



Regulatory Alert

Financial Services Regulatory Insight Center



July 2018

Federal banking agencies outline approach for consistency with EGRRCPA

Key points

- The federal banking agencies outlined how they will administer regulations immediately affected by EGRRCPA during the period before they amend their regulations to incorporate the changes.

Summary

The Federal banking agencies (FRB, FDIC, OCC) outlined their approach to administering the regulations and reporting requirements immediately affected by enactment of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA). The approach applies during the interim period between enactment of the law and when the impacted regulations are amended to incorporate the changes.

The Agencies' positions are outlined in a [joint statement](#) as well as in a [separate statement](#) released by the FRB. Highlights from the statements follow.

- **Assessments** – The FRB will collect assessments from all assessed companies for the year 2017 but not for those with total assets below the \$100 billion threshold for 2018 and beyond.
- **Enhanced Prudential Standards (EPS)** – The FRB will not require BHCs with less than \$100 billion in total consolidated assets to comply with certain EPS requirements including, as appropriate, (1) stress testing and debt-to-equity limits in Regulation YY, (2) the liquidity coverage ratio in Regulation WW, (3) capital planning in Regulation Y, and (4) resolution planning in Regulation QQ. In addition,
 - **Company-run stress tests** – The Agencies will extend the compliance date for all regulatory requirements related to company-run stress testing until November 25, 2019 for regulated entities, including depository institutions, with total consolidated assets of less than \$100 billion.
 - **Resolution plans** – The FRB and FDIC will enforce its resolution planning requirements consistently with the EGRRCPA amendments to EPS regulations.
 - **Ongoing safety and soundness** – The Agencies will continue to supervise and regulate financial institutions within their jurisdictions to ensure safety and soundness and financial stability of the system.
- **Enhanced Prudential Standards – Foreign banking organizations (FBOs)** – The FRB notes that the changes to the application of EPS also apply to FBOs treated as a BHC for purposes of the BHC Act, and so also apply to FBOs with total global consolidated assets of less than \$100 billion.
 - FBOs with total global consolidated assets between \$10 billion and \$50 billion will not be required to comply with Regulation YY, subparts L and M covering company-run stress tests, risk committees for publicly traded firms, and reporting and recordkeeping requirements.
 - FBOs with total global consolidated assets between \$50 billion and \$100 billion will not be required to comply with requirements for:
 - Resolution planning (Regulation QQ)



- Debt-to-equity limits (Regulation YY, subpart U)
 - Regulation YY, subpart N, except for the risk management and risk committee requirements for FBOs with less than \$50 billion in combined U.S. assets
 - Regulation YY, subpart O, except for the risk management and risk committee requirements for FBOs with more than \$50 billion in combined U.S. assets
 - Reporting and recordkeeping requirements under Regulation QQ and, as applicable, under Regulation YY, subparts N, O, and/or U.
- **High volatility commercial real estate (HVCRE)** – The Agencies may require only a depository institution to assign a heightened risk weight to an HVCRE exposure if such exposure is an “HVCRE ADC Loan”. Depository institutions may estimate and report HVCRE ADC Loans or may continue to report and risk-weight HVCRE exposures in a manner consistent with the current reporting form instructions.
- To avoid different HVCRE definitions within a single organization, the FRB will not require a BHC, SLHC or IHC to estimate and report HVCRE consistent with existing regulatory requirements and reporting instructions provided the holding company reports HVCRE in a manner consistent with its subsidiary depository institution(s).

Holding companies may also continue to report and risk-weight HVCRE exposures consistent with the current reporting form instructions.

— **Other provisions**

- **Volcker Rule** – The Agencies will enforce the final Volcker Rule in a manner consistent with the EGRRCPA amendments, which narrow the definition of banking entity and revise the statutory provisions related to the naming of covered funds.
- **Examination Cycle** – The Agencies will increase from \$1 billion to \$3 billion the total asset threshold for well-capitalized insured depository institutions (“1-rated” institutions) eligible for an 18-month examination cycle and will also make similar changes for “2-rated” institutions, as authorized by the new law.
- **Municipal Obligations as High-Quality Liquid Assets (HQLA)** – Prior to a rulemaking, the Agencies will not take action to require an institution subject to the liquidity regulations to exclude from the definition of HQLA municipal obligations that it believes meet the statutory criteria for inclusion in HQLA.

For more information related to implementation of the EGRRCPA provisions, please contact [Deborah Bailey](#), [Steve Arnold](#), [Frank Manahan](#), or [Amy Matsuo](#).

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