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FRB and FDIC Issue Joint ANPR on Possible Resolution Requirements for Large Banking Organizations While FRB and OCC Approve U.S. Bank MUFG Union Bank Merger



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The Federal Reserve Board (“FRB”) and Federal Deposit Insurance Corporation (“FDIC”) Board issued an Advanced Notice of Proposed Rulemaking (“ANPR”) titled [“Resolution-Related Resource Requirements for Large Banking Organizations.”](#) Separately, but relatedly (if for no other reason than the FRB put it in the same [press release](#) as the ANPR), the Office of the Comptroller of the Currency (“OCC”) and the [FRB](#) approved their respective applications for the merger of MUFG Union Bank into U.S. Bank.

The ANPR is seeking comment on possible changes to the resolution-related standards applicable to large banking organizations (“LBOs”) that are not global systemically important banks (“GSIBs”). Those possible changes that the FRB and FDIC are contemplating would bring some of what is required for GSIB resolution planning down to LBOs, particularly focusing on “Category III” firms with \$250 billion to \$700 billion in total assets. The main focus of the ANPR is on whether LBOs ought to be required to issue long-term debt similar to the total loss-absorbing capacity (“TLAC”) requirements for GSIBs. The ANPR notes that the Fed and FDIC are considering “whether an extra layer of loss-absorbing capacity could increase the FDIC’s optionality in resolving the insured depository institution,” but also costs associated with such a requirement.

The ANPR flows logically from [remarks](#) made by Acting Comptroller Hsu at the Wharton Conference on Financial Regulation in April (and which we [discussed](#) in a previous issue), and that Acting Comptroller Hsu noted in his [statement](#) when he voted in favor of the ANPR at the [FDIC Board meeting](#).

As noted above, in the same press release announcing the ANPR, the FRB announced the approval of the application by U.S. Bancorp to acquire MUFG Union Bank. The FRB’s order noted that upon consummation, U.S. Bancorp’s consolidated

assets would total approximately \$698.7 billion, and noting the close proximity to becoming a “Category II” firm over \$700 billion in assets imposed a unique commitment to give quarterly implementation plans for complying with Category II requirements. The commitment by U.S. Bancorp also could trigger a need for U.S. Bancorp to comply with Category II requirements by December 31, 2024, even if its asset size has not gone above the \$700 billion threshold. FRB Governor Michelle Bowman issued a [statement](#) supporting both the issuance of the ANPR and the approval of U.S. Bancorp’s application, but questioned the appropriateness of imposing Category II requirements on a one-off basis. The OCC’s [approval](#) was conditioned, among other things, on U.S. Bank making plans for its possible operability in the event of a resolution in order to facilitate its sale to more than one acquiring institution.
