Joint Release

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

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Agencies Propose Rule to Limit Impact of Large Bank Failures

The federal banking agencies on Tuesday proposed a rule to limit the interconnectedness of large banking organizations and reduce the impact from failure of the largest banking organizations. The proposal would complement other measures that the banking agencies have taken to limit interconnectedness among large banking organizations.

Global systemically important bank holding companies, or GSIBs, are the largest and most complex banking organizations and are required to issue debt with certain features under the Board's "total loss-absorbing capacity," or TLAC, rule. That debt would be used to recapitalize the holding company during bankruptcy or resolution if it were to fail.

To discourage GSIBs and "advanced approaches" banking organizations—generally, firms that have $250 billion or more in total consolidated assets or $10 billion or more in on-balance sheet foreign exposure—from purchasing large amounts of TLAC debt, the proposal would require such banking organizations to hold additional capital against substantial holdings of TLAC debt. This would reduce interconnectedness between large banking organizations and, if a GSIB were to fail, reduce the impact on the financial system from that failure.

The proposal from the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency would also require the holding companies of GSIBs to report publicly their TLAC debt outstanding. Comments will be accepted for 60 days following publication in the *Federal Register*.

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Attachment:
Notice of Proposed Rulemaking

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