EXECUTIVE SUMMARY

The Federal Reserve recently published a guidance document entitled “Capital Planning at Large Bank Holding Companies: Supervisory Expectations and Range of Current Practice” (the “Guidance”). The Guidance sets forth observations regarding the qualitative capital planning processes and related measures at the large bank holding companies (“BHCs”) which participated in the 2013 Comprehensive Capital Analysis and Review (“CCAR”) process. It also outlines the Federal Reserve’s expectations and “best practices” for internal capital planning at BHCs subject to the 2014 CCAR process and the Federal Reserve’s capital plan rule (“Capital Plan Rule”)—generally institutions with more than $50 billion in consolidated assets—going forward. The Guidance is intended to provide “a more comprehensive set of criteria to assist BHC management in assessing their current capital planning processes and in designing and implementing improvements to those processes.” The qualitative planning issues discussed in the Guidance will likely be crucial elements in the Federal Reserve’s evaluation of capital plans and the 2014 CCAR process. This is because the Federal Reserve will thoroughly review the qualitative elements of an institution’s capital plan and may reject capital plans that do not adequately reflect the Federal Reserve’s expectations in this area, notwithstanding that an institution’s capital plan satisfies the Capital Plan Rule’s quantitative minimum stressed capital requirements under the severely adverse scenario. Although the Guidance is directed at institutions subject to the Capital Plan Rule, it may also be of relevance to the capital planning processes of smaller institutions going forward.

In analyzing the range of practices it observed during the 2013 CCAR process, the Federal Reserve finds that, although large BHCs have “made substantial improvements in capital planning,” a number of firms need to improve various aspects of their capital planning process. Throughout the Guidance, the Federal

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Federal Reserve Board Issues Guidance Outlining Supervisory Expectations for Capital Planning at Large Bank Holding Companies

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In analyzing the range of practices it observed during the 2013 CCAR process, the Federal Reserve finds that, although large BHCs have “made substantial improvements in capital planning,” a number of firms need to improve various aspects of their capital planning process. Throughout the Guidance, the Federal
Reserve stresses key areas and specifically highlights the practices it views as indicative of “stronger” versus “weaker” qualitative capital planning processes and methodologies, including:

- **BHC Specific Risk Sensitivity:** The Federal Reserve notes that a robust internal capital planning process should be centered on considerations and assumptions that reflect BHC-specific—as opposed to generic, industry-wide—factors.
  - **Stronger:** Stronger practices generally include the incorporation of many BHC-specific assumptions and factors in the capital planning process. Institutions engaging in such practices generally include geographic, macroeconomic, portfolio risk, and product considerations specific to the BHC in their capital planning process.
  - **Weaker:** Institutions with weaker practices tend to rely on generic assumptions or “standard” modeling techniques without consideration of BHC-specific assumptions, particularly where the Federal Reserve could itself identify material risks and vulnerabilities unique to the institution.

- **Capital Planning Governance Process:** The Federal Reserve indicates that the capital planning process should have “strong board and senior management oversight.”
  - **Stronger:** The Guidance stresses that institutions with stronger capital planning governance processes: (i) tend to have a robust internal audit of the capital planning processes and controls; (ii) clearly delineate all material aspects of the capital planning decision-making process and document all capital planning decisions (including the models and assumptions used); and (iii) demonstrate a high degree of board of directors oversight.
  - **Weaker:** Institutions with weaker practices tend to: (i) not document their capital planning processes and procedures; (ii) rely heavily on third-party expertise (including scenario development and review); and (iii) not have proper board of directors engagement and oversight into the capital planning process.

- **Analytical Support of Capital Needs:** According to the Federal Reserve, a comprehensive capital plan should accurately show how material risks and vulnerabilities are accounted for and accurately document how the BHC arrived at its capital goals and projections.
  - **Stronger:** The capital plans of institutions with stronger practices demonstrate a clear understanding of the BHC’s material risks—both current and future—and ensure that their capital projections and goals accurately reflected such risks.
  - **Weaker:** Institutions with lagging practices do not account for all materials risks and tend to lack sufficient documentation supporting their projections and assumptions.

**BACKGROUND**

The Capital Plan Rule requires BHCs with $50 billion or more in consolidated assets (“covered BHCs”) to submit annual capital plans to the Federal Reserve and the appropriate Reserve Bank and to obtain regulatory approval before making capital distributions, including dividends and stock repurchases. Similarly, each covered BHC is required to adopt a capital policy outlining the company’s capital planning and capital usage policies and procedures. Each capital plan must include an assessment of the BHC’s expected uses and sources of capital over the nine-quarter “planning horizon” under both baseline and stressed conditions. Under the Capital Plan Rule, the Federal Reserve generally will provide covered
BHCs with three macroeconomic scenarios—baseline, adverse, and severely adverse—for use in the BHC’s capital plan, and each covered BHC is required to develop at least one internally-developed stressed scenario, as well as its own baseline scenario. Likewise, a covered BHC is required to provide a detailed description of its capital planning processes and procedures, including its plan of action in a stressed scenario. As part of the capital planning process, the Capital Plan Rule also requires a BHC’s board of directors and senior management to annually: “(A) [r]eview the robustness of the bank holding company's process for assessing capital adequacy, (B) [e]nsure that any deficiencies in the bank holding company's process for assessing capital adequacy are appropriately remedied; and (C) [a]pprove the bank holding company's capital plan.”

Under the Capital Plan Rule, the Federal Reserve reviews submitted capital plans for quantitative and qualitative compliance. A BHC quantitatively complies with the Capital Plan Rule if it can demonstrate an ability to maintain a minimum Tier 1 common ratio of five percent (5%) on a pro forma basis under the severely stressed scenario. On the qualitative front, the Federal Reserve will consider the comprehensiveness of the capital plan, including the extent to which the plan adequately addresses all material risks and vulnerabilities of the BHC, whether the BHC’s governance processes provide sufficient oversight of the capital planning process, and the reasonableness of the BHC’s assumptions underlying the plan.

The supervisory evaluation of the quantitative element of a BHC’s capital plan is based on the Federal Reserve’s own supervisory stress test of the BHC pursuant to CCAR. Under the CCAR process, the Federal Reserve provides its own independent stress test and analysis of each CCAR BHC’s capital plan under the severely adverse scenario provided by the Federal Reserve, using the BHC’s own planned capital actions over the planning horizon along with the Federal Reserve’s projections for the BHC’s losses, revenues, expenses and capital ratios. The results of the Federal Reserve’s review and non-objection, conditional non-objection, or objection to a CCAR BHC’s capital plan are publicly announced. In the 2013 CCAR process, the Federal Reserve provided each CCAR BHC with the initial results of its independent stress tests of the BHC’s capital plan and provided one opportunity to make a downward adjustment to the BHC’s requested planned capital distributions from its initial capital plan submission before the Federal Reserve published its final public decision. However, any institution that availed itself of this adjustment had its capital ratio under both its initial and final submissions publicly disclosed.

Of the institutions who participated in the 2013 CCAR process: 13 received non-objections, two received conditional non-objections (under which the capital plan was approved, but the institutions were required to remediate certain weaknesses identified by the Federal Reserve), and two received objections (one for quantitative reasons, the other for qualitative).

For the 2012 and 2013 cycles, certain covered BHCs that were not subject to the Federal Reserve’s 2009 Supervisory Capital Assessment Program (“SCAP”) were required to submit capital plans under the

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Capital Plan Rule, but were not subject to supervisory stress testing under the CCAR process. These institutions were instead subject to the separate Capital Plan Review program ("CapPR"), the results of which were not publicly disclosed. All the CapPR banks are now supposed to be subject to the full CCAR process, including supervisory stress testing and public disclosure of the results, for the 2014 Capital Plan Rule cycle.

SPECIFIC FEDERAL RESERVE OBSERVATIONS AND GUIDANCE

In the Guidance, the Federal Reserve outlines a number of supervisory expectations for its review of capital plans submitted under the CCAR process (which, in 2014, will include all covered BHCs). In analyzing the current range of capital planning practices at BHCs which participated in the 2013 CCAR process, the Federal Reserve identifies a number of practices that it considered indicative of a "stronger" or "leading" versus "weaker" or "lagging" qualitative capital planning process. The Federal Reserve cautions, however, that practices it views as "stronger" are not intended to be a safe harbor. Throughout the Guidance, the Federal Reserve focuses on several recurring themes. These include: (i) the accounting of BHC-specific risks; (ii) analytical support of all capital calculations, including clear methodology for projecting the effect of certain stresses on capital needs; and (iii) comprehensive capital planning governance, including the complete documentation of capital planning policies, procedures, and decisions.

FOUNDATIONAL RISK MANAGEMENT

The Federal Reserve notes that a "key lesson from the recent financial crisis is that many financial companies simply failed to adequately identify the potential exposures and risks stemming from their firm-wide activities." The Federal Reserve stresses that BHCs are expected to have "effective risk-identification, -measurement, -management, and -control processes in place to support their internal capital planning," and states that a key part of its qualitative assessment of a BHC’s capital plan will include a review of its risk assessment methodology, policies, and procedures.

According to the Guidance, a BHC must ensure that it has appropriately identified the “full set of potential exposures stemming from on- and off-balance sheet positions, including those that could arise from provisions of non-contractual support to off-balance sheet entities.” Fundamentally, a robust foundational risk management policy should not only consider the full scale and scope of a BHC’s exposures across the firm, but should also have the ability to identify potential future exposures based on the evolution of risk and the BHC’s business as "economic and market conditions change[ ]." Indeed, the Federal Reserve notes that stronger practices include:

- Standardized processes through which senior management regularly update risk assessments, review risk exposures, and consider how their risk exposures might evolve under a variety of stressful situations. The Federal Reserve stresses that this should include the consideration of risks implicated by new products, activities, and volume changes.
• Identification of how all risks are accounted for in the capital planning process. A BHC should be able to clearly identify how it accounts for the full range of risks it faces.

• A sufficient capital buffer against risks that are more difficult to quantify, such as reputational, strategic, or compliance risks. However, simply establishing an incremental capital cushion to address such risks without sufficient explanation, analysis, or support as to why such risks could not be included in the BHC’s projected income statement is considered “a lagging practice.”

INTERNAL CONTROLS

With respect to internal controls, the Federal Reserve states that a BHC’s capital planning process should include: “(1) regular and comprehensive review by internal audit; (2) robust and independent model review and validation practices; (3) comprehensive documentation, including policies and procedures; and (4) change controls.” The Federal Reserve finds that stronger internal control practices include:

• An integrated review of internal capital controls to ensure that they are applied on a consistent basis. This includes a review of all documentation and material changes to the capital planning process.

• The ability to quickly and consistently deliver information to the appropriate personnel, with escalation to the board of directors and senior management as necessary. The Federal Reserve stresses that management and information systems remain a key area of concern in its review and finds that stronger practices tend to have systems that enable the delivery of information quickly and efficiently, with the ability to run on an ad-hoc basis to support capital planning.

• A robust internal audit review of all components of the capital planning process. Auditing staff should have the “appropriate competence and influence to identify and escalate key issues, and the internal audit function should report regularly on the status of all aspects of the capital planning process—including any identified deficiencies related to the BHC’s capital plan—to senior management and the board of directors.”

• The comprehensive documentation, review, and validation of models used for capital planning purposes, including external validation if necessary. BHCs with lagging practices were not able to identify all models used in the planning process and likewise did not review models and assumptions used for capital planning purposes.

• Capital planning policies and procedures that cover the entire capital planning process, including a periodic review of adherence to established policies. Such procedures should include the clear and comprehensive documentation of all aspects of the capital planning process. This issue is highlighted in a number of other areas of the Guidance as well.

GOVERNANCE

Throughout the Guidance, the Federal Reserve stresses the importance of vigorous oversight of the capital planning process by an informed board of directors and senior management through regular review and evaluations to ensure that the capital planning process “fits into broader risk-management processes” and “is consistent with the risk-appetite framework and the strategic direction of the BHC.” In addition to this oversight role, the Guidance notes that the Federal Reserve, in analyzing the qualitative compliance of capital plans, will also analyze whether the board of directors and senior management
retain responsibility for the establishment of the BHC’s capital goals and the procedures by which capital decisions are approved. The Federal Reserve notes that market-leading governance practices include:

- At least once per quarter, “or when there are material developments that affect capital adequacy or the manner in which it is assessed,” the board of directors should receive “sufficient information to understand the BHC’s material risks and exposures and to inform and support its decisions on capital adequacy and planning.” Such information should include both capital measures under current conditions and on a “post-stress, pro forma basis.” The board should determine whether the BHC’s internal capital planning remains in accordance with its broader risk-appetite framework.

- A clear demonstration by the board of directors that it genuinely understands the BHC’s risks, exposures, activities, and vulnerabilities. The board should have sufficient expertise “to understand and critically evaluate information provided by senior management,” and to quickly identify weakness in the BHC’s capital planning process.

- Independent review and validation of the underlying valuation methodology and assumptions of the capital plan. The board of directors is required to approve a BHC’s capital plan under the Capital Plan Rule and should be supplied with all material information relating to the capital distribution recommendations. The Federal Reserve observes that the board at BHCs with weaker capital planning practices generally did not receive relevant supporting information and, accordingly, could not identify the key assumptions underlying the capital plan.

- Senior management that “recognize[s] the imprecision and prevalence of uncertainty in predicting future outcomes when reviewing information and results from enterprise-wide scenario analysis,” and that recognizes and clearly documents any weaknesses or limitations of the BHCs capital planning process. Moreover, the Federal Reserve specifically praises senior management of BHCs that took a conservative approach to capital actions and adjustments and recommended “less aggressive capital actions.”

- Senior management that makes “informed recommendations” to the board of directors about the BHC’s capital, capital goals, and distribution decisions. The Federal Reserve recommends that senior management ensure that proposed capital goals have “sufficient analytical support and fully reflect the expectations of important stakeholders” (that is, creditors, counterparties, investors, and supervisors). Moreover, the Federal Reserve notes that senior management should “identify weaknesses and potential limitations in the capital planning process and evaluate them for materiality.” Senior management should also develop remediation plans for weaknesses that affect the reliability of internal capital planning results. Such limitations and remediation plans should be reported to the board of directors.

- Decisions made by the board of directors and senior management regarding capital adequacy and capital actions that are fully documented, along with how decisions are made and what information is used in reaching those decisions.

**CAPITAL POLICY**

The Federal Reserve reminds BHCs that the capital policy requirement of the Capital Plan Rule is distinct from the capital plan requirement and is a key element of the Federal Reserve’s qualitative review of compliance with the Capital Plan Rule. While a capital plan describes a BHC’s intended capital actions and maintenance over the applicable planning horizon, a BHC’s capital policy describes the underlying capital goals, quantitative and qualitative guidelines to be used for capital distributions, the “strategies for
addressing potential capital shortfalls,” and the internal governance procedures for capital planning. Accordingly, a strong capital policy should:

- Identify targets and levels of the BHC’s capital composition and provide a clear statement of the board of directors’ and senior management’s capital objectives.

- Include a complete description of the processes surrounding capital distributions, including the quantitative metrics, process for distribution, specific circumstances in which the BHC would cancel or reduce capital distributions, and the roles and responsibilities of key personnel in the capital distribution decision process. The Federal Reserve found that weak capital policies did not address the entire capital planning processes and “did not provide sufficient detail to convey clearly how capital action decisions will be made.”

- Include specific triggers and events, quantitative and qualitative, to determine the frequency that the board of directors and senior management will revisit planned capital actions, as well as review and put contingency capital plans into effect in the event of certain “deficiencies” in its capital position.

- Clearly establish goals aligned with the BHC’s risk appetite, risk profile, and expectations of “internal and external stakeholders.” These capital goals should reflect expected future regulatory capital requirements.

- Adopt a conservative approach to capital distributions. The Federal Reserve states that BHCs should “establish capital targets above their capital goals to ensure capital levels will not fall below the goals during periods of stress.” The Federal Reserve notes that BHCs that solely consider regulatory minimum capital requirements, without regard to the firm’s specific capital needs or risk profile, engaged in weak practices.

- Adopt a robust capital contingency plan that is designed to remedy any current or prospective deficiencies in the BHC’s capital position. This contingency plan should include detailed circumstances by which a BHC will reduce or eliminate a planned capital distribution. The contingency plan “triggers” should be well established, include internal events (such as credit default spreads, stock price, liquidity, debt, and earnings) and external events (such as general market or economic stress) and should be designed to provide an “early warning” of capital deterioration. The Federal Reserve notes that weaker contingency plans did not appear to provide sufficient notice of capital deterioration and did not provide a clear range of actions to be taken upon the trigger.

- “[D]evelop a formal process for approvals, change management and documentation retention relating to [the BHC’s] capital policy.” Such documentation should clearly and completely explain how the board of directors and senior management arrive at the determinations and objectives set forth in the capital policy, and how capital adequacy and capital action determinations are formulated and reached.

**BHC SCENARIO DESIGN**

With respect to the BHC-developed stress scenario required under the Capital Plan Rule, the Federal Reserve notes that a number of institutions engaged in weaker practices by relying heavily on non-BHC-specific and vendor-provided design practices without any degree of sensitivity to the risks unique to the BHC. In addition, the Federal Reserve criticizes certain BHCs for adopting what it views as overly optimistic stress scenarios. The Federal Reserve finds that stronger scenario design practices include:

- The development of stress scenarios that are tailored to the specific risks and vulnerabilities of the institution (such as geographic footprint, business model, portfolio characteristics, etc.).
BHCs with stronger stress scenario designs did not rely solely on general macroeconomic stress scenarios, but rather captured all material risks unique to the BHC.

- A complete set of variables that are designed to address all material risks arising from a BHC’s exposures. The Federal Reserve finds that BHCs with stronger stress scenario designs included clear and complete descriptions of how the variables were relevant to the BHC’s sources of risk.

QUANTITATIVE METHODS

In addition to the qualitative guidance noted above, the Federal Reserve also provides an overview of the range of quantitative methods it observed during the CCAR process and provides specific guidance on what it views as stronger practices. Overall, the Guidance provides for the following:

- **Estimation and Valuation Practices**: The Federal Reserve places considerable emphasis on valuation and estimation methodologies that are: (i) dynamic, with the ability to account for changes in asset valuations; (ii) conservative; and (iii) multi-variableled. Additionally, the Federal Reserve notes that stronger capital planning practices generally expressly accounted for inherent limitations in data by making adjustments to assumptions or estimates.

- **Documentation of Quantitative Methods**: As discussed above, the Federal Reserve views the documentation and accurate explanation of methodologies and underlying key assumptions as a strong practice. However, in addition, the Federal Reserve notes that BHCs should also have the ability to seamlessly segment data by underlying characteristics (for example, segmenting a real estate loan portfolio by credit score, loan-to-value ratio, and underlying collateral information) to streamline review of specific risks.

- **Pre-Provision Net Revenue ("PPNR") Projection Methodologies**: Under the Federal Reserve’s Capital Plan Rule, a BHC is required to estimate revenue and expenses over the planning horizon. In the Guidance, the Federal Reserve states that it expects BHCs to have “effective processes for projecting PPNR and its revenue and expense subcomponents over the same range of stressful scenarios and environments used for estimating losses.” The Federal Reserve notes that a BHC’s key assumptions should be consistent with the assumed scenario conditions, and, like other assumptions, should be clearly documented and supported. BHCs with lagging practices “lacked clear processes for translating assumed scenario conditions into revenue and expense projections,” and, in some cases, relied heavily on management judgment with little documentary support. Such institutions also generally relied on weak models without compensating factors, such as expert input. On the other hand, BHCs with stronger practices were able to demonstrate a clear link between the scenario conditions and the projected revenue and expense estimates, with a comprehensive narrative. In cases where data was scarce, BHCs with stronger practices supplemented their narrative with external data and expertise.

- **Net Interest Income**: In calculating the net interest income component of PPNR, the Federal Reserve expects BHCs to include specific product characteristics (for example, contractual provisions, prepayment rates, new business spreads, and yield curves).

- **Non-Interest Income**: BHCs with stronger practices considered a number of BHC-specific factors, including individual business lines, client profiles, and capacity constraints, when calculating projected non-interest income. BHCs with weaker practices tended to include a number of favorable assumptions and did not show what the Federal Reserve considers to be a sufficient decline in revenue relative to the assumed stress conditions.
• **Non-Interest Expense**: BHCs with stronger practices were able to show a correlation between the projected non-interest expenses and its assumptions. Such institutions generally concluded that non-interest expenses, such as credit-collections costs and head count, would increase during the severely adverse scenario. According to the Guidance, BHCs with lagging practices believed that the BHC would be able to take steps to mitigate the increased expenses. The Federal Reserve notes that it believes such assumptions to be “unrealistic in light of assumed scenario conditions.”

• **Balance Sheet and Risk Weighted Assets (“RWA”)**: In addition to the projection of PPNR, the Federal Reserve’s Capital Plan Rule also requires a BHC to provide balance sheet and RWA projections over the planning horizon. The Federal Reserve notes that it expects BHCs to have a “well-documented process for generating projections of the size and composition” of its on- and off-balance sheet exposures and RWA over the planning horizon. Although the Federal Reserve agrees that certain variable factors, such as borrower or consumer behavior, will have a material effect on the company’s balance sheet, it notes that BHCs with stronger practices had procedures to evaluate such behavior, including through the input of business-line leaders. The Federal Reserve again stresses that it believes BHCs should not “rely on favorable assumptions that cannot be reasonably assured in stress scenarios.” Such favorable balance sheet and RWA assumptions include a “flight-to-quality” assumption that increased deposits and reduced dollar funding would occur during the stress scenario.

• **Aggregation of Projections**: According to the Federal Reserve, it expects BHCs to have a “well-established and consistently executed process for aggregating loss, revenue and expense and on- and off-balance sheet and RWA estimates, as part of enterprise-wide scenario analysis.” This process and underlying assumptions and management adjustments should be well documented within the BHC’s capital planning governance procedures. According to the Federal Reserve, BHCs should already have an effective aggregation process in place, and the reliance on standalone tools is considered a weak practice. Likewise, BHCs should have a strong automated, entity-wide reconciliation process for aggregation. The Federal Reserve notes that BHCs with lagging practices relied heavily on manual intervention in the aggregation process.

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**OBSERVATIONS AND IMPLICATIONS**

The Guidance is a clear indication that the Federal Reserve will likely pay particular attention to qualitative factors for purposes of the Capital Plan Rule and CCAR for the 2014 cycle. As such, the Federal Reserve will expect covered BHCs that are subject to the CCAR process (including those institutions that previously submitted capital plans under CapPR) to incorporate the “strong” and “leading” practices and methodologies described in the Guidance into their own capital planning processes. Failure to substantially do so will risk Federal Reserve objection to a submitted capital plan on qualitative grounds.

In addition, the Guidance’s continued emphasis on “conservative” capital planning and specific criticism of practices that it views as particularly aggressive, including overly-optimistic or overly-favorable assumptions, is an indication that the Federal Reserve continues to believe that covered BHCs should be “cautious” and consider “less aggressive capital actions” even where the institution would otherwise meet or exceed required quantitative minimums as part of its capital plan.
Furthermore, the Guidance’s identified best practices “should not be considered a safe harbor. The Federal Reserve anticipates that leading practices will continue to evolve as new data become available, economic conditions change, new products and businesses introduce new risks, and estimation techniques advance further.”

Finally, as noted above, although the Guidance is directed at institutions subject to the Capital Plan Rule—that is, institutions which have more than $50 billion in consolidated assets—it may also be of relevance to the capital planning processes of smaller institutions as the Federal banking agencies examine the capital planning and related processes of such smaller institutions as a supervisory matter even in the absence of a formal requirement to submit a yearly capital plan for regulatory approval.

* * *
ENDNOTES


2 The 18 institutions who participated in CCAR in 2013 are: Ally Financial Inc.; American Express Company; Bank of America Corporation; The Bank of New York Mellon Corporation; BB&T Corporation; Capital One Financial Corporation; Citigroup Inc.; Fifth Third Bancorp; The Goldman Sachs Group, Inc.; JPMorgan Chase & Co.; Keycorp; Morgan Stanley; The PNC Financial Services Group, Inc.; Regions Financial Corporation; State Street Corporation; SunTrust Banks, Inc.; U.S. Bancorp; and Wells Fargo & Company.

3 12 C.F.R. § 225.8.


5 12 C.F.R. § 225.8(c)(4).


7 12 C.F.R. § 225.8(d)(1)(iii).

8 12 C.F.R. § 225.8(e)(1)(i). The Capital Plan Rule’s five percent (5%) Tier 1 common minimum requirement under the severely adverse scenario was based on the Federal Reserve’s previously existing Basel I-based generally applicable risk weighted capital rules. The U.S. banking agencies have not yet addressed how this requirement would be calibrated or otherwise dealt with for purposes of the 2014 CCAR process and the 2014 Capital Plan Rule submissions in connection with the final Basel III-based capital rules and the new Common Equity Tier 1 or “CET1” measure set forth therein that will come into effect, subject to certain phase-in provisions, for covered BHCs with over $250 billion in consolidated assets on January 1, 2014 and on January 1, 2015 for all other covered BHCs.

9 Id.


12 The institutions subject to CapPR in 2013 included: BBVA USA Bancshares Inc.; BMO Financial Corp.; Citizens Financial Group Inc.; Comerica Inc.; Discover Financial Services; HSBC North America Holdings Inc.; Huntington Bancshares Inc.; M&T Bank Corporation; Northern Trust Corporation; UnionBanCal Corporation; and Zions Bancorporation.


14 12 C.F.R. § 225.8(d)(1)(iii).
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