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Opening Statement on Proposals to Modify Enhanced Prudential Standards for Foreign Banks and to Modify Resolution Plan Requirements for Domestic and Foreign Banks

by Chair Jerome H. Powell

Good morning. I'd like to welcome our guests here at the Federal Reserve and our online viewers.

Today we will consider proposals in two areas. The first would modify our regulation of foreign banks based on their size, activities, and risks--just as we have proposed for domestic banks. The second would adjust the timing and content requirements for resolution plan submissions.

Foreign banks play an important role in our economy. They facilitate commerce, and provide credit and needed investment. Our long-standing policy is to treat foreign banks as we treat domestic banks. That is the fair thing to do. It also helps U.S. banks, because banking is a global business, and a level playing field at home helps to level the playing field for U.S. banks when they venture abroad.

Only a few months ago, we proposed refining our regulations for domestic banking firms to account for the size, complexity, business model, and risks of each firm. Our proposal today would apply a comparable framework to foreign banks.

But because the U.S. operations of most foreign banks tend to have a larger cross-border profile, greater capital markets activities, and higher levels of short-term funding, they often present greater risk than a simpler, more traditional domestic bank. The proposal before us creates categories of increasingly stringent regulation based on the risks that foreign banks pose. A domestic firm that engaged in the same activities would face very similar standards.

Overall, this proposal maintains the substantial resilience built up across the U.S. financial system over the past decade, while at the same time making appropriate adjustments for firms that present less risk. I look forward to discussing the proposal.

The second item would modify our resolution planning requirements--also known as living wills. Banks' living wills describe their strategy for an orderly resolution under bankruptcy if they were to fail. Resolution plans are an important part of protecting taxpayers and the economy from the failure of a large bank.

We've reviewed several rounds of plans submitted by large banks over the last seven years, and we've learned through that process that it makes sense for banks that are more complex and risky to submit resolution plans more frequently than firms that pose less risk. We are not changing our substantive review standards for the largest and most complex banks and we are generally formalizing the current practices that have developed over recent years.

I look forward to the staff presentations and will now turn to Vice Chair Quarles.

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