ECO FLASH

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A more gradualist approach to US banking regulation

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- **On 10 October 2019, US banking regulators increased the application thresholds for the capital and liquidity requirements imposed on large banks.**
- **Whilst the new rules do not change the prudential requirements for the eight biggest banking groups, they do reduce the burden for large regional banks.**
- **The number of banks subject to the Basel Liquidity Coverage Ratio (LCR) requirement will be reduced and the definition of core equity relaxed to some degree.**
- **In general terms, the rules as finalised over the past two months will significantly narrow the scope of application of Basel 3 in the USA.**
- **Given concern over lending trends in certain segments and the continued economic slowdown in the US, this relaxation of regulations catches attention.**

The Dodd-Frank Act, implemented under the Obama presidency in July 2010, aimed to set risk-weighted capital requirements for all US banks, irrespective of the size of their balance sheets. However, it created the ability for regulators to impose Enhanced Prudential Standards (EPS) on financial institutions likely to represent a systemic risk[1]. The regulators have therefore adopted a differentiated application, varying according to the size of the institution, of certain prudential rules (risk measurement using internal models, the Basel leverage and liquidity ratios, and so on).

The Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA), passed into law by President Trump in May 2018, watered down two aspects of the 2010 law. First, it gave regulators responsibility for setting a new leverage requirement, within a range from 8% to 10%, in order to allow the smallest depository institutions (those with consolidated assets of less than USD 10 bn, or 97% of the banking sector by number of institutions and 16% in terms of assets at June 2019), with low leverage, to be completely free of the Basel 3 requirements (section 201 of EGRRCPA). On 17 September 2019, the regulators set this requirement at 9%[2].

Secondly, the law in 2018 raised the threshold for designating banks as systemically important, and therefore subject to enhanced prudential requirements – from USD 50 bn of assets to USD 250 bn for US Bank Holding Companies (BHCs) and, breaking with the principle of equality of treatment, from USD 50 bn to USD 100 bn for foreign banks' Intermediate Holding Companies (IHCs)[3] (section 401 of EGRRCPA) – whilst also giving the Federal Reserve (Fed) considerable latitude to adjust these thresholds.

On 10 October 2019, this opportunity was used to the full. In accordance with the proposals set out in October 2018 and April 2019, the three US banking regulators (the Fed, FDIC and OCC) have introduced a more gradualist approach to the application of enhanced requirements[4]. The new framework is

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[1] These banks are not necessarily considered as G-SIBs (global systemically important banks) or D-SIBs (domestic systemically important banks).

[2] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Capital simplification for Qualifying Community Banking Organizations, September 2019. The agencies estimate approximately 85% of community banks will qualify for the community bank leverage ratio.

[3] Since July 2016, foreign banks active in the USA have been required to bring together all US subsidiaries within a single holding company when total consolidated assets of all subsidiaries exceed USD 50 bn.

[4] The final rules Changes to applicability thresholds for regulatory capital and liquidity requirements and Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations of 10 October

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no longer based solely on the size of institutions but also takes account of other criteria for the assessment of their risk profile (cross-juridictional activities, weighted short-term wholesale funding, nonbank assets and off-balance sheet exposure)[5].

Regarding the details of the calculation of these risk criteria, the regulators have however moved from the proposal set out in April, which was particularly unfavourable for US subsidiaries of foreign banks (IHCs). Liquidity constraints for IHCs will depend on the risk profile of the IHC rather than, as initially proposed, on the risk profile of the foreign banking organization's combined US operations (US subsidiaries' and US branches and agencies' operations). By harmonising the risk calculation methods and the thresholds for application of liquidity requirements between foreign and US banks, the regulators returned, in part, to the principle of equality of treatment contained in the Dodd-Frank Act, something that the May 2018 law had broken with.

Whilst the new rules do not change the capital and liquidity requirements for the eight biggest US banking groups (although they do reduce the frequency of required updates to resolution plans[6]), they do reduce the burden for large regional banks.

Requirements adjusted as a function of banks' risk profiles

Banks with total assets of USD 100 bn or more will now be split into four categories according to their risk profile. The more a bank is likely to create systemic risk, the greater the requirements imposed upon it (Tables 1 and 2):

- Category IV: banks with assets of between USD 100 bn and USD 250 bn. These banks remain subject to risk-weighted capital requirements (standardized approach) and a simple leverage standard[7]. They will be required to take part in the Fed's stress tests every two years. Banks in Category IV with USD 50 bn or more in weighted short-term wholesale funding will be subject to a looser version of the short-term LCR (see box) and the long-term net stable funding ratio (NSFR, once this has been included in the regulatory corpus); other banks in this category will be exempt from these constraints.

- Category III: banks with total assets of between USD 250 bn and USD 700 bn or at least USD 75 bn in nonbank assets, weighted short-term wholesale funding or off-balance sheet exposure. These banks will also be subject to the countercyclical capital buffer[8] (currently set at 0%) and to the Basel supplementary leverage ratio (SLR)[9]. However, they will not be required to apply the Basel 3 advanced approaches capital requirements. Also, they will not be subject to the mandatory recognition of accumulated other comprehensive income (AOCI) in their regulatory capital. They will also benefit from the 'simplifications' to the capital rule finalised on 9 July 2019[10] which reduces the deductions applied to common equity[11]. They will be required to take part in the Fed's stress tests every year; however, the results of internal stress tests will only be published every two years. Banks in Category III with USD75 bn or more in weighted short-term wholesale funding will be subject to the LCR and NSFR requirements; other banks will be subject to a looser version of these requirements (see Box).

- Category II: over and above USD 700 bn of total assets or USD 75 bn of cross-juridictional assets, liquidity requirements will be applied in full (irrespective of the scale of weighted short-term wholesale funding).

- Category I: the specific framework for Global Systemically Important Banks (G-SIBs) remains unchanged. In addition to the constraints placed on Category II banks, they will be subject to enhanced capital requirements (the G-SIB surcharge and the Basel SLR leverage standard raised to 5%).

The impact of the new thresholds

Overall, the relaxations and waivers announced could increase banks' net interest income (substitution of more profitable assets for high-quality liquid assets, which generate low returns, see below) and reduce their operating costs (notably for those with a waiver from developing internal models to calculate their risk-weighted assets and/or with a waiver from Basel liquidity requirements).

According to the Federal Reserve, the final rule will reduce the capital requirements of BHCs and IHCs in Category III and IV[12] by only USD 8 bn and USD 3.5 bn respectively (the equivalent of 60 basis points of their risk-weighted assets).
Greater savings in capital could, however, be obtained following the forthcoming finalisation of the rule introducing the Stress Capital Buffer (SCB). This rule, proposed by the Federal Reserve in April 2018[13], aims to simplify the regulatory framework by reducing the number of capital

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2019 will come into force 60 days after their publication in the Federal Register.

[5] The final classification of banks will depend on the average of these criteria over four quarters.

[6] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Resolution plans required, October 2019.

[7] This standard compares Tier 1 capital to average balance sheet assets (with a minimum of 4%).

[8] This capital requirement can be applied at the regulators' discretion if they believe that credit growth is excessive and threatens a build-up of risk across the financial system.

[9] The Basel leverage ratio compares Tier 1 capital to the leverage exposure, which includes balance sheet assets and off balance sheet items. The denominator of the ratio is calculated on the basis of gross values of exposures to derivatives and securities financing transactions (netting of certain lines is allowed only under restricted conditions).

[10] Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Simplifications to the Capital Rule, July 2019.

[11] The inclusion of certain balance sheet items in banks' Common Equity Tier 1 (CET1) is capped (significant investments in the common shares of unconsolidated financial institutions, mortgage servicing rights, deferred tax assets). Amounts above this cap must be deducted from CET1. The 9 July rule raised the ceiling: each of these elements can be included in CET1 provided that they do not represent more than 25% (from 10% previously) of CET1.

[12] Among BHC in Category IV, the expected capital savings are likely to concern primarily American Express. To date this bank has been included in the list of banks designated as "of international scope" (banks using the advanced risk measurement approaches) and thus subject to enhanced prudential requirements.

[13] Board of Governors of the Federal Reserve System, Amendments to the Regulatory Capital, Capital Plan, and Stress Test Rules, April 2018.

requirements that need to be satisfied[14]. The Fed suggests that this can be achieved by the creation of this Stress Capital Buffer, the size of which, for each bank, will be fixed each year following CCAR stress tests[15]. Although the Fed's initial proposal promised a reduction in capital requirements for banks not identified as G-SIBs, the announcement at the beginning of September[16] of revisions to the definition of the SCB opens the way for a possible reduction for G-SIBs as well.

The raising of thresholds, in contrast, could significantly reduce the scope of application of the Basel LCR requirement.

At present 37 resident US banks (25 BHCs and 12 IHCs), representing 80% of total banking assets, are subject to the LCR requirements. In the absence of detailed information on the main criterion (scale of weighted short-term wholesale funding) it is hard to indicate with any accuracy which LCR rule will now apply to certain banks (Table 3).

In all, between 19 and 36 banks will continue to be subject to the Basel liquidity requirement or one of its relaxed versions (see box): between 10 and 14 by the full LCR requirement (from 18 at present), and between 5 and 26 by one of the two relaxed versions of LCR (from 19 at present). Between 1 and 13 banks would be exempt.

Category I and II banks (the 8 G-SIBs and Northern Trust) and one US subsidiary of a British bank (Barclays US) will continue to apply the full LCR requirement. Amongst the Category III banks, 3 IHCs (TD Group US, HSBC NA and Deutsche Bank USA) will benefit from a relaxation of the rules; 4 BHCs (US Bancorp, PNC Financial, Capital One and Charles Schwab) could do likewise. However, LCR requirements for two subsidiaries of major Swiss banks (UBS Americas and Credit Suisse Holdings) will be tightened. Of the banks with total assets of less than USD 250 bn (12 BHCs and 6 IHCs) only those with less than USD 50 bn in weighted short-term wholesale funding will enjoy a waiver; the others will see their LCR requirement tightened slightly (calibrated at 70% of the full requirement but with an add-on taken into account, see box). The US subsidiary of a Spanish bank (BBVA Compass) will no longer be subject to LCR.

The Fed has estimated, on the basis of LCRs for Q1 2019, that the introduction of new thresholds will reduce the required volume of high-quality liquid assets (HQLA) by USD 48 bn for the BHCs and by USD 5 bn for the IHCs (the reduction coming particularly at Category III banks). In order to flesh out these aggregate figures, we have estimated the probable HQLA saving for each bank (Table 4). Our estimates have a fairly large range due to uncertainty over the level of requirements for some banks. Thus, in the extreme case that the 4 Category III BHCs have their requirements reduced and the 12 Category IV BHCs receive a waiver from LCR, the required volume of HQLA would be reduced by USD 201 bn; under the opposing extreme case, where only one BHC (American Express) enjoys a relaxation, the HQLA saving would be just USD 7 bn. Similarly, in the extreme case that the LCR requirement is relaxed for all IHCs (other than Barclays US, UBS Americas and Credit Suisse Holdings, whose requirements will be unchanged or increased), the required volume of HQLA would be reduced by USD 86 bn. Under the opposing extreme case, where only 4 IHCs benefit from a relaxation (TD Group US, HSBC NA, Deutsche Bank USA, and BBVA Compass), we estimate that the HQLA saving would be USD 25 bn.

This relaxation of regulations seems to be poorly timed given concern over lending trends in certain segments (leveraged loans, credit cards, auto loans, commercial real estate loans) and the continued economic slowdown in the US.

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[14] From 18 to 8 for the biggest banks subject to the advanced approaches for risk measurement (from 24 to 14 if one takes account of Total Loss Absorbing Capital and Long-Term Debt requirements) and from 14 to 4 for banks subject solely to the standardized approach (from 20 to 10).

[15] This buffer will replace the capital conservation buffer (CCB) and will complement the requirements set independently of stress tests. The introduction of the SCB will merge 'non-stressed' requirements (for instance the minimum CET1 requirement of 4.5% of risk-weighted assets + the CCB of 2.5% + the countercyclical capital buffer and the possible G-SIB surcharge) and 'stressed' requirements (minimum CET1 requirement of 4.5% + estimated losses in the stress scenario + 9 months of dividend distributions) into a new requirement (minimum CET1 requirement of 4.5% + SCB + countercyclical capital buffer and possible G-SIB surcharge). The Fed initially proposed that the SCB would be defined as estimated losses in the severely adverse stress test scenario plus the equivalent of 4 quarters of dividend distributions (with a floor of 2.5%). On 5 September, Randal Quarles, Fed Vice Chairman for Supervision, indicated that removal of the requirement that 4 quarters of dividend distribution be pre-funded was under consideration. In return for this relaxation, he suggests setting a higher floor level for the SCB, or increasing the countercyclical capital buffer.

[16] Randal Quarles, Refining the Stress Capital Buffer, Speech, September 2019

The different versions of the LCR in the USA

This Basel standard requires banks to hold sufficient unencumbered high-quality liquid assets (HQLA, the numerator of the LCR) to cover the net cash outflows over 30 days in the event of a liquidity crisis (denominator of the LCR). In the USA, this requirement was finalised in September 2014 and phased in between January 2015 and January 2017.

The assets considered as the most liquid (those that can be converted into cash on private markets with very little or no loss of value) include reserves with the central bank and claims on, or guaranteed by, public issuers such as Treasury securities or agency securities. For the denominator of the LCR, the valuation of cumulative net outflows over 30 days is based on a cash flow scenario defined by the regulator. Net cash outflows correspond to the difference between cumulative inflows and outflows over 30 days increased by an add-on. This last item is calculated as the difference (if greater than zero) between the highest daily value of net cash outflows under the stress exercise and the value of cumulative net outflows on the thirtieth day of the stress period. The introduction of the peak-day maturity mismatch add-on (over and above the Basel recommendations) aims to prevent any potential maturity mismatch between cash inflows and outflows (for example the risk of substantial outflows at the beginning of the exercise, with inflows coming later).

Banking regulators adopted a differentiated application of the LCR requirement as early as September 2014[i]. Currently only 18 banks are subject to the full LCR requirement: the 14 US Bank Holding Companies (BHC) using the advanced approaches for risk measurement[ii], and 4 US Intermediate Holding Companies (IHC) of foreign banks[iii] (Table 3). For these banks, the LCR must be calculated on a daily basis; it must be met both on a consolidated basis and by each of their depository subsidiaries with consolidated assets of more than USD 10 bn[iv]. 19 other banks (with more than USD100 bn in assets[v]) are subject to a looser version of the LCR requirement (modified LCR): 11 BHCs and 8 IHCs. The ratio is calculated on the last business day of each month. Under this modified version of LCR, the list of HQLA and stress assumptions are identical. However, the denominator does not include the peak-day maturity mismatch add-on and is multiplied by 0.7, which reduces the net cash outflows to be covered and so the required volume of liquid assets.

The regulations of October 2019 replaced modified LCR with two new relaxed versions of the requirement (reduced LCR): one multiplied the denominator of the ratio by 0.85 (for Category III); the other by 0.7 (for Category IV). Category III banks must calculate their ratios daily, Category IV banks on the last business day of each month. However, all banks, irrespective of category, must include the maturity mismatch add-on in their denominator[vi]. For Categories I, II and III, the requirement must be met on both a consolidated basis and by each of their depository subsidiaries with assets of more than USD 10 bn.

[i] In the European Union regulators have applied them to all credit institutions.
[ii] Banks with consolidated assets of more than USD 250 bn, with international exposure that exceeds USD 10 bn or which have requested this approach.
[iii] These 4 IHCs are subject to certain constraints imposed on banks applying the advance approaches for risk measurement. They do not apply internal models for the calculation of risk-weighted assets, but they are subject to the tighter leverage requirement and to LCR in particular.
[iv] The banking group's total HQLA excludes the amount of HQLA in excess of each subsidiary's standalone LCR requirement that is transferable to non-bank affiliates within the group.
[v] The final rule of September 2014 introducing LCR requirements in the USA (in their complete or modified version) would have affected all banks with more than USD 50 bn in assets. The EGRRCPA of May 2018 then gave a waiver from modified LCR to BHCs with assets of less than USD 100 bn. By contrast, IHCs with less than USD 100 bn in assets (such as BBVA Compass Bancshares) but which were subsidiaries of foreign groups with consolidated assets of more than USD 100 bn did not benefit from this waiver.
[vi] The calculation method for the add-on at banks subject to the monthly (rather than daily) LCR requirement is not provided.

Box

Waivers and relaxations announced so far

	Enhanced prudential standards for BHCs and US subsidiaries of foreign banks (IHCs)							
			Category I	**Category II**	**Category III**		**Category IV**	
Designation criteria			G-SIBs	≥ USD 700 bn of total assets or ≥ USD 75 bn of cross-juridictional exposure	≥ USD 250 bn < USD 700 bn of total assets or ≥ USD 75 bn of nonbank assets, weighted short-term wholesale funding or off-balance sheet exposure		USD 100 bn to USD 250 bn of total assets	
Number of banks*			8 BHC	1 BHC	4 BHC + 6 IHC		12 BHC + 5 IHC	
Total assets Q1 2019 (USD bn)			11,337	122	2,743		2,582	
% of total banking assets			53%	1%	13%		12%	
Capital	TLAC		✓	✗	✗		✗	
	Internal stress tests, DFAST and CCAR	Company-run stress tests	annual	annual	every 2 years		✗	
		Supervisory stress tests	annual	annual	Annual		every 2 years	
		CCAR	annual	annual	every 2 years		✗	
		Capital plan	✓	✓	✓		✓	
	Risk-weighted capital requirements	G-SIB surcharge	✓	✗	✗		✗	
		Advanced approach	✓	✓	✗		✗	
		Countercyclical buffer	✓	✓	✓		✗	
		Recognition of accumulated other comprehensive income (AOCI)	✓	✓	Allow opt-out of AOCI capital impact		Allow opt-out of AOCI capital impact	
	Leverage ratio		eSLR = 5%	SLR = 3%	SLR = 3%		GAAP LR = 4%	
Liquidity	Standardized requirements (LCR, NSFR)	Level of requirement	min = 100%	min = 100%	min= 100% if wSTWF≥ USD 75 bn	min= 85% if wSTWF < USD 75 bn	min= 70% if wSTWF≥ USD 50 bn	✗ if wSTWF< USD 50 bn
		Calculation frequency	daily	daily	daily	Daily	monthly	✗
		Maturity mismatch add-on	✓	✓	✓	✓	✓	✗
		Reporting**	daily	daily	daily	Monthly	monthly	✗
		Publication	quarterly	quarterly	Quarterly		quarterly	✗
	Internal requirements	Stress tests**	monthly	monthly	Monthly		quarterly	
		Liquidity risk management**	✓	✓	✓		tailored requirements	
Exposure limits		SCCL**	✓	✓	✓		✓	
Resolution plans		Frequency** (complete and partial versions alternating)	every 2 years	every 3 years	every 3 years		✗ (partial version every 3 years for foreign banks)***	

✗ : Rule not applicable; ✓ : Rule applicable

** subject to standardized capital and liquidity ratios (Table 2)*

*** In the case of requirements for IHCs: on the basis of the risk profile of all US subsidiaries and branches of the parent company (combined US operations)*

**** US subsidiaries of foreign banking groups with consolidated assets of over USD 250 bn.*

BHC: Bank Holding Company, IHC: Intermediate Holding Company, G-SIB: Global Systemically Important Bank, TLAC: Total Loss-Absorbing Capacity, DFAST: Dodd Frank Act Stress Test, CCAR: Comprehensive Capital Analysis and Review, SLR: Supplementary Leverage Ratio, eSLR: enhanced Supplementary Leverage Ratio, LCR: Liquidity Coverage Ratio, NSFR: Net Stable Funding Ratio (rule not finalised), wSTWF: weighted Short-Term Wholesale Funding,

SCCL: Single-Counterparty Credit Limits

Table 1 Source: Federal Reserve, FFIEC, FRBNY, BNP Paribas

Likely classification of major US banks by category

		Category I	Category II	Category III	Category IV
Based on data for Q1 2019		G-SIBs	≥ USD 700 bn of total assets or ≥ USD 75 bn of cross-juridictional exposure	≥ USD 250 bn < USD 700 bn of total assets or ≥ USD 75 bn of nonbank assets, weighted short-term wholesale funding or off-balance sheet exposure	USD 100 bn to USD 250 bn of total assets
US banks (US Bank Holding Companies)		Bank of America	Northern Trust	Capital One	Ally Financial
		Bank of New York Mellon		Charles Schwab	American Express
		Citigroup		PNC Financial	BB&T Corp.
		Goldman Sachs		US Bancorp	Citizens Financial
		JP Morgan			Discover Financial
		Morgan Stanley			Fifth Third
		State Street			Huntington Bancshares
		Wells Fargo			Keycorp
					M&T Bank
					Regions Financial
					Suntrust Inc.
					Synchrony Financial
US subsidiaries of foreign banks (US Intermediate Holding Companies)	On the basis of IHC risk profile			Barclays US LLC	Bank of Montreal Financial Corp.
				Credit Suisse Holdings	BNP Paribas USA
				Deutsche Bank USA Corp.	MUFG Americas
				HSBC North America	Royal Bank of Canada USA
				Toronto-Dominion Group USA	Banco Santander USA
				UBS Americas	
	On the basis of the risk profile of the foreign banking organization's combined US operations (US subsidiaries and US branch and agency operations)		Barclays US LLC	HSBC North America	
			Credit Suisse Holdings	Mizuho Americas	Banco Santander USA
			Deutsche Bank USA Corp.	Royal Bank of Canada USA	Bank of Nova Scotia Bank
			MUFG Americas	Toronto-Dominion Group USA	Bank of Montreal Financial Corp.
				UBS Americas	BBVA USA
					BNP Paribas USA
					BPCE USA
					Société Générale USA
					Sumitomo Mitsui USA

G-SIB: Global Systemically Important Bank

Table 2 Source: Federal Reserve

Scope of LCR application in the USA

<table>
<tr><th></th><th></th><th>Total assets Q1 2019 (USD bn)</th><th>Category</th><th colspan="2">Current LCR rules (Sept 2014 and May 2018)</th><th colspan="4">New LCR rules (Oct. 2019)</th></tr>
<tr><th></th><th></th><th></th><th></th><th>Full daily LCR</th><th>Modified monthly LCR (70%)</th><th>Full daily LCR</th><th>Reduced daily LCR (85%)</th><th>Reduced monthly LCR (70%)</th><th>Waiver</th></tr>
<tr><td>JP Morgan</td><td>BHC</td><td>2,737</td><td>I</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>Bank of America</td><td>BHC</td><td>2,377</td><td>I</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>Citigroup</td><td>BHC</td><td>1,958</td><td>I</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>Wells Fargo</td><td>BHC</td><td>1,888</td><td>I</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>Goldman Sachs</td><td>BHC</td><td>925</td><td>I</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>Morgan Stanley</td><td>BHC</td><td>876</td><td>I</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>US Bancorp</td><td>BHC</td><td>476</td><td>III</td><td>✓</td><td></td><td colspan="2">✓</td><td></td><td></td></tr>
<tr><td>PNC Financial</td><td>BHC</td><td>393</td><td>III</td><td>✓</td><td></td><td colspan="2">✓</td><td></td><td></td></tr>
<tr><td>TD Group US</td><td>IHC (CAN)</td><td>384</td><td>III</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>Capital One</td><td>BHC</td><td>373</td><td>III</td><td>✓</td><td></td><td colspan="2">✓</td><td></td><td></td></tr>
<tr><td>Bank of New York Mellon</td><td>BHC</td><td>346</td><td>I</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>Charles Schwab*</td><td>BHC</td><td>283</td><td>III</td><td>✓</td><td></td><td colspan="2">✓</td><td></td><td></td></tr>
<tr><td>HSBC North America</td><td>IHC (UK)</td><td>279</td><td>III</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>State Street</td><td>BHC</td><td>228</td><td>I</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>BB&T Corp.</td><td>BHC</td><td>228</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>Suntrust Banks</td><td>BHC</td><td>221</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>American Express</td><td>BHC</td><td>197</td><td>IV</td><td>✓</td><td></td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>Ally Financial</td><td>BHC</td><td>180</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>MUFG Americas</td><td>IHC (Jap)</td><td>171</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>Fifth Third</td><td>BHC</td><td>168</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>Citizens Financial</td><td>BHC</td><td>162</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>BMO Financial Corp.</td><td>IHC (CAN)</td><td>157</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
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<tr><td>Regions Financial</td><td>BHC</td><td>129</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>Credit Suisse Holdings</td><td>IHC (SWI)</td><td>126</td><td>III</td><td></td><td>✓</td><td></td><td>✓</td><td></td><td></td></tr>
<tr><td>RBC USA</td><td>IHC (CAN)</td><td>124</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>Northern Trust</td><td>BHC</td><td>122</td><td>II</td><td>✓</td><td></td><td>✓</td><td></td><td></td><td></td></tr>
<tr><td>BNP Paribas USA</td><td>IHC (FRA)</td><td>121</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>M&T Bank Corporation</td><td>BHC</td><td>120</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>Discover Financial</td><td>BHC</td><td>111</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>Huntington Bancshares</td><td>BHC</td><td>108</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>Synchrony Financial</td><td>BHC</td><td>105</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td colspan="2">✓</td></tr>
<tr><td>BBVA Compass Bancshares</td><td>IHC (SPA)</td><td>94</td><td>IV</td><td></td><td>✓</td><td></td><td></td><td></td><td>✓</td></tr>
<tr><td>Number of BHCs</td><td></td><td></td><td></td><td colspan="2">25</td><td colspan="3">min 13 – max 25</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>14</td><td>11</td><td>[9 ; 13]</td><td>[0 ; 4]</td><td>[0 ; 12]</td><td>[0 ; 12]</td></tr>
<tr><td>Number of IHCs</td><td></td><td></td><td></td><td colspan="2">12</td><td colspan="3">min 6 – max 11</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td><td>4</td><td>8</td><td>1</td><td>5</td><td>[0 ; 5]</td><td>[1 ; 6]</td></tr>
</table>

✓: *Rule applicable; *The Charles Schwab BHC has been subject to full LCR since Q2 2019; BHC: Bank Holding Company, IHC: Intermediate Holding Company*

Table 3 Source: FFIEC, BNP Paribas

Range of estimates of HQLA savings

USD bn Q1 2019 data	Current LCRs					Minimum HQLA required volume (LCR=100%)		Reduction in minimum HQLA required volume**
	HQLA	NCO (excl. add-on)	*Add-on*	0.7*NCO	LCR	Current requirement	New requirement**	
JP Morgan	520	411	56	×	111%	467	467	0
Bank of America	444	380	5	×	115%	385	385	0
Citigroup	395	324	8	×	119%	332	332	0
Wells Fargo	358	288	2	×	123%	291	291	0
Goldman Sachs	164	119	3	×	134%	122	122	0
Morgan Stanley	193	127	2	×	150%	129	129	0
US Bancorp	88	79	2	×	108%	81	[69 ; 81]	[-12 ; 0]
PNC Financial	69	61	1	×	111%	62	[53 ; 62]	[-9 ; 0]
TD Group US	50	45	2	×	107%	47	40	-7
Capital One	43	30	1	×	138%	31	[27 ; 31]	[-4 ; 0]
Bank of New York Mellon	113	94	2	×	118%	96	96	0
Charles Schwab*	54	49	0	×	111%	49	[41 ; 49]	[-7 ; 0]
HSBC North America	52	43	1	×	119%	44	37	-6
State Street	63	56	1	×	110%	57	57	0
BB&T Corp.	31	34	×	24	130%	24	[0 ; 24]	[-24 ; 0]
Suntrust Banks	28	36	×	25	111%	25	[0 ; 25]	[-25 ; 0]
American Express	22	7	5	×	183%	12	[0 ; 5]	[-12 ; -7]
Ally Financial	13	14	×	10	127%	10	[0 ; 10]	[-10 ; 0]
MUFG Americas	27	24	×	17	158%	17	[0 ; 17]	[-17 ; 0]
Fifth Third	22	27	×	19	117%	19	[0 ; 19]	[-19 ; 0]
Citizens Financial	20	25	×	18	115%	18	[0 ; 18]	[-18 ; 0]
BMO Financial Corp	20	20	×	14	138%	14	[0 ; 14]	[-14 ; 0]
Barclays US	17	10	0	×	165%	10	10	0
Keycorp	24	24	×	16	144%	16	[0 ; 16]	[-16 ; 0]
UBS Americas	na	na	na	na	na	na	na	na
Santander USA	13	10	×	7	182%	7	[0 ; 7]	[-7 ; 0]
DB USA Corp.	26	12	0	×	214%	12	10	-2
Regions Financial	13	17	×	12	111%	12	[0 ; 12]	[-12 ; 0]
Credit Suisse Holdings	na	na	na	na	na	na	na	na
RBC USA	12	13	×	9	132%	9	[0 ; 9]	[-9 ; 0]
Northern Trust	48	43	1	×	107%	45	45	0
BNP Paribas USA	20	18	×	13	154%	13	[0 ; 13]	[-13 ; 0]
M&T Bank Corporation	16	18	×	13	121%	13	[0 ; 13]	[-13 ; 0]
Discover Financial	8	6	×	4	191%	4	[0 ; 4]	[-4 ; 0]
Huntington Bancshares	14	14	×	10	142%	10	[0 ; 10]	[-10 ; 0]
Synchrony Financial	10	7	×	5	206%	5	[0 ; 5]	[-5 ; 0]
BBVA Compass	15	14	×	10	145%	10	0	-10
25 BHCs	2,770					2,314	[2,113 ; 2,307]	[-201 ; -7]
12 IHCs	252					184	[98 ; 159]	[-86 ; -25]

** Q2 2019 data; ** excluding add-on for the banks subject to modified LCR in Q2 2019; ×: not applicable; na: not available; HQLA: High-Quality Liquid Assets; NCO: theoretical net cash outflows; Add-on: max (largest net cumulative maturity outflow amount for any of the 30 calendar day – net day 30 cumulative maturity outflow amount; 0)*

Table 4 Source: FFIEC, BNP Paribas

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