



441 G St. N.W.
Washington, DC 20548

B-331577

November 18, 2019

The Honorable Mike Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Maxine Waters
Chairwoman
The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Federal Reserve System: Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Board of Governors of the Federal Reserve System (Board) entitled “Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations” (RIN: 7100-AF 45). We received the rule on November 1, 2019. It was published in the *Federal Register* as a final rule on November 1, 2019. 84 Fed. Reg. 59032. The effective date of the rule is December 31, 2019.

The final rule establishes risk-based categories for determining prudential standards for large U.S. banking organizations and foreign banking organizations. The final rule also amends certain prudential standards, including standards relating to liquidity, risk management, stress testing, and single-counterparty credit limits, to reflect the risk profile of banking organizations under each category; applies prudential standards to certain large savings and loan holding companies using the same categories; makes corresponding changes to reporting forms; and makes additional modifications to the Board’s company-run stress test and supervisory stress test rules.

Enclosed is our assessment of the Board’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible

for the evaluation work relating to the subject matter of the rule, please contact Janet Temko-Blinder, Assistant General Counsel, at (202) 512-7104.

signed

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: Linda Robertson
Assistant to the Board
Board of Governors of the
Federal Reserve System

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
FEDERAL RESERVE SYSTEM
ENTITLED
“PRUDENTIAL STANDARDS FOR LARGE BANK
HOLDING COMPANIES, SAVINGS AND LOAN HOLDING
COMPANIES, AND FOREIGN BANKING ORGANIZATIONS”
(RIN: 7100-AF 45)

(i) Cost-benefit analysis

The Board of Governors of the Federal Reserve System (Board) stated the final rule, in general, would significantly reduce compliance costs for U.S. banking organizations and U.S. intermediate holding companies with less than \$100 billion in total consolidated assets. The Board stated the final rule would do this by eliminating the requirement for these firms to adhere to the enhanced prudential standards or the capital plan rule, and to file certain reports. The Board stated that while these banking organizations are no longer subject to internal liquidity stress testing and buffer requirements, these firms currently hold highly liquid assets well in excess of their current liquidity buffer requirements.

For U.S. banking organizations with \$100 billion or more in total consolidated assets and foreign banking organizations with \$100 million or more in combined U.S. assets, the Board stated it expects the adjustments to the enhanced prudential standards under the final rule will reduce aggregate compliance costs with minimal effects on the safety and soundness of these organizations and U.S. financial stability. The Board stated that foreign banking organizations will experience an increase in compliance costs under the final rule as a result of increased reporting requirements.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Board certified the final rule would not have a significant economic impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Board is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551*et seq.*

The Board published notices of proposed rulemaking on November 29, 2018 (83 Fed. Reg. 61408), February 19, 2019 (84 Fed. Reg. 4002), and May 15, 2019 (84 Fed. Reg. 21988). The Board received approximately 50 comments from U.S. and foreign banking organizations, public entities, public interest groups, private individuals, and other interested parties. The Board stated it responded to the comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Board stated it reviewed the final rule for information collection requirements (ICRs) under the authority delegated to it by the Office of Management and Budget. The Board determined this final rule contained ICRs subject to the Act. The ICRs are associated with the following control numbers: 7100-0361; 7100-0297; 7100-0125; 7100-0128; 7100-0341; 7100-0352; 7100-0342; 7100-NEW; and 7100-0350. The Board stated it estimated the annual burden hours associated for each ICR.

Statutory authorization for the rule

The Board stated it promulgated the final rule pursuant to sections 552 and 559 of title 5; sections 248, 321–338a, 481–486, 1462, 1462a, 1463, 1464, 1467, 1467a, 1468, 1813, 1817, 1818, 1828, 1829e, 1831i, 1831n, 1831o, 1831p-1, 1831w, 1835, 1843, 1844, 1851, 1972, 3101 *et seq.*, 3101 note, 3310, 3331–3351, 3904, 3906–3909, 4808, 5311, 5361, 5362, 5365–5368, and 5371 of title 12; and sections 78/, 1681s, 1681w, 6801, and 6805 of title 15, United States Code.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Board is not subject to the Order.

Executive Order No. 13,132 (Federalism)

As an independent regulatory agency, the Board is not subject to the Order.