

Client Update

Federal Reserve Proposes Total Loss Absorbing Capacity Requirement

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On October 30, 2015, the Federal Reserve Board (the “FRB”) issued a proposed rule (the “Proposal”) designed to improve the resolvability and resiliency of large, interconnected U.S. bank holding companies (“BHCs”) and U.S. operations of large, interconnected foreign banking organizations (“FBOs”).¹ In summary, the Proposal would:

- require U.S. top-tier BHCs identified by the FRB as global systemically important banking organizations (“Covered BHCs”) to maintain a minimum amount of total loss absorbing capacity (“TLAC”);
- require top-tier U.S. intermediate holding companies (“IHCs”) of foreign global systemically important banking organizations (“Covered IHCs”) to maintain a minimum amount of TLAC;
- establish a “clean holding company” requirement by placing restrictions on the liabilities that Covered BHCs and Covered IHCs could incur; and
- require state member banks, BHCs and savings and loan holding companies (“SLHCs”) currently subject to the FRB’s regulatory capital rules (i.e., over \$1 billion of total consolidated assets) and IHCs formed pursuant to the FRB’s enhanced prudential standards rule to deduct from regulatory capital investments in unsecured debt issued by Covered BHCs.

This Q&A discusses the Proposal in detail. Part I provides background on the Proposal. Part II discusses the proposed TLAC requirement for Covered BHCs, while part III discusses the proposed TLAC requirement for Covered IHCs. Part IV discusses the clean holding company requirement. Part V discusses the

¹ FRB, *Total Loss-Absorbing Capacity, Long-Term Debt, and Clean Holding Company Requirements for Systemically Important U.S. Bank Holding Companies and Intermediate Holding Companies of Systemically Important Banking Organizations; Regulatory Capital Deduction for Investments in Certain Unsecured Debt of Systemically Important U.S. Bank Holding Companies* (Oct. 30, 2015), available at <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20151030a1.pdf>.

regulatory capital deductions for debt issued by Covered BHCs. Finally, Part VI discusses certain market implications of the Proposal.

I. BACKGROUND

Question 1: What is the basis of the Proposal?

Answer: Since the financial crisis, regulatory authorities have sought to address the perception that certain financial institutions are “too big to fail” (“TBTF”), *i.e.*, are so large and interconnected that their material financial distress or failure could threaten financial stability. According to the FRB and other regulatory bodies, the TBTF phenomenon reduces the incentives of shareholders, creditors and counterparties to limit firm risk-taking behavior, and allows large institutions to grow bigger and more interconnected, thereby potentially increasing systemic risks resulting from the institution’s material financial distress or failure.

At the international level, the Financial Stability Board (the “FSB”) and Basel Committee on Banking Supervision (the “BCBS”) have taken steps to address TBTF, including by establishing an indicator-based designation methodology (the “BCBS GSIB Methodology”) and a regulatory capital surcharge framework for global systemically important banks (“GSIBs”).² In the United States, Title I of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) contains various provisions designed to mitigate risks to the financial stability of the United States that could arise from the material financial distress or failure of large, interconnected financial companies. In particular, Section 165 of the Dodd-Frank Act provides the FRB with broad authority to establish and implement enhanced prudential standards for U.S. banking organizations with \$50 billion or more total consolidated assets, FBOs with a significant U.S. presence and nonbank financial companies designated as systemically important by the Financial Stability Oversight Council (“Nonbank SIFIs”). The FRB has promulgated several rules to implement these provisions, including enhanced prudential standards for covered banking organizations and a regulatory capital surcharge for U.S. GSIBs (the “FRB GSIB Surcharge Rule”).³

² See, e.g., FSB publishes the 2015 update of the G-SIB list (Nov. 3, 2015), available at <http://www.financialstabilityboard.org/wp-content/uploads/2015-update-of-list-of-global-systemically-important-banks-G-SIBs.pdf>.

³ Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations, 79 Fed. Reg. 17240 (Mar. 27, 2014); Regulatory Capital Rules: Implementation of Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies, 80 Fed. Reg. 49082 (Aug. 14, 2015).

In November 2014, the FSB issued a consultative document that proposed to establish new minimum TLAC requirements for GSIBs (the “FSB TLAC Proposal”).⁴ The final version of that document is expected to be published on November 9, 2015. The FRB Proposal can be understood as implementing the FSB TLAC framework and represents an additional step in the regulatory effort to address TBTF.

Question 2: What are the components of the Proposal?

Answer: The Proposal consists of four components:

- TLAC Requirement for Covered BHCs. Covered BHCs would be required to maintain outstanding minimum levels of eligible external TLAC (“External TLAC”), which would be composed of regulatory capital and external long-term debt (“External LTD”), and a related buffer composed of Common Equity Tier 1 (“CET1”) capital. External TLAC and External LTD would be issued and pass losses to third-party investors.⁵
- TLAC Requirement for Covered IHCs. Covered IHCs would be required to maintain outstanding minimum levels of eligible internal TLAC (“Internal TLAC”), again composed of regulatory capital and internal long-term debt (“Internal LTD”), and a related CET1 buffer. In contrast to External TLAC and External LTD, Internal TLAC and Internal LTD would be used to transfer losses from the IHC to foreign companies that control it.
- Clean Holding Company Requirement. Covered BHCs and Covered IHCs would be prohibited from directly entering into certain financial arrangements that could impede resolution, including, for example, issuing debt instruments with an original maturity of less than a year to third parties.
- Regulatory Capital Deductions for Investments in Unsecured Debt of Covered BHCs. The Proposal would require certain entities subject to FRB capital requirements, *i.e.*, state member banks, BHCs and SLHCs with over \$1 billion in total consolidated assets, and IHCs formed pursuant to the FRB’s enhanced prudential standards rule, to deduct from regulatory capital

⁴ FSB, *Adequacy of loss-absorbing capacity of global systemically important banks in resolution* (Nov. 10, 2014), available at <http://www.financialstabilityboard.org/2014/11/adequacy-of-loss-absorbing-capacity-of-global-systemically-important-banks-in-resolution/>.

⁵ In connection with the promulgation of the Proposal, the FRB staff prepared a visual representation of the impact of the TLAC requirement on covered BHCs, which is attached as Appendix A.

the amount of investments in, or exposure to, unsecured debt issued by a Covered BHC.

Question 3: Does the Proposal apply to Nonbank SIFIs?

Answer: No. Nonbank SIFIs are not subject to any element of the Proposal for any of the elements discussed in the answer to Question 2 above.

Question 4: How does the FRB Proposal compare to the FSB TLAC Proposal?

Answer: The FRB Proposal is generally similar to the FSB TLAC Proposal in that it would establish a quantitative TLAC requirement for the largest banking organizations. Among the differences, however, is that the FRB Proposal includes a separate LTD requirement, regardless of a firm's equity capital level, ensuring that covered firms will meet their TLAC requirements with a specified minimum amount of LTD. While the FSB TLAC Proposal contained an "expectation" that covered firms would meet their TLAC requirements with a certain amount of LTD, the FSB TLAC proposal did not contain any distinct quantitative LTD requirements. It appears that the Proposal's External LTD requirement may significantly exceed the amount contemplated by the FSB TLAC Proposal.

Question 5: Is the FRB considering other measures relating to TLAC?

Answer: While the Proposal requires Covered BHCs and Covered IHCs to issue sufficient amounts of TLAC to address anticipated losses at operating subsidiaries, it does not require that covered firms establish specific mechanisms to transfer those losses from operating subsidiaries to the Covered BHC itself. The FRB states in the preamble to the Proposal that it is considering a proposal that would seek to accomplish this objective by applying a domestic internal TLAC requirement to a Covered BHC or IHC's material operating subsidiaries, and require the Covered BHC or IHC to establish and maintain "contributable resources" (assets held by the covered holding company that enable the covered holding company to make contributions to covered subsidiaries that incur severe losses) and "prepositioned resources" (covered holding company debt and equity investments in covered subsidiaries).

Question 6: When does the Proposal become effective?

Answer: The proposed TLAC requirements for Covered BHCs and Covered IHCs would become effective on January 1, 2019, with phase-in between that

date and January 1, 2022. In addition, the clean holding company requirement and regulatory capital deductions would become effective January 1, 2019.

Question 7: How long is the Proposal open for comment?

Answer: Comments on the Proposal must be submitted to the FRB by February 1, 2016.

II. TLAC REQUIREMENT FOR COVERED BHCs

Question 8: Which BHCs are subject to the proposed TLAC requirement?

Answer: The Proposal would establish the TLAC requirement for Covered BHCs, *i.e.*, any top-tier BHC identified as a G-SIB under the FRB G-SIB Surcharge Rule. Eight U.S. banking organizations are currently so identified: Bank of America, The Bank of New York Mellon Corporation, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, State Street and Wells Fargo.⁶

Question 9: What is the proposed TLAC requirement for Covered BHCs?

Answer: The Proposal would require Covered BHCs to maintain levels of eligible External TLAC and External LTD. Specifically, Covered BHCs would be required to maintain on a fully phased-in basis:

- External TLAC in an amount not less than the greater of (i) 18% of the BHC's total risk-weighted assets ("RWAs") and (ii) 9.5% of the BHC's total leverage exposure.
- External LTD in an amount not less than the greater of (i) the Covered BHC's total RWA multiplied by the sum of 6% plus the Covered BHC's G-SIB surcharge and (ii) 4.5% of the Covered BHC's total leverage exposure.

In each case, RWA and total leverage exposure would be calculated as defined for purposes of the FRB's regulatory capital rules.⁷

In addition, Covered BHCs would be required to hold a 2.5% External TLAC buffer composed solely of CET1 capital, similar to the capital conservation buffer under the FRB's regulatory capital rules.⁸ As in the case of the capital

⁶ The November 3, 2015 updated list of G-SIBs is attached as Appendix B.

⁷ See, e.g., 12 C.F.R. 217.10(c)(4) (definition of "total leverage exposure").

⁸ See 12 C.F.R. 217.11.

conservation buffer, falling below the full amount required by the buffer would result in increasing restrictions on the banking organization's ability to make capital distributions and discretionary bonus payments.

Question 10: What is External TLAC?

Answer: The Proposal defines External TLAC as the sum of a Covered BHC's (i) Tier 1 capital issued directly by the Covered BHC and (ii) External LTD.

Question 11: What is External LTD?

Answer: The Proposal would define External LTD as debt that (i) is issued directly by the Covered BHC; (ii) is unsecured; (iii) is "plain vanilla"; (iv) has a remaining maturity of at least one year; and (v) is governed by U.S. law. For purposes of the Proposal, "plain vanilla" instruments are instruments that do not contain what the FRB describes as "exotic" features, such as certain credit-sensitivity, conversion or acceleration features that could "create complexity and thereby diminish the prospects for an orderly resolution."⁹ In addition, structured notes would not qualify as External LTD.

Question 12: What is the relationship between External TLAC and External LTD?

Answer: External TLAC is composed of regulatory capital and External LTD, with a Covered BHC required to issue at least a certain amount of External LTD as a component of overall TLAC. Thus, a Covered BHC's External TLAC will equal the sum of its eligible regulatory capital and External LTD.

Question 13: May a subsidiary of a Covered BHC issue External TLAC?

Answer: No. By design, the TLAC requirement contemplates that the top-tier entity in a corporate group will have issued instruments that can absorb losses in the event of material financial distress or failure. The FRB deems this top-tier approach the most effective way to address losses in operating subsidiaries.

Question 14: How is External LTD treated for purposes of the proposed TLAC requirement as it approaches maturity?

Answer: The Proposal gives punitive treatment to External LTD nearing maturity. External LTD with a remaining maturity of between one and two years

⁹ Proposal at 37.

would be subject to a 50% haircut for purposes of the External LTD requirement, while External LTD with a remaining maturity of less than one year would not count at all toward the External LTD requirement.

Question 15: How is the maturity of a security eligible as External LTD determined for purposes of the Proposal?

Answer: The remaining maturity of an outstanding eligible debt security is calculated from the earlier of: (1) the final payment date of the principal, without respect to any right of the holder to accelerate payment of principal and (2) the date the holder of the instrument first has the contractual right to request or require payment of the principal, provided that, with respect to a right that is exercisable on one or more dates that are specified in the instrument only on the occurrence of an event (other than an event of (i) a receivership, insolvency, liquidation or similar proceeding of the GSIB BHC or (ii) a failure of the GSIB BHC to pay principal or interest on the instrument when due), the date for the outstanding eligible debt security will be calculated as if the event had already occurred.

Question 16: Would Covered BHCs be subject to disclosure requirements relating to External LTD?

Answer: Yes. The Proposal would require Covered BHCs to publicly disclose a description of the financial consequences to unsecured debt holders of the Covered BHC's entry into a resolution proceeding in which the Covered BHC is the only entity that would enter resolution. The disclosure would be required to be included in External LTD offering documents and made available on the Covered BHC's website.

III. TLAC REQUIREMENT FOR COVERED IHCS

Question 17: Which IHCs are subject to the proposed TLAC requirement?

Answer: The Proposal would establish a TLAC requirement for Covered IHCs, *i.e.*, any U.S. IHC that is (i) required to be formed under the FRB's enhanced prudential standards rule and (ii) controlled by a top-tier FBO that would be designated a GSIB under the Proposal.

The Proposal establishes two alternatives by which a top-tier FBO may be designated a foreign GSIB for purposes of the Proposal: the (i) FBO designates itself as a GSIB, or (ii) FRB so designates the FBO.¹⁰

- **Self-Designation.** Each top-tier FBO that controls an IHC would be required to submit to the FRB by January 1 of each calendar year notice of whether its home country regulatory authority has adopted standards consistent with the BCBS GSIB Methodology, whether the FBO prepares or reports the GSIB indicators, and if it does, whether it has determined it has the characteristics of a GSIB.
- **FRB Designation.** The FRB, using information reported by the FBO and its U.S. subsidiaries, information that is publicly available and confidential supervisory information, determines that (i) the top-tier FBO would be a GSIB under the BCBS GSIB Methodology; (ii) the FBO would be a GSIB under the FRB GSIB Surcharge Rule; or (iii) the IHC controlled by the FBO would be a GSIB under the FRB GSIB Surcharge Rule.

Question 18: Are U.S. branches of foreign banks subject to the proposed TLAC requirement?

Answer: No. The proposed TLAC requirement applies to Covered IHCs, as discussed above, but does not apply to U.S. branches of foreign banks. This distinction likely will be an additional consideration when FBOs evaluate from which vehicle to engage in U.S.-based activities.

Question 19: What is the proposed TLAC requirement for Covered IHCs?

Answer: The Proposal would require Covered IHCs to maintain specific levels of eligible Internal TLAC and Internal LTD. Specifically, Covered IHCs would be required to maintain on a fully phased-in basis:

- Internal TLAC in an amount that would depend on whether the Covered IHC would be expected to be resolved as a going concern (*i.e.*, under a Single Point of Entry (“SPOE”) resolution strategy) or in a failure scenario (*i.e.*, under a Multiple Points of Entry (“MPOE”) resolution strategy).
 - For the former (SPOE), Covered IHCs would be required to maintain Internal TLAC in an amount not less than the greater of (i) 16% of the IHC’s total RWAs; (ii) if the Covered IHC is subject to the

¹⁰ See Appendix B for an updated 2015 list of GSIBs designated by the FSB.

supplementary leverage ratio, 6% of the IHC's total leverage exposure; and (iii) 8% of the Covered IHC's average total consolidated assets.

- For the latter (MPOE), Covered IHCs would be required to maintain Internal TLAC in an amount not less than the greater of (i) 18% of the IHC's total risk-weighted assets ("RWAs"); (ii) if the Covered IHC is subject to the supplementary leverage ratio, 6.75% of the IHC's total leverage exposure; and (iii) 9% of the Covered IHC's average total consolidated assets.
- In either case, Internal LTD in an amount not less than the greater of (i) 7% of the IHC's total RWAs; (ii) if the Covered IHC is subject to the supplementary leverage ratio, 3% of the IHC's total leverage exposure; and (iii) 4% of the Covered IHC's average total consolidated assets.

As in the case of Covered BHCs, RWA and total leverage exposure would be calculated under the FRB's regulatory capital rules, and Covered IHCs would be required to hold an additional 2.5% Internal TLAC buffer composed solely of CET1 capital.

Question 20: How will the determination be made whether an IHC is subject to the higher TLAC requirements applicable to a potential failure scenario or a going concern (*i.e.*, non-resolution) scenario?

Answer: To qualify for the non-resolution treatment, the home country resolution authority of the top-tier FBO will have to certify to the FRB that the authority's planned resolution strategy for the FBO does not involve the Covered IHC or the subsidiaries of the Covered IHC entering resolution, receivership, insolvency or similar proceedings in the U.S.

Question 21: What is Internal TLAC?

Answer: The Proposal defines Internal TLAC as the sum of (i) Tier 1 regulatory capital issued from the Covered IHC to a foreign entity that controls the Covered IHC and (ii) Internal LTD. In contrast to External TLAC, Internal TLAC would be required to be issued internally within the FBO by the Covered IHC to a non-U.S. company that directly or indirectly controls it.

Question 22: What is Internal LTD?

Answer: Internal LTD would be subject to many of the same requirements as External LTD, plus additional requirements given that it is not the top-tier entity, and thus would be required to be (i) issued directly by the Covered IHC;

(ii) unsecured; (iii) plain vanilla; and (iv) governed by U.S. law. In addition, Internal LTD would also be required to (i) be issued to and held by a foreign entity that controls the Covered IHC; (ii) be contractually subordinated to all third-party liabilities of the Covered IHC; and (iii) include a contractual trigger pursuant to which the FRB could require the Covered IHC to cancel the eligible internal LTD or convert or exchange it into CET1 capital on a going-concern basis under certain circumstances.

Question 23: What is the relationship between Internal TLAC and Internal LTD?

Answer: Internal TLAC is composed of regulatory capital and Internal LTD, with a Covered BHC required to issue a specific amount of Internal LTD as a component of overall TLAC. Thus, a Covered BHC's Internal TLAC will equal the sum of its eligible regulatory capital and Internal LTD.

Question 24: How is Internal LTD treated for purposes of the proposed TLAC requirement as it approaches maturity?

Answer: Similar to External LTD, Internal LTD would be subject to punitive haircuts as it approaches maturity. Internal LTD with a remaining maturity of between one and two years would be subject to a 50% haircut for purposes of the Internal LTD requirement, while Internal LTD with a remaining maturity of less than one year would not count toward the Internal LTD requirement.

IV. CLEAN HOLDING COMPANY REQUIREMENT

Question 25: What is the proposed clean holding company requirement?

Answer: The Proposal would prohibit Covered BHCs and Covered IHCs from engaging in certain classes of transactions that could pose an obstacle to orderly resolution or increase the risk of financial market contagion. Specifically, the Proposal would:

- prohibit Covered BHCs and Covered IHCs from issuing short-term (*i.e.*, with an original maturity of less than one year) debt instruments (including deposits) to third parties;
- prohibit Covered BHCs and Covered IHCs from entering into qualified financial contracts with third parties;
- prohibit Covered BHCs and Covered IHCs from having liabilities that are subject to contractual offset rights for its subsidiaries' creditors; and

- prohibit Covered BHCs and Covered IHCs from guaranteeing subsidiary liabilities, if the liability would result in the Covered BHC's insolvency or entry into resolution operating as a default event on the part of the subsidiary; and
- with respect to Covered BHCs only, cap the value of a Covered BHC's liabilities¹¹ that can be *pari passu* with or junior to its External LTD at 5% of the value of its eligible External TLAC. (The Proposal addresses this issue for Covered IHCs with the "contractual subordination" requirement set forth in response to Question 21 above).

V. REGULATORY CAPITAL DEDUCTIONS FOR INVESTMENTS IN UNSECURED DEBT ISSUED BY COVERED BHCS

Question 26: What requirement would the Proposal establish for regulatory capital deductions for investments in unsecured debt?

Answer: The Proposal would require state member banks, BHCs and SLHCs with over \$1 billion in total consolidated assets, and IHCs formed pursuant to the FRB's enhanced prudential standards rule to deduct from regulatory capital the amount of investments in, or exposure to, unsecured debt issued by a Covered BHC, if those investments or exposures exceed certain thresholds. The proposed deduction would not apply to FRB-supervised banking organizations not currently subject to a binding regulatory capital framework, including SLHCs that are substantially engaged in insurance underwriting or commercial activities, and BHCs and SLHCs with \$1 billion or less in assets subject to the FRB's small depository institution holding company policy statements. The deduction requirement also would not apply to Nonbank SIFIs.

Question 27: Does the regulatory capital deduction apply to banking organizations regulated and supervised by the Federal Deposit Insurance Corporation (the "FDIC") and the Office of the Comptroller of the Currency (the "OCC")?

Answer: No. Because the FRB issued the Proposal, the proposed regulatory capital deduction is limited to banking organizations subject to FRB regulatory and supervisory jurisdiction, and thus would not apply to national banks, federal

¹¹ Other than liabilities related to External TLAC and External LTD. Liabilities that would be subject to the cap could include, for example, debt instruments with derivative-linked features; external vendor and operating liabilities, such as utilities, rent, fees for service, and obligations to employees; and liabilities arising other than through contract (e.g., liabilities created by a court judgment).

savings associations, state non-member banks and other depository institutions supervised by the FDIC and OCC. The preamble to the Proposal states that the FRB intends to consult with the OCC and FDIC on the proposed deduction to ensure “consistent treatment for all banking organizations subject to the regulatory capital rules.”¹²

VI. CERTAIN IMPLICATIONS

Question 28: What are the practical implications of the Proposal?

Answer: The FRB estimates in the preamble to the Proposal that Covered BHCs face an aggregate funding shortfall of approximately \$120 billion under the Proposal, or 1.7% of Covered BHCs’ overall RWA. The FRB notes that two Covered BHCs will face no shortfall.

In the preamble to the Proposal, the FRB projects that this shortfall will have only a minimal effect on funding costs. According to the FRB, approximately \$65 billion of the shortfall can be met through the issuance of External LTD as a replacement for outstanding debt, most of which takes the form of long-term bonds issued by Covered BHC subsidiaries.¹³ The remaining \$55 billion could then be filled through the issuance of eligible external LTD in the place of deposits or other lower-cost liabilities. The FRB finds that the aggregate increase in funding costs attributable to the Proposal will be in the range of \$680 million to \$1.5 billion annually.

Question 29: How have credit rating agencies/analysts responded to the Proposal?

Answer: Credit rating agencies appear to be responding to the Proposal in a “credit negative” manner for Covered BHCs. For example, Standard & Poor’s has placed the Covered BHCs of the eight U.S. GSIBs on credit watch “negative” as a result of the Proposal.¹⁴ Moreover, during an investor conference call on November 3, analysts already were asking the senior personnel of a Covered GSIB about compliance with the TLAC Proposal.

¹² Proposal at 91.

¹³ Certain debt instruments issued by covered BHCs may contain acceleration provisions that would render them ineligible for treatment as External LTD.

¹⁴ Daniel Stanton, *S&P puts 8 US G-SIB holdco ratings on CreditWatch*, Reuters (Nov. 2, 2015) available at <http://www.reuters.com/article/2015/11/03/sp-capitalrules-idUSL3N12Y1AJ20151103>.

Question 30: Will other jurisdictions impose similar TLAC requirements on foreign operations of U.S. banking organizations?

Answer: The preamble to the Proposal suggests that this is a possibility, and states “U.S. financial regulatory agencies are discussing the application of similar standards by foreign regulatory authorities in jurisdictions that host the operations of U.S. GSIBs.”¹⁵

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Please do not hesitate to contact us with any questions.

¹⁵ Proposal at 68.

Appendix A: FRB Depiction of Proposed LTD Requirement + Fully Phased-in Tier 1 Risk-Based Capital Requirements

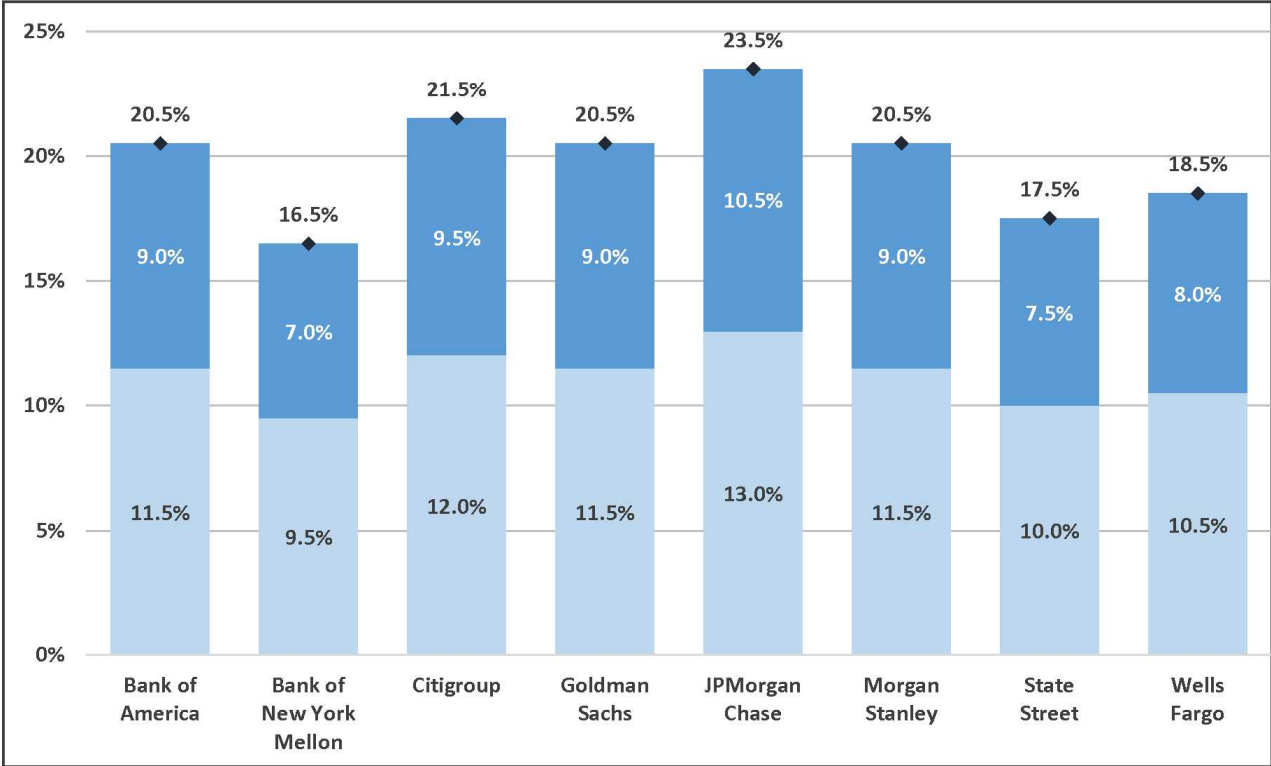
Depiction of Proposed LTD Requirement + Fully Phased-in Tier 1 Risk-Based Capital Requirements

Notes

- Chart illustrates the minimum level of loss-absorbing capacity that a U.S. GSIB would have as a result of the proposed rule, if the GSIB meets the fully phased-in capital requirements and capital buffers under the Board's existing capital rules.

Key¹

◆	Total
LTD	External LTD Requirement (RWA approach - 6.0% + GSIB surcharge)
Tier 1 Capital	Capital Conservation Buffer (2.5% + GSIB surcharge)
	1.5% Additional Tier 1
	4.5% CET1 Minimum



¹ GSIB surcharge applied to minimum LTD requirement and the capital conservation buffer is based on estimates disclosed with the GSIB capital surcharge final rule in July 2015.

This chart does not depict (i) the amount of external TLAC that would be required under the proposed rulemaking or (ii) any higher amount of LTD that could be required if calibrated under the proposed external LTD requirement's leverage approach (4.5 percent of the firm's total leverage exposure).

Appendix B: List of GSIBs

Bucket	GSIBs in alphabetical order within each bucket
5 (3.5%)	(Empty)
4 (2.5%)	HSBC JP Morgan Chase
3 (2.0%)	Barclays BNP Paribas Citigroup Deutsche Bank
2 (1.5%)	Bank of America Credit Suisse Goldman Sachs Mitsubishi UFJ FG Morgan Stanley
1 (1.0%)	Agricultural Bank of China Bank of China Bank of New York Mellon China Construction Bank Groupe BPCE Group Crédit Agricole Industrial and Commercial Bank of China Limited ING Bank Mizuho FG Nordea Royal Bank of Scotland Santander Société Générale Standard Chartered State Street Sumitomo Mitsui FG UBS Unicredit Group Wells Fargo