

Visual Memo: Single-Counterparty Credit Limits Proposed Rule

March 22, 2016 | Client Update | 2-minute read

The Federal Reserve has repropose rules that would establish single-counterparty credit limits (“SCCL Reproposal”) for certain U.S. bank holding companies (“BHCs”) and foreign banking organizations (“FBOs”) (collectively, “covered companies”). The SCCL Reproposal includes a number of key changes from the prior proposals, which were issued in December 2011 and December 2012.

The SCCL Reproposal would impose the following limits on net credit exposures to unaffiliated counterparties:

- 25% of capital stock and surplus for U.S. BHCs, FBOs, and U.S. intermediate holding companies (“U.S. IHCs”) of FBOs, in each case with ? \$50 billion in total consolidated assets;
- 25% of Tier 1 capital for covered companies with ? \$250 billion in total consolidated assets or ? \$10 billion in on-balance sheet foreign exposures (the same quantitative thresholds for calculating risk-weighted assets using the advanced approaches under the U.S. Basel III capital rules); and
- 15% of Tier 1 capital for U.S. global systemically important bank holding companies and FBOs and U.S. IHCs with ? \$500 billion in total consolidated assets with respect to their exposures to certain large counterparties.

The limits for covered FBOs would apply to their combined U.S. operations (i.e., U.S. branches, agencies, and subsidiaries, including U.S. IHCs). Compliance would be required one year after the rule’s effective date for covered companies with ? \$250 billion in total consolidated assets or ? \$10 billion in on-balance sheet foreign exposures and two years after the effective date for smaller covered companies.

Davis Polk’s visual memorandum uses diagrams, flowcharts, examples and comparison tables to illustrate key aspects of the SCCL Reproposal.

[Read the full update](#)

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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