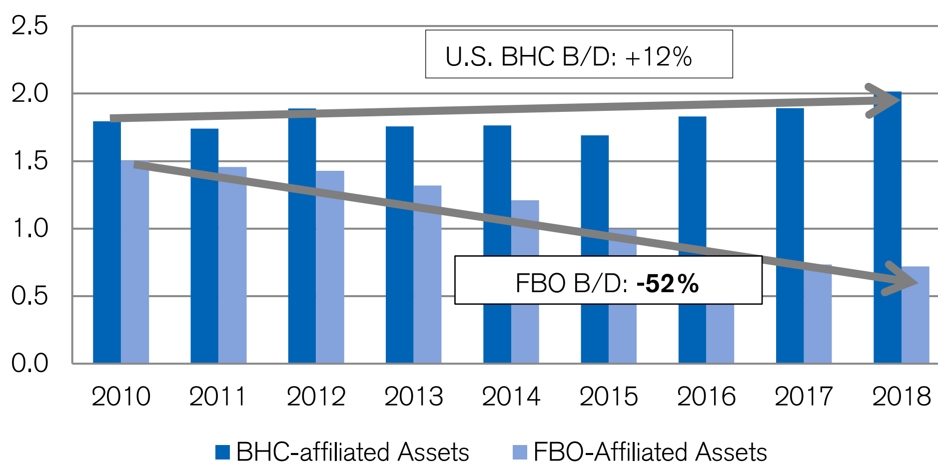
As the Agencies review the comments of Credit Suisse and other industry participants, we strongly encourage regulators to keep four key principles in mind:



Take greater consideration of the post-Crisis structural changes to numerous FBOs and related regulatory changes, such as the introduction of the IHC regulatory regime, when tailoring enhanced prudential standards

Between 2010 and 2018, the IHCs of LISCC FBOs saw a 64% reduction in the asset size of their primary broker-dealer subsidiary (from an average of $266bn to $95bn).[6] A broader grouping of FBO broker-dealers saw a decline of over 50% (see Figure 1). During that same period, domestically owned broker-dealers saw an increase in their asset size. The average GSIB surcharge score for the four LISCC IHCs is now 70% below that of the smallest domestic GSIB, while the equivalent estimate for the CUSO of those firms is also significantly below the threshold for GSIB status (see Figure 2).

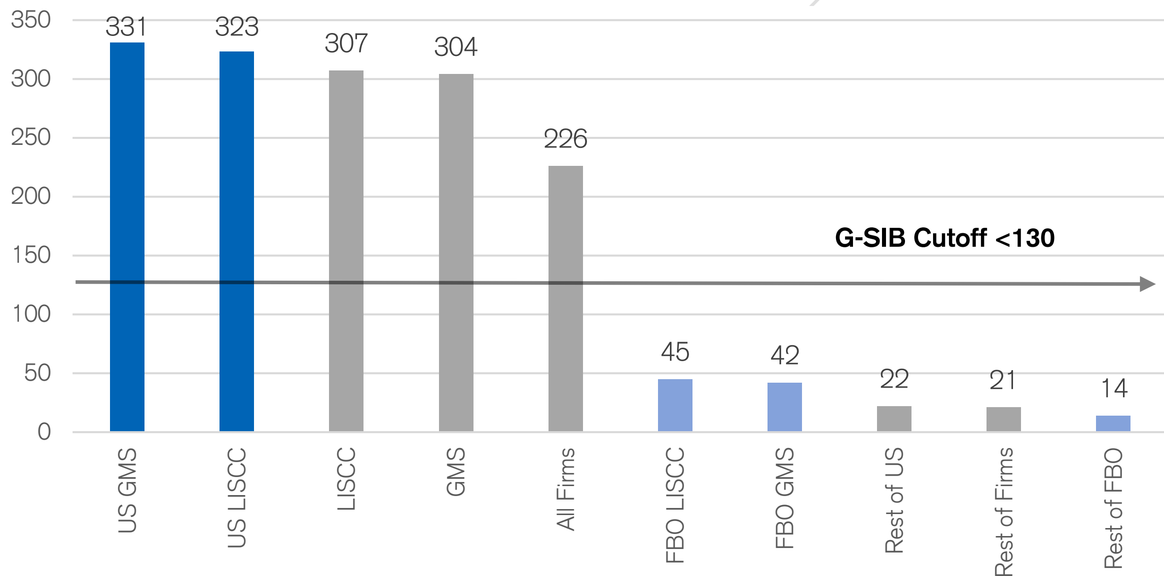
Figure 1: Large Broker-Dealer Assets



Note: Data for affiliated broker-dealers among the top 25 in assets in 2018. FSOC 2018 annual report, tab 4.12.4. $ in trillions.
Source: SIFMA, "SIFMA Insights: The Importance of FBOs to US Capital Markets," April 2019, p. 5. Available at: https://www.sifma.org/wp-content/uploads/2019/04/SIFMA-Insights-The-Importance-of-FBOs-to-US-Capital-Markets.pdf.

[6] Source: 2018 Resolution Plan Agency Feedback. The feedback also includes data for a CUSO view, which shows a virtually identical reduction in dollar terms ($668bn vs. 683bn). The net amount of activity transfer is negligible in aggregate for these firms.

Figure 2: FR Y-17 Systemic Scores



Source: SIFMA, "SIFMA Insights: The Importance of FBOs to US Capital Markets," April 2019. p. 21. Available at: https://www.sifma.org/wp-content/uploads/2019/04/SIFMA-Insights-The-Importance-of-FBOs-to-US-Capital-Markets.pdf. Note that figures here are based on GSIB Method 1 scoring. U.S. LISCC Firms: BAC, BK, C, GS, JPM, MS, STT, WFC. FBO LISCC Firms: BARC, CS, DB, UBS. GMS Firms: BAC, C, GS, JPM, MS, WFC, BARC, CS, DB, UBS, HSBC, RBC. FBO GMS Firms: BARC, CS, DB, UBS, HSBC, RBC.

Although the causes of the reduced U.S. footprint and risk profile of FBOs are complex, the sweeping changes to the way such institutions are regulated and supervised almost certainly played an important role. Larger FBOs were required to reorganize their non-branch U.S. assets into IHCs subject to comprehensive capital, liquidity, and governance requirements. Those IHCs became subject to the CCAR exercise and other stress testing requirements. A small number of those IHCs are also subject to some of the most stringent requirements, including the Global Market Shock ("GMS") and the Counterparty Default Scenario add-on; several IHCs also remain subject to the Qualitative Assessment (which, as of 2019, no U.S. BHC remains subject to).[7] All of these institutions are also subject to Basel III risk-based and leverage capital requirements. Many of these changes have penalized capital markets focused firms in particular.

Many IHCs have also been required to establish an additional large layer of LTD as part of the Board's iTLAC rule. As noted in the introduction, this pre-funded and prepositioned resource provides extra support to U.S. financial stability but is not required of any similarly situated domestic BHC. Last year, foreign GSIB parents created approximately $50bn of additional loss bearing capacity for their U.S. subsidiaries. This financial commitment provides 'skin in the game' to ensure that parents can - and will - support their key foreign subsidiaries, even in the event of resolution.[8] This parental commitment also provides a host country with resources to fund a backup strategy in case of any difficulties with a global single point of entry ("SPOE") resolution plan and makes those IHCs safer than U.S. BHCs placed in the same category on a standalone basis. We believe that recognition of LTD is a critical feature to unlocking some broader fragmentation issues; by providing additional

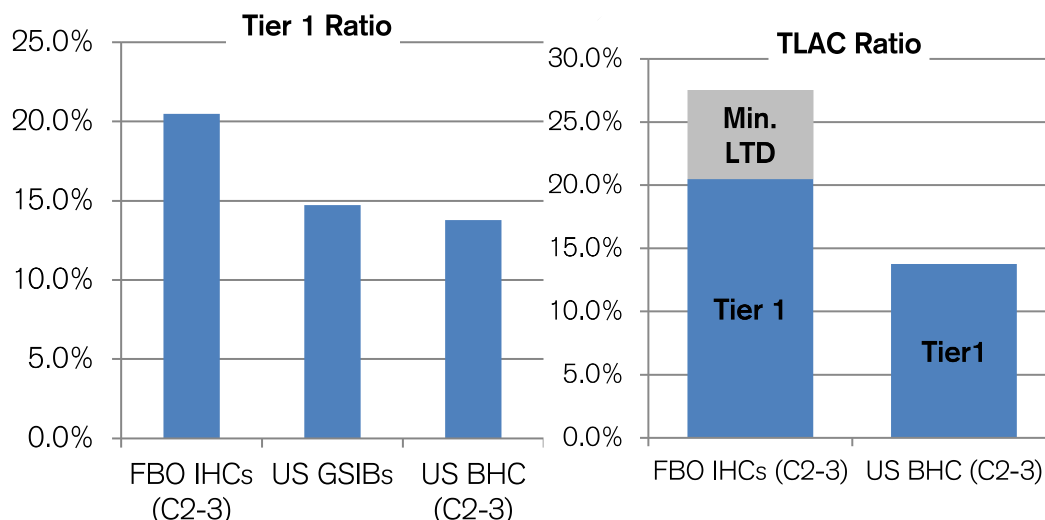
[7] Federal Reserve Board, "Federal Reserve Board announces it will limit the use of the 'qualitative objection' in its Comprehensive Capital Analysis and Review (CCAR) exercise, effective for the 2019 cycle" March 6, 2019. Available at: www.federalreserve.gov/newsevents/pressreleases/bcreg20190306b.htm.

[8] We focus here solely on SPOE banks, and ignore the relatively rare case of Multiple Point of Entry ("MPOE") banks; MPOE banks do not assume ongoing parent support through resolution (though their record of subsidiary support is actually also quite strong).

certainty for the home country, greater LTD recognition can allow some elements to shift toward a better balance of group flexibility.

Indeed, as the charts below show, IHCs in the more stringent categories in the proposals (Categories II and III) are better capitalized, both on a Tier 1 capital basis and on a TLAC basis, than U.S. BHCs in those same categories and U.S. GSIBs.

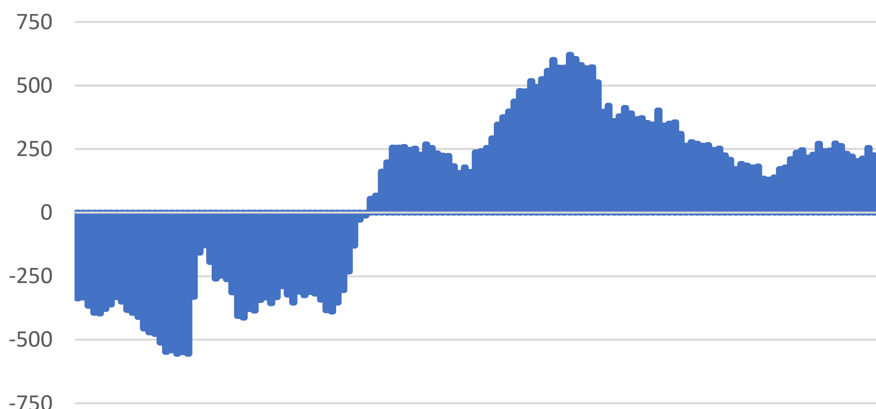
Figure 3: Tier 1 Capital and TLAC Ratios for Category II and III Firms



IHCs and U.S. FBO branches are also subject to comprehensive liquidity buffer requirements under Regulation YY, which significantly limits reliance on intragroup funding flows. All LISCC IHCs are also subject to the stringent Comprehensive Liquidity Assessment and Review ("CLAR"), which consists of a horizontal assessment with quantitative and qualitative tests that ensure that LISCC IHCs hold sufficient liquidity to survive extreme outflows during periods of stress. In addition, notwithstanding the Agencies' concern expressed in the proposals that U.S. branches are used to fund an FBO's offshore operations, FBOs' U.S. branches are now in a net due to position (see Figure 4).

Figure 4: Changes in the Net "Due To" Position of FBOs

U.S. branches of FBOs, $bn



More generally, it is also worth noting that the banking system and capital markets are significantly safer today than they were ten years ago, which is another reason why it is an appropriate time to consider further tailoring. Risk mitigating regulatory changes that have occurred since the Crisis include:

- Requirements that firms hold more and higher quality capital, subject to stress testing, including a U.S. requirement that iTLAC LTD that can be converted into CET1 by order of the Board;[9]
- Requirements for firms to hold more highly liquid assets, high quality liquid assets ("HQLA") and have higher liquidity risk management standards;[10]
- Limits on exposures between large institutions;[11]
- Imposition of clearing requirements and margin requirements for un-cleared swaps;[12]
- Development of triggers and holding of capital and liquidity to ensure a SPOE firm remains solvent in resolution;[13]
- Changes to default and transfer rights for QFCs that avoid mass close-outs and support SPOE;[14] and,
- Reform of money markets through the removal of the valuation exemption permitting a fixed net asset value for certain money market funds and permitting of redemption gates.[15]

In light of these broad changes, we agree with Vice Chairman Quarles that we should review regulations relevant to FBOs to ensure they are appropriately tailored to their U.S. footprint and risks to U.S. financial stability.[16] FBOs are important lenders, employers, competitors and service providers for the United States; inappropriate tailoring of requirements may mean FBOs reevaluate the costs and benefits associated with their current presence in the U.S., which would result in a financial system that is less competitive and less robust.[17] Accordingly, it is crucial that FBOs be provided a level playing field in the U.S. Essential to this goal is recognizing LTD as pre-funded and prepositioned manifestation of parental support, and treating FBOs equally with their U.S. peers.

Level the playing field across the U.S. markets to promote competitive equality. As written, the proposals create a regulatory environment that disproportionately impacts FBOs compared to their U.S. counterparts

As others have noted, the proposals do too little to fulfil the statutory mandate contained in the Dodd-Frank Act to: (a) give due regard to the principle of national treatment and equality of competitive opportunity; and, (b) take into account the extent to which the foreign financial company is subject, on a consolidated basis, to home-country standards that are comparable to those applied to financial companies in the United States.[18] The RBIs that Agencies use to categorize the U.S. operations of FBOs affect IHCs in an inherently inequitable manner, as outlined below. In particular, the proposals apply a number of requirements to IHCs based on CUSO risk metrics, which seems inherently unfair and illogical, and would result in miscalibration of the requirements applicable to an IHC based on aspects irrelevant to that IHC.

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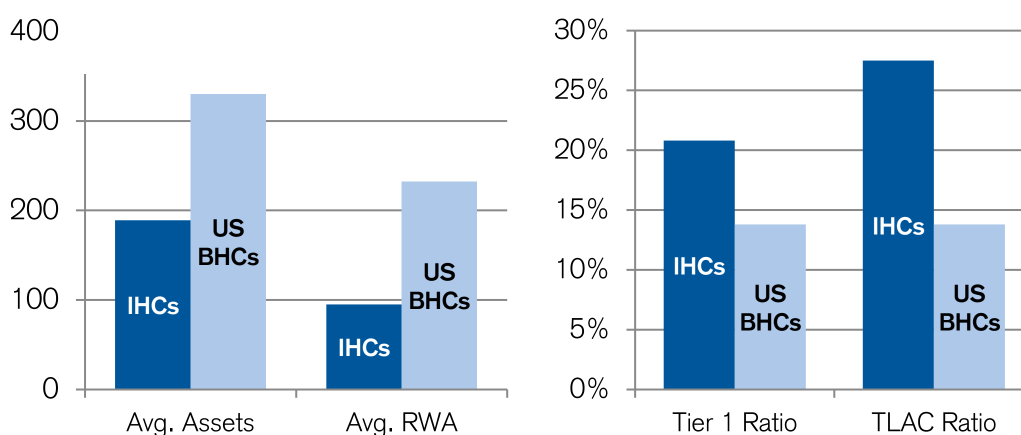
[9] Federal Reserve Board, "CCAR 2018: Assessment Framework and Results," June 2018. pp. 12-13. Available at: https://www.federalreserve.gov/publications/files/2018-ccar-assessment-framework-results-20180628.pdf.
[10] 12 CFR 252.153(c)(1)-(2); 12 CFR 249.
[11] 12 CFR 252.172.
[12] 15 U.S.C. §8302.
[13] See footnote 8; 12 CFR 243; Guidance for 2018 §165(d) Annual Resolution Plan Submissions By Foreign-based Covered Companies that Submitted Resolution Plans in July 2015.
[14] 12 CFR 252 Subpart I; ISDA 2015 Universal Resolution Stay Protocol and Jurisdictional Modular Protocols.
[15] 17 CFR Parts 230, 239, 270, 274 and 279.
[16] Vice Chair Quarles, "Getting It Right: Factors for Tailoring Supervision and Regulation of Large Financial Institutions," July 18, 2018. Available at: https://www.federalreserve.gov/newsevents/speech/quarles20180718a.htm.
[17] Credit Suisse supports the comment letters from the Chamber of Commerce, Bank Policy Institute ("BPI"), Securities Industry and Financial Markets Association ("SIFMA"), and IIB, particularly as they pertain to the importance of FBOs in the U.S. capital markets.
[18] 12 U.S.C. § 5365(b)(2)(A).

This un-level playing field can also be seen in a top down review of the firms placed in Categories II and III under the tailoring proposal.[19] IHCs comprise 12 of the 36 firms captured in these categories – one-third of the total. However IHCs are disproportionately represented in these categories: 8 IHCs are captured in Categories II and III out of 12, while just 5 of the 24 non-U.S. GSIB BHCs with total consolidated assets >$50bn are placed in these categories (i.e., IHCs are captured at a rate of 67%, while comparable U.S. BHCs are only captured at a rate of 21%). Put differently, FBOs are three times more likely to be captured in these more stringent categories relative to comparable non-U.S. GSIB BHCs.

It is possible that such a dramatic difference is due to systemically higher risk or greater size for IHCs but the data indicate the opposite – that the RBIs capture IHCs that are systematically smaller and less risky than the domestic firms in the same categories.

- *Asset size:* The average size of U.S. BHCs in Categories II and III is $330bn, while the average size for IHCs captured in the same categories is 43% smaller ($189bn).
- *Risk-Weighted Assets ("RWA"):* RWA is the most widely accepted aggregate measure of asset risk. The average U.S. BHC in Categories II and III carry a RWA of $232bn. The average IHC has just $95bn of RWA, roughly 60% less.
- *Capital:* The IHCs in Categories II and III are also much better capitalized than their U.S. BHC counterparts. The IHCs carry an average Tier 1 capital ratio of 20.8% compared to 13.8% for the U.S. BHCs. They are also stronger on a leverage capital basis.
- *TLAC:* As noted above, the relative strength of IHCs is even greater when compared on a TLAC basis, since most of the IHCs are GSIB-owned and are thus subject to the TLAC and LTD requirements. None of the U.S. BHCs in Categories II and III carry this additional loss absorption capacity. We estimate that the IHCs carry an average of 27.5% TLAC vs. 13.8% for the U.S. BHCs in Categories II and III.[20]

Figure 5: IHCs in Categories II and III are Smaller, Lower Risk, and Better Capitalized Relative to U.S. BHCs in Those Categories



[19] See FR Y-9C data for all entities over $50bn in assets, as of Q1 2019. Our figures exclude U.S. GSIBs.
[20] We estimate a minimum LTD for the 7 G-SIB-owned IHCs in categories 2 and 3 via the total assets requirement (at 3.5%), which is typically the binding constraint. We add this figure to their Tier 1 capital to estimate total Internal TLAC. The U.S. BHCs are not subject to TLAC (or LTD) requirements, so we simply use the Tier 1 ratio.

The above figures strongly suggest that the RBIs are inadvertently but inherently biased against IHCs. The proposals capture them at a far higher rate into the more stringent categories, and the IHCs that are captured are systematically smaller and less risky. They have double the amount of total loss absorbing capacity. It simply is not clear why, given these facts, FBOs and their IHCs should be subject to *more* stringent categorization and regulation relative to domestic firms. As described Section II, changes are required to the categorization framework to attenuate these biases.

Give greater consideration to home-country regulation and recognize that parent firms that comply with internationally agreed standards are sources of strength

The proposals also fail to account adequately for the fact that parent banks of IHCs are subject to comparable home-country regulation on a consolidated basis, which, as discussed above, in the case of Credit Suisse equals or exceeds U.S. requirements.[21] In order to ensure a more level playing field, the Agencies should balance the need for some domestic pre-positioning of capital, liquidity, and other host requirements with the fact that firms are already subject to comparable consolidated requirements. For example, it is unclear why additional IHC liquidity requirements are necessary, from a safety and soundness perspective, when those firms are already subject to consolidated home-country requirements and U.S. requirements in Regulation YY and resolution-related liquidity requirements for the four first wave FBO filers. It also does not make sense to apply "full" duplicative requirements on those entities, as opposed to "modified" or reduced requirements.

The proposals appear predicated on the view that a foreign parent bank is a source of risk for the U.S. branch and agency network. However, history suggests that the opposite is true. During the Crisis, no significant foreign-owned entity failed and their parent firms provided significant support to their U.S. operations in many cases. Moreover, the capacity for parent support has been improved in many cases by the strengthening of global capital and liquidity requirements, and the implementation of home-country SPOE resolution strategies. And a significant additional layer of local iTLAC has been added to many firms that can protect subsidiaries even in the event of failure (with the Board having the power to convert this iTLAC LTD into CET1 capital when necessary pursuant to Regulation YY). While foreign banks are by no means immune to stress events, the historical experience of parents acting as a consistent source of strength should be given far more weight in these proposals.

Attempt a more balanced cross-border approach and avoid fragmentation

Greater deference to home-country regulation and supervision, or some form of 'credit' for such regulation, would also mitigate "misallocation risk"[22] arising from fragmentation in the global financial system. As Vice Chairman Quarles put it in his "Brand Your Cattle" speech, there is a need to "avoid a destabilizing seizure of assets by host regulators" by finding a "balance of *flexibility* for the parent bank and *certainty* for local stakeholders" that "reduces the risk of misallocation and inefficient use of resources."[23] While observing that there was a need for some pre-positioning of capital and liquidity to provide the host regulator with comfort that resources would be available to deal stresses at local entities, the Vice Chairman also noted that host regulators should "recognize that it is ultimately in

[21] As a Swiss bank, Credit Suisse is already subject to robust liquidity requirements that should be considered, if not determined to be equivalent, in light of the proposed requirements. Most notably, as of January 2015, Credit Suisse has been subject to a 100% LCR threshold and robust capital stress testing through our home-country regulator, FINMA.

[22] Misallocation risk refers to the risk that, due to required pre-positioning of resources in subsidiaries and/or in certain jurisdictions, there will be insufficient central or flexible resources to deploy to absorb losses in other parts of the group that may be experiencing financial stress.

[23] Vice Chair Quarles, "Trust Everyone—But Brand Your Cattle: Finding the Right Balance in Cross-Border Resolution," May 16, 2018. Available at: https://www.federalreserve.gov/newsevents/speech/quarles20180516a.htm.

[hosts] interest for the SPOE resolution of the foreign bank to be successful and, given the uncertainty of the circumstances or location of losses that emerge in an actual stress, adequate flexibility for the parent to deploy resources where needed is likewise in the host regulator's interest."[24]

Similarly, the Financial Stability Board's ("FSB's") recently released report on market fragmentation notes that:

> *"…an excessive siloing of capital and funding resources within national borders can be to the detriment of the overall resilience of financial institutions. For instance, requirements that are not commensurate with the actual risk in those entities can constrain the degree to which financial institutions use capital and liquidity to meet shocks to their solvency and funding that occur across different jurisdictions."*[25]

Unfortunately, the proposals do not achieve a balance between the need for some host pre-positioning and excessive siloing of capital and funding resources. They propose full, 100% requirements for liquidity resources by applying the LCR and proposed NSFR to Category II IHCs, and the Board raises the possibility of extending the LCR to U.S. branches of foreign banks in the future. The proposals continue to require IHCs to comply with gold-plated U.S. capital requirements, while providing no recognition of iTLAC LTD. They fail to recognize the application of home-country SCCL requirements. These requirements and related regulation would prevent firms from achieving a good balance of flexibility and certainty. As Vice Chairman Quarles stated, such an outcome is not in the ultimate interest of the U.S. as host regulator.

Moreover, it is important to remember that examples set by U.S. regulators are often followed as a template by other jurisdictions for their own rules. If the U.S. adopts strict, host-centric policies for FBOs operating in this country, it raises the likelihood of replication (or retaliation) by other jurisdictions.[26] For example, the U.S. requirement to require FBOs to establish IHCs is widely believed to have led to the recently adopted parallel Intermediate Parent Undertaking regime in the European Union.[27] If all foreign jurisdictions were to adopt similar requirements, the reduced flexibility of resources would be adverse for all banking organizations, including U.S.-headquartered ones. It is easy, for example, to imagine a similar response from other jurisdictions if the Board were to move forward with standardized branch liquidity requirements on a unilateral basis, which would undermine the balance between prepositioned and contributable, centrally managed liquidity, risking complicating future cross-border bank resolutions.

In our view, the best way of avoiding misallocation risk/fragmentation is by incorporating greater recognition of home-country requirements into the regulatory and supervisory framework for FBOs. There are a number of ways that this balance could be achieved. One approach would be simple deference to comparable home-country regulatory regimes, a model the Board should be commended for permitting for the SCCL with respect to an FBO's CUSO. An alternative would be a 'haircut' type approach, where FBOs' U.S. operations subject to comparable home-country regulation do not have to implement "full" requirements. Vice Chairman Quarles has argued, for example, that it would be useful for the U.S. to shift to a lower range for iTLAC, in order to improve the balance of

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[24] *Id.*

[25] Financial Stability Board, "FSB Report on Market Fragmentation," June 4, 2019. Available at: https://www.fsb.org/2019/06/fsb-report-on-market-fragmentation-2/.

[26] Such responses could have significant implications for the U.S. as home regulator if other major jurisdictions engage in behavior that traps significant resources abroad.

[27] Council of the European Union, "Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures," February 14, 2019. Available at: https://data.consilium.europa.eu/doc/document/ST-6289-2019-INIT/en/pdf.

resources available at the parent level, and improve flexibility. An identical argument holds for other pre-positioned capital and liquidity resources. A third approach would be providing “credit” for comparable home-country requirements/parental support, for example by viewing iTLAC as a risk mitigant. As we have already indicated, iTLAC LTD should be recognized as CET1 when calculating post-stress capital minimums for IHCs of GSIBs.

II. Categorization Mechanics and RBIs

a) ***Requirements should be applied to the IHC solely on the basis of IHC risk attributes, not the attributes of the CUSO***

We appreciate the difficulty of designing a tailoring framework that can accurately categorize the risk-profile of the U.S. operations of an FBO, and believe that a risk-based framework is an improvement over a primarily size-based approach to regulation. However, we believe that the proposed framework categorizes firms inappropriately and undermines regulatory precedent. In particular, we believe that categorizations for all IHC requirements should be based solely on the size and RBIs for the IHC, not on CUSO risk attributes.[28] In the proposals, the Agencies cite “funding vulnerabilities at the U.S. branches and agencies” of FBOs as the rationale for using CUSO risk attributes to categorize IHCs for liquidity and other non-capital purposes.[29] Yet the Agencies do not detail what “funding vulnerabilities” they are concerned with or what changes in circumstances justify the use of CUSO risk attributes to determine IHC requirements. Existing restrictions on risk transfer between branches and IHCs, existing branch-level liquidity requirements, and the lack of empirical data to support these concerns suggest that the use of CUSO risk-attributes in this context is inappropriate.

First, there is extremely limited risk of contagion from branches to the IHC, and vice versa. For example, the structural reforms contained within Regulation YY ensure that there are sufficient ring-fenced resources and risk mitigants within the IHC. Among these are the creation of the IHC itself; IHC capital planning and stress testing requirements; IHC liquidity stress testing and buffers; as well as resolution planning (which incorporates both branch and non-branch considerations) and U.S. risk committee requirements. In addition, Sections 23A and 23B (as implemented by Regulation W[30]) already place strict limits on transactions between a branch or insured depository institution subsidiary and nonbank operations of an IHC.[31] It simply does not seem logical to use CUSO risk attributes to impose requirements on IHCs given these existing liquidity requirements and restrictions on risk transfers between the two entities.

Second, in addition to the restrictions on risk transfers between the branch and the IHC, there are numerous restrictions on U.S. branches of FBOs with respect to the activities that fall within the “business of banking” definition.[32] Potential contagion risk is further limited by the fact that Regulation YY also imposes liquidity buffer and stress testing requirements at the level of branches and provides a CUSO view of liquidity risk management through the U.S. risk committee requirement. Branches are, of course, also subject to comprehensive regulation by either the OCC or their applicable state banking regulator. Finally, such branches are subject to consolidated home-country liquidity requirements, which in the case of Switzerland, meet or exceed internationally agreed standards. Given that there is a well-established and comprehensive regulatory and supervisory regime in place for branches (particularly in terms of liquidity), it is unclear why CUSO risk should be considered when

Third, if the Agencies are using CUSO measurements to mitigate any perceived ‘arbitrage’ of assets and liabilities between the IHC and branches (which, as mentioned is necessarily limited given existing regulatory restrictions) it would be helpful for the Agencies to provide empirical data supporting such concerns. U.S. branch and agency assets for FBOs with IHCs increased by $103bn

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[28] Federal Register/ Vol. 84, No. 94 at 22000.
[29] Federal Register/ Vol. 84, No. 101 at 24301.
[30] 12 CFR 223.61
[31] We note that these regulations (Sections 23A and 23B of the Federal Reserve Act) were also enhanced under the Dodd-Frank Act. See Dodd-Frank Act § 608.
[32] 12 U.S.C. § 24; 12 U.S.C 32.

(approximately 14%) from 2011 to 2018; over the same period, IHC broker-dealer assets decreased by $788bn (a decline of 55%).[33] As these figures underscore, the modest growth in U.S. branches only partially offsets the dramatic decrease in FBO broker-dealer assets, so the argument that arbitrage has occurred appears to be unsupported by fact.

Finally, use of CUSO risk attributes undermines the principle of national treatment, competitive equality, and deference to home-country regulation in ways that would further disadvantage IHCs relative to their U.S. BHC counterparts and increase fragmentation in the global banking system. According to calculations undertaken by the BPI and IIB, the five IHCs that the Board indicates would be subject to Category II liquidity standards, four of them appear to be subject to those EPS on the basis of CUSO attributes and only one based solely on the characteristics of the IHC. Similarly, both of the IHCs that would be subject to Category III liquidity requirements would be subject Category IV requirements if categorization was based on IHC risk attributes alone. As such, the use of CUSO risk attributes disproportionately subjects IHCs to more stringent requirements than comparable standalone U.S. BHCs, with scant evidence that such disparate treatment is justified.

We strongly recommend, therefore, that the Agencies eliminate the use of CUSO risk attributes in categorizing firms for liquidity and other purposes, and instead base all categorizations on the risk profile of the IHC. To the extent that the Agencies remain concerned about funding risks from branches, those issues should be dealt with directly, through a separate process, and ideally through a dialogue at the international level (see also below in our comments on branch liquidity).

b) *IHCs should not be required to treat affiliate transactions as if they were transactions with third-parties*

Top tier U.S. BHCs are required to eliminate intercompany transactions within the consolidated BHC when reporting on the FR Y-15 and other relevant reporting forms. As a result, these transactions do not count toward a U.S. BHC's RBIs. This treatment makes sense; it permits the organization to be operated as a unified whole, which permits enterprise-wide risk management.

FBOs, in contrast, would generally not be able to eliminate transactions between U.S. and non-U.S. affiliated entities. The Agencies have recognized the need to eliminate intercompany liabilities and collateralized claims in the CJA RBI.[34] Beyond this recognition, however, the proposals do not appropriately recognize that transactions between affiliates are an inherent feature of international banks and typically operate to manage and reduce risk. Therefore, and as detailed further in the discussion of each indicator below, IHCs should not have their RBIs exaggerated in comparison with those of U.S. BHCs by treating such transactions as if they presented the same risks as transactions with third-parties.

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[33] Broker-dealer data compiled from SEC Focus Reports; Branch data from the Federal Reserve's "Structure and Share Data for U.S. Banking Offices of Foreign Entities," available at: https://www.federalreserve.gov/releases/iba/.

[34] Federal Register/ Vol. 84, No. 94 at 21995 stating: "Intercompany liabilities generally represent funding from the foreign banking organization to its U.S. operations and, in the case of certain long-term debt instruments, may be required by regulation…[FBOs] engage in transactions to manage enterprise-wide risks. In these roles, they engage in substantial and regular transactions with non-U.S. affiliates. In recognition that the U.S. operations have increased cross-jurisdictional activity as a result of these activities, the proposal would include in cross-jurisdictional claims only the net exposure (i.e., net of collateral value subject to haircuts) of all secured transactions with non-U.S. affiliates to the extent that these claims are collateralized by financial collateral."

c) *The cross-jurisdictional activity ("CJA") indicator should be amended to reflect that it is a basic – and often risk reducing – feature of FBO activity. It should also be amended to avoid the unintended effect of driving activity away from FBO branches, which would reduce market liquidity*

The RBIs are presumably designed to encourage firms to weigh the regulatory costs of a given categorization with the benefits associated with that category's indicators. If a firm in Category III,[35] concerned about falling into Category II through increased CJA, can structure its activity to minimize CJA, it will do so. The rationale for including CJA as an RBI relates to complexities arising from cross-border transactions and associated resolution concerns:

> *"Foreign banking organizations with U.S. operations that engage in significant cross-jurisdictional activity present complexities that support the application of more stringent standards. For example, significant cross-border activity of the U.S. operations of a foreign banking organization may require more sophisticated risk management to appropriately address the heightened interconnectivity and complexity of those operations and the diversity of risks across all jurisdictions in which the foreign banking organization provides financial services. In addition, cross-jurisdictional activity may present increased challenges in resolution because there could be legal or regulatory restrictions that prevent the transfer of financial resources across borders where multiple jurisdictions and regulatory authorities are involved."*[36]

However, the CJA calculation picks up transactions that do not implicate these policy concerns. *All* transactions between U.S. subsidiaries (of an IHC or U.S. BHC) and the U.S. branch of an unaffiliated international bank are treated as foreign exposure.[37] Thus, transactions governed by U.S. law and with U.S. collateral (e.g., U.S. Treasury reverse repos) would be treated as CJA simply because one of the counterparts is an international bank. This are simple, low risk transactions that simply do not fit with the concerns expressed.

With everything else being equal, a firm concerned about its CJA metric would avoid the branch of an international bank in favor of a domestic firm. We expect this consequence is unintended. Left unchanged, however, it would have the effect of driving activity away from the branches of international banks which would reduce the liquidity and resilience of U.S. markets. This effect would be exacerbated by the 'cliff effect' described in the IIB letter (i.e., that FBOs will avoid crossing the IHC non-branch asset threshold in order to avoid significantly increased requirements based on CUSO attributes), risking reduced participation in the U.S. by FBOs overall.

Similarly, and as contemplated by Question 9 of the Board's proposal, exposure under repo-style transactions should be transferrable to a different jurisdiction based on the location of the collateral or issuer.[38] Specifically, it makes sense for U.S.-issued collateral to be treated as domestic exposure for reverse repos and securities borrowing transactions, as such collateral can be readily liquidated in the U.S. without raising cross-jurisdictional concerns.

Finally, Credit Suisse echoes the considerations in IIB's letter, particularly the notion that the Agencies should exclude all inter-affiliate claims from the calculation of CJA in an effort to be consistent with the principles of national treatment. As an FBO that conducts operations in the U.S.,

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[35] Based on the Agencies' projected categories, these firms include U.S. Bancorp, PNC Financial, Capital One, Charles Schwab, Barclays, Credit Suisse, Deutsche Bank, Mizuho, MUFG, Toronto-Dominion, HSBC, Royal Bank of Canada and UBS.
[36] Federal Register/ Vol. 84, No. 101 at 24304.
[37] The FFIEC 009 assumes that exposure to a U.S. branch or agency of an international bank is assumed to be guaranteed by the parent bank, meaning the domicile of the exposure is that of the parent bank.
[38] Federal Register/ Vol. 84, No. 94 at 21996.

claims on non-U.S. affiliates are part of ordinary course of business activities. Given the global dynamics of the capital markets, Credit Suisse is constantly engaged in transactions with non-U.S. affiliates in an effort to manage and hedge risk. Notably, treating claims on affiliates as CJA creates a double standard for FBOs compared with U.S. BHCs, as the transactions of the latter would be eliminated in consolidation, and so not count toward the CJA metric. FBOs such as Credit Suisse should be encouraged to engage in sound risk-management practices, but the proposed CJA indicator actually penalizes FBOs which engage in safe cross-border hedging practices.

At the very least, the Agencies should implement the exclusion of liabilities of non-U.S. affiliates and claims on non-U.S. affiliates to the extent they are collateralized by financial collateral.

d) *Using wSTWF as an RBI as proposed is inconsistent with the broader regulatory framework. At a minimum, the Agencies should amend the wSTWF to: (a) exclude inter-affiliate transactions; and, (b) take account of existing regulatory required offsets (e.g., HQLA under the LCR). There should also be equal calculation of the wSTWF number across firms.*

The Agencies identify maturity mismatch and potential 'fire sales' as the essential risks associated with reliance on short-term liabilities, stating:

> *"[f]oreign banking organizations that fund long-term assets with short-term liabilities from financial intermediaries such as investment funds may need to rapidly sell less liquid assets to meet withdrawals and maintain their operations in a time of stress, which they may be able to do only at "fire sale" prices. Such asset fire sales can cause rapid deterioration in a foreign banking organization's financial condition and negatively affect broader financial stability by driving down prices across the market. As a result, weighted short-term wholesale funding reflects both safety and soundness and financial stability risks. Short-term wholesale funding also provides a measure of interconnectedness among market participants, including other financial sector entities, which can provide a mechanism for transmission of distress."*[39]

We agree with the broad concerns expressed by the Agencies about maturity transformation and fire sale risk. However, the RBI created to signify this concern needs to be refined to be an effective indicator of underlying risks. Three simple enhancements to the calculation of wSTWF would make it considerably more risk-sensitive and bolster its effectiveness:

i. Exclusion of inter-affiliate transactions, which would put FBOs on a level footing with U.S. BHCs;
ii. Recognition of the liquidity of a firm's assets and appropriate weighting of secured liabilities; and,
iii. Calculation of wSTWF equally between FBOs.

(i) Exclude inter-affiliate transactions to treat FBOs and U.S. BHCs equally

The citation above evinces the Agencies' concern for short-term financing "from financial intermediaries such as investment funds." This concern was borne out in the Crisis, manifesting in calls for more and higher quality collateral for repos, and a sharp contraction in the asset-backed commercial paper ("ABCP") market. It was essentially costless for short-term investors to stop rolling over their funding in the face of greater asset uncertainty or in a desire to edge out investors through

[39] Federal Register/ Vol. 84, No. 101 at 24308.

a narrow exit. The ABCP market experienced mass withdrawals and a 'flight to quality.' When this funding dried up, certain firms sought to generate liquidity by selling assets, causing the fire sale problem the Agencies identify.

Funding from affiliates does not raise these concerns. Enterprise-wide funding relationships do not involve the same zero-cost calculus that an unaffiliated investor would have. Fire sales of subsidiary assets would be bad for both the parent and the subsidiary, reducing enterprise value and the confidence of its counterparties. The preamble to this section in the proposals also cites "panic," which can be driven by lack of asset knowledge or the fear that other investors will put a particular investor in a difficult situation by terminating first. Affiliate-based funding is not subject to either of these considerations and is fundamentally more stable than third-party funding.

For an IHC, parental support is also strengthened by iTLAC and LTD. In addition to reputational considerations, parent entities are highly incentivized to provide going concern support to protect their capital investments – with the possibility of LTD conversion providing an additional incentive. Moreover, the wSTWF indicator would capture cash management and similar transactions designed to manage liquidity efficiently across a firm. Including these transactions for FBOs treats them unequally with U.S. BHCs, where inter-affiliate funding relationships are eliminated in consolidation, and thus do not count toward the wSTWF metric.

(ii) Recognize the liquidity of a firm's assets and appropriately weight secured liabilities

Short term funding raises concerns only where a firm faces a net maturity mismatch. Funding risk is intrinsically driven by the net difference between asset and liability attributes. Where short-dated liabilities finance short-dated or highly liquid assets (i.e., those that are typically purchased during a flight to quality), the term of the liabilities does not raise the concerns identified by the Agencies. FSOC has recognized this point.[40] Commenting on the asset liquidation channel (i.e., the risk that multiple market participants are required to sell assets at distressed prices at the same time), FSOC's recent proposed guidance recognizes that the asset liquidation channel necessarily involves an assessment of the difference between the maturities of the company's assets and liabilities.[41] The following example is illustrative of the need to consider asset liquidity:

Institution 2 faces much less liquidity risk. However, because the proposals do not recognize the liquidity of a firm's assets in measuring short-term funding, Institution 2 would be placed in Category II, and subject to full LCR and NSFR requirements, and Institution 1 would be subject to reduced requirements. Indeed, Institution 2 could be exactly matched funded with U.S. Treasuries or a U.S. Treasury reverse repo – and still trigger the Category II wSTWF RBI.

[40] Federal Register/ Vol. 84, No. 49 at 9028 (March 13, 2019).
[41] "This analysis includes an assessment of any maturity mismatch at the company—the difference between the maturities of the company's assets and liabilities. A company's reliance on short-term funding to finance longer-term positions can subject the company to rollover or refinancing risk that may force it to sell assets rapidly at low market prices." Federal Register / Vol. 84, No. 49 at 9024. Available at: https://www.govinfo.gov/content/pkg/FR-2019-03-13/pdf/2019-04488.pdf.

This miscalculation of liquidity risk could be improved by some simple changes. For one, wSTWF should exclude transactions secured by assets typically purchased in a flight to quality, like U.S. Treasuries collateralizing repo-style transactions.[42] Another sensible addition would be to subtract HQLA from a firm's wSTWF. As previously recognized by the Agencies, HQLA reduces the risks arising from reliance on STWF.[43] Accordingly, holding highly liquid assets (e.g., Level 1 HQLA) should provide a corresponding reduction in a firm's wSTWF metric to give credit for the risk-reducing benefits of HQLA.

More generally, the Agencies should measure reliance on short-term funding using measures that reflect historical perspective. As stated in the preamble to the final LCR rule:

> *"To devise the Basel III Revised Liquidity Framework, the BCBS gathered supervisory data from multiple jurisdictions, including a substantial amount of data related to U.S. financial institutions, which was reflective of a variety of time periods and types of historical liquidity stresses. These historical stresses included both idiosyncratic and systemic stresses across a range of financial institutions. The BCBS determined the LCR parameters based on a combination of historical data analysis and supervisory judgment."*[44]

Unlike the LCR, the wSTWF chart in Regulation Q adopts weightings that are less balanced than those in the LCR, including severe haircuts for financing secured by assets purchased during a flight to quality. For example, exposures for fewer than 30 days secured by U.S. Treasuries are weighted at a 25% level, whereas median haircuts on U.S. Treasuries remained less than 5% during the Crisis.[45] Accordingly, to determine reliance on short term funding, the Agencies should use the well-developed LCR outflow framework (and, if needed, the NSFR's ASF factors), which are considerably more risk-sensitive. This would also comport with the desire for more consistency and efficiency in prudential regulation.

(iii) Calculate wSTWF equally between FBOs

The Agencies should also ensure consistent calculation of wSTWF between FBOs. The proposed definition of "average wSTWF" is the "average of weighted short-term wholesale funding for each of the four most recent calendar quarters." The wSTWF metric is that which is reported on the FR Y-15.[46] This creates two standards between FBOs. FBOs that report the 2052a quarterly will receive the benefit of a higher proportion of measurement dates reflecting quarter ends – when wSTWF is naturally lower. LISCC FBOs, in contrast, would be penalized by having only 4/~260 days reflecting quarter ends, artificially inflating a LISCC FBO's figure relative to peer institutions. To eliminate the risk of incorrect categorization, the Agencies should calculate wSTWF for all FBOs in the same way, using month-end data over the previous four most recent calendar quarters.

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[42] A particularly obvious example of a financing transaction in which no maturity mismatch exists is matched book repo.
[43] 79 Fed. Reg. 61442 (October 10, 2014). Available at: https://www.govinfo.gov/content/pkg/FR-2014-10-10/pdf/2014-22520.pdf. Specifically, "HQLA that are unencumbered and controlled by a covered company's liquidity risk management function would enhance the ability of a covered company to meet its liquidity needs during an acute short-term liquidity stress test scenario." Additionally, the Board has stipulated that "a maturity mismatch in a bank's balance sheet creates liquidity risk. Banks will typically manage this liquidity risk by holding enough liquid assets to meet their usual net outflow demands." Federal Register / Vol. 78, No. 230 at 71851.
[44] Federal Register / Vol. 79, No. 197 at 61441.
[45] "Report to the Congress on Secured Creditor Haircuts," July 2011. Available at: https://www.treasury.gov/initiatives/fsoc/studies-reports/Documents/Report%20to%20Congress%20on%20Secured%20Creditor%20Haircuts.pdf.
[46] Furthermore, as stated in IIB's comment letter, many of the new requirements on the FR Y-15 have very little to do with the RBIs cited in the Agencies' proposals. As a result, requiring FBOs to collate and report these new requirements through FR Y-15 efforts, at both the IHC and CUSO levels, does very little in identifying the risks identified in the proposed RBIs; rather, it merely serves to increase reporting and operational burdens of FBOs.

e) ***The non-bank assets measurement is a form-over-substance measurement that does not appropriately identify risk. It should be removed as an RBI. If retained, it should be made more risk-sensitive.***

We concur with the views expressed in other letters (including those written by SIFMA, BPI, IIB,) that the NBA indicator is not a relevant indicia of risk and that it should, therefore, be removed as an RBI. The Agencies have not provided any evidence, either in the proposals or in prior rulemakings, that NBA is a reliable or accurate measure of risk, complexity, or interconnectedness. NBA is an inherently blunt metric, with no distinction drawn in the risk of the underlying activities or assets. Indeed, not only are many trading book activities less risky than those that may occur within commercial banking institutions (e.g., the risk of sub-prime auto lending is far higher than repo activity involving U.S. Treasuries), in many cases they are actually risk-mitigating (e.g., HQLA and matched book repo).

Moreover, the NBA metric is superfluous. IHCs with broker-dealer subsidiaries are already subject to a comprehensive post-Crisis regulatory regime. This includes risk- and leverage-based capital requirements, liquidity buffers, and other requirements (such as the SCCL and resolution planning) that are already designed to mitigate risks associated with broker-dealer activities. Trading risks are also captured through the CCAR process, most particularly through the application of the stringent GMS component of CCAR that several IHCs, including CS, are subject to. The Volcker Rule places further constraints on the risk-taking activity of IHC broker-dealers. Overall risk is also mitigated by requirements for central clearing for derivatives and margin requirements for uncleared swaps. Finally, additional requirements, such as those proposed under the Basel Committee on Banking Supervision's ("BCBS") Fundamental Review of the Trading Book ("FRTB"), are likely to further increase the amount of capital held against trading activities. Given this panoply of existing requirements that already mitigate trading risk, it is unclear why NBA should then effectively be "double-counted" as indicia of risk in the Agencies' categorization scheme for IHCs.

If the Agencies choose to retain the NBA as an RBI, we would strongly suggest making modifications. As we have already noted, one of these modifications should be the addition of an exclusion for inter-affiliate activities. Inter-affiliate loans and derivatives are an integral part of enterprise-wide risk management, and it is, therefore, inappropriate to include such risk-mitigating activities in the NBA RBI. More generally, the blunt asset metric should be made more sensitive to underlying risks by, for example, excluding all cash and Level 1 and 2A HQLA (and securities financing transactions on such HQLA) for the RBI calculation. Level 1 and 2A HQLA are already considered very low-risk based on their risk-weights in the capital rules, while cash is riskless; indeed, the presence of HQLA of this type is ultimately designed to mitigate risk. Failing to provide an exclusion for these assets could have the unintended consequence of discouraging the maintenance of cash or surplus HQLA.

In addition, we suggest that the Agencies generally exclude all assets with a 0% risk weighting, because the Agencies have already determined those assets to be non-risky. Finally, we would note that the NBA metric ought to exclude *all* bank permissible assets in order to be logically consistent. If the Agencies consider NBA inherently risky, then that risk must arise from the nature of the assets, not the vehicle in which they are held.

f) ***Off-balance sheet exposures should not include affiliate transactions including the FBO parent.***

Off-balance sheet exposures between affiliates should be excluded from the Agencies' calculation of the off-balance sheet exposure RBI, as these exposures do not reflect activities with third-party institutions, which is where the Agencies have repeatedly stated that the risks lie. Additionally, the very nature of FBOs entails more intercompany exposures than those of U.S. BHCs, as U.S. BHCs eliminate their intragroup off-balance sheet transactions in consolidation.

III. IHC Liquidity Requirements

a) *The CUSO is an inappropriate envelop to measure IHC liquidity risk. IHC risk should be based on the size and risk-profile of the IHC alone.*

As previously noted, the Agencies have proposed applying standardized liquidity requirements to an FBO's IHC based on an underlying premise that the operations of a U.S. branch or affiliate somehow enhance the risk profile of the IHC. As detailed above, we find this conclusion to be overreaching. As noted, it would be beneficial for the Agencies to provide data or examples that support the assertion that funding vulnerabilities at the branch or agency can cause liquidity problems for the IHC, or vice-versa.

b) *The proposals do not account for the existing liquidity requirements applicable to IHCs. In our view, no new requirements are necessary for IHCs, particularly in the case of the NSFR. If the Agencies decide to apply additional requirements to the IHC they should: (a) apply on a modified basis for all IHCs; and, (b) reconsider the application of existing Regulation YY requirements for the IHC.*

As noted above, IHCs are already subject to both home-country requirements and stringent liquidity requirements under Regulation YY. The models informing the 30-day stressed liquidity outflow buffer requirements under Regulation YY are closely scrutinized as part of Board supervision. Combined with CLAR, these requirements may result in a buffer considerably in excess of a 100% LCR. As a result, it is difficult to see why the LCR is required as an additional protection.

For longer-term funding, Credit Suisse will be subject to the NSFR on a consolidated basis,[47] which will require it to maintain sufficient stable funding to fund its assets, including those in the IHC. Locally, the IHC maintains LTD as part of the iTLAC rule. Full recognition of LTD is provided only where the remaining maturity of the LTD is less than two years, with no recognition of LTD with a maturity of less than one year, providing a strong incentive to retain local funding with a tenor less than two years.[48] The amount of this funding is significant. For non-resolution covered IHCs, the minimum LTD ratio is 6% of RWA, 2.5% of total leverage exposure, or 3.5% of average total consolidated assets, which an IHC would augment with a buffer to ensure it did not fall beneath the minimum requirement.

As a result, the proposed LCR and NSFR requirements do not add meaningful additional protection in the mitigation of potential liquidity risks. Rather, they create superfluous operational burdens, ultimately to the detriment of the U.S. financial sector and broader economy. In our view, the proposed LCR and NSFR requirements should not be extended to IHCs.

If the Agencies choose to proceed with the application of new requirements, they should do so on a modified basis (70-85%) and reconsider the necessity of duplicative Regulation YY requirements. We also echo the concerns raised by the IIB regarding the application of the NSFR to IHCs. As they note, a significant amount of time has passed since the NSFR proposal was issued in 2016, a period that coincided with significant changes to the overall regulatory landscape. The Agencies have not engaged in any form of quantitative impact study assessing the effects of the NSFR on IHCs or

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[47] The introduction of the NSFR as a minimum standard was postponed in November 2018 by the Swiss Federal Counci and a new implementation decision is expected in Q4 of 2019. However, FINMA has been monitoring the NSFR as part of an ongoing observation period since 2012, with most banks already reporting NSFR in preparation of these final standards.
[48] 12 CFR §252.162(b).

FBOs. Moreover, as we identified in our comment letter on the NSFR proposal,[49] and as subsequent research has shown, there are significant flaws in the underlying proposed rule that should be corrected prior to finalization. In our view, the Agencies should re-propose the NSFR and, if they choose to extend it to IHCs, they should only do so after a thorough notice-and-comment process and following the conclusion of a comprehensive quantitative impact study assessing the effects of NSFR.

[49] Credit Suisse, "Notice of Proposed Rulemaking – Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements," August 5, 2016. Available at: https://www.federalreserve.gov/SECRS/2017/January/20170124/R-1537/R-1537_080816_130425_449452011247_1.pdf.

IV. Potential Liquidity Requirements for Branches and Agencies of FBOs

a) *No new branch liquidity requirements are needed at this time. However, if the Board opts to introduce branch liquidity requirements in the future, it should do so on a modified basis following international consultation. It should also eliminate duplicative branch liquidity requirements (e.g., Regulation YY buffer) already in existence.*

As we have noted, branches are already subject to standardized liquidity requirements at the consolidated, home-country level. U.S. branches for FBOs with CUSO assets >$50bn are also subject to Regulation YY liquidity risk management and liquidity buffer requirements. [50] Imposing duplicative requirements on branches would exacerbate fragmentation in the global regulatory system, represent a significant shift from the current U.S. regulatory regime, and would be a deviation from internationally agreed standards that could lead to retaliation from other jurisdictions.

However, if the Board determines that a standardized liquidity approach would be preferable for the purposes of transparency and uniformity across institutions, then it should be applied in place of, not in addition to, the existing Regulation YY requirements. We also believe that it should be applied at a "modified" level, reflecting the fact that our parent is already subject to a group LCR (the Board already acknowledged this logic when it decided to apply a 14-day outflow amount for the Regulation YY buffer branches rather than the IHC's 30-day outflow requirement).[51] Finally, as we have already stated, any new standardized approach to branch liquidity should be the subject of international dialogue and agreement in order to avoid global fragmentation of requirements.

[50] 12 CFR §252.155 to .157.

[51] Federal Register / Vol. 79, No. 59 at 17300 stating: "[T]o reduce the burden on the foreign banking organization, the final rule does not require that U.S. branches and agencies maintain a buffer for days 15 through 30 of the 30-day stress scenario. This recognizes the unique legal structure of branches and agencies and addresses the fact that buffer assets located outside of the U.S. may not be isolated on the parent organization's balance sheet. The Board believes that a buffer maintained outside of the U.S. may be a part of the organization's global liquidity risk management strategy."

V. Single Counterparty Credit Limits (SCCL)

a) ***The SCCL requirements should take greater account of post-Crisis enhancements to resilience and resolvability and only apply to local institutions whose failure could cause traumatic losses.***

When imposing regulatory burdens based on the potential consequences of a firm's failure, the Board should logically consider the likelihood and consequences of the firm's failure. The Agencies, the FSB, and the BCBS developed a series of post-Crisis policy responses designed to reduce the likelihood of bank failure, and minimize the consequences of failure should it occur. For Credit Suisse's U.S. operations, these responses include the following:

- *Reducing the likelihood of failure*: Credit Suisse now holds all required U.S. subsidiaries through its IHC. The IHC is independently capitalized, holding more and higher quality capital than firms did pre-Crisis. The IHC also participates in CCAR, including applying the counterparty default scenario, which is specifically designed to reduce the likelihood that distress of a major counterparty will be transmitted to a LISCC firm.

- *Mitigating the effects of failure*: In the unlikely event that Credit Suisse's IHC did fail, a series of reforms insulate U.S. financial markets from the effects of that failure. In addition to its global SPOE resolution plan, Credit Suisse's U.S. resolution plan contemplates the resolution of operating companies outside of applicable insolvency proceedings – meaning these companies would continue to meet obligations to creditors. This plan is bolstered by the Qualified Financial Contract Stay Rules, which minimize the chance that disorderly defaults complicate resolution.[52] In addition to prepositioned capital and liquidity resources sufficient to execute the IHC's resolution strategy,[53] the SPOE resolution strategy is backed by LTD, which the Board could convert into CET1, imposing losses on CS AG, rather than on unaffiliated creditors.[54] Even if the operating companies did fail, central clearing of derivatives would operate to mute further the consequences of that failure.

Taken together, these reforms meaningfully reduce the likelihood and effects of the failure of CS' IHC. The purpose of a large exposures regime is to "protect banks from traumatic losses caused by the sudden default of an individual counterparty or group of connected counterparties."[55] Accordingly, the Board should impose a large exposures regime only on institutions whose failure could cause traumatic losses, despite increased resilience and resolvability.

While the failure of one small bank may be traumatic for another, interconnected small bank, the burden associated with the imposition of a large exposures regime is justified when failures carry potentially systemic consequences. A firm's size is integral to this logic. The Board has previously recognized this point in its initial application of SCCL to U.S. BHCs, which would have been subject to the SCCL regime only when the BHC had total consolidated assets at least $250bn. [56] However,

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[52] 12 CFR §252 (i).
[53] Federal Reserve Board, "Guidance for 2018 § 165(d) Annual Resolution Plan Submissions by Foreign-based Covered Companies that Submitted Resolution Plans in July 2015." Available at: https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20170324a21.pdf.
[54] 12 CFR §252 (p).
[55] Basel Committee on Banking Supervision, "Supervisory framework for measuring and controlling large exposures," April 15, 2014. pp. 2. Available at: https://www.bis.org/publ/bcbs283.htm.
[56] 83 FR 38493, Aug. 6, 2018.

and without identifying circumstances warranting reconsideration, the Board now seeks to apply the SCCL to firms considerably smaller than that threshold, based on application of its RBIs.[57]

While interconnectedness suggested by wSTWF and CJA may exacerbate the consequences of a firm's failure, those consequences have systemic import only when the firm exceeds a given size. Given the reforms described above, total consolidated assets of at least $250bn seems a reasonable threshold for applying the SCCL. For firms below that size (and especially for FBOs already subject to a home-country large exposures regime), the burden associated with applying the SCCL is simply not justified by the potential consequences of that firm's failure.

The Board would compound the mistake of applying the SCCL to smaller firms by also imposing the economic interdependence and control tests and the special purpose vehicle ("SPV") look-through requirements on these firms. The recently finalized SCCL rule implicitly recognizes that these burdens are not justified for firms with assets <$250bn.[58] A better approach would be for the Board to monitor the SCCL's application to determine whether, absent these provisions, the SCCL materially understates aggregate exposure – and propose extending the provisions if needed.

If the Board persists with extending the application of the counterparty aggregation and SPV look-through tests, firms will need 18 months to two years to build the infrastructure required to monitor and limit exposures under these more complex provisions of the SCCL. The new requirements will likely be finalized in late 2019, but the proposed effective date for CS remains July 1, 2020. Firms are now deep into the execution of their implementation plans to meet the current SCCL requirements. The introduction of new requirements at this point in the implementation cycle would materially increase the burden to firms and would increase the overall delivery risk associated with compliance, as firms would need to re-plan implementation activities, identify appropriate data sources and so on. We urge the Board to consider an extended implementation timeline for FBOs, given the re-introduction of this requirement and the operational challenges of the proposed compliance timeline.

b) ***An IHC's SCCL should be based solely on the IHC's risk profile and recognize LTD.***

If the Board moves forward in applying SCCL to firms with at least $250bn, we would reemphasize the point that it is not rational to impose burdens on an IHC based on attributes of an FBO's CUSO. For SCCL, specifically, the Board has not explained why risks associated with the IHC's failure could be amplified by the existence of a U.S. branch or agency. Moreover, using CUSO to apply the SCCL partially undercuts the Board's recognition that an FBO can satisfy its U.S. CUSO SCCL rules by adhering to a home-country regime that is consistent with the large exposures framework published by the BCBS, as it adds U.S. branches and agencies 'back in' to the determination of the SCCL's applicability.[59]

In addition, as we request for post-stress capital ratios in the context of stress testing, iTLAC LTD should be recognized as a paid in and prepositioned capital commitment upon which the aggregate net credit exposure limits are based. As described above, LTD would mitigate the effects

[57] The Board recognizes this logic in its SCCL proposal: "The effect of a large financial institution's failure or near collapse is amplified by the mutual interconnectedness of large, systemically important firms—that is, the degree to which they extend each other credit and serve as counterparties to one another. As demonstrated during the crisis, financial distress at a banking organization may materially raise the likelihood of distress at other firms given the network of contractual obligations throughout the financial system. Accordingly, a large banking organization's systemic impact is likely to be directly related to its interconnectedness vis-à-vis other financial institutions and the financial sector as a whole." Federal Register / Vol. 81, No. 51 at 14328.
[58] 83 FR 38493, Aug. 6, 2018.
[59] 12 CFR §252.172(d).

of failure by imposing losses on CS AG, rather than creditors of CS' IHC. In addition, the specter of LTD conversion increases the likelihood that CS AG would provide parental support well ahead of insolvency to protect its capital investment.

VI. Additional Tailoring of Prudential Requirements for FBOs and IHCs

The proposals address a number of pertinent regulatory requirements facing FBOs such as CS; however, there are other important initiatives we would ask the Board to consider in light of the principles set forth in these proposals.

a) The Board should recognize that iTLAC LTD is a paid-in and prepositioned capital commitment for CCAR and DFAST.

As noted above, we request that the Board provide credit to IHCs for the "LTD" portion of their iTLAC requirement. This prefunded and prepositioned capital requirement, which is not applicable to any U.S. BHCs in Categories II, III, and IV, acts as a significant risk-reduction and stability mechanism for IHCs that are subsidiaries of GSIBs. Such IHCs, consequently, present a much lower risk than comparable U.S. BHCs in the same categories, as well as standalone U.S. GSIBs. Providing credit for the LTD portion of the iTLAC would help promote competitive equality with U.S. BHCs, and would be a concrete way of giving greater recognition to parental support. Specifically, we suggest that the Board provide IHCs with a credit for the LTD portion of iTLAC in the calculation of the Board's post-stress minimum capital requirements by recognizing LTD as CET1.

b) *The Board should make additional changes to the stress testing process in order to tailor it more appropriately to IHCs.*

Credit Suisse has previously submitted comments to the Board on ways in which the stress testing process can be made more transparent and predictable for IHCs, and how the proposed Stress Capital Buffer ("SCB") framework could be better tailored to IHCs.[60] We urge the Board to consider these recommendations as part of a comprehensive review of the stress testing process. Below, we highlight a few of our key concerns as they relate to IHC tailoring.

First, the Board ought to distinguish between "subsidiary dividends" paid by the IHC to its parent and "corporate dividends" paid by U.S. BHCs. The latter are generally are predictable, recurring payments made to public shareholders, and market participants could interpret any reduction as a negative indicator of the firm's financial condition. By contrast, subsidiary dividends paid to a single, shareholder parent are highly variable and non-public; there should therefore be no expectation that these payments are recurring in the stress testing process, nor should they be required to be pre-funded in the same manner as corporate dividends.

Second, the Board ought to issue IHC specific capital planning guidance that is separate from that set forth in SR letter 15-18 *Federal Reserve Supervisory Assessment of Capital Planning and Positions for LISCC Firms and Large and Complex Firms*. Moreover, the Board ought to be recognize in separate guidance that FBOs are subject to separate capital planning, RWA, and leverage requirements by their home regulator, and that IHCs are materially smaller and less diversified (by definition) than the U.S. BHCs subject to SR 15-18.

Finally, while we welcome the decision of the Board to eliminate qualitative component of CCAR for most firms subject to CCAR,[61] we concur with the concerns raised in the IIB letter regarding the

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[60] Credit Suisse submission regarding Proposed Amendments to the Regulatory Capital, Capital Plan and Stress Test Rules, June 25, 2018; Credit Suisse submission regarding the Board's Stress Testing Transparency Proposals, January 22, 2018.

[61] 84 Fed. Reg. 8953, 8953, March 14, 2019.

disparate treatment of IHCs relative to U.S. BHCs in the final rule.[62] Under that rule, U.S. BHCs are now exempt from the qualitative component, while several IHCs remain subject to it for at least another year. If the Board believes that the qualitative concerns arising at the largest and most complex firms (i.e. the U.S. GSIBs in Category I) can be addressed through the normal supervisory examination process, there is no reason why IHCs in lower risk categories should not be subject to the same treatment in the 2020 stress testing cycle.

c) The Board should recalibrate the iTLAC requirement for non-resolution entities to the lower-end of the FSB range.

Vice Chairman Quarles has previously argued that it would be useful for the U.S. to shift to a lower range for iTLAC in order to improve the balance of resources available at the parent and to improve flexibility.[63] He stated:

> *"I believe we should consider whether the internal TLAC calibration for IHCs could be adjusted to reflect the practice of other regulators without adversely affecting resolvability and U.S. financial stability. The current calibration is at the top end of the scale set forth by the FSB, and willingness by the United States to reconsider its calibration may prompt other jurisdictions to do the same, which could better the prospects of successful resolution for both foreign G-SIBs operating in the United States, and for U.S. G-SIBs operating abroad."*

We fully agree with Vice Chairman Quarles' assessment, and believe that a recalibration of the Internal TLAC requirement toward the low-end of the FSB range (i.e., 75% of the requirements that are applicable to entities issuing External TLAC). We encourage the Board to issue a proposal on this issue for notice-and-comment as soon as practicable.

d) The Board should reevaluate the inclusion of IHCs in the LISCC portfolio in light of the risk-based categorizations contained in the proposals.

Credit Suisse appreciates that the proposals recognize that the U.S. operations of FBOs ought be distinguished from U.S. GSIBs. The Board clearly understands that the risk profiles of U.S. GSIBs and the U.S. operations of FBOs are categorically different and that they deserve different treatment as evident by the relief granted to IHCs in areas of capital, liquidity, and resolution planning.

Because there is a clear distinction in regulatory requirements between U.S. GSIBs and the U.S operations of all FBOs, it seems logical that there should also be a clear distinction in the supervision of these groups. LISCC was originally established to oversee the "largest and most complex" firms. Since that time, LISCC FBOs' U.S. footprints and risk profiles have shrunk compared to those of their U.S. peers,[64] which is likely one reason why the Board felt it was appropriate to tailor these requirements in the first place. As a result, certain LISCC requirements, such as compliance with the Comprehensive Liquidity Analysis Review (CLAR) and Supervisory Assessment of Recovery and Resolution Preparedness (SRP), are unduly burdensome on the U.S. operations of FBOs, which are smaller and less risky than their U.S. GSIB peers.[65]

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[62] Federal Register / Vol. 84, No. 49, 8953.

[63] "Trust Everyone—But Brand Your Cattle: Finding the Right Balance in Cross-Border Resolution," May 16, 2018. Available at: https://www.federalreserve.gov/newsevents/speech/quarles20180516a.htm.

[64] SIFMA, "SIFMA Insights: The Importance of FBOs to US Capital Markets," April 2019.

[65] See Figure 2.

In the event the Board does not reevaluate the composition of firms currently within the LISCC portfolio, we request the Board publish clear criteria for how the LISCC portfolio is determined in a transparent manner consistent with the categorizations from these proposals.

e) *The Board should issue board of director and management guidance that is tailored to IHCs and FBOs as part of its new Large Financial Institution ("LFI") rating system.*

We have submitted separate responses to the Board's proposed guidance on board of directors' effectiveness[66] and proposed guidance on effective senior management, the management of business lines, and independent risk management and controls,[67] both of which form part of the Governance and Controls portion of the Board's new Large Financial Institution ("LFI") Ratings framework.[68]

In our comments on the management guidance, we commended the Board for providing several examples and clarifications on how the proposed guidance documents would relate to IHCs and FBOs. However, we remain concerned that the management proposal does not go far enough in accounting for the differences in how FBOs are structured and managed relative to U.S. BHCs. We are also concerned that, as written, the proposals could impose undue extraterritorial requirements on FBOs. As a result, we urge the Board to issue a separate, FBO-specific management guidance proposal as soon as possible. Any FBO-specific management proposal should be based on the same general principles of risk management as those which were contained within the 2018 management proposal, but should also take into account the differences in activities, business, risk profiles, organizational structures, and home-country regulation that exist between a top-tier U.S. BHC and the CUSO, including the IHC, of FBOs, including with respect to bank branches located outside of the IHC but within CUSO.

We welcome the Board's decision to not apply the proposed board effectiveness guidance to IHCs and instead to likely issue a separate guidance on IHC board effectiveness. Given the close relationship between the two proposed pieces of guidance, we strongly recommend that the Board issue FBO-specific board effectiveness and management proposals in conjunction with each other and then implement both of these portions of the LFI rating system's governance and controls pillar concurrently. Doing so would reduce confusion about supervisory expectations that likely will arise by implementing one portion of the governance and controls pillar (the management portion) before understanding how it would interact with the other portion (relating to boards of directors). We also want to reiterate the desire we expressed in our prior comment letters for the Board to move expeditiously to issue and finalize these proposals in order to provide certainty to IHCs and FBOs.

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[66] Credit Suisse, "Proposed Guidance on Supervisory Expectations for Boards of Directors (Docket No. OP-1570)," February 15, 2018. Available at: https://www.federalreserve.gov/SECRS/2018/April/20180424/OP-1570/OP-1570_021518_131978_332780926220_1.pdf.

[67] Credit Suisse, "Proposed Supervisory Guidance Describing Core Principles of Effective Senior Management, the Management of Business Lines, and Independent Risk Management and Controls for Large Financial Institutions (Docket No. OP-1594)," March 15, 2018. Available at: https://www.federalreserve.gov/SECRS/2018/March/20180316/OP-1594/OP-1594_031518_132003_501138603947_1.pdf.

[68] Federal Register / Vol. 83, No. 225, 58724; 12 CFR 211.

We appreciate the Agencies' consideration of our comments as they relate to the proposals. Should you have any questions, please do not hesitate to contact Peter Ryan at (202) 626-3306 (peter.ryan@credit-suisse.com).

Respectfully submitted,

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