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 Finalize Rule to Reduce the Impact of Large Bank Failures

The federal bank regulatory agencies today finalized a rule to limit the interconnectedness and reduce the impact from failure of the largest banking organizations. The final rule is substantially similar to the proposal announced last year and complements other measures that the agencies have taken to limit interconnectedness among the largest banking organizations.

U.S. global systemically important bank holding companies, or GSIBs, as well as U.S. intermediate holding companies of foreign GSIBs, are required to issue debt with certain features under the Federal Reserve Board's "total loss-absorbing capacity," or TLAC, rule. That debt could be used to recapitalize the holding company during bankruptcy or resolution if it were to fail.

To discourage the largest banking organizations from purchasing TLAC debt, the final rule prescribes a more stringent regulatory capital treatment for holdings of TLAC debt. The regulatory capital treatment in the final rule will help to reduce the interconnectedness between the largest banking organizations and, if a GSIB were to fail, reduce the impact on the U.S. financial system from that failure.

This rulemaking also includes a revision to the Federal Reserve Board's TLAC requirements that will require GSIBs to report publicly their outstanding TLAC debt.

The final rule is effective on April 1, 2021.

Attachment:

Total-Loss Absorbing Capacity Requirements Final Rule

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