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# **Dodd-Frank One-Year Anniversary: Impact on Bank Holding Companies**

Presented by

**John L. Douglas**

**Randall D. Guynn**

**Margaret E. Tahyar**

**Alexander Young-Anglim**

July 25, 2011

**Davis Polk**

Davis Polk & Wardwell LLP

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# Presenters



## **John L. Douglas**

John is a partner in our Financial Institutions Group and head of the firm's bank regulatory practice, with a focus on bank restructuring and resolutions and other issues arising from the banking and financial crisis. He has been involved in some of the most difficult and sensitive matters during the financial crisis, and advises various private equity firms and financial institutions on proposed investments in troubled or failed banks.



## **Randall D. Guynn**

Randy is head of our Financial Institutions Group. His practice focuses on providing strategic bank regulatory and enforcement advice and advising on M&A and capital markets transactions when the target or issuer is a banking organization or other financial institution. He also advises on bank failures and recapitalizations, corporate governance and internal controls, cross-border collateral transactions, credit risk management, securities settlement systems and payment systems.

# Presenters



## **Margaret E. Tahyar**

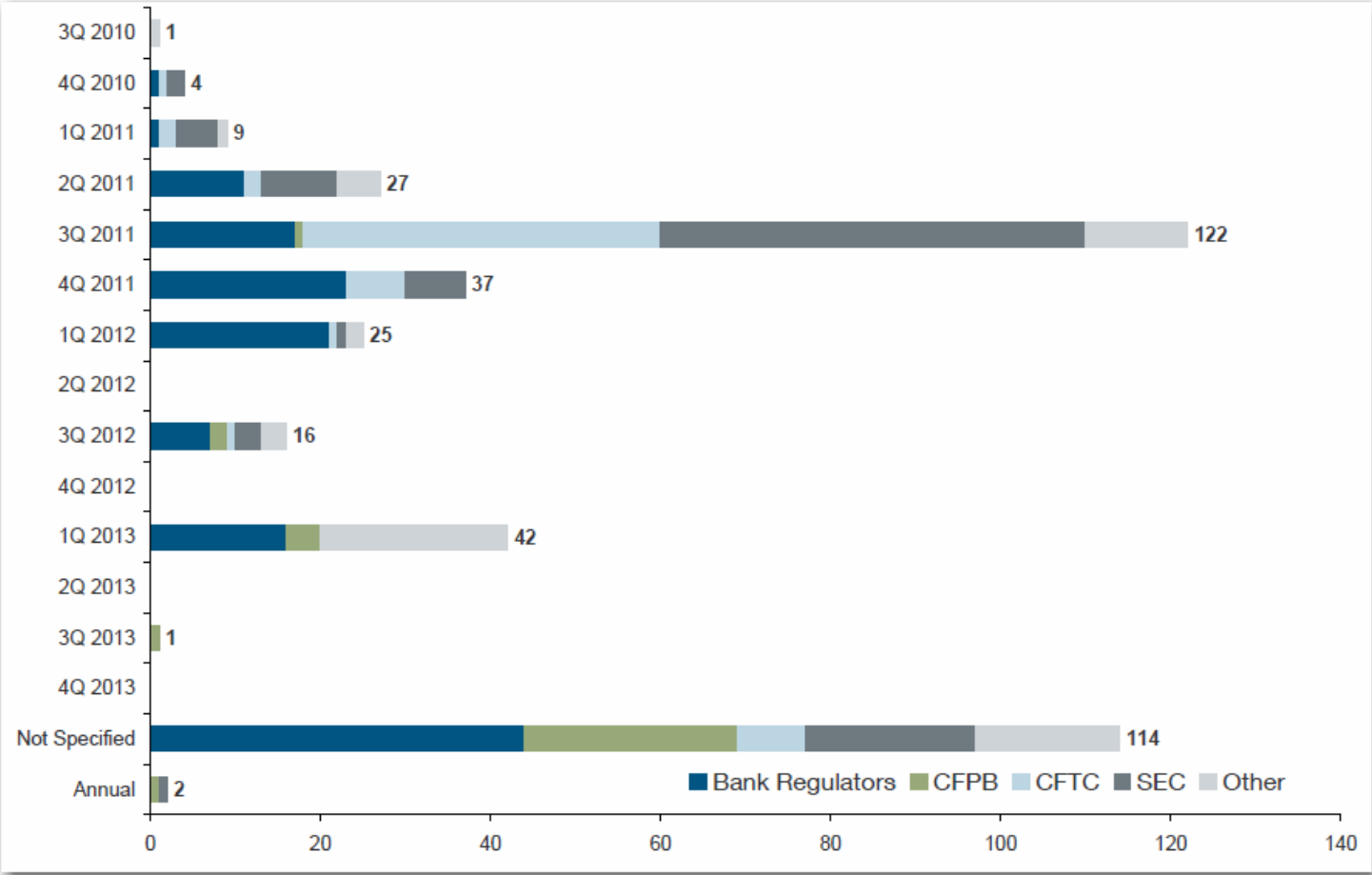
Meg is a partner in our Financial Institutions Group. Her practice focuses on providing strategic bank regulatory and financial regulatory reform advice and advising on troubled bank M&A and recapitalizations and capital markets transactions where the target or issuer is a financial institution. She also advises on corporate governance and securities settlement systems and payment systems.



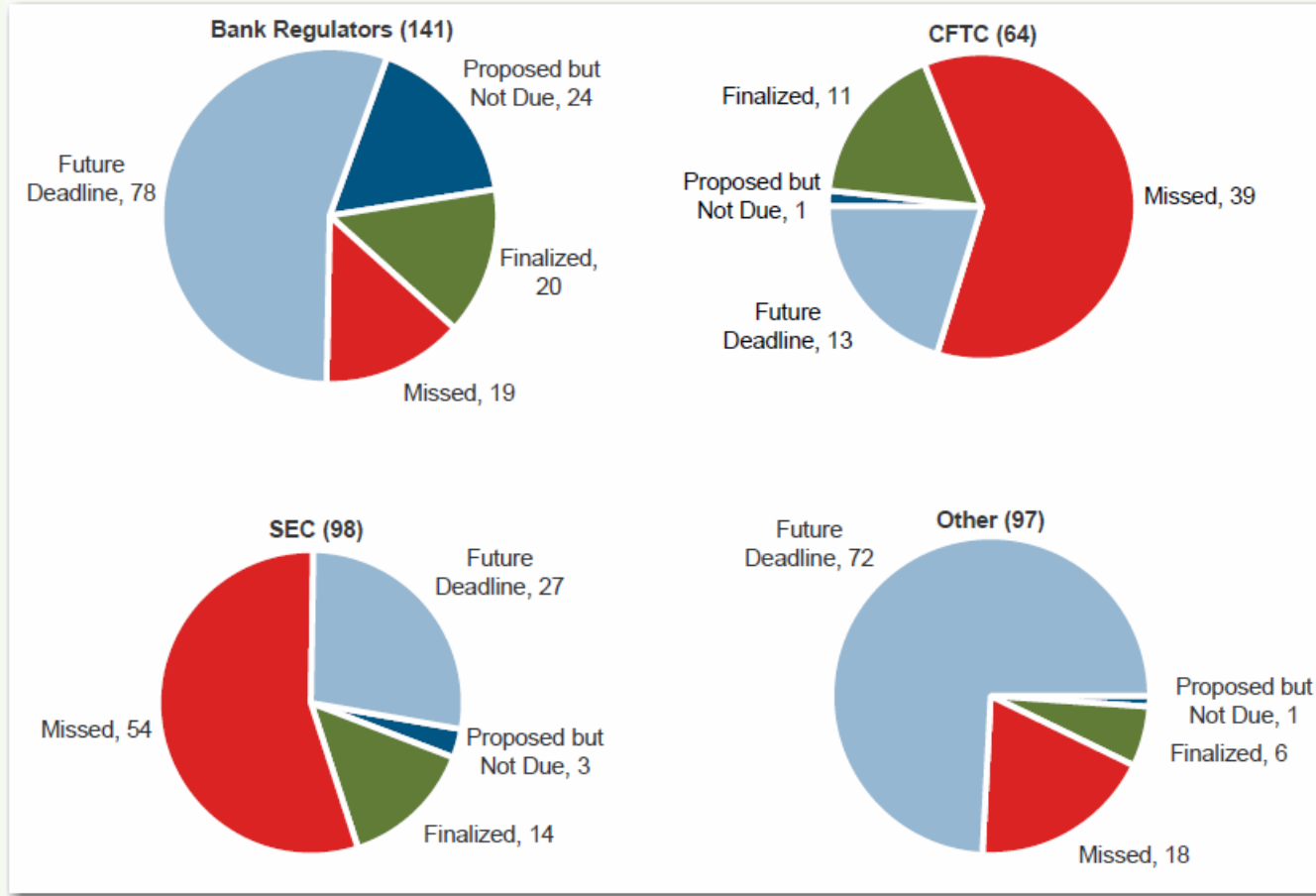
## **Alexander Young-Anglim**

Alex is an associate in our Financial Institutions Group. He has worked on a wide range of Bank Holding Company Act and related regulatory matters, Dodd-Frank Act implementation and other financial regulatory reform matters, and troubled and failed bank M&A and capital markets transactions.

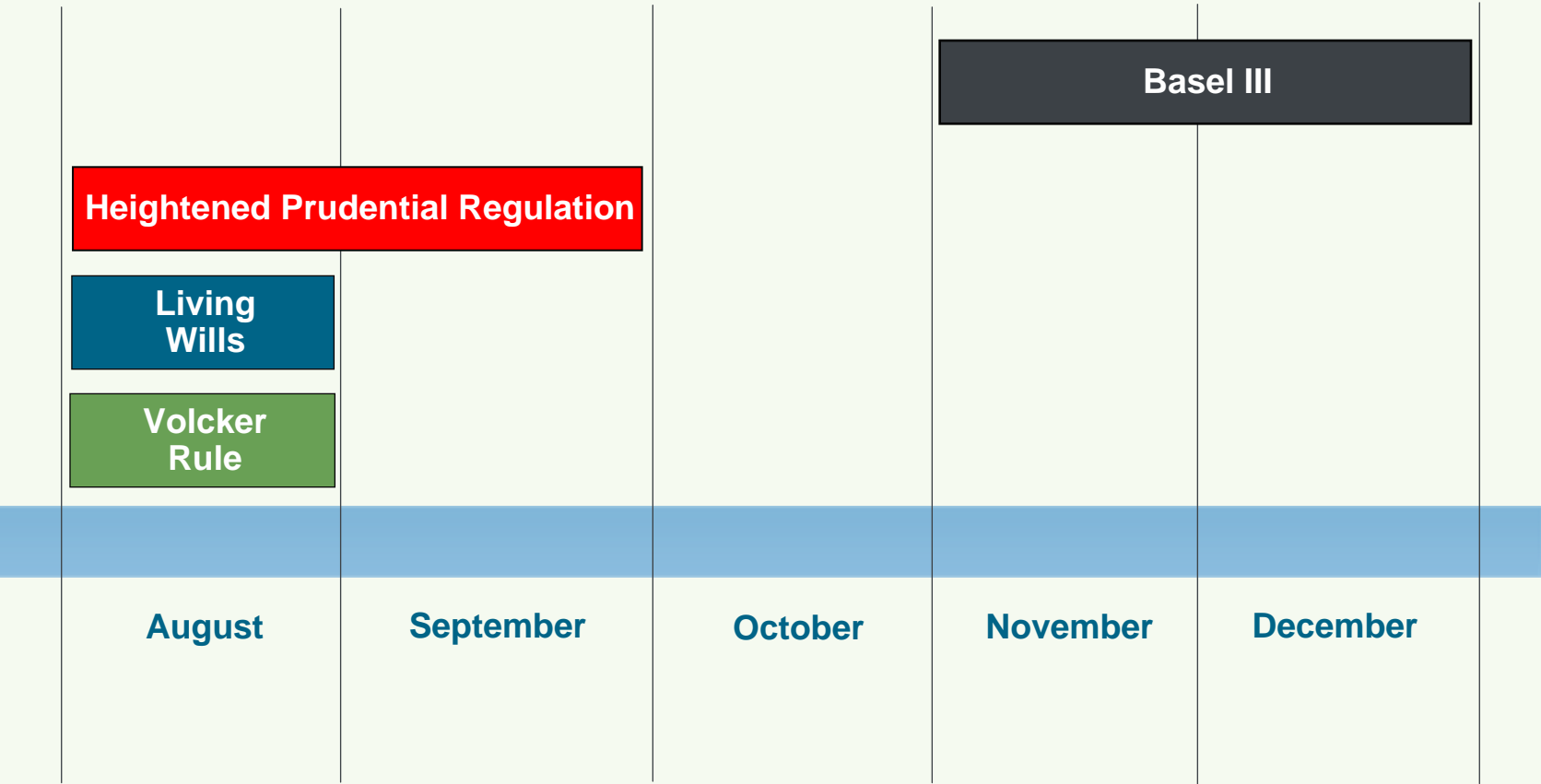
# Timing of Important Rulemakings for BHCs



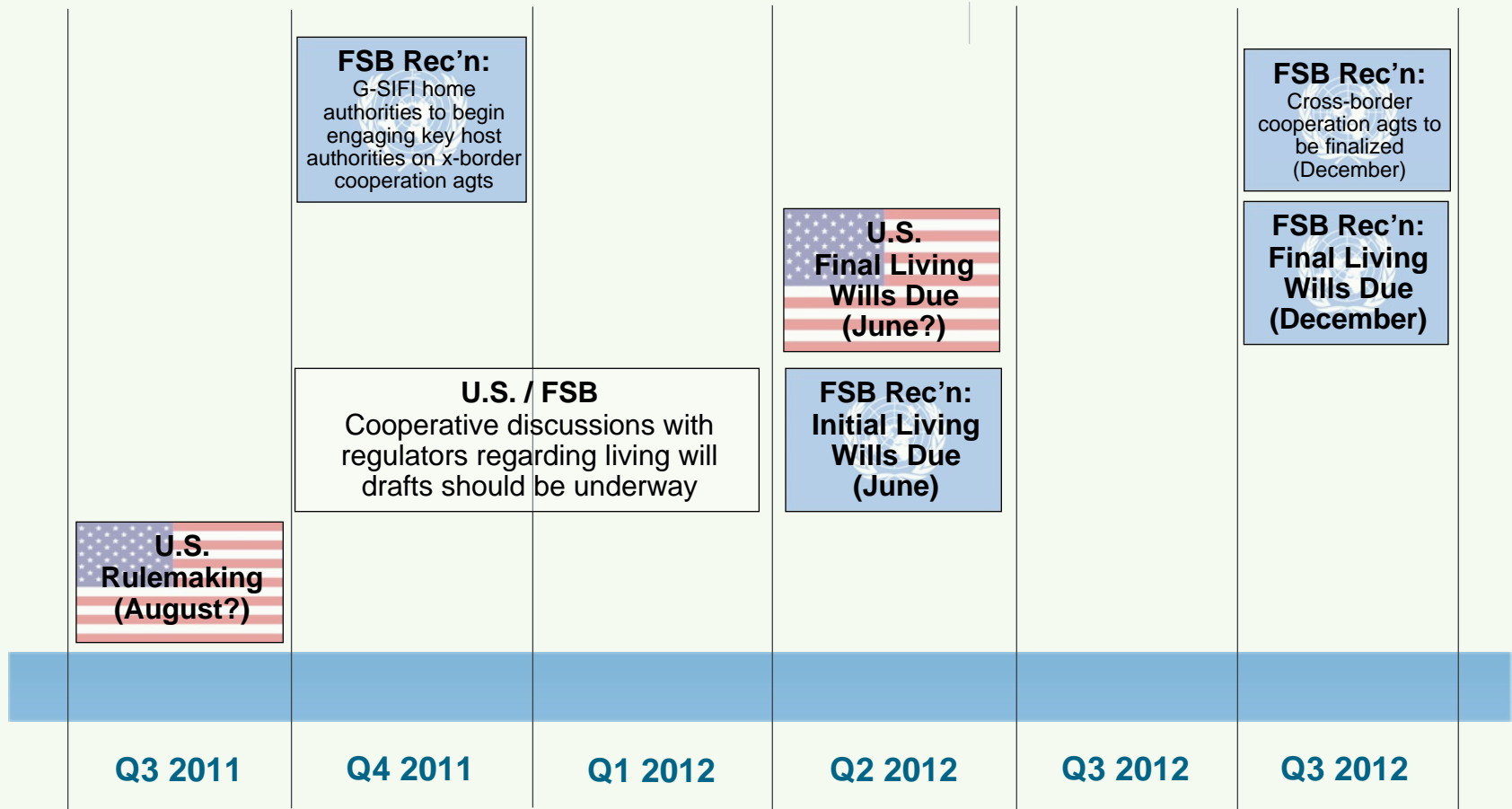
# Rulemaking Progress by Agency



# Expected Timeline for Selected BHC Rules



# Living Wills: U.S. and International Timeline



† FSB Recommendation Source: Consultative Document, Effective Resolution of Systemically Important Financial Institutions (July 19, 2011)

# Basel III: Phase-In Schedule

## Phase-in arrangements

(shading indicates transition periods - all dates are as of 1 January)

	2011	2012	2013	2014	2015	2016	2017	2018	As of 1 January 2019
Leverage Ratio	Supervisory monitoring		Parallel run 1 Jan 2013 – 1 Jan 2017 Disclosure starts 1 Jan 2015					Migration to Pillar 1	
Minimum Common Equity Capital Ratio			3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital Conservation Buffer						0.625%	1.25%	1.875%	2.50%
Minimum common equity plus capital conservation buffer			3.5%	4.0%	4.5%	5.125%	5.75%	6.375%	7.0%
Phase-in of deductions from CET1 (including amounts exceeding the limit for DTAs, MSRs and financials )				20%	40%	60%	80%	100%	100%
Minimum Tier 1 Capital			4.5%	5.5%	6.0%	6.0%	6.0%	6.0%	6.0%
Minimum Total Capital			8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Minimum Total Capital plus conservation buffer			8.0%	8.0%	8.0%	8.625%	9.25%	9.875%	10.5%
Capital instruments that no longer qualify as non-core Tier 1 capital or Tier 2 capital			Phased out over 10 year horizon beginning 2013						
Liquidity coverage ratio	Observation period begins				Introduce minimum standard				
Net stable funding ratio	Observation period begins							Introduce minimum standard	

† Source: Basel Committee on Banking Supervision



# Nominations to top regulatory posts



**OCC**

Thomas Curry



**CFPB**

Richard Cordray



**FDIC**

Martin Gruenberg

## **Other unconfirmed or acting top posts:**

- FHFA Director
- Fed Vice Chairman for Banking Supervision
- Office of Financial Research Head
- FSOC Insurance Representative

# Progress on Selected Topics Important to BHCs

## ■ **Capital**

- Basel
- Heightened prudential standards for SIFIs
- Collins Amendment, etc.
- Q3 / Q4 2011 rulemaking expected

## ■ **Living Wills**

- Q3 2011 rulemaking expected
- Initial living wills may be due in early 2012

## ■ **Consumer Financial Protection Bureau**

- “Went live” on July 21, 2011
- Preemption; possibility of contentious Director confirmation process

# Progress on Selected Topics Important to BHCs

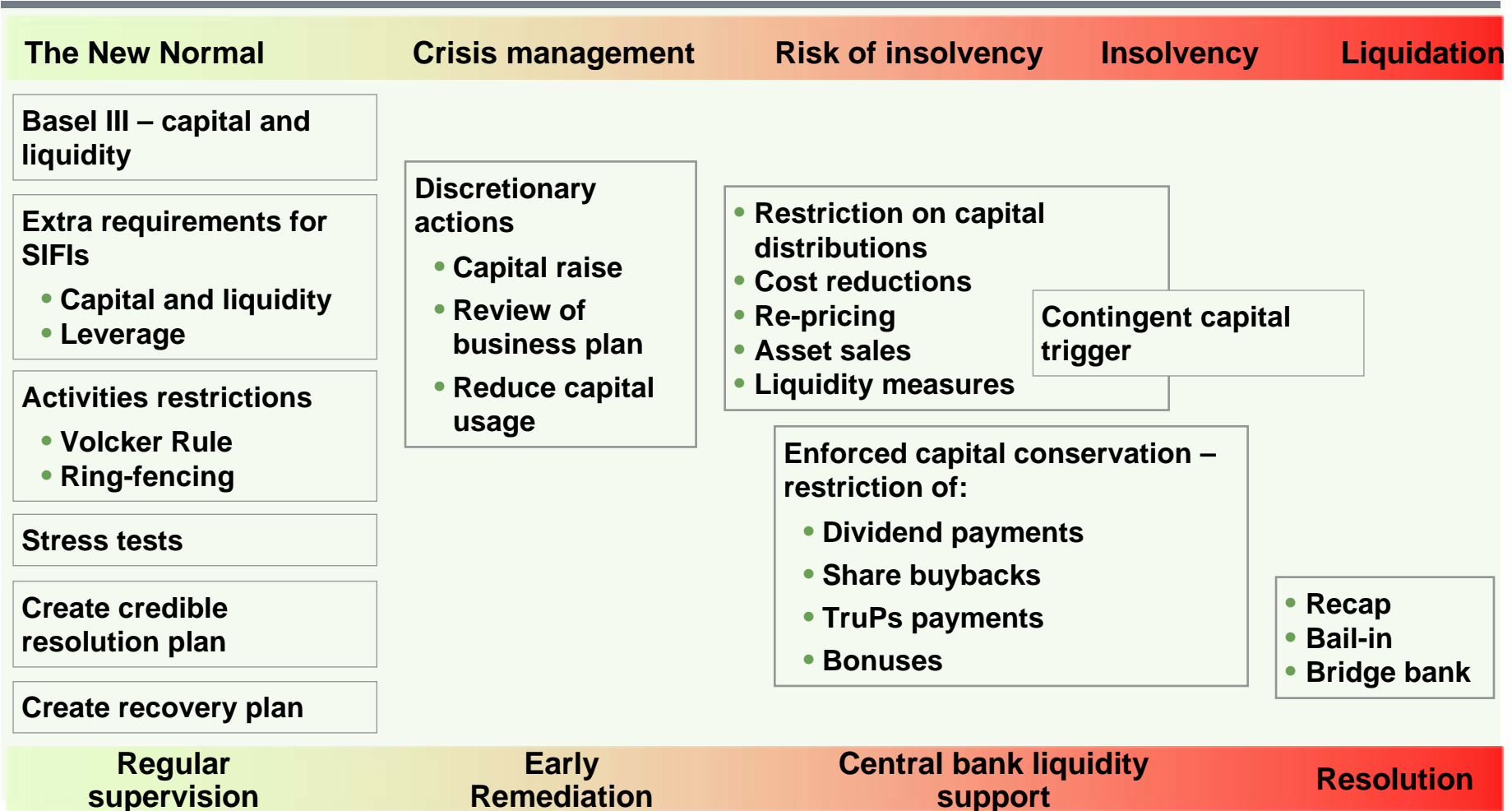
- **Derivatives**

- Temporary relief issued; bulk of rulemaking to come in Q3 and Q4 2011
- See upcoming Davis Polk webcasts on Swap Dealers (Tuesday, July 26) and End Users (Thursday, July 28)

- **Swaps Pushout**

- Not yet on regulatory radar
- Not effective until July 2013

# Focus: Systemic Regulation



# Focus: Systemic Regulation

- **Rulemaking timeline**

- Omnibus proposed rules on heightened prudential standards expected Q3 2011

- **Interaction with Basel**

- **International coordination – G-SIFI surcharge**

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# Focus: The Volcker Rule

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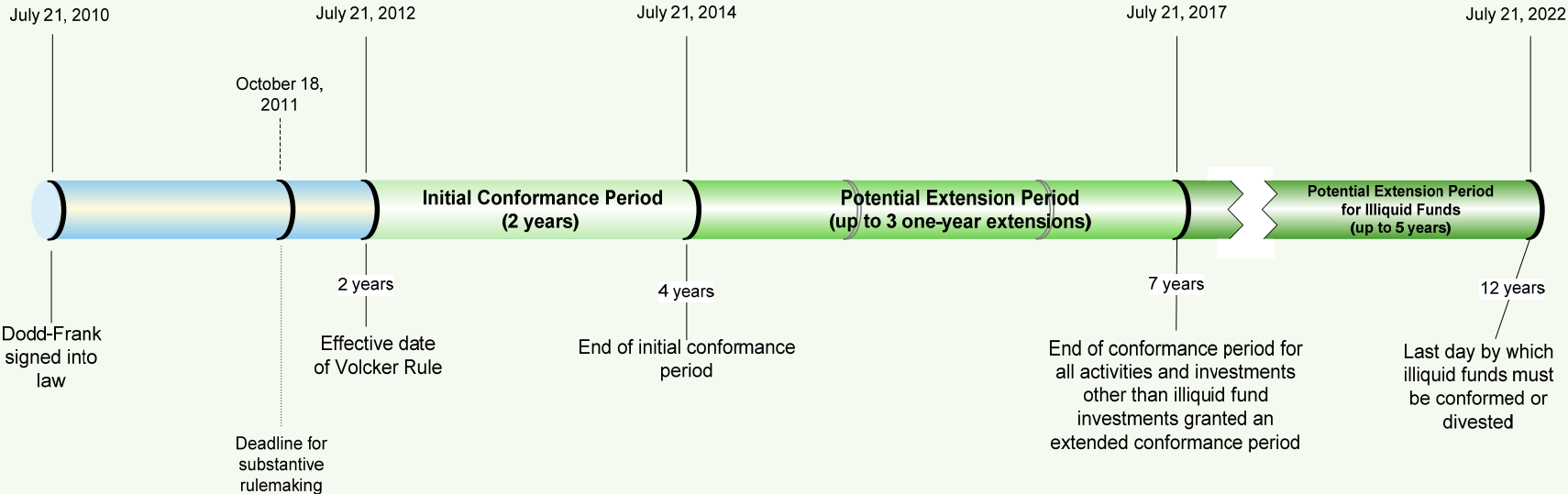
- **Rulemaking timeline**

- FSOC implementation study issued January 2011
- Final conformance rules issued February 2011
- GAO report on prop trading issued July 2011
- Proposed substantive rules expected August 2011
- Final rulemaking deadline October 2011

- **Effectively joint rulemaking**

- **What to expect from proposed rules?**

# Volcker Rule Implementation Timeline





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# Questions

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# Presenters' Contact Information

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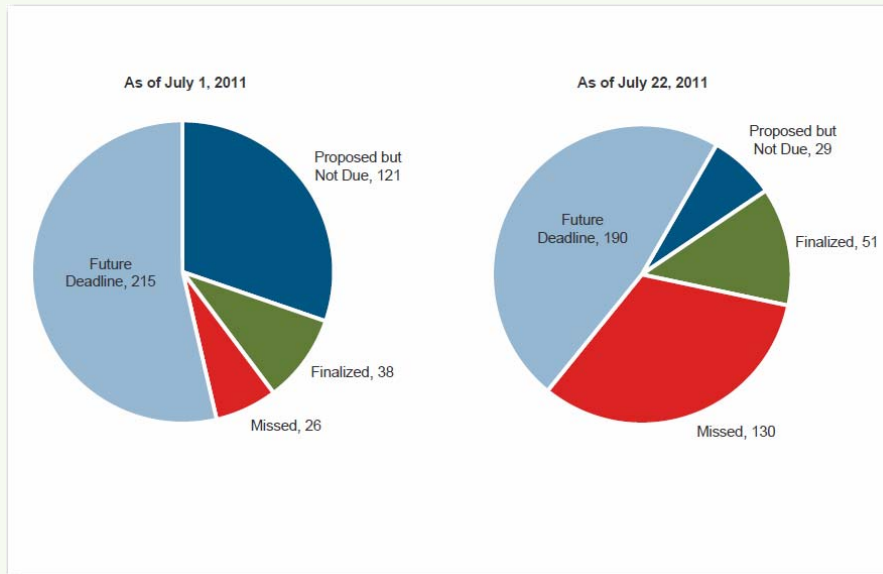
# Dodd-Frank Webcast Series

<b>One-Year Progress Report</b>	<b>July 22, 11:00 a.m. EDT / 8:00 a.m. PDT</b>
<b>Impact on Bank Holding Companies</b>	<b>July 25, 11:00 a.m. EDT / 8:00 a.m. PDT</b>
<b>Impact on Swap Dealers</b>	<b>July 26, 11:00 a.m. EDT / 8:00 a.m. PDT</b>
<b>Impact on Private Equity/ Hedge Funds</b>	<b>July 27, 11:00 a.m. EDT / 8:00 a.m. PDT</b>
<b>Impact on End Users of Swaps</b>	<b>July 28, 11:00 a.m. EDT / 8:00 a.m. PDT</b>
<b>Emerging Litigation Trends</b>	<b>July 29, 11:00 a.m. EDT / 8:00 a.m. PDT</b>

Visit [www.davispolk.com/dodd-frank/webcasts](http://www.davispolk.com/dodd-frank/webcasts) to view the archived versions of the past programs.

If you are interested in participating in any of these events, email [dodd.frank.progress.report@davispolk.com](mailto:dodd.frank.progress.report@davispolk.com) for registration information.

# Dodd-Frank Progress Report



The Davis Polk Dodd-Frank Progress Report marks the one year anniversary of the Dodd-Frank Act. It uses empirical data to illustrate graphically the progress of the rulemaking work that has been done in the Act's first year and is yet to occur.

For more information regarding the Progress Report, or to be added to our mailing list, please contact [dodd.frank.progress.report@davispolk.com](mailto:dodd.frank.progress.report@davispolk.com).