



Regulatory Alert

Financial Services Regulatory Insight Center



June 2018

Fed's final single-counterparty credit rule for large banking organizations

Key points

- The SCCL rule sets applicability thresholds for GSIBs, U.S. BHCs and FBOs at \$250 billion or more in total consolidated assets. The \$50 billion threshold for U.S. IHCs has been retained, though limited to the IHCs of covered FBOs.
- For U.S. covered companies, the SCCL is generally equal to 25 percent of a covered company's tier 1 capital; GSIBs are further limited to an SCCL equal to 15 percent of tier 1 capital for exposures to other GSIBs.
- Large FBOs, but not their U.S. IHCs, may satisfy compliance with the final rule if they can certify that they comply on a consolidated basis with the large exposure or SCCL framework in their home country.

Summary

The Federal Reserve Board on June 14, 2018 approved its final single-counterparty credit limit (SCCL) rule for large banking organizations. The rule implements section 165(e) of the Dodd-Frank Act and is intended to reduce the risks to financial stability from a single company's failure by preventing concentrations of risk between large banking organizations and their counterparties. In final form, the rule is generally similar to the proposed rule, though the applicability thresholds have been increased from \$50 billion to \$250 billion, reflecting the increase to the SIFI asset threshold for enhanced prudential standards (EPS) in the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).

The requirements of the final rule are tailored according to the size of a firm (see table on page 2).

U.S. BHCs or FBOs with assets of \$100 billion to \$250 billion

The Federal Reserve states that it is developing a proposal on application of EPS to U.S. BHCs or FBOs with assets of \$100 billion to \$250 billion. For FBOs in particular, the proposal will also address application of EPS to subsidiary U.S. IHCs; the Federal Reserve states the proposal and other tailoring and implementation efforts related to EGRRCPA could result in amendments to the current SCCL final rule.

Compliance deadline and reporting requirements

U.S. GSIBs, major FBOs, and major IHCs must comply with the final rule by January 1, 2020; all other covered entities must comply by July 1, 2020. Covered companies are expected to comply with the rule on a daily basis and must report to the Federal Reserve quarterly.



Table of SCCL tiered structure to covered entities

Covered Entity	Aggregate net credit exposure limit
Covered companies (U.S. BHCs)	25 percent of tier 1 capital
Major U.S. covered companies (GSIBs)	15 percent of tier 1 capital for exposure to another GSIB or non-bank financial firm under Federal Reserve supervision. 25 percent of tier 1 capital to all other counterparties.
FBOs (with total global consolidated assets of \$250 billion or more – applied to combined U.S. operations)	25 percent of FBO’s tier 1 capital
Major FBOs (FBOs with GSIB characteristics)	15 percent of the FBO’s tier 1 capital for exposure to a GSIB or non-bank financial firm under Federal Reserve supervision. 25 percent of the FBO’s tier 1 capital to all other counterparties.
U.S. IHCs of \$50 billion to \$250 billion	25 percent of the IHC’s total regulatory capital plus the balance of its allowance for loan and lease losses not included in tier 2 capital.
U.S. IHCs of \$250 billion to \$500 billion	25 percent of the IHC’s tier 1 capital
Major U.S. IHCs (\$500 billion or more)	15 percent of tier 1 capital for exposure to a GSIB or non-bank financial firm under Federal Reserve supervision. 25 percent of tier 1 capital to all other counterparties.

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