Federal Reserve System

§ 252.172 Credit exposure limits.

(a) Transition limit on aggregate credit exposure for certain covered foreign entities. (1) A U.S. intermediate holding company that is a covered foreign entity and that has less than $250 billion in consolidated assets as of December 31, 2019 may have an aggregate net credit exposure that exceeds 25 percent of the consolidated capital stock and surplus of the U.S. intermediate holding company, subject to the following:

(1) The company is consolidated by the other company under applicable accounting standards; or

(2) The company is subject to principles or standards referenced in paragraph (ii)(1) of this definition, consolidation would have occurred if such principles or standards had applied.

(ii) Tier 1 capital means common equity tier 1 capital and additional tier 1 capital, as defined in subpart O of the Board’s Regulation Y (12 CFR part 252, subpart O).

(iii) Tier 2 capital means tier 2 capital as defined in subpart O of the Board’s Regulation Y (12 CFR part 252, subpart O).

(iv) Total consolidated assets. (1) A foreign bank’s total consolidated assets are determined based on:

(i) The average of the foreign bank’s total consolidated assets in the four most recent consecutive quarters, as reported on the FR Y–7Q, or

(ii) If the foreign bank has not yet filed an FR Y–7Q, as determined under applicable accounting standards.

(b) Limit on aggregate net credit exposure for covered foreign entities. (1) Except as provided in paragraph (a) of this section, no U.S. intermediate holding company that is a covered foreign entity and that has less than $250 billion in total consolidated assets as of December 31, 2019 may have an aggregate net credit exposure that exceeds 25 percent of the consolidated capital stock and surplus of the U.S. intermediate holding company, subject to the following:

(1) The company is subject to principles or standards referenced in paragraph (ii)(1) of this definition, consolidation would have occurred if such principles or standards had applied.

(ii) Tier 1 capital means common equity tier 1 capital and additional tier 1 capital, as defined in subpart O of the Board’s Regulation Y (12 CFR part 252, subpart O).

(iii) Tier 2 capital means tier 2 capital as defined in subpart O of the Board’s Regulation Y (12 CFR part 252, subpart O).

(iv) Total consolidated assets. (1) A foreign bank’s total consolidated assets are determined based on:

(i) The average of the foreign bank’s total consolidated assets in the four most recent consecutive quarters, as reported on the FR Y–7Q, or

(ii) If the foreign bank has not yet filed an FR Y–7Q, as determined under applicable accounting standards.

§ 252.172 Credit exposure limits.

(a) Transition limit on aggregate credit exposure for certain covered foreign entities. (1) A U.S. intermediate holding company that is a covered foreign entity and that has less than $250 billion in total consolidated assets as of December 31, 2019 is not required to comply with paragraph (b)(1) of this section until January 1, 2021.

(2) Until January 1, 2021, no U.S. intermediate holding company that is a covered foreign entity and that has less than $250 billion in total consolidated assets as of December 31, 2019 may have an aggregate net credit exposure that exceeds 25 percent of the consolidated capital stock and surplus of the U.S. intermediate holding company, subject to the following:

(1) The company is subject to principles or standards referenced in paragraph (ii)(1) of this definition, consolidation would have occurred if such principles or standards had applied.

(ii) Tier 1 capital means common equity tier 1 capital and additional tier 1 capital, as defined in subpart O of the Board’s Regulation Y (12 CFR part 252, subpart O).

(iii) Tier 2 capital means tier 2 capital as defined in subpart O of the Board’s Regulation Y (12 CFR part 252, subpart O).

(iv) Total consolidated assets. (1) A foreign bank’s total consolidated assets are determined based on:

(i) The average of the foreign bank’s total consolidated assets in the four most recent consecutive quarters, as reported on the FR Y–7Q, or

(ii) If the foreign bank has not yet filed an FR Y–7Q, as determined under applicable accounting standards.
entity may have an aggregate net credit exposure to any counterparty that exceeds 25 percent of the tier 1 capital of the U.S. intermediate holding company.

(2) No foreign banking organization that is a covered foreign entity may permit its combined U.S. operations to have aggregate net credit exposure to any counterparty that exceeds 25 percent of the tier 1 capital of the foreign banking organization.

(c) Limit on aggregate net credit exposure of major foreign banking organizations to major counterparties.

(1) [Reserved]

(2) No major foreign banking organization may permit its combined U.S. operations to have aggregate net credit exposure to any major counterparty that exceeds 15 percent of the tier 1 capital of the major foreign banking organization.

(3) For purposes of this subpart, a top-tier foreign banking organization will be a major counterparty if it meets one of the following conditions:

(i) The top-tier foreign banking organization determines, pursuant to 12 CFR 252.153(b)(6), that the top-tier foreign banking organization has the characteristics of a global systemically important banking organization under the global methodology; or

(ii) The Board, using information available to the Board, determines:

(A) That the top-tier foreign banking organization, if it were subject to the Board’s Regulation Q, would be identified as a global systemically important banking organization under the global methodology;

(B) That the top-tier foreign banking organization, if it were subject to the Board’s Regulation Q, would be identified as a global systemically important banking organization under the global methodology;

(C) That the U.S. intermediate holding company, if it were subject to the Board’s Regulation Q, would be identified as a global systemically important banking organization.

(4) Each top-tier foreign banking organization that controls a U.S. intermediate holding company must submit to the Board by January 1 of each calendar year through the U.S. intermediate holding company:

(A) Notice of whether the home country regulatory authority (or other appropriate home country regulatory authority) of the top-tier foreign banking organization of the U.S. intermediate holding company has adopted standards consistent with the global methodology; and

(B) Notice of whether the top-tier foreign banking organization prepares or reports the indicators used by the global methodology to identify a banking organization as a global systemically important banking organization and, if it does, whether the top-tier foreign banking organization has determined that it has the characteristics of a global systemically important banking organization under the global methodology pursuant to 12 CFR 252.153(b)(6).

(d) Foreign banking organizations subject on a consolidated basis to a large exposures or single-counterparty credit limit regime by its home-country supervisor. (1) Notwithstanding paragraphs (a) through (c) of this section, a foreign banking organization that is a covered foreign entity is not required to comply with the requirements of this subpart with respect to limits on the aggregate net credit exposure of its combined U.S. operations if the foreign banking organization certifies to the Board that it meets large exposure standards on a consolidated basis established by its home-country supervisor that are consistent with the large exposures framework published by the Basel Committee on Banking Supervision (Basel Large Exposures Framework), unless the Board determines in writing, after notice to the foreign banking organization, that compliance with this subpart is required.

(i) For purposes of this paragraph, home-country large exposure standards

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that are consistent with the Basel Large Exposures Framework include single-counterparty credit limits and any restrictions set forth in “Supervisory framework for measuring and controlling large exposures” (2014) (Basel LE Standard), as implemented in accordance with the Basel LE Standard.

(ii) [Reserved]

(2) A foreign banking organization that is a covered foreign entity must provide to the Board reports relating to its compliance with the large exposure standards described in paragraph (d)(1) of this section concurrently with filing the FR Y–7Q or any successor report.

§ 252.173 Gross credit exposure.

(a) Calculation of gross credit exposure. The amount of gross credit exposure of a covered foreign entity to a counterparty with respect to a credit transaction is, in the case of:

(1) A deposit of the covered foreign entity held by the counterparty, loan by a covered foreign entity to the counterparty, and lease in which the covered foreign entity is the lessor and the counterparty is the lessee, equal to the amount owed by the counterparty to the covered foreign entity under the transaction.

(2) A debt security or debt investment held by the covered foreign entity that is issued by the counterparty, equal to:

(i) The market value of the securities, for trading and available-for-sale securities; and

(ii) The amortized purchase price of the securities or investments, for securities or investments held to maturity.

(3) An equity security held by the covered foreign entity that is issued by the counterparty, equity investment in a counterparty, and other direct investments in a counterparty, equal to the market value.

(4) A securities financing transaction must be valued using any of the methods that the covered foreign entity is authorized to use under the Board’s Regulation Q (12 CFR part 217, subparts D and E) to value such transactions:

(i) (A) As calculated for each transaction, in the case of a securities financing transaction between the covered foreign entity and the counterparty that is not subject to a bilateral netting agreement or does not meet the definition of “repo-style transaction” in §217.2 of the Board’s Regulation Q (12 CFR 217.2); or

(B) As calculated for a netting set, in the case of a securities financing transaction between the covered foreign entity and the counterparty that is subject to a bilateral netting agreement with that counterparty and meets the definition of “repo-style transaction” in §217.2 of the Board’s Regulation Q (12 CFR 217.2);

(ii) For purposes of paragraph (a)(4)(i) of this section, the covered foreign entity must:

(A) Assign a value of zero to any security received from the counterparty that does not meet the definition of “eligible collateral” in §252.171(i); and

(B) Include the value of securities that are eligible collateral received by the covered foreign entity from the counterparty (including any exempt counterparty), calculated in accordance with paragraphs (a)(4)(i) through (iv) of this section, when calculating its gross credit exposure to the issuer of those securities;

(iii) Notwithstanding paragraph (a)(4)(i) and (ii) of this section and with respect to each credit transaction, a covered foreign entity’s gross credit exposure to a collateral issuer under this paragraph (a)(4) is limited to the covered foreign entity’s gross credit exposure to the counterparty on the credit transaction;

(iv) In cases where the covered foreign entity receives eligible collateral from a counterparty in addition to the cash or securities received from that counterparty, the counterparty may reduce its gross credit exposure to that counterparty in accordance with §252.174(b).

(5) A committed credit line extended by a covered foreign entity to a counterparty, equal to the face amount of the committed credit line.

(6) A guarantee or letter of credit issued by a covered foreign entity on behalf of a counterparty, equal to the