

**Attachment A: Frequently Asked Questions on the Tailoring Rules
Effective January 13, 2020**

- 1. If an advanced approaches banking organization expects to meet the definition of a Category III or Category IV banking organization on December 31, 2019, and plans to opt-out of the requirement to recognize Accumulated Other Comprehensive Income (AOCI) in regulatory capital, when should the banking organization make its election to opt-out of the requirement to recognize AOCI in regulatory capital?**

Section 22(b)(ii) of the capital rule provides that a Category III or Category IV banking organization must make its AOCI opt-out election during the first reporting period after the banking organization meets the definition of a Category III or Category IV banking organization. Accordingly, a banking organization that meets the definition of a Category III or Category IV banking organization as of December 31, 2019, would make its election during the first quarter of 2020 on the applicable reporting form – the call report or FR Y-9C, as applicable – with a March 31, 2020, as-of date. Such a banking organization would no longer be required to recognize elements of AOCI in regulatory capital beginning January 1, 2020. A banking organization that was not eligible to make an AOCI opt-out election prior to the effective date of the tailoring rule must recognize elements of AOCI in regulatory capital in its reporting forms filed as of December 31, 2019.

- 2. Under the tailoring rules, a holding company that is a Category IV banking organization is not subject to the Liquidity Coverage Ratio (LCR) unless it has average weighted short-term wholesale funding of \$50 billion or more. For purposes of initial transitions, when may a banking organization with average weighted short-term wholesale funding below \$50 billion discontinue complying with LCR requirements? Is a holding company that is a Category IV banking organization required to disclose information required pursuant to 12 CFR 249.90 for the fourth quarter of 2019?**

A covered depository institution holding company that is subject to minimum liquidity standards under the LCR rule is required to publicly disclose information regarding its liquidity position each calendar quarter. A banking organization identified as a Category IV banking organization as of December 31, 2019, that has average weighted short-term wholesale funding of less than \$50 billion will not be subject to the LCR rule. Accordingly, the banking organization would not be required to comply with disclosure requirements included in subpart J of the LCR rule.

3. **A foreign banking organization with average combined U.S. assets of \$100 billion or more must determine the category of its combined U.S. operations based on the FR Y-15 filed as-of June 30, 2020. Standards applicable to the combined U.S. operations of a foreign banking organization with combined U.S. assets of \$100 billion or more include FR 2052a reporting requirements and liquidity risk management and buffer requirements. A foreign banking organization with average combined U.S. assets of less than \$100 billion is not subject to these requirements. For purposes of initial transitions, when may a foreign banking organization with less than \$100 billion in average combined U.S. assets discontinue complying with these requirements?**

The final tailoring rule provides a delay in the initial categorization of, and changes in requirements applied to, the combined U.S. operations of foreign banking organizations. This is to account for foreign banking organizations filing the FR Y-15 on behalf of their combined U.S. operations for the first time as-of June 30, 2020. A foreign banking organization with average combined U.S. assets of less than \$100 billion is not subject to a category of standards, including FR 2052a reporting requirements and liquidity risk management and buffer requirements. Accordingly, a foreign banking organization with average combined U.S. assets of less than \$100 billion as of December 31, 2019, may discontinue FR 2052a reporting requirements and liquidity stress testing and buffer requirements beginning on December 31, 2019, including the FR 2052a report with a December 31, 2019, as-of date.

For purposes of this answer and the final tailoring rule, *average combined U.S. assets* means the average of combined U.S. assets for the four most recent calendar quarters or, if the banking organization has not reported combined U.S. assets for each of the four most recent calendar quarters, the combined U.S. assets for the most recent calendar quarter or average of the most recent calendar quarters, as applicable. Combined U.S. assets is reported on the FR Y-7Q.

4. **Under Category IV liquidity standards, the tailoring final rule reduces the required frequency of internal liquidity stress testing to at least quarterly, rather than monthly. For purposes of this requirement, should a holding company subject to Category IV standards interpret “quarterly” to mean once every three months, once in a quarter, or as of the end of each calendar quarter?**

Banking organizations subject to Category IV standards are required to conduct an internal liquidity stress test at least quarterly, or at least once every three months. In any case, a banking organization’s internal liquidity stress test function is subject to governance requirements in section 252.157(a)(7), 238.124(a)(7), or 252.35(a)(7), as applicable, and its internal liquidity stress testing must be tailored to the risk profile of the banking organization (*See* sections 252.157(a)(6); 238.124(a)(6); and 252.35(a)(6)).