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By Electronic Mail

Board of Governors of the Federal Reserve System
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Washington, DC 20551

Federal Deposit Insurance Corporation
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Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

Re: Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies, Federal Reserve Docket No. R-1658 and RIN 7100-AF45; Changes to Applicability Thresholds for Regulatory Capital Requirements of Certain U.S. Subsidiaries of Foreign Banking Organizations and Application of Liquidity Requirements to Foreign Banking Organizations, Certain U.S. Depository Institution Holding Companies, and Certain Depository Institution Subsidiaries, Federal Reserve Docket No. R-1628B and RIN 7100-AF21, OCC Docket No. OCC-2019-0009 and RIN 1557-AE63, FDIC RIN 3064-AE96

Mizuho Financial Group, Inc. ("MHFG"), Mizuho Bank, Ltd. ("MHBK") and Mizuho Americas LLC ("MAL," collectively with MHFG and MHBK, "Mizuho") appreciate the opportunity to submit this letter concerning (1) the notice of proposed rulemaking issued by the Board of Governors of the Federal Reserve System (the "Federal Reserve") regarding proposed changes to the enhanced prudential standards ("EPS") for large foreign banking organizations ("FBOs") and (2) the joint notice of proposed rulemaking issued by the Office of the Comptroller of the Currency (the "OCC"), Federal Reserve and the Federal Deposit Insurance Corporation (the "FDIC" and, collectively with the Federal Reserve and the OCC, the "Agencies") regarding proposed changes to the applicability thresholds for certain regulatory capital and liquidity requirements.[1]

[1] "Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies," 84 Fed. Reg. 21988 (May 15, 2019) (the "EPS Proposal"); "Changes to Applicability Thresholds for Regulatory Capital Requirements for Certain U.S. Subsidiaries of Foreign Banking Organizations and Application of Liquidity Requirements to Foreign Banking Organizations, Certain U.S. Depository Institution Holding Companies, and Certain Depository Institution

MHFG is an FBO and a bank holding company ("BHC") headquartered in Japan and the parent organization of MHBK, a foreign bank chartered in Japan. MAL, a direct subsidiary of MHBK, is a U.S. BHC. MAL's subsidiaries include all but two of MHFG's U.S. subsidiaries, including, but not limited to, Mizuho Bank (USA), a state member bank ("BKUSA"), Mizuho Securities USA LLC ("MSUSA"), a U.S. registered securities broker-dealer and Mizuho Capital Markets LLC ("MCM"), a U.S. registered swap dealer. As of March 31, 2019, MHFG had combined U.S. assets of approximately $181 billion across its U.S. Branch network and U.S. subsidiary entities.[2] MHFG has less than $50 billion in U.S. non-branch assets and, therefore, is not subject to the U.S. intermediate holding company ("IHC") requirement. MHBK and MAL and its subsidiaries, together employ over 2,500 persons in their U.S. offices. MHBK's activities are focused primarily on investment grade U.S. corporate lending and treasury activities, while MAL's activities generally consist of corporate lending (through BKUSA), debt and equity underwriting, fixed income, equity and debt sales and trading (through MSUSA) and interest rate and foreign exchange derivatives (through MCM).

Mizuho has worked with the Institute of International Bankers (the "IIB"), the Japanese Bankers Association ("JBA"), the Institute of International Finance ("IIF") and their respective member banks and legal counsel in developing these organizations' comments on the Proposals, including separate IIB letters addressing the Proposals more generally and the question of whether the Agencies should apply liquidity requirements to the U.S. branches and agencies of FBOs. The IIB, JBA and IIF comment letters discuss many of Mizuho's concerns, and Mizuho supports the comments, observations and recommendations provided therein. We urge the Agencies to give serious consideration to the issues discussed, and recommendations included in, the IIB, JBA and IIF letters.

In this letter we emphasize certain issues that are particularly significant for MHFG's U.S. operations ("MUSO"). At the outset, we would like to express our support of the Agencies' efforts to tailor prudential standards for FBOs based on the size and risk of their U.S. footprints and their goal of making the regulatory framework for FBOs simpler, more efficient and more transparent. We believe, however, that certain changes to the Proposals are necessary in order for the foregoing purposes to be realized. The issues discussed below include both important policy points that we believe should be addressed to avoid adverse effects on competition and practical points that we believe should be addressed to better tailor the Proposals to the risks of a firm like MHFG and its U.S. operations. For example, the most immediate practical impact to MHFG's U.S. operations of the Proposals involves the proposed changes to the frequency and timing of FR 2052a reporting. If adopted as proposed, a daily 2052a reporting standard would generate a significant additional burden that we believe exceeds the incremental benefits to the Agencies relative to a less frequent reporting requirement. In addition, although not separately addressed in this letter, we would like to emphasize our concurrence and support for the IIB's letter regarding potential

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Subsidiaries," 84 Fed. Reg. 24296 (May 24, 2019) (the "Capital/Liquidity Proposal"). The preamble and text of the proposed rules are referred to collectively as the "Proposals."

[2] As calculated in accordance with the Federal Reserve Form FRY-7Q.

branch liquidity requirements, in particular our views that additional requirements applicable to the branch are not necessary, but if the Agencies should move forward then due consideration should be given to the safety and soundness benefits of existing liquidity buffers and stress testing requirements, and any additional liquidity requirements should be calibrated such that their impact not be inconsistent with such existing measures.

1. EXECUTIVE SUMMARY

- *MUSO's risk profile is not commensurate with its proposed categorizations*. MUSO's operations are focused primarily on traditional bank and bank holding company activities. The Proposal's risk-based indicators, however, would lead to a framework that would be over-calibrated relative to MUSO's complexity and interconnectedness. As a result, the Proposals would subject MUSO and MAL to requirements applicable to U.S. BHCs many times their size in a manner that is not commensurate with their risk profile. We believe this result unreasonably hinders competitive markets and is not necessary to achieve the Proposals' policy objectives.

- *EPS should apply to IHCs based on IHC attributes, not FBOs' combined U.S. operations and should be consistent with the proposed domestic categorization framework*. IHC EPS should be solely based on IHC attributes. Applying EPS to IHCs based on FBO attributes creates unwarranted "cliff" effects that would inappropriately discourage FBOs from forming IHCs, which in turn will hinder competitive markets and productive financial intermediation. This result also would be inconsistent with the Congressional mandate of national treatment and equality of competitive opportunity.

- *Affiliate transactions should be excluded from the risk-based indicators*. FBOs' risk indicators typically are inflated by transactions with non-U.S. affiliates that do not contribute to the complexity or interconnectedness of an FBO's U.S. operations. Thus, these relationships should not serve as a trigger for more stringent prudential standards. Such transactions should be excluded from measures of cross-jurisdictional activity ("CJA"), nonbank assets ("NBA"), off-balance sheet exposure ("OBE") and weighted short-term wholesale funding ("wSTWF"). This modification would go a long way to addressing the deleterious effects the Proposals would have on competition, lending and growth. The changes also would be consistent with the principles of national treatment and equality of competitive opportunity.

- *The scope, frequency and timing of proposed reporting forms should be refined*. Given the significant burdens associated with FR 2052a reporting, it would be incongruous to expand the scope of FBOs that would be subject to daily FR 2052a reporting beyond those currently subject to such requirement. As discussed below, the Federal Reserve has established a $50 billion threshold for IHC formation, the implication of which is that those FBOs with U.S. non-branch assets below such threshold are to be treated differently than FBOs with IHCs. Further, under the Proposals, Mizuho would be one of three FBOs not subject to the Federal Reserve's Large Institution Supervision Coordinating Committee ("LISCC") portfolio that would be subject to enhanced reporting requirements. In keeping with this, it would be incompatible with the Agencies' goal of

reducing the stringency of rules applicable to FBOs that present less risk for the Agencies to impart new requirements on FBOs that have not been designated as LISCC firms. Similarly, the proposed move to reporting the FR 2052a on a T+2 basis represents a significant burden relative to T+10 FR 2052a reporting, that is not warranted for an FBO such as Mizuho, and therefore, should not be adopted. In addition, consistent with our proposal to apply EPS separately to the IHCs, FR Y-15 should apply only to IHCs, and not separately to an FBO's combined U.S. operations ("CUSO") or its branch and agency network.

- *The Federal Reserve should provide clarification as to the timing of home country SCCL certification.* The Federal Reserve should clarify that an FBO located in a jurisdiction that is currently in the process of implementing the Basel Committee on Banking Supervision's "Supervisory framework for measuring and controlling large exposures" (the "Basel Large Exposures Framework") should be permitted to certify, or be temporarily exempt from certifying, home country compliance under the Federal Reserve's single-counterparty credit limits (the "SCCL") rule,[3] notwithstanding that the jurisdiction may not complete implementation of a Basel Large Exposures Framework-compliant standard until after the SCCL compliance date.

2. MUSO's RISK PROFILE IS NOT COMMENSURATE WITH ITS PROPOSED CATEGORIZATION

Fundamentally, the framework that would apply to MUSO under the Agencies' projected categorization is not commensurate with the complexity of MUSO's operations. Indeed, MHFG is unique among the firms projected by the Agencies to be Category II or III FBOs in that it is the only such FBO that is not required to form an IHC, because it has less than $50 billion in U.S. non-branch assets. In fact, MHFG is one of three FBOs not members of the Federal Reserve's LISCC portfolio projected to be in Category II or III with less than $100 billion in U.S. non-branch assets. Nonetheless, under its projected categorization, MHFG would become subject to new, burdensome requirements such as daily 2052a reporting. Thus, at a minimum, the Proposals should be revised to avoid generating additional, more burdensome requirements for FBOs compared to the standards in place today. If the Proposals are adopted as proposed, and if MHFG's U.S. non-branch assets increased above $50 billion such that it were required to form or designate an IHC, MHFG immediately would be subject to a host of more burdensome requirements only applicable to U.S. BHCs with more than $100 billion in total assets under the proposed domestic categorization framework. Indeed, given that the Agencies have proposed to maintain the $50 billion IHC threshold, an FBO, such as MHFG, would face a significant impediment to forming an IHC, given that the proposed liquidity requirements alone would not be commensurate with the size and risk of a sub-$100 billion IHC (and, therefore, could be prohibitive to crossing the IHC threshold).

As mentioned briefly above, MHFG's core business lines in the United States consist of corporate banking, treasury and certain securities broker-dealer and swap dealer activities. Unlike some of the other

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[3] 12 CFR pt. 252, subpart Q.

firms projected to be in Category II or III, MUSO's operations are consistent with those of a Category IV U.S. BHC, or a U.S. BHC not subject to the proposed domestic categorization framework at all. In particular, Mizuho has three "core" businesses: (1) corporate banking, including lending, trade finance, foreign exchange, deposit, cash management and a limited number of derivatives products, conducted primarily through MHBK New York Branch ("MHBKNY"); (2) treasury activities, including asset liability management and funding conducted primarily through MHBKNY, and fixed income operations and provision of foreign exchange-related products to corporate customers conducted primarily through MCM; and (3) securities broker-dealer services, including underwriting debt for corporate banking clients, sales and trading of fixed income and equity securities, futures clearing, and M&A advisory services conducted primarily through MSUSA. Significantly, MHFG's U.S. activities are focused primarily at MHBK. MHFG's U.S. securities broker-dealer, MSUSA, is less complex and therefore presents lower risk, when compared to the U.S. broker-dealers of many of the other firms projected to be in Category II or III.

MHFG's U.S. operations play a crucial role in "intermediating transactions between U.S. clients and foreign markets, including by facilitating access for foreign clients to U.S. markets, and clearing and settling U.S. dollar-denominated transactions."[4] These activities support the U.S. economy and competition in the U.S. financial sector (which ultimately benefits customers and the real economy). In addition, MHFG manages its U.S. dollar ("USD") funding on a global basis, and MUSO plays a unique role in managing USD surplus funds among non-U.S. affiliates. Many of the proposed risk-based indicators, including CJA, NBA, OBE and wSTWF, would be artificially inflated through affiliate transactions that would otherwise be eliminated in consolidation for a U.S. BHC and would lead to a regulatory framework that would be over-calibrated relative to the risk that MUSO presents. Therefore, we make the following recommendations that we believe would better tailor the prudential standards applicable to MUSO to its size and complexity, so as to avoid the deleterious effects that the Proposal would have on competition and growth.

3. EPS SHOULD APPLY TO IHCs BASED ON IHC ATTRIBUTES, NOT FBOs' COMBINED U.S. OPERATIONS, AND SHOULD BE CONSISTENT WITH THE PROPOSED DOMESTIC CATEGORIZATION FRAMEWORK

As proposed, certain EPS, including liquidity, risk management and SCCL, would apply to an IHC based on an FBO's CUSO attributes. This framework would create unwarranted "cliff" effects that would inappropriately discourage FBOs from forming IHCs, and more generally discourage an FBO's growth in the United States. These effects, in turn, would hinder competitive markets and productive financial intermediation that supports robust economic growth. For the reasons described below, we do not think this design is necessary to achieve the Agencies' policy objectives. Moreover, this design would be inconsistent with the principles of national treatment and equality of competitive opportunity, contrary to the mandate in section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), which instructs the Federal Reserve to "give due regard to the principle of national treatment and equality of competitive opportunity." Accordingly, the Proposals should be revised to apply

[4] EPS Proposal at 21995.

separately to IHCs and FBOs' U.S. branches and agencies. Further, EPS as applied to an FBO's U.S. branch and agency network should defer to home country regulation to the extent those regulations are consistent with internationally-agreed standards.

a. IHC EPS should be solely based on IHC attributes.

Under the Capital/Liquidity Proposal, if MAL were to increase its assets to $50 billion such that MHFG was required to designate MAL as an IHC, and MHFG were to be categorized as a Category II or III FBO, MAL would become subject to EPS otherwise only applicable to a Category II or III U.S. BHC even though it would fall entirely outside of U.S. BHC EPS categorization framework on a standalone basis. In other words, the asymmetry among the Federal Reserve's U.S. BHC proposal and the Proposals would result in a competitive disadvantage for IHCs by subjecting them to more burdensome requirements as compared to similarly sized U.S. BHC counterparts. This result is unjustified to achieve the policy objectives of the Proposals. Further, because of the significant "cliff" effects described below, FBOs will be discouraged from forming new IHCs, which would inappropriately hinder competitive markets. Without a better risk calibration and a more effective ramp-up to IHC status, the Proposals could have the effect of entrenching the existing IHCs and effectively preventing the formation of new IHCs.

Although the Agencies articulate a general concern that the "size of a foreign banking organization's U.S. operations provides a measure of the extent to which U.S. customers or counterparties may be exposed to a risk of loss or suffer a disruption in the provision of services in the United States,"[5] the Agencies do not provide a compelling justification as to why that concern would be addressed by imposing more stringent standards on an IHC, as compared to a similarly sized U.S. BHC, where such IHC may not present those risks to the same extent, if at all. For example, to the extent that the net stable funding ratio ("NSFR") is aimed at addressing overreliance on short-term wholesale funding,[6] the Agencies have not provided evidence or justification for why an IHC's affiliation with an FBO with particular attributes would make it more likely that the IHC itself will rely on short-term wholesale funding in a way that would justify application of the NSFR. Furthermore, the liquidity profiles and sources of funding of an FBO's U.S. branch versus its broker-dealer are often entirely separate and should not be conflated by applying the wSTWF risk-based indicator across an FBO's CUSO.

Moreover, the Proposals, as written, are inconsistent with one of the stated rationales behind the IHC requirement, to provide "consistency in the application of enhanced prudential standards to the U.S. operations of foreign banking organizations with a large U.S. subsidiary presence."[7] Under the Proposals, IHCs of similar size and risk profiles could be subject to vastly different prudential standards, depending on the categorization of their parent FBO, and branch and agency network. MAL, for example, would be

[5] EPS Proposal at 21994.

[6] 81 Fed. Reg. 35123, 35126 (June 1, 2016).

[7] 79 Fed. Reg. 17239, 17263 (Mar. 27, 2014).

subject to liquidity standards applicable to U.S. BHCs 10 times its size and that have significantly different risk profiles, or IHCs that are twice as large and relatively more complex. Applying different standards to similar IHCs and BHCs, and conversely the same standards to IHCs or BHCs with materially different risk profiles, would be incompatible with the goal of consistency, and is one aspect of the Proposals that would hinder competitive markets.

Instead of penalizing IHCs, the Agencies should focus their supervisory efforts on ensuring that an FBO is subject to home-country regulatory standards that are consistent with internationally agreed principles, which would address prudential concerns that the Agencies may have about an FBO's branch and agency network. Further, the Agencies have more targeted policy tools at their disposal that could be used to address any idiosyncratic risk that a particular institution may present, and may not otherwise be addressed by our suggested approach. These tools include: (1) the ordinary supervisory process, pursuant to which the Agencies have broad authority to supervise an FBO's U.S. operations; (2) existing regulations on affiliate transactions (*e.g.*, Section 23A and 23B of the Federal Reserve Act and the Federal Reserve's Regulation W); (3) branch activities restrictions (pursuant to the International Banking Act of 1978 and relevant State law); and (4) the resolution planning process, to the extent that the Agencies are concerned about the ability of FBOs to mobilize resources to respond quickly to problems arising from U.S. operations that the Agencies view as presenting risks to U.S. financial stability.

For all these reasons, we believe the Proposals could be adjusted to apply separately to IHCs and CUSO without undermining the Agencies' policy objectives. Further, our recommendations should avoid the negative effects on competitive markets and financial intermediation, and the inconsistency with the principles of national treatment and equality of competitive opportunity reflected in the Proposals.

b. Applying EPS to IHCs based on FBO attributes creates unwarranted "cliff" effects.

Applying EPS to an IHC based on the attributes of the U.S. operations of its FBO parent would strongly incentivize FBOs that are not currently required to form an IHC (like MHFG) not to increase their U.S. non-branch assets above $50 billion. The larger the FBO, the more pronounced this cliff effect appears to be. For example, a Category II FBO with $76 billion in wSTWF that did not already have an IHC that subsequently crosses the $50 billion U.S. non-branch asset threshold would be required to form an IHC that immediately would become subject to the most stringent and burdensome set of liquidity standards and SCCL. The potential regulatory burdens associated with implementing such stringent standards would create a strong "cliff effect" for such an FBO, effectively imposing a $50 billion non-branch asset ceiling. This effect would incentivize an FBO like Mizuho to grow its branch network rather than diversifying its risk by growing its U.S. non-branch assets and form an IHC, which could otherwise diversify an FBO's sources of liquidity and improve its funding profile in the United States.

The "cliff effect" is further pronounced, because in addition to discouraging growth at non-IHC firms, the cliff effect would dampen growth of FBOs generally, thereby decreasing competition in the US economy. Competitive financial markets in the United States depend on a robust range of domestic and foreign participants, who in turn diversify sources of capital, liquidity and ideas. Ultimately, this hindrance

on competitive and innovative markets will harm consumers and the broader prospects of sustained economic growth.

The Agencies could address these unwarranted "cliff effects" by applying EPS to IHCs based on IHC attributes, as suggested above. As an alternative, the Agencies also could raise the IHC formation threshold from $50 billion to $100 billion, consistent with the increased thresholds for combined U.S. assets. By increasing the threshold, the Agencies could ensure that the application of EPS would be applied at a level that is commensurate with the size and risk of the IHC. As yet another alternative, the Agencies could provide a "ramp-up" for initial application of the liquidity, SCCL and other requirements currently proposed to apply based on an FBO's combined U.S. assets by imposing such requirements only once an IHC reaches $100 billion in assets.

Such changes are critical to ensuring that U.S. financial markets remain competitive and encourage the participation of FBOs. As one example of why these adjustments are critical, at any given time, jurisdictions around the world may face different economic conditions. As a result, an FBO from one jurisdiction that is in an economic down cycle may not be inclined to grow its U.S. operations. At the same time, if an FBO without an IHC from another jurisdiction is inclined to grow its U.S. operations (because its home country economic conditions support growth or otherwise), it may decline to do so because of the "cliff effects" contemplated by the Proposals. This effect ultimately would harm the U.S. economy and is not necessary to achieve the Agencies' policy objectives.

4. AFFILIATE TRANSACTIONS SHOULD BE EXCLUDED FROM THE RISK-BASED INDICATORS

a. CJA should exclude all transactions with non-U.S. affiliates.

The measure of an FBO or IHC's CJA should exclude all transactions with non-U.S. affiliates. As compared to a U.S. BHC, the U.S. operations of an FBO are more likely to have a higher amount of CJA relative to a similarly situated U.S. BHC due to inter-affiliate relationships. Yet these inter-affiliate relationships do not necessarily contribute to the complexity or interconnectedness of the organization in a way that warrants Category II standards. Indeed, the EPS Proposal recognizes that FBOs "often intermediate transactions between U.S. clients and foreign markets ...[and] engage in transactions to manage enterprise-wide risks," and that "U.S. operations have increased cross-jurisdictional activity as a result of these activities."[8] As currently drafted, however, the Proposals only would exclude intercompany cross-jurisdictional liabilities and intercompany cross-jurisdictional claims to the extent collateralized by "financial collateral." This approach fails to recognize that inter-affiliate transactions tend to be risk reducing and that there are more targeted ways of addressing any idiosyncratic risks that may arise.

Excluding all transactions with non-U.S. affiliates, *e.g.*, including uncollateralized cross-jurisdictional claims on non-U.S. affiliates, would reflect more accurately the business-as-usual nature of

[8] EPS Proposal at 21995.

these transactions and would be consistent with the principle of national treatment. In particular, under both the current and proposed versions of the FFIEC 009, a top-tier U.S. BHC would be permitted to exclude intercompany transactions eliminated upon consolidation from their calculation of its cross-jurisdictional activity, which appears to reflect that these transactions are not viewed as presenting the true risks of transactions with non-affiliates. The same approach should apply to FBOs and IHCs.

Not allowing the U.S. operations of an FBO and its IHC(s) to eliminate inter-affiliate transactions for purposes of the CJA calculation could encourage *ex ante* ring fencing of resources in the United States, which creates brittleness in the financial system. Further, such action could encourage "tit-for-tat" responses from foreign jurisdictions. To the extent that the Agencies have concerns regarding the need to pre-position assets or liquidity in the United States, those concerns could be addressed on a more targeted basis with other policy tools, such as resolution planning, which benefits from extensive and ongoing global coordination, and is more tailored to the risks of a particular institution.

b. wSTWF should exclude financing obtained from affiliates.

The proposed measure for wSTWF should exclude any financing obtained from affiliates (including branches, agencies and the FBO's home office). The Agencies state in the Proposals that the wSTWF is meant to address the extent to which an FBO is "vulnerable to large-scale funding runs."[9] In contrast to third-party short-term wholesale funding, short-term wholesale funding obtained from affiliates is much less likely to be subject to any such runs, and is likely to replace third-party funding during times of stress. In fact, many organizations rely on prepositioning of funding from affiliates in a resolution context.

In addition, many types of inter-affiliate transactions that would count towards wSTWF under the Proposals reflect liquidity management and foreign exchange transactions that FBOs enter into as a part of group-wide risk management. Excluding inter-affiliate transactions from the scope of wSTWF would be consistent with SCCL, which by statute only impose limits on credit exposure to non-affiliates, which appears to reflect the view that inter-affiliate transactions do not present risks to U.S. financial stability that EPS were intended to address.[10] Excluding funding obtained from affiliates also would be consistent with the principle of national treatment. Similar to the measure for CJA, the current and proposed FR Y-15 forms permit U.S. BHCs to exclude intragroup transactions, including intragroup financing, to the extent eliminated by consolidation. In the event the Agencies determine not to exclude financing among affiliates in calculating wSTWF, at a minimum: (1) such affiliate financing should be categorized as first tier and weighted accordingly; and (2) FBOs should be permitted to offset the amounts payable in connection with repurchase transactions with an affiliate with amounts receivable in connection with reverse repurchase transactions with the same affiliate to the extent permissible under applicable accounting standards.

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[9] EPS Proposal at 21998.

[10] 12 USC § 5365(e)(2).

c. NBA should exclude assets arising from transactions with affiliates.

The Agencies should exclude from the NBA measurement, assets arising from transactions with affiliates (including branches, agencies and the FBO's home office). As described above with CJA, the U.S. operations of FBOs are more likely to engage in inter-affiliate transactions that do not otherwise contribute to the complexity or interconnectedness of the organization. Indeed, such assets may arise from a loan or derivative entered into by a non-bank with an affiliate as a part of an FBO's global funding strategy or enterprise risk management, which may not reflect a heightened risk profile at all. Further, as with CJA and wSTWF, excluding such transactions would be consistent with the principle of national treatment, as top-tier U.S. BHCs are permitted to exclude all intercompany transactions from NBA to the extent eliminated upon consolidation.

d. OBE should exclude exposures to affiliates.

The Agencies also should exclude from OBE any exposures to affiliated counterparties (including branches, agencies and the FBO's home office). In justifying the OBE measure, the Agencies stated that "[l]ike size, off-balance sheet exposure provides a measure to the extent to which customers or counterparties may be exposed to a risk of loss or suffer a disruption in the provision of services," and also reflect a concern about "significant futures draws on liquidity."[11] Unlike with respect to third-party counterparties, affiliated counterparties do not present the same risk of loss or disruption, and affiliate counterparties are less likely to make a draw on liquidity that would jeopardize the liquidity position of an FBO's U.S. operations. For example, MHFG has a vested interest in avoiding disruptions and liquidity issues across its corporate structure and, more importantly, full control over whether such OBE will be triggered. MHFG has a strong incentive to ensure that any inter-affiliate OBE do not cause significant disruptions. Moreover, any concerns about the contagion effects of significant amounts of inter-affiliate OBE are best addressed in the context of resolution planning, which is a process more tailored to individual firms and targeted at financial stability concerns.

5. THE SCOPE, FREQUENCY AND TIMING OF PROPOSED REPORTING FORMS SHOULD BE REFINED

a. No additional FBOs should be newly subject to more frequent FR 2052a reporting.

Under the Proposals, Category II FBOs and Category III FBOs with $75 billion or more in wSTWF would be required to report FR 2052a on a daily basis. Currently, the only firms subject to daily FR 2052a reporting are the eight U.S. GSIBs, based on total consolidated assets or assets under custody, and the four FBOs that are part of the Federal Reserve's LISCC portfolio. For the most part, these firms are already subject to the full liquidity coverage ratio ("LCR"), the full NSFR (if adopted as proposed) and the LISCC Liquidity Program. While MUSO currently provides FR 2052a reporting on a monthly basis, under the Proposals and the Agencies' projected categorization, three additional firms that not members of the Federal

[11] EPS Proposal at 24307.

Reserve's LISCC portfolio, including Mizuho (which is not required to form an IHC), would be newly subject to this requirement. MHFG's risk profile is substantially different from LISCC firms and applying daily FR 2052a reporting to such an institution is inconsistent with the tailoring motivation of the Proposals, especially when measured against the undue burden associated with such daily reporting (in fact, the FR 2052a generally tracks requirements from the LCR and NSFR that are not applicable to MUSO). Thus, it would be incongruous for the Agencies to expand the scope of FBOs that would be required to report daily on FR 2052a beyond LISCC firms.

b. The proposal to move from T+10 to T+2 reporting should not be adopted.

Under the proposed FR 2052a instructions, Category II FBOs, Category III FBOs and Category IV FBOs with $50 billion or more in average short-term wholesale funding that are required to report on FR 2052a would be required to file on a T+2 basis. Currently, FBOs that have $50 billion or more, but less than $250 billion in combined U.S. assets are required to report on a T+10 basis. Reporting on a T+2 basis represents a significantly increased burden for firms compared to reporting on a T+10 basis. Because T+2 reporting effectively requires information to be generated in real-time, T+2 reporting represents a similar technology build requirement as daily FR 2052a reporting, yet in our view provides limited upside compared to reporting on a T+10 basis. Consequently, the increased burden on FBOs is not commensurate with the Agencies goal to tailor requirements.

c. The FR Y-15 should not be required on a standalone basis for CUSO or an FBO's branch and agency network.

Under the proposed FR Y-15 form and instructions, an FBO with combined U.S. assets of $100 billion or more would be required to report information on a standalone basis with respect to any IHC, its branch and agency network, and its CUSO. As described above, we believe that the Proposals should be adjusted to apply separately to IHCs and CUSO, and that the focus of CUSO oversight should be on ensuring home country compliance with internationally-agreed standards. Under that proposed framework, standalone FR Y-15 reporting would become unnecessary for an FBO's CUSO. Consequently, we recommend that the Agencies only require FR Y-15 reporting with respect to an FBO's IHC, if any.

6. THE FEDERAL RESERVE SHOULD PROVIDE CLARIFICATION AS TO THE TIMING OF HOME COUNTRY SCCL CERTIFICATION

Under the SCCL rule, an FBO subject to the SCCL is not required to comply with the SCCL rule with respect to CUSO if it "certifies to the [Federal Reserve] that it meets large exposure standards on a consolidated basis established by its home-country supervisor that are consistent with the [Basel Large Exposures Framework], unless the [Federal Reserve] determines in writing, after notice to the [FBO], that compliance … is required."[12] In recognition of ongoing implementation efforts in non-U.S. jurisdictions with respect to the large exposure frameworks and to accommodate jurisdictional variation in

[12] 12 CFR 252.171(d)(1).

implementation of the Basel Committee's large exposures framework,[13] an FBO located in a jurisdiction that is currently in the process of implementing a requirement compliant with the Basel Large Exposures Framework, but in which implementation may not yet be complete by the SCCL compliance date should be permitted to certify that the FBO nonetheless meets such standard. The Federal Reserve has employed a "working to" standard in similar contexts,[14] and such a standard would be appropriate to avoid undue burden on FBOs. Absent such a clarification, an FBO located in a jurisdiction that finalized its Basel Large Exposures Framework a single day after the SCCL compliance date otherwise would be required to build the systems and infrastructure to calculate the SCCL for that single day, and subsequently discard the system once it was able to make the certification.

As an alternative to a "working to" standard, the Federal Reserve could issue an order granting temporary relief to any FBOs located in jurisdictions that the Federal Reserve understands is working towards a requirement compliant with the Basel Large Exposures Framework and that could be affected by such a timing gap.

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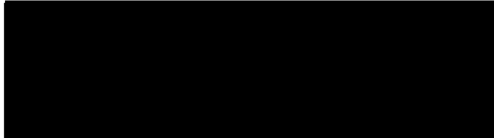
[13] *See* Basel Committee on Banking Supervision, Sixteenth progress report on the adoption of the Basel regulatory framework (May 2019).

[14] 12 CFR 211.24(c)(1)(iii)(A)(1).

Thank you for considering these comments. Please feel free to contact either of the undersigned if we can provide any additional information or assistance.

Sincerely,



Teiji Teramoto
Senior Managing Executive Officer
Head of the Americas
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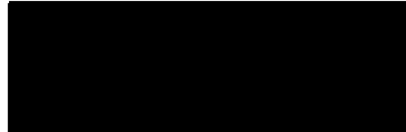
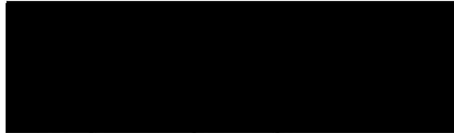
Chief Executive Officer, Mizuho Americas LLC



Angelo Aldana
Chief Legal Officer & Chief Compliance Officer
Mizuho Americas LLC



Richard Skoller
Incoming Chief Legal Officer (as of July 1, 2019)
Mizuho Americas LLC