

prepaid cards, the volume and value of settled purchase transactions, and the volume and value of ATM withdrawals.

As discussed in the IFR, the Federal Reserve believes that eliminating FR 3063b would significantly reduce reporting burden on the public. For this reason, and because the Federal Reserve did not receive any comments on the potential impact of eliminating FR 3063b, the Federal Reserve plans not to conduct this survey in calendar year 2015. Nevertheless, the Federal Reserve will maintain the authority to conduct FR 3063b through the 2015–2018 data-collection cycle. During this period, the Federal Reserve will determine whether the alternative prevalence-of-use metrics derived from FR 3063a are reasonable for satisfying the reporting requirements of the Dodd-Frank Act. Should the Federal Reserve make this determination, a notice would be published in the **Federal Register** requesting public comment on the discontinuance of the FR 3063b information collection for future data-collection cycles.

Board of Governors of the Federal Reserve System, November 28, 2014.

**Margaret McCloskey Shanks,**  
*Deputy Secretary of the Board.*

[FR Doc. 2014–28432 Filed 12–2–14; 8:45 am]

**BILLING CODE 6210–01–P**

## FEDERAL RESERVE SYSTEM

[Docket No. R–1503]

### Application of Enhanced Prudential Standards and Reporting Requirements to General Electric Capital Corporation

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Request for public comment on the application of enhanced prudential standards and reporting requirements to General Electric Capital Corporation.

**SUMMARY:** Pursuant to section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Board of Governors of the Federal Reserve System (Board) is inviting public comment on the proposed application of enhanced prudential standards to General Electric Capital Corporation (GECC), a nonbank financial company that the Financial Stability Oversight Council has determined should be supervised by the Board. The Board has assessed the business model, capital structure, risk profile, and systemic footprint of GECC to determine how the enhanced prudential standards should apply, including how to tailor

application of the standards to the company. In light of the substantial similarity of GECC's activities and risk profile to that of a similarly-sized bank holding company, the Board is proposing to apply enhanced prudential standards to GECC that are similar to those that apply to large bank holding companies, including: (1) Capital requirements; (2) capital-planning and stress-testing requirements; (3) liquidity requirements; and (4) risk-management and risk-committee requirements. The Board also is proposing to apply certain additional enhanced prudential standards to GECC in light of certain unique aspects related to GECC's activities, risk profile, and structure, including additional independence requirements for GECC's board of directors, restrictions on intercompany transactions between GECC and General Electric Company, and leverage capital requirements that are comparable to the standards that apply to the largest, most systemic banking organizations. In addition, the Board is proposing to require GECC to file certain reports with the Board that are similar to the reports required of bank holding companies.

**DATES:** Comments must be submitted by February 2, 2015.

**ADDRESSES:** You may submit comments, identified by Docket No. R–1503, by any of the following methods:

Agency Web site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.

Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.

Email: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include docket number R–1503 in the subject line of the message.

FAX: (202) 452–3819 or (202) 452–3102.

Mail: Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW., Washington, DC 20551.

All public comments are available from the Board's Web site at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room MP–500 of the Board's Martin Building (20th and C Streets NW.; Washington, DC 20551) between 9:00 a.m. and 5:00 p.m. on weekdays.

**FOR FURTHER INFORMATION CONTACT:** Ann Misback, Associate Director, (202) 452–3799, Jyoti Kohli, Senior Supervisory Financial Analyst, (202) 452–2539, or Elizabeth MacDonald, Senior Supervisory Financial Analyst, (202) 475–6316, Division of Banking Supervision and Regulation; or Laurie Schaffer, Associate General Counsel, (202) 452–2277 or Jahad Atieh, Attorney, (202) 452–3900, Legal Division.

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##### I. Introduction

Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) directs the Board of Governors of the Federal Reserve System (Board) to establish enhanced prudential standards for bank holding companies with total consolidated assets of \$50 billion or more and nonbank financial companies that the Financial Stability Oversight Council (Council) has determined should be supervised by the Board (nonbank financial companies supervised by the Board) in order to prevent or mitigate risks to U.S. financial stability that could arise from the material financial distress or failure, or ongoing activities of, these companies. The enhanced prudential standards must include enhanced risk-based and leverage capital requirements, liquidity requirements, risk-management and

risk-committee requirements, resolution-planning requirements, single-counterparty credit limits, stress-test requirements, and a debt-to-equity limit for companies that the Council has determined pose a grave threat to the financial stability of the United States. Section 165 also permits the Board to establish additional enhanced prudential standards that may include three enumerated standards—a contingent capital requirement, an enhanced public disclosure requirement, a short-term debt limit—and any “other prudential standards” that the Board determines are “appropriate.”

For bank holding companies and certain foreign banking organizations, the Board has issued an integrated set of enhanced prudential standards through a series of rulemakings, including the Board’s capital plan rule,<sup>1</sup> stress testing rules,<sup>2</sup> resolution plan rule,<sup>3</sup> and the Board’s enhanced prudential standards rule under Regulation YY.<sup>4</sup> As part of the integrated enhanced prudential standards applicable to the largest, most complex bank holding companies, the Board also adopted enhanced liquidity requirements through the liquidity coverage ratio (LCR) rule<sup>5</sup> and adopted enhanced leverage capital requirements through a supplementary leverage ratio. Further, the Board issued an enhanced supplementary leverage ratio for the most systemic bank holding companies.<sup>6</sup> This integrated set of standards is designed to result in a more stringent regulatory regime for these companies to increase their resiliency and to mitigate the risk that their failure or material financial distress could pose to U.S. financial stability. The Board expects to issue additional standards through future rulemakings.

In considering the application of enhanced prudential standards to nonbank financial companies supervised by the Board, the Board

intends to thoroughly assess the business model, capital structure, risk profile, and systemic footprint of a designated company to determine how the enhanced prudential standards would apply.<sup>7</sup> Consistent with this approach, the Board is considering the application of enhanced prudential standards to General Electric Capital Corporation (GECC), a company that has been designated by the Council for Board supervision.<sup>8</sup> In light of the substantial similarity of GECC’s activities and risk profile to that of a similarly-sized bank holding company, the Board is proposing to apply enhanced prudential standards to GECC that are similar to those that apply to large bank holding companies. As described in greater detail below, the Board is proposing to apply: (1) Capital requirements; (2) capital-planning and stress-testing requirements; (3) liquidity requirements; and (4) risk-management and risk-committee requirements. The Board is also proposing to apply certain additional enhanced prudential standards to GECC in light of certain unique aspects related to GECC’s activities, risk profile, and structure, including additional independence requirements for GECC’s board of directors, restrictions on intercompany transactions between GECC and General Electric Company (GE), and leverage capital requirements that are comparable to the standards that apply to the largest, most systemic banking organizations. In addition, the Board is proposing to require GECC to file certain reports with the Board that are similar to the reports required of bank holding companies.

The Board is inviting public comment on the appropriateness of the proposed enhanced prudential standards that would apply to GECC and on the Board’s proposed tailoring of the enhanced prudential standards. The Board believes that it is appropriate to

seek public comment on the application of enhanced prudential standards to nonbank financial companies supervised by the Board in order to provide transparency regarding the regulation and supervision of these companies. The public comment process will provide nonbank financial companies supervised by the Board and interested members of the public with the opportunity to comment, and will help guide the Board in future application of enhanced prudential standards to other nonbank financial companies.

## II. Overview of GECC

On July 8, 2013, the Council determined that GECC should be supervised by the Board and subject to enhanced prudential standards. As required by section 113(d) of the Dodd-Frank Act, the Council conducted an annual evaluation of its determination to designate GECC for Board supervision and determined not to rescind that determination on July 31, 2014.

GECC, a wholly owned subsidiary of GE, is one of the largest depository institution holding companies in the United States by assets, with approximately \$514 billion in total assets as of September 30, 2014.<sup>9</sup> GECC engages primarily in collateralized lending to middle-market commercial firms and consumers. Approximately 82 percent of GECC’s net income in 2013 was derived from its commercial and consumer lending businesses. In its commercial lending operations, GECC focuses primarily on lending and leasing to middle market companies and offers secured commercial loans, equipment financing, and other financial services to companies across a wide range of industries. In its consumer operations, GECC offers European mortgages, auto loans, debt consolidation, private mortgage insurance, and credit cards. GECC is also the largest provider of private label credit cards in the United States. GECC is taking steps to reduce its consumer lending business and focus on businesses that align more closely with GE’s commercial and industrial operations. GECC engages in some activities that are not permitted for a bank holding company or a savings and loan holding company.<sup>10</sup> These activities comprise less than 10 percent of GECC’s balance sheet and consist of

<sup>1</sup> 12 CFR 225.8.

<sup>2</sup> See 12 CFR part 252.

<sup>3</sup> 12 CFR part 243. The Board’s resolution plan rule applies by its terms to all nonbank financial companies supervised by the Board. 12 CFR part 243. Under these rules, nonbank financial companies, such as GECC, are required to submit their first resolution plan by July 1 following the date the company is designated by the Council (provided the following July 1 occurs no earlier than 270 days after the date on which the company is designated). GECC submitted its first resolution plan on July 1, 2014. The public portion of GECC’s resolution plan can be found on the Board’s Web site. See Board, *General Electric Capital Corporation Resolution Plan Public Section*, available at: <http://www.federalreserve.gov/bankinforeg/resolution-plans/ge-capital-1g-20140701.pdf>.

<sup>4</sup> See 79 FR 17240 (March 27, 2014).

<sup>5</sup> 12 CFR part 249.

<sup>6</sup> 12 CFR 217.10(a)(5), 217.11(c).

<sup>7</sup> See 79 FR 17240, 17245 (March 27, 2014).

<sup>8</sup> At the time the Board issued its proposal to apply enhanced prudential standards to bank holding companies and foreign banking organizations with total consolidated assets of \$50 billion or more, the Council had not made any final determinations regarding designation of a nonbank financial company. After the close of the comment period for the proposed rules, the Council made a final determination that material financial distress at GECC could pose a threat to U.S. financial stability and that the company should be subject to Board supervision and enhanced prudential standards. Financial Stability Oversight Council, *Basis of the Financial Stability Oversight Council’s Final Determination Regarding General Electric Capital Corporation, Inc.* (GECC Determination) (July 8, 2013), available at: <http://www.treasury.gov/initiatives/fsoc/designations/Documents/Basis%20of%20Final%20Determination%20Regarding%20General%20Electric%20Capital%20Corporation,%20Inc.pdf>.

<sup>9</sup> GECC contributed approximately 51 percent of GE’s net earnings in 2013.

<sup>10</sup> GECC is a grandfathered unitary savings and loan holding company under section 10(c)(9)(A) of HOLA and is therefore exempt from the activity and investment restrictions under HOLA. 12 U.S.C. 1467a(c)(9)(A).

equity investments in nonfinancial companies, such as power companies.

Like many large bank holding companies, GECC borrows in the wholesale funding markets. For example, GECC is a large issuer of commercial paper and long-term debt to wholesale counterparties, and uses securitizations of loans and finance receivables as a significant source of funding. Moreover, GECC holds a large portfolio of on-balance sheet financial assets that is comparable to those of the largest bank holding companies, including a large portfolio of investment securities and commercial and consumer loans. Likewise, similar to the largest, most complex banking organizations, GECC makes significant use of derivatives to hedge interest rate risk, foreign exchange risk, and other financial risks.

GE and GECC are savings and loan holding companies by virtue of their control of Synchrony Bank, a federal savings association, and are subject to consolidated supervision by the Board. Synchrony Bank, GECC's largest insured depository institution subsidiary, had approximately \$46 billion in total assets and \$33 billion in total deposits as of September 30, 2014. Synchrony Bank specializes in consumer lending and consumer deposit products.<sup>11</sup> GECC also has an insured Utah-chartered industrial loan company, GE Capital Bank, which had approximately \$20 billion in total assets and \$16 billion in total deposits as of September 30, 2014, and specializes in commercial lending and consumer deposit products (other than demand deposit products).<sup>12</sup>

### III. Statutory Requirements for the Application of Enhanced Prudential Standards to Nonbank Financial Companies Supervised by the Board

#### A. Overview

As the prudential regulator for nonbank financial companies designated by the Council, the Board is charged with establishing enhanced prudential standards to prevent or mitigate risks to the financial stability of the United States that may arise from

the material financial distress or failure of such companies. These obligations include helping to ensure the safe and sound operations of the company.<sup>13</sup> In prescribing enhanced prudential standards required by section 165 of the Dodd-Frank Act, section 165(a)(2) permits the Board to tailor the enhanced prudential standards among companies on an individual basis, taking into consideration their "capital structure, riskiness, complexity, financial activities (including the financial activities of their subsidiaries), size, and any other risk-related factors that the Board . . . deems appropriate."<sup>14</sup> In addition, under section 165(b)(1), the Board is required to take into account differences among bank holding companies covered by section 165 and nonbank financial companies supervised by the Board, based on statutory considerations.<sup>15</sup>

The factors the Board must consider include: (i) The factors described in sections 113(a) and (b) of the Dodd-Frank Act (12 U.S.C. 5313(a) and (b)); (ii) whether the company owns an insured depository institution; (iii) nonfinancial activities and affiliations of the company; and (iv) any other risk-related factors that the Board determines appropriate.<sup>16</sup> The Board must, as appropriate, adapt the required standards in light of any predominant line of business of a nonbank financial company, including activities for which particular standards may not be appropriate.<sup>17</sup> Section 165(b)(3) also requires the Board, to the extent possible, to ensure that small changes in the factors listed in sections 113(a) and 113(b) of the Dodd-Frank Act would not result in sharp, discontinuous changes in the enhanced prudential standards established by the Board under section 165(b)(1).<sup>18</sup> The statute also directs the Board to take into account any recommendations made by the Council pursuant to its authority under section 115 of the Dodd-Frank Act.<sup>19</sup>

#### B. GECC

The Board has thoroughly assessed the business model, capital structure, risk profile, and systemic footprint of GECC and has considered the factors set forth in sections 165(a)(2) and 165(b)(3)

of the Dodd-Frank Act in proposing the enhanced prudential standards that would apply to GECC. This assessment indicates that GECC's activities and risk profile are similar to those of large bank holding companies, and that enhanced prudential standards similar to those that apply to large bank holding companies would be appropriate.

#### 1. Factors Described in Sections 113(a) and (b) of the Dodd-Frank Act

Section 113(a) provides a list of ten factors<sup>20</sup> that the Council is required to consider in determining whether a nonbank financial company should be supervised by the Board, in addition to any other risk-related factor the Council deems appropriate. The factors include leverage, off-balance sheet exposures, interconnectedness with significant financial counterparties, the nature, scope, size, scale and mix of activities, degree of regulation, and liabilities. In considering these factors the Board notes that, similar to the largest bank holding companies, GECC is a significant participant in the global economy and financial markets, is interconnected to financial intermediaries through its financing activities and its funding model, and is a significant source of credit in the United States. Moreover, GECC's leverage; off-balance sheet exposures; funding and risk profile; asset composition; and the nature, scope, size, scale, concentration, interconnectedness, and mix of its activities are substantially similar to those of many large bank holding companies. As noted above, like many of the largest bank holding companies, GECC's activities focus primarily on

<sup>20</sup> With respect to a domestic nonbank financial company supervised by the Board, the factors include: (A) The extent of the leverage of the company; (B) the extent and nature of the off-balance-sheet exposures of the company; (C) the extent and nature of the transactions and relationships of the company with other significant nonbank financial companies and significant bank holding companies; (D) the importance of the company as a source of credit for households, businesses, and State and local governments and as a source of liquidity for the United States financial system; (E) the importance of the company as a source of credit for low-income, minority, or underserved communities, and the impact that the failure of such company would have on the availability of credit in such communities; (F) the extent to which assets are managed rather than owned by the company, and the extent to which ownership of assets under management is diffuse; (G) the nature, scope, size, scale, concentration, interconnectedness, and mix of the activities of the company; (H) the degree to which the company is already regulated by one or more primary financial regulatory agencies; (I) the amount and nature of the financial assets of the company; (J) the amount and types of the liabilities of the company, including the degree of reliance on short-term funding; and (K) any other risk-related factors that the Council deems appropriate.

<sup>11</sup> In July 2014, GECC commenced a public offering of approximately 15 percent of the shares of Synchrony Financial, a company that conducts GECC's consumer financing activities and that controls Synchrony Bank. GECC has indicated that it will divest the remaining 85 percent of Synchrony Financial in the near future.

<sup>12</sup> Under section 2(c)(2) of the Bank Holding Company Act (BHC Act), certain industrial loan companies, such as GE Capital Bank, are not included within the definition of "bank" under the BHC Act. Therefore, any company controlling such an industrial loan company is not a bank holding company subject to the BHC Act. See 12 U.S.C. 1841(c)(2)(H).

<sup>13</sup> The Board has examination, reporting, and enforcement authority over nonbank financial companies that includes takings actions to ensure the safety and soundness of the nonbank financial company. 12 U.S.C. 5361(b), 5362.

<sup>14</sup> 12 U.S.C. 5365(a)(2).

<sup>15</sup> See 12 U.S.C. 5365(b)(3).

<sup>16</sup> 12 U.S.C. 5365(b)(3)(A).

<sup>17</sup> 12 U.S.C. 5365(b)(3)(D).

<sup>18</sup> 12 U.S.C. 5365(b)(3)(B).

<sup>19</sup> 12 U.S.C. 5365(b)(3)(C).

lending and leasing to commercial companies and on consumer financing and deposit products. Moreover, similar to many large bank holding companies, GECC borrows in the wholesale funding markets by issuing commercial paper and long-term debt to wholesale counterparties, and makes significant use of derivatives to hedge interest rate risk, foreign exchange risk, and other financial risks. GECC also holds a large portfolio of on-balance sheet financial assets, such as investment securities and commercial and consumer loans, which is comparable to those of the largest bank holding companies. In terms of the degree to which a company is already regulated, the Board notes that GECC is a savings and loan holding company subject to prudential supervision by the Board, but that sections 165 and 166 do not apply by their terms to savings and loan holding companies with \$50 billion or more in total consolidated assets, such as GECC, as they apply to bank holding companies.

Due to the substantial similarity between the activities and risk profile of the largest bank holding companies and GECC as described above, the Board is proposing to apply enhanced prudential standards to GECC that are similar to those that would apply to a large bank holding company. Similar to the standards imposed on the largest bank holding companies, the proposed standards are designed to ensure the continued resiliency of GECC during periods of material financial distress, so that the company would be in a position to continue to meet its obligations to its creditors and counterparties, as well as to continue to serve as a financial intermediary during a period of financial and economic stress.

## 2. Control of an Insured Depository Institution

GECC controls two insured depository institutions that offer traditional banking products to both consumer and commercial customers.<sup>21</sup> Similar to the insured depository institutions of large bank holding companies, GECC's subsidiary insured depository institutions serve as a source of funding and as a source of credit for a portion of its lending activities. As such, GECC's control of subsidiary insured depository institutions supports application of the enhanced prudential standards to the company in a manner that is similar to how those standards apply to large bank holding companies.

## 3. Nonfinancial Activities and Affiliations of the Company

The vast majority (approximately 82 percent) of GECC's activities, such as lending and leasing activities, are those that a bank holding company may engage in under sections 4(c) and 4(k) of the BHC Act, and are similar to those in which the largest bank holding companies engage. The remaining portion of GECC's activities are generally limited to those that are permissible for savings and loan holding companies under the Home Owners' Loan Act (HOLA).<sup>22</sup> As noted, only a small portion of GECC's activities (less than 10 percent) are those that would be impermissible for a bank holding company under the BHC Act or for a savings and loan holding company under HOLA. These activities are typically limited to equity investments in certain nonfinancial companies. Accordingly, as the large majority of GECC's activities are similar to those of a bank holding company, the Board believes that it is appropriate to apply prudential standards to GECC that are comparable to those that would apply to a large bank holding company.

## 4. Any Other Risk-Related Factors That the Board Determines Appropriate

In addition to the factors required under sections 113 and 165 of the Dodd-Frank Act, the Board is permitted to take any other risk-related factors into consideration in the development of the proposed enhanced prudential standards for GECC. As noted, GECC is a wholly owned subsidiary of GE. The Board believes that the enhanced prudential standards applied to GECC should take into account GECC's particular circumstances as a lower-tier designated nonbank financial company. The Council, in making the determination to designate GECC, focused on the adverse effect on the financial stability of the United States that could arise from material financial distress at GECC. The Council found that GECC itself is an entity predominantly engaged in financial activities, is a significant participant in the global economy and financial markets, and is interconnected to financial intermediaries through its financing activities and its funding model. Because the Board's regulation of GECC as a nonbank financial company designated for its supervision must focus on the financial stability

implications of potential financial distress at GECC, it is prudent to address the effect of any conflicts of interest that may arise in interactions with GE and its affiliates, including the possibility that such conflicts could have an adverse effect on the financial condition of GECC. Accordingly, the Board is proposing to require GECC to meet certain enhanced prudential standards designed to ensure the safe and sound operations of GECC and to address the potential for conflict with GE and its affiliates. As further discussed below, the Board's proposed enhanced prudential standards would require GECC to have 25 percent or two members, whichever is greater, of its board of directors to be independent of GE's and GECC's management and GE's board of directors. The Board is also proposing to impose a requirement that transactions between GECC and GE be conducted on market terms.

Due to the substantial similarity in the business model, capital structure, and risk profile between GECC and large bank holding companies, the Board is not proposing to consider other risk-related factors in the adoption of enhanced prudential standards for GECC. Nevertheless, consistent with its authority as the prudential supervisor of designated nonbank financial companies, the Board expects to continue to monitor and assess GECC's activities and risk profile, and, in accordance with the requirements of sections 113 and 165 of the Dodd-Frank Act, to take into account any additional factors or considerations, as necessary, in the adoption of future standards, or in the future tailoring of any imposed standards.

1. What other factors, if any, should the Board take into consideration when proposing to apply enhanced prudential standards to GECC, or in tailoring the standards to GECC?

## 5. Tailoring of Proposed Prudential Standards

As noted, section 165 permits the Board to tailor the application of enhanced prudential standards to companies covered under section 165 based on certain unique characteristics of the company. Although the majority of the enhanced prudential standards the Board is proposing to adopt are identical to those that apply to large bank holding companies, the Board is proposing to tailor certain of the proposed standards, in light of certain characteristics unique to GECC. For example, in developing the proposed capital requirements, the Board has taken into consideration the fact that

<sup>21</sup> As discussed above, GECC is in the process of divesting Synchrony Bank. Nevertheless, following this divestiture, GECC will continue to control GE Capital Bank.

<sup>22</sup> GECC is a grandfathered unitary savings and loan holding company under section 10(c)(9)(A) of HOLA and is therefore exempt from the activity and investment restrictions under HOLA. 12 U.S.C. 1467a(c)(9)(A).

GECC has not previously been subject to regulatory capital requirements and has not developed the infrastructure and systems required to begin calculating its capital ratios under the Board's advanced approaches risk-based capital requirements (advanced approaches rule). Thus, although GECC would meet the relevant asset threshold for application of the advanced approaches rule, the Board is not proposing to require GECC to calculate its capital ratios using the advanced approaches rule. In addition, in light of the Council's determination that material financial distress at GECC could pose a threat to U.S. financial stability, the Board is proposing to impose leverage capital requirements on GECC that are comparable to the standards that apply to the largest, most systemic banking organizations.

Finally, the Board notes that many of the proposed standards, including the risk-management requirements, liquidity risk-management, and liquidity stress-testing requirements of Regulation YY; and capital-planning and stress-testing requirements require the covered company to tailor its compliance framework based on the size, complexity, structure, risk profile, and activities of the organization. Thus, the Board would expect that, in implementing the enhanced prudential standards, GECC would tailor its compliance framework to suit the company's complexity, structure, risk profile, and activities. Accordingly, the Board believes that the proposed enhanced prudential standards discussed below adequately reflect these unique characteristics of GECC.

2. Should the Board consider tailoring any of the other proposed enhanced prudential standards in light of GECC's business model, capital structure, and risk profile?

#### IV. Proposed Enhanced Prudential Standards To Apply to GECC

##### A. Capital Requirements

The Board has long held the view that a bank holding company generally should hold capital that is commensurate with its risk profile and activities, so that the firm can meet its obligations to creditors and other counterparties, as well as continue to serve as a financial intermediary through periods of financial and economic stress.<sup>23</sup> In July 2013, the

<sup>23</sup> See Supervision and Regulation Letter 12-17, *Consolidated Supervision Framework for Large Financial Institutions* (December 12, 2012), available at: <http://www.federalreserve.gov/bankinfo/srletters/sr1217.htm>; 12 CFR part 217; 12 CFR 225.8; Supervision and Regulation Letter

Board issued a final rule implementing regulatory capital reforms reflecting agreements reached by the Basel Committee on Banking Supervision (Basel Committee) in "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems" (Basel III)<sup>24</sup> and certain changes required by the Dodd-Frank Act (revised capital framework).<sup>25</sup> The revised capital framework introduced a new minimum common equity tier 1 risk-based capital ratio of 4.5 percent, raised the minimum tier 1 risk-based capital ratio from 4 percent to 6 percent, introduced a common equity tier 1 capital conservation buffer of 2.5 percent of risk-weighted assets, required all banking organizations to meet a 4 percent minimum leverage ratio (the generally-applicable leverage ratio), implemented stricter eligibility criteria for regulatory capital instruments, and introduced a new standardized methodology for calculating risk-weighted assets. Because these regulatory capital reforms only apply generally to top-tier savings and loan holding companies, GECC is not subject to the revised capital framework.<sup>26</sup> In addition, the revised capital framework would not apply to GE because it substantially engages in commercial activities.

As noted above, the Council has determined that GECC's material financial distress could pose a threat to U.S. financial stability. Section 165 provides that the enhanced prudential standards for nonbank financial companies must include risk-based capital requirements and leverage limits that "are more stringent than the standards and requirements applicable to nonbank financial companies and bank holding companies that do not present similar risks to the financial stability of the United States" unless the Board, in consultation with the Council, "determines that such requirements are not appropriate for a company subject to

99-18, *Assessing Capital Adequacy in Relation to Risk at Large Banking Organizations and Others with Complex Risk Profiles* (July 1, 1999), available at: <http://www.federalreserve.gov/boarddocs/srletters/1999/SR9918.HTM>.

<sup>24</sup> Basel III was published in December 2010 and revised in June 2011. See Basel Committee, *Basel III: A global framework for more resilient banks and banking systems* (December 2010), available at: <http://www.bis.org/publ/bcbs189.pdf>.

<sup>25</sup> See 78 FR 62018 (October 11, 2013). The revised capital framework also reorganized the Board's capital adequacy guidelines into a harmonized, codified set of rules, located at 12 CFR part 217. The requirements of 12 CFR part 217 came into effect on January 1, 2014, for bank holding companies subject to the advanced approaches rule, and as of January 1, 2015 for all other bank holding companies.

<sup>26</sup> 12 CFR 217.2.

more stringent prudential standards because of the activities of such company . . . or structure."<sup>27</sup> Because GECC's activities and balance sheet are substantially similar to those of a large bank holding company, the Board's revised capital framework is appropriate for GECC and will appropriately reflect risks from GECC's activities, balance sheet, and funding profile. Accordingly, other than as described below, the Board is proposing to require GECC to comply with the regulatory capital framework applicable to a large bank holding company including the minimum common equity tier 1, tier 1, and total risk-based capital ratios, the minimum generally-applicable leverage ratio, and any restrictions on distributions or discretionary bonus payments associated with the capital conservation buffer, beginning July 1, 2015, consistent with any transition periods in the revised capital framework.

In addition to the generally applicable capital adequacy requirements described above, the Board's revised capital framework contains measures applicable to the largest, most interconnected bank holding companies. For bank holding companies with \$250 billion or more in total consolidated assets or \$10 billion or more in on-balance-sheet foreign exposures (advanced approaches banking organizations), these include the advanced approaches rule, a supplementary leverage ratio of tier 1 capital to total leverage exposure of 3 percent, a requirement to include accumulated other comprehensive income (AOCI) in tier 1 capital, and restrictions on distributions and discretionary bonus payments associated with the countercyclical capital buffer. A bank holding company with more than \$700 billion in total consolidated assets or \$10 trillion in assets under custody also is required to maintain a buffer of at least 2 percent above the minimum supplementary leverage capital requirement of 3 percent, an enhanced supplementary leverage ratio (eSLR), in order to avoid restrictions on capital distributions and discretionary bonus payments to executive officers.<sup>28</sup>

The Board is not proposing to require GECC to calculate its capital ratios using the advanced approaches rule. The advanced approaches rule requires the development of models for calculating advanced approaches risk-weighted assets, and can require a lengthy parallel run period of no less than four

<sup>27</sup> 12 U.S.C. 5365.

<sup>28</sup> See 79 FR 24528 (May 1, 2014).

consecutive calendar quarters during which the institution must submit its models for supervisory approval. While GECC exceeds the threshold for application of the requirements that apply to advanced approaches banking organizations, GECC has not previously been subject to regulatory capital requirements and has not developed the infrastructure and systems required to begin calculating its capital ratios under the advanced approaches rule. Moreover, because GECC will need time to build and implement the internal systems and infrastructure required to comply with other requirements of the Board's order imposing enhanced prudential standards, the Board is not proposing to require GECC to develop the models required to comply with the advanced approaches rule. Rather, the Board is proposing to apply the standardized risk-based capital rules, leverage rules, and capital planning and supervisory stress-testing requirements to GECC.

However, the Board is proposing to require GECC to comply with other requirements that apply to advanced approaches banking organizations, including restrictions on distributions and discretionary bonus payments associated with the countercyclical capital buffer, a minimum supplementary leverage ratio of 3 percent, and the requirement to include AOCI in regulatory capital. These are aspects of the revised capital framework that are appropriate for the largest, most interconnected banking organizations and therefore apply to advanced approaches banking organizations, but are not part of the advanced approaches rule. The proposed application of these requirements to GECC will ensure that GECC holds sufficient capital to withstand financial stress, mitigating its risk to U.S. financial stability. Application of these requirements to GECC would not require GECC to develop models for complying with the advanced approaches rule, would not require completion of a successful parallel run as contemplated in the advanced approaches rule, and would not require the allocation of significant additional operational resources.

As noted above, the Board, as the prudential regulator of nonbank financial companies designated by the Council, is obligated to impose standards that are designed to maintain the safety and soundness of GECC in order to mitigate the risk of material financial distress at GECC. The Board is also proposing to require GECC to comply with the eSLR, which is designed to minimize leverage at banking organizations that pose

substantial systemic risk, thereby strengthening the ability of such organizations to remain a going concern during times of economic stress and minimizing the likelihood that problems at these organizations would contribute to financial instability. The Board believes that the maintenance of a strong base of capital by the most systemic U.S. banking organizations and GECC is particularly important because capital shortfalls at these institutions have the potential to result in significant adverse economic consequences and to contribute to systemic distress. While GECC's total consolidated assets are below the asset thresholds for bank holding companies that are subject to the eSLR (\$700 billion in total consolidated assets or \$10 trillion in assets under custody), the Board has analyzed GECC's size, scope of operations, activities, and systemic importance, and, in light of the Council's determination that material financial distress at GECC could pose a threat to U.S. financial stability, is proposing to require GECC to comply with the restrictions on distributions and discretionary bonuses associated with the eSLR.<sup>29</sup>

The Board is required under section 165 to establish enhanced risk-based and leverage capital requirements for nonbank financial companies supervised by the Board and large bank holding companies that "are more stringent than the standards applicable to nonbank financial companies and bank holding companies that do not present similar risks to the financial stability of the United States."<sup>30</sup> For the largest banking organizations, the Board notes that the Financial Stability Board has established a framework to identify global and domestic systemically important banks<sup>31</sup> (G-SIBs and D-SIBs, respectively) that are subject to the Basel Committee's enhanced supervisory framework, which includes enhanced capital surcharges.<sup>32</sup> At this

<sup>29</sup> The restrictions that apply to insured depository institution subsidiaries of companies covered under the eSLR would not apply to GECC's depository institution subsidiaries without action by the appropriate Federal banking agency supervising Synchrony Bank and GE Capital Bank.

<sup>30</sup> 12 U.S.C. 5365.

<sup>31</sup> Financial Stability Board, *Reducing the moral hazard posed by systemically important financial institutions*, FSB Recommendations and Time Lines (October 20, 2010), available at: <http://www.financialstabilityboard.org/publications/r101111a.pdf>; Financial Stability Board, *Extending the G-SIFI Framework to domestic systemically important banks* (April 16, 2012), available at: [http://www.financialstabilityboard.org/publications/r\\_120420b.pdf](http://www.financialstabilityboard.org/publications/r_120420b.pdf).

<sup>32</sup> Basel Committee, *Global systemically important banks: updated assessment methodology and the higher loss absorbency requirement* (July

time, the Board is not proposing to categorize GECC as a G-SIB or a D-SIB, or proposing to automatically subject GECC to all of the same standards that apply to the largest, most systemic U.S. banking organizations. With respect to any future requirements, the Board will analyze GECC's size, scope of operations, activities, and systemic importance to determine whether the proposed standard is appropriate in light of these characteristics of the company. For example, the Board expects to seek comment on additional enhancements to the risk-based capital rules for largest, most systemic bank holding companies in the future, and will consider whether applying similar enhancements to the risk-based capital rules to GECC is appropriate after considering GECC's size, scope of operations, activities, and systemic importance. The Board would seek comment on any additional proposed enhancements.

3. Due to the similarity in structure and activities of GECC with that of a bank holding company, the Board has proposed to apply capital standards to GECC that are generally consistent with the requirements imposed on a large bank holding company. Should the Board consider altering any of the proposed capital requirements that it is considering applying to GECC?

4. Should the Board consider applying any additional capital standards to GECC?

#### B. Capital Planning Requirements

##### 1. Capital Plan Rule

The recent financial crisis highlighted a need for large bank holding companies to incorporate into their capital planning forward-looking assessments of capital adequacy under stressed conditions. The crisis also underscored the importance of strong internal capital planning practices and processes among large bank holding companies. The Board issued the capital plan rule to build upon the Board's existing supervisory expectation that large bank holding companies have robust systems and processes that incorporate forward-looking projections of revenue and losses to monitor and maintain their internal capital adequacy. By helping to ensure that the largest bank holding companies have sufficient capital to withstand significant stress and to continue to operate, capital plan

(2013), available at: <http://www.bis.org/publ/bcb255.pdf>; Basel Committee, *A framework for dealing with domestic systemically important banks* (October 2012), available at: <https://www.bis.org/publ/bcb233.pdf>.

reviews also help the Board meet its macro-prudential supervisory objective of helping to ensure that the financial system as a whole can continue to function under stressed conditions.

The capital plan rule requires each bank holding company with \$50 billion or more in total consolidated assets to submit an annual capital plan to the Board describing its planned capital actions and demonstrating its ability to meet a 5 percent tier 1 common capital ratio and maintain capital ratios above the Board's minimum regulatory capital ratios under both baseline and stressed conditions over a forward-looking planning horizon.<sup>33</sup> A capital plan must also include an assessment of a bank holding company's sources and uses of capital reflecting the size, complexity, risk profile, and scope of operations of the company, assuming both expected and stressed conditions.

Under the capital plan rule, the Board annually evaluates a large bank holding company's capital adequacy and capital planning practices and the comprehensiveness of the capital plan, including the strength of the underlying analysis. The Comprehensive Capital Analysis and Review (CCAR) is the Board's supervisory process for reviewing capital plans submitted by bank holding companies under the capital plan rule. As part of CCAR, the Board conducts a quantitative assessment of each large bank holding company's capital adequacy under an assumption of stressed conditions and conducts a qualitative assessments of the company's internal capital planning practices, each of which can provide a basis on which the Board may object to a company's capital plan. If the Board objects to a bank holding company's capital plan, the company may not make any capital distribution other than those approved in writing by the Board or the appropriate Reserve Bank. A bank holding company that receives an objection may submit a revised capital plan for review by the Board.

The Federal Reserve conducts its quantitative assessment of a large bank holding company's capital plan based on the supervisory stress test conducted under the Board's rules implementing the stress tests required under the Dodd-Frank Act, discussed below, combined with the bank holding company's planned capital actions under the baseline scenario. This assessment helps determine whether a bank holding company would be capable of meeting supervisory expectations for its regulatory capital ratios even if stressed conditions emerge and the company

does not reduce planned capital distributions.

In the CCAR qualitative assessment, the Board evaluates each large bank holding company's risk-identification, risk-measurement, and risk-management practices supporting the capital planning process, including estimation practices used to produce stressed loss, revenue, and capital ratios, as well as the governance and controls around these practices. In reviewing the company's capital plan, the Board considers the comprehensiveness of the capital plan, the reasonableness of the company's assumptions and analysis underlying the capital plan, and the company's methodologies for reviewing the robustness of its capital adequacy process. The Board may object to a capital plan based on deficiencies in a bank holding company's capital planning processes, even if the company maintained regulatory capital ratios above minimum requirements throughout the planning horizon under stressed scenarios.

## 2. Proposed Capital Planning Requirements To Be Applied to GECC

To ensure that GECC continues to maintain sufficient capital and has internal processes for assessing its capital adequacy that appropriately account for the company's risks, the Board is proposing to require GECC to comply with the Board's capital plan rule, 12 CFR 225.8, and to submit a capital plan for the capital plan cycle beginning January 1, 2016.

As described above, GECC's activities, risk profile, and balance sheet are similar to those of large bank holding companies. Accordingly, requiring GECC to comply with the Board's capital plan rule as if it were a bank holding company will ensure that GECC holds capital that is commensurate with its risk profile and activities, can meet its obligations to creditors and other counterparties, and can continue to serve as a financial intermediary through periods of financial and economic stress.<sup>34</sup>

The Board recognizes that unlike domestic bank holding companies, GECC is an intermediate holding company of a larger, publicly traded company. The Board's capital plan rule

will help ensure that GECC manages its capital, and any capital distributions to its parent, in a manner that is commensurate with its risks and consistent with its safety and soundness through the Federal Reserve's review and non-objection to GECC's capital plan.<sup>35</sup> As discussed above, the capital plan rule will act as a counterweight to pressures that a company may face to make capital distributions during a period of economic stress helping to mitigate the risk of material financial distress at GECC.

The Board recognizes that GECC likely will need time to build and implement the internal systems necessary to fully meet the requirements of the capital plan rule and the CCAR process. Accordingly, for GECC's first capital plan cycle, which would begin on January 1, 2016, the Board's quantitative assessment of GECC's capital plan will not be based on supervisory stress test estimates conducted under the Board's stress test rules, as described below.<sup>36</sup> Instead, the Board intends to conduct a more limited quantitative assessment of GECC's capital plan based on GECC's own stress scenario and any scenarios provided by the Board and a qualitative assessment of GECC's capital planning processes and supporting practices. This approach would be consistent with the capital plan review (CapPR) process that the Board used to evaluate the initial capital plan submissions of bank holding companies that were subject to the capital plan rule but that did not participate in the 2009 Supervisory Capital Assessment Program.

The Board also expects to communicate to GECC the Board's expectations on capital planning practices and capital adequacy processes in connection with its first capital plan submission. Although the Board's stress test and capital plan rules establish requirements for all banking organizations that are subject to the rules, the Board is tailoring its expectations for companies of different sizes, scope of operations, activities, and systemic importance. Notably, the Board has significantly heightened supervisory expectations for the largest and most complex bank holding companies

<sup>34</sup> See Supervision and Regulation Letter 12-17, *Consolidated Supervision Framework for Large Financial Institutions* (December 12, 2012), available at: <http://www.federalreserve.gov/bankinfo/srletters/sr1217.htm>; 12 CFR part 217; 12 CFR 225.8; Supervision and Regulation Letter 99-18, *Assessing Capital Adequacy in Relation to Risk at Large Banking Organizations and Others with Complex Risk Profiles* (July 1, 1999), available at: <http://www.federalreserve.gov/boarddocs/srletters/1999/SR9918.HTM>.

<sup>35</sup> GECC will not be the only intermediate holding company subject to the capital plan rule and CCAR. Notably, some U.S. bank holding company subsidiaries of foreign banking organizations participate in CCAR. In addition, under the Board's intermediate holding company rule, all foreign banking organizations with \$50 billion or more in U.S. non-branch assets will be required to form a U.S. intermediate holding company that will be subject to the capital plan rule. See Subpart O to 12 CFR 252.

<sup>36</sup> See Subpart E to 12 CFR part 252.

<sup>33</sup> 12 CFR 225.8.

regarding all aspects of capital planning and expects these bank holding companies to have capital planning practices that incorporate existing leading practices.<sup>37</sup> The Board would expect to tailor its supervisory expectations for GECC to account for any material differences between the company and large bank holding companies.

5. Should the Board consider applying any additional capital planning requirements to GECC?

### C. Stress-Testing Requirements

#### 1. Dodd-Frank Act Stress-Tests Rule

Section 165 of the Dodd-Frank Act requires the Board to conduct annual supervisory stress tests of bank holding companies with total consolidated assets of \$50 billion or more and nonbank financial companies supervised by the Board and also requires the Board to issue regulations that require those companies to conduct company-run stress tests semi-annually. In 2012, the Board, in coordination with the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Federal Insurance Office adopted stress testing rules under section 165(i) for large bank holding companies and nonbank financial companies (stress test rule).<sup>38</sup> The stress test rule establishes a framework for the Board to conduct annual supervisory stress tests and requires these companies to conduct semi-annual company-run stress tests.<sup>39</sup>

The stress tests conducted under the Board's stress test rule are complementary to the Board's review of a large bank holding company's capital plan in CCAR. These stress tests use stylized scenarios and capital action assumptions specified in the stress testing rules to calculate the post-stress capital ratios, while the CCAR post-stress capital ratios use the bank holding company's planned capital actions in the baseline scenario. The capital action assumptions in the Board's stress test rules are intended to make the results of the stress tests more comparable across institutions, which enhances the quality of the required public disclosure of the stress-testing results. There is no post-stress minimum capital ratio

<sup>37</sup> Board, *Capital Planning at Large Bank Holding Companies: Supervisory Expectations and Range of Current Practice* at pg. 3 (August 19, 2013), available at: <http://www.federalreserve.gov/bankinforeg/bcreg20130819a1.pdf>.

<sup>38</sup> 77 FR 62378 (Oct. 12, 2012); Subparts E and F to 12 CFR part 252.

<sup>39</sup> 77 FR 62378 (Oct. 12, 2012); Subparts E and F to 12 CFR part 252.

requirement for the stress tests required under the stress test rule.

As noted, under the stress test rule, large bank holding companies are also subject to mid-cycle stress tests, in which companies design their own stress scenarios based on the definitions in the Board's stress test rules. For both the annual and mid-cycle company-run stress tests, large bank holding companies must disclose the results of their company-run stress test conducted under the severely adverse scenario.

#### 2. Proposed Stress-Testing Requirements To Be Applied to GECC

The Board is proposing to require GECC to comply with the stress-testing requirements applicable to bank holding companies with \$50 billion or more in total consolidated assets under the stress test rule (subparts E and F of Regulation YY) in the stress-testing cycle that would commence on January 1, 2017.<sup>40</sup> Similar to the proposed application of the capital plan rule to GECC, the Board is proposing to apply the Board's stress test rule to GECC in the same manner as it currently applies to large bank holding companies due to the similarity in activities, risk profile, and balance sheet between GECC and large bank holding companies. In addition, because the Board's supervisory stress tests under its stress test rule are conducted on the basis of standardized scenarios and capital assumptions, any supervisory stress testing of GECC would provide a horizontal assessment of GECC's capital adequacy compared with that of large bank holding companies that have comparable activities, risk profiles, and balance sheets. Moreover, the company-run stress testing requirements under the Board's stress test rule will ensure that GECC develops the necessary systems and processes to evaluate its capital adequacy on an ongoing basis.

Subjecting GECC to the stress testing requirements in the stress testing cycle beginning on January 1, 2017, would allow GECC the time to develop appropriate systems and processes to conduct the stress tests and to provide the data and other information that the Board would require in connection with these tests. This approach would be consistent with the approach taken by the Board for bank holding companies with \$50 billion or more in total consolidated assets that did not participate in the Supervisory Capital Assessment Program. The Board delayed application of the stress-testing requirements for these companies in order to provide them additional time to

<sup>40</sup> Subparts E and F to 12 CFR part 252.

develop appropriate systems and to gather relevant information to comply with the stress-testing requirements.

The Board expects to communicate to GECC any further expectation the Board may have regarding the company-run stress tests conducted under the stress test rule. Requiring GECC's compliance with the stress test rule beginning on January 1, 2017, would also allow the Board adequate time to collect data from GECC to further assess its activities and risk profile to help the Board appropriately tailor the stress testing requirements based on GECC's systemic footprint, which may include additional components or scenarios.

6. Should the Board consider applying any additional stress testing requirements to GECC?

7. Should the Board consider an alternate time frame for GECC's compliance with the stress testing requirements? If so, why?

### D. Liquidity Requirements

Section 165(b) of the Dodd-Frank Act directs the Board to adopt enhanced liquidity requirements for bank holding companies with total consolidated assets of \$50 billion or more and nonbank financial companies supervised by the Board.<sup>41</sup> Liquidity is measured by a company's capacity to efficiently meet its expected and unexpected cash outflows and collateral needs at a reasonable cost without adversely affecting the daily operations or the financial condition of the company. The financial crisis of 2008–2009 illustrated that liquidity can evaporate quickly and cause severe stress in the financial markets, and demonstrated that even solvent financial companies may experience material financial distress if they do not manage their liquidity in a prudent manner. Through recent rulemakings and guidance, the Board has established quantitative liquidity requirements and liquidity risk-management standards in order to ensure financial companies' resiliency during periods of financial market stress.

#### 1. LCR

On September 3, 2014, the Board adopted a final rule that implements a quantitative liquidity requirement consistent with the LCR standard established by the Basel Committee.<sup>42</sup> The requirement is designed to promote the short-term resilience of the liquidity risk profile of internationally active

<sup>41</sup> 12 U.S.C. 5365(b)(1)(A)(ii).

<sup>42</sup> 79 FR 61440 (October 10, 2014); 12 CFR part 249.



banking organizations, thereby improving the banking sector's ability to absorb shocks arising from financial and economic stress, and to further improve the measurement and management of liquidity risk. The LCR standard establishes a quantitative minimum LCR that requires a company subject to the rule to maintain an amount of high-quality liquid assets (HQLA) (the numerator of the ratio) that is no less than 100 percent of its total net cash outflows over a prospective 30 calendar-day period (the denominator of the ratio).<sup>43</sup> The ability to rapidly monetize such high-quality liquid assets enables a covered company to meet its liquidity needs during an acute short-term liquidity stress scenario.

The Board did not apply the LCR standard to nonbank financial companies in the final LCR rule. Rather, similar to the approach the Board followed in the adoption of Regulation YY, the Board indicated that, following designation of a nonbank financial company for supervision by the Board, the Board would thoroughly assess the business model, capital structure, and risk profile of the designated company to determine how the LCR standard should apply, and if appropriate, would tailor application of the standards by order or regulation to that nonbank financial company or to a category of nonbank financial companies.

## 2. Regulation YY

The liquidity requirements in Regulation YY require bank holding companies with total consolidated assets of \$50 billion or more to comply with liquidity risk-management requirements (covered bank holding company), conduct internal liquidity stress tests, and hold a buffer of highly-liquid assets that is sufficient to meet the company's projected net stressed cash-flow need over a 30-day period based on the results of such stress tests.<sup>44</sup>

<sup>43</sup> Under the LCR standard, certain categories of assets may qualify as eligible HQLA and may contribute to the HQLA amount if they are unencumbered by liens and other restrictions on transfer and can therefore be converted quickly into cash without reasonably expecting to incur losses in excess of the applicable LCR haircuts during a stress period. A covered company's total net cash outflow amount is determined under the final rule by applying outflow and inflow rates, which reflect certain standardized stressed assumptions, against the balances of a covered company's funding sources, obligations, transactions, and assets over a prospective 30 calendar-day period. Inflows are limited to 75 percent of outflows, to ensure that covered companies are maintaining sufficient on-balance-sheet liquidity and are not overly reliant on inflows, which may not materialize in a period of stress.

<sup>44</sup> 12 CFR 252.34, 252.35.

The liquidity risk-management requirements of Regulation YY include requirements that the board of directors of the bank holding company approve an acceptable level of liquidity risk that the bank holding company may assume in connection with its operating strategies (liquidity risk tolerance), receive and review information from senior management regarding the company's compliance with the established liquidity risk tolerance, and approve and periodically review liquidity risk-management strategies, policies, and procedures established by senior management.<sup>45</sup> Regulation YY requires senior management of a covered bank holding company to establish and implement liquidity risk-management strategies, policies, and procedures, approved by the company's board of directors; review and approve new products and business lines; and evaluate liquidity costs, benefits and risks related to new business lines and products. In addition, Regulation YY requires a covered bank holding company to establish and maintain procedures for monitoring collateral, legal entity, and intraday liquidity risks, and requires an independent review of a covered bank holding company's liquidity risk-management processes and its liquidity stress-testing processes and assumptions.

Regulation YY requires covered bank holding companies to produce comprehensive cash-flow projections at least monthly that project cash flows arising from assets, liabilities, and off-balance sheet exposures, over short-term and long-term horizons.<sup>46</sup> In addition, covered bank holding companies must establish and maintain a contingency funding plan that sets forth strategies for addressing liquidity and funding needs during liquidity stress events.<sup>47</sup> The contingency funding plan must be approved by the bank holding company's risk committee and must include procedures to monitor emerging liquidity stress events.

Regulation YY also requires a covered bank holding company to conduct monthly internal liquidity stress tests, and to maintain a buffer of highly liquid assets based on the results of the stress tests. The liquidity stress test requirements are based on firm-specific stress scenarios and assumptions tailored to the specific products and risk profile of the company. In conducting these liquidity stress tests, the firm must use a minimum of three stress scenarios designed by the firm (market,

<sup>45</sup> 12 CFR 252.34(a).

<sup>46</sup> 12 CFR 252.34(e).

<sup>47</sup> 12 CFR 252.34(f).

idiosyncratic or combination) and a minimum of three time horizons (30, 60, 90 day period).<sup>48</sup>

Regulation YY's liquidity requirements are designed to complement the requirements of the LCR, as described above. Regulation YY's internal liquidity stress-test requirements provide a view of an individual firm under multiple scenarios and include assumptions tailored to the specific products and risk profile of the company and the idiosyncratic aspects of the firm's liquidity profile, while the standardized measure of liquidity adequacy under the LCR is designed to facilitate a transparent assessment of a covered bank holding company's liquidity position under a standard stress scenario and facilitates comparison across firms.

## 3. Supervisory Guidance

Regulation YY builds on the Board's supervisory framework for liquidity, including guidance set forth in the Board's Supervision and Regulation (SR) letter 10-6, Interagency Policy Statement on Funding and Liquidity Risk Management, issued in March 2010.<sup>49</sup> SR 10-6 reiterates the process that institutions should follow to appropriately identify, measure, monitor, and control their funding and liquidity risk. In particular, the guidance re-emphasizes the importance of cash-flow projections, diversified funding sources, stress testing, a cushion of liquid assets, and a formal well-developed contingency funding plan as primary tools for measuring and managing liquidity risk. The guidance also explains the expectation that institutions manage liquidity risk using processes and systems that are commensurate with the institution's complexity, risk profile, and scope of operations.

## 4. Application to GECC

In designating GECC as a nonbank financial company that should be subject to Board supervision, the Council noted that:

If GECC were unable to access funding markets, GECC could either reduce its

<sup>48</sup> 12 CFR 252.35.

<sup>49</sup> SR letter 10-6 incorporated the Basel Committee's "Principles for Sound Liquidity Risk Management and Supervision." Basel Committee, *Principles for Sound Liquidity Risk Management and Supervision* (September 2008), available at: <http://www.bis.org/publ/bcbs144.htm>. See also Supervision and Regulation Letter SR 10-6, *Interagency Policy Statement on Funding and Liquidity Risk Management*, 75 FR 13656 (March 17, 2010), available at: <http://www.federalreserve.gov/boarddocs/srletters/2010/sr1006.pdf>.

provision of credit or be forced to sell assets quickly to fund its operations and meet its obligations. If GECC had to rapidly liquidate assets, the impact could drive down asset prices and cause balance sheet losses for other large financial firms on a scale similar to those that could be caused by asset sales by some of the largest U.S. BHCs. The resulting capital losses across financial firms, particularly during a time of general economic distress, could exacerbate the stresses on the financial system and economy by forcing other firms to sell assets and draw on their credit lines to meet liquidity pressures. If GECC were unable to access funding markets, there could be a reduction in credit availability, which could lead to a broader reduction in economic activity.<sup>50</sup>

In order to promote the short-term resilience of GECC, improve its ability to withstand financial and economic stress, and to mitigate the potential adverse effects on other financial firms and markets, the Board is proposing to require GECC to manage its liquidity in a manner that is comparable to a bank holding company subject to the LCR standard, Regulation YY, and the Board's supervisory guidance.<sup>51</sup> GECC, like a large bank holding company, is primarily a lender and lessor to commercial entities and consumers, and is substantially involved in the provision of credit in the United States. Similar to large bank holding companies, GECC is also an active participant in the capital markets and relies on wholesale funding, such as commercial paper held by institutional investors and committed lines of credit provided by large commercial banks, exposing the company to liquidity risks.

Therefore, to ensure that GECC has sufficient liquidity to meet outflows during a period of significant financial stress, and given the similarities between its operations and risk with those of large bank holding companies, the Board is proposing to apply the LCR standard under 12 CFR part 249 that would apply to advanced approaches banking organizations, without change, to GECC beginning July 1, 2015. GECC would be subject to the same transition periods and compliance timelines as all other advanced approaches banking organizations that do not have \$700 billion in total consolidated assets or \$10 trillion in assets under custody, including the temporary monthly LCR calculation until July 1, 2016, and the requirement to maintain an LCR of 80 percent from July 1, 2015 to December 31, 2015, an LCR of 90 percent from January 1, 2016 to December 31, 2016, and an LCR of 100 percent thereafter.<sup>52</sup>

The standardized requirements of the LCR would allow for horizontal comparisons between GECC and other companies with similar balance sheets and risk profiles. Because the LCR applies outflow and inflow rates that are based on a covered bank holding company's particular risk profile and activities, the LCR requirements would be tailored to GECC's activities, balance sheet, and risk profile, and would help ensure that GECC holds sufficient HQLA to meet the expected outflows for such activities over a 30 calendar-day period.<sup>53</sup>

To complement the LCR requirements, the Board believes that the individualized liquidity risk-management requirements established in Regulation YY for bank holding companies with \$50 billion or more in total consolidated assets are appropriate for GECC, and is proposing to apply them, without change, to GECC beginning July 1, 2015.<sup>54</sup> The firm-specific liquidity risk management and stress testing requirements of Regulation YY would help ensure that GECC develops the necessary compliance infrastructure to evaluate the liquidity risk profile of its operations on a continuing basis. The liquidity risk management and stress testing requirements of Regulation YY require the covered bank holding company to tailor its compliance framework to the particular size, complexity, structure, risk profile, and activities of the organization. Thus, in implementing these requirements, GECC would be expected to tailor its compliance framework to suit the company's structure. Finally, the Board is also proposing to apply SR 10-6, Interagency Policy Statement on Funding and Liquidity Risk Management, and would require GECC to comply with the expectations outlined in this letter by July 1, 2015.

<sup>53</sup> As indicated in the preamble to final LCR rulemaking, the Board anticipates separately seeking comment upon proposed regulatory reporting requirements and instructions pertaining to the LCR. 79 FR 61440, 61445 (October 10, 2014). The Board expects those reporting requirements and instructions to apply to any nonbank financial company supervised by the Board to which the Board has required by rule or order to comply with the LCR.

<sup>54</sup> 12 CFR 252.34, 35.

8. Are there other liquidity standards that the Board should consider applying to GECC, and if so, what are they?

9. Should the Board consider tailoring the proposed liquidity requirements to GECC? If so, which of the requirements should the Board consider tailoring based on GECC's activities, balance sheet and risk profile?

#### *E. Risk-Management and Risk-Committee Requirements*

Sound enterprise-wide risk management by large financial companies reduces the likelihood of their material distress or failure and thus promotes financial stability. During the recent financial crisis, a number of companies that experienced material financial distress or failure had significant deficiencies in key areas of risk management. Senior managers at successful companies were actively involved in risk management, including determining the company's overall risk preferences and creating the incentives and controls to induce employees to abide by those preferences. The boards of directors of these successful companies were actively involved in determining the company's risk tolerance. Successful risk management also depends on senior managers having access to adaptive management information systems to identify and assess risks based on a range of dynamic measures and assumptions.

#### 1. Section 165 and Regulation YY

Section 165(b)(1)(A) of the Dodd-Frank Act requires the Board to establish enhanced risk-management requirements for bank holding companies with total consolidated assets of \$50 billion or more and nonbank financial companies supervised by the Board.<sup>55</sup> In addition, section 165(h) directs the Board to issue regulations requiring publicly traded bank holding companies with total consolidated assets of \$10 billion or more and publicly traded nonbank financial companies to establish risk committees.<sup>56</sup> Section 165(h) requires the risk committee to be responsible for the oversight of the enterprise-wide risk-management practices of the company, to have such number of independent directors as the Board determines appropriate, and to include at least one risk-management expert with experience in identifying, assessing, and

<sup>55</sup> 12 U.S.C. 5365(b)(1)(A).

<sup>56</sup> 12 U.S.C. 5365(h).

<sup>50</sup> See GECC Determination at 2.

<sup>51</sup> 12 CFR 252.34, 252.35.

<sup>52</sup> 12 CFR 249.50(b).

managing risk exposures of large, complex firms.<sup>57</sup>

Under the Board's Regulation YY, the Board requires all bank holding companies with \$50 billion or more in total consolidated assets to establish a risk committee that: Is an independent committee of the company's board of directors; is chaired by an independent director; and includes at least one member who has experience in identifying, assessing and managing risk exposures of large, complex financial firms.<sup>58</sup> The risk committee is required to approve and periodically review the risk-management policies of the bank holding company's global operations, oversee the operation of the bank holding company's global risk-management framework, and oversee the bank holding company's compliance with the liquidity risk-management requirements of Regulation YY.<sup>59</sup> In addition, a covered bank holding company is required to appoint a chief risk officer with experience in identifying, assessing, and managing risk exposures of large, complex financial firms, and who has responsibility for establishing enterprise-wide risk limits for the company and monitoring compliance with such limits.<sup>60</sup> The chief risk officer is also required to develop policies and procedures to ensure the implementation of, and compliance with, the risk management framework. The chief risk officer must be compensated in a manner that is consistent with the provision of an objective assessment of the company's risks, must report directly to both the risk committee and chief executive officer of the company, and must report risk-management deficiencies and emerging risks to the risk committee.

Under Regulation YY, each covered bank holding company is required to establish a global risk-management framework that is commensurate with

the company's structure, risk profile, complexity, activities, and size.<sup>61</sup> The risk-management framework is required to include policies and procedures for the establishment of risk-management governance and risk-control infrastructure of the company's global operations. In addition, the risk-management framework must include processes and systems for identifying and reporting risk-management deficiencies in an effective and timely manner, must establish managerial and employee responsibilities for risk management, must ensure the independence of the risk-management function, and integrate risk management and associated controls with management goals and its compensation structure for the global operations of the company.<sup>62</sup>

## 2. Proposed Risk-Management Standards To Be Applied to GECC

The Board is proposing to require GECC to adopt a risk-management framework that is consistent with the supervisory expectations established for bank holding companies of a similar size because of the similarities between GECC's activities, risk profile, and balance sheet to that of a large bank holding company. Specifically, the Board is proposing to apply the risk-management standards under the Board's Regulation YY to GECC beginning July 1, 2015.<sup>63</sup> The adoption of sound risk-management principles by GECC will reduce the likelihood of material distress or failure of GECC and thus promote financial stability.

The risk-management standards of the Board's Regulation YY require a covered bank holding company to tailor its compliance framework to the particular size, complexity, structure, risk profile, and activities of the organization. Thus, in implementing these requirements, GECC would be expected to tailor its risk-management framework to suit the company's structure. The Board understands that GE has established a dedicated risk committee that oversees the risk management of GE and GECC. However, the Board believes that, consistent with the designation of GECC as a nonbank financial company, GECC's risk-management framework should have a dedicated risk committee at the company that is solely responsible for the oversight of GECC's risk management.

In addition to the proposed application of the risk-management standards under section 252.33 of the

Board's Regulation YY, the Board is proposing to apply additional risk-management requirements that are tailored to reflect GECC's structure as an intermediate holding company of a larger, publicly traded company. As GECC is a subsidiary of a larger, publicly traded company, the Board believes that it is necessary to ensure that GECC's board of directors includes members who are independent of GE so that their attention is focused on the business operations and safety and soundness of GECC itself, apart from the needs of its parent GE. These directors also must be independent of GECC's management to provide views apart from management.

In particular, the Board is proposing to require that, beginning July 1, 2015, the board of directors of GECC have the greater of 25 percent or two directors that are independent of GE's and GECC's management and GE's board of directors and that one of these directors serve as the chair of GECC's risk committee established under Regulation YY.<sup>64</sup> Under the proposed order, GECC would be required to maintain, at a minimum, two directors on its board of directors who are independent of GE's and GECC's management and GE's board of directors. One of these directors would be required to chair GECC's risk committee established under Regulation YY. In addition, pursuant to Regulation YY, GECC would be required to maintain at least one director with expertise in "identifying, assessing, and managing risk exposures of large, complex financial firms" on its risk committee.<sup>65</sup> This director may be one of the independent directors required by the proposed order. The Board invites comment on whether the proposed additional GECC governance requirements are appropriate to address the status of GECC as an intermediate holding company and the potential conflict of interests in the relationship between GE and GECC.

Finally, in addition to the risk management standards discussed above, the Board would continue to require GECC to observe the Board's existing risk-management guidance and supervisory expectations for nonbank financial companies supervised by the Board.<sup>66</sup>

<sup>57</sup> Under Regulation YY, publicly traded is defined to mean "an instrument that is traded on . . . [a]ny exchange registered with the U.S. Securities and Exchange Commission as a national securities exchange under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f)." 12 CFR 252.2(p) (emphasis added). Although GECC does not have publicly traded shares of common equity, the company has debt securities that are publicly traded on the New York Stock Exchange under section 12(b) of the Securities Exchange Act of 1934. The Board is proposing to impose the requirements of Regulation YY and the additional risk management standards discussed below under its authority in section 165(h) to impose risk committee and risk management standards and its authority under section 165(b)(1)(B)(iv) to impose other standards that the Board determines are appropriate. 12 U.S.C. 5365(b)(1)(B)(iv).

<sup>58</sup> 12 CFR 252.33(a)(3), (4).

<sup>59</sup> 12 CFR 252.33(a).

<sup>60</sup> 12 CFR 252.33(b).

<sup>61</sup> 12 CFR 252.33(a)(2).

<sup>62</sup> *Id.*

<sup>63</sup> 12 CFR 252.33.

<sup>64</sup> 12 CFR 252.33(a)(4).

<sup>65</sup> *Id.*

<sup>66</sup> See Supervision and Regulation Letter SR 12-17, *Consolidated Supervision Framework for Large Financial Institutions* (December 17, 2012), available at: <http://www.federalreserve.gov/bankinforeg/srletters/sr1217.htm>.

10. In addition to the requirements discussed above, should the Board consider imposing any additional corporate governance requirements on GECC? For example, should the Board consider requiring that additional directors be independent of GE, GECC, or both?

11. Should the Board require GECC to establish independent committees of its board of directors, such as an audit or compensation committee?

12. Should the Board consider requiring additional directors on GECC's board of directors to have experience in identifying, assessing and managing risk exposures of large, complex financial firms?

*F. Other Prudential Standards: Restrictions on Intercompany Transactions*

Section 165(b)(1)(B) allows the Board to establish additional enhanced prudential standards for nonbank financial companies and bank holding companies with assets of \$50 billion or more, including three enumerated standards—a contingent capital requirement, enhanced public disclosures, and short-term debt limit—and any “other prudential standards” that the Board determines are “appropriate.”<sup>67</sup> With respect to the three enumerated standards, the Board is currently considering whether it would be appropriate to develop such standards for bank holding companies and nonbank financial companies. During this process, the Board will consider whether it will be appropriate to apply such standards to GECC based on its profile, structure, activities, and risks.

The Board is proposing to apply as an enhanced prudential standard certain restrictions on GECC's transactions with affiliated entities that are not under GECC's control. Like the risk-management standards proposed to be applied to GECC, the Board believes that it is appropriate to apply enhanced prudential standards to GECC that address the potential for conflicts of interest with GE and its affiliates, and to address the possibility of any such conflicts on the financial condition of GECC. Specifically, the Board is proposing to require GECC to comply with restrictions on transactions with affiliated entities in order to address the effect of any conflicts of interest that may arise in interactions between GECC and GE and its affiliates. Specifically, beginning on July 1, 2015, the Board is proposing to apply the requirements of

section 23B of the Federal Reserve Act and the corresponding provisions of Regulation W (subpart F of 12 CFR part 223) to transactions between GECC (or any of its subsidiaries) with any affiliate (as defined in the Federal Reserve Act and Regulation W), as if GECC (or any of its subsidiaries) were a “member bank” and GE (or any of its subsidiaries other than GECC and subsidiaries of GECC) were an “affiliate.”<sup>68</sup>

As noted above, the Board, as the prudential regulator of nonbank financial companies designated by the Council for its supervision, is required to establish enhanced prudential standards that are designed to prevent or mitigate risks to the financial stability of the United States from the material financial distress or failure of such companies. Section 23B of the Federal Reserve Act is designed to protect the safety and soundness of insured depository institutions by ensuring that an insured depository institution is not engaging in transactions with affiliates that are on terms that are unfavorable to the depository institution. The application of section 23B of the Federal Reserve Act to transactions between GECC and GE and its affiliates is designed to enhance the safety and soundness of GECC and to reduce the risk of material financial distress at GECC by ensuring that GECC is not engaging in transactions with affiliates on terms that are unfavorable to GECC and those that would not have been required, but for the affiliation between the companies.

13. In applying the restrictions of section 23B and the corresponding requirements of Regulation W to transactions between GECC and its subsidiaries with any affiliates, are there any transactions or entities that should be exempted from the restrictions?

14. Are there other enhanced prudential standards that the Board should consider applying to GECC? Specifically, are there other restrictions on transactions between GECC and its affiliates that would be appropriate?

*G. Future Standards*

With respect to the remaining standards required under section 165 of the Dodd-Frank Act, the Board is continuing to develop standards that are designed to further mitigate the risks to the financial stability of the United States presented by large banking organizations and nonbank financial companies supervised by the Board. For example, the Board's initial proposed rules to implement the requirements of

section 165 and 166 of the Dodd-Frank Act included single-counterparty credit limits and early remediation requirements for the companies covered under sections 165 and 166 of the Dodd-Frank Act. The Board is working to further develop these requirements and will be considering the tailoring of these requirements to nonbank financial companies supervised by the Board.<sup>69</sup> As the Board develops additional standards related to capital, liquidity, risk management, or other standards, for bank holding companies and savings and loan holding companies, the Board will consider the applicability of these standards to GECC.

**V. Proposed Reporting Requirements**

Section 161(a) of the Dodd-Frank Act<sup>70</sup> authorizes the Board to require a nonbank financial company supervised by the Board, and any subsidiary thereof, to submit reports to the Board related to: (1) The financial condition of the company or subsidiary, systems of the company or subsidiary for monitoring and controlling financial, operating, and other risks, and the extent to which the activities and operations of the company or subsidiary pose a threat to the financial stability of the United States; and (2) compliance by the company or subsidiary with the requirements of Title I of the Dodd-Frank Act, which includes the enhanced prudential standards to which nonbank financial companies are subject.

Pursuant to this authority, the Board is proposing to require GECC to file the following reports:<sup>71</sup> (i) The FR Y–6 report (Annual Report of Holding Companies); (ii) the FR Y–10 report

<sup>69</sup> With respect to single-counterparty credit limits, the Board participated in the Basel Committee's initiative to develop a similar large exposure regime for global banks and intends to take into account this effort in implementing the single-counterparty credit limits under the Dodd-Frank Act. With respect to the early remediation framework, the Board is considering how to reflect the revised capital framework as well as how to address other issues presented by commenters.

<sup>70</sup> 12 U.S.C. 5361(a).

<sup>71</sup> GECC is a savings and loan holding company supervised by the Board. So long as GECC remains a savings and loan holding company, GECC continues to be subject to all reporting requirements applicable to a savings and loan holding company. Consistent with section 161(a)(2) of the Dodd-Frank Act, the Board intends to confer with GECC as to whether the information requested in the required reports may be available from other sources, and, to the extent any reporting requirements overlap, GECC will not be subjected to duplicative reporting requirements as both a savings and loan holding company and a nonbank financial company supervised by the Board. 12 U.S.C. 5361(a)(2). The reporting requirements under the proposed order would continue to apply to GECC as a nonbank financial company in the event that GECC ceases to be a savings and loan holding company and ceases to be subject to the reporting requirements applicable to savings and loan holding companies.

<sup>67</sup> 12 U.S.C. 5365(b)(1)(B).

<sup>68</sup> 12 U.S.C. 371c–1; subpart F to 12 CFR part 223.

(Report of Changes in Organizational Structure); (iii) the FR Y-9C report (Consolidated Financial Statements for Holding Companies) and FR Y-9LP report (Parent Company Only Financial Statements for Large Holding Companies); (iv) the FR Y-11 report and FR Y-11S report (Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies); (v) the FR 2314 report and FR 2314S report (Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations); (vi) the FR Y-14A, FR Y-14M, and FR Y-14Q reports (Capital Assessments and Stress Testing) (together, the FR Y-14 series reporting forms); (vii) the FR Y-15 report (Banking Organization Systemic Risk Report); (viii) the FFIEC 009 report (Country Exposure Report) and FFIEC 009a report (the Country Exposure Information Report); and (ix) the FFIEC 102 report (Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule), if the market risk capital rule becomes applicable to GECC. The Board intends to confer with GECC to identify any report schedules that may not be necessary for GECC to provide based on its profile, structure, activities, risks, or other characteristics and to determine an appropriate phase-in period for report submission by GECC. Other than the FR Y-14 series reporting forms, discussed below, the Board is proposing that, beginning July 1, 2015, GECC would be required to file each of these reports in accordance with the timelines set forth in their respective reporting instructions.

Because the FR Y-14A reporting form relates to the Board's capital planning and stress testing requirements, the Board expects that it would require GECC to file its first FR Y-14A submission on April 5, 2016, to report its first capital plan. The Board expects GECC would be required to submit its first FR Y-14Q and Y-14M reports as of one calendar year before the as-of date of its first supervisory and company-run stress test under the Board's stress test rules.

#### A. FR Y-6 Report

The FR Y-6 (Annual Report of Holding Companies) is an annual information collection currently submitted by top-tier bank holding companies, savings and loan holding companies, securities holding companies, and non-qualifying foreign banking organizations. It collects financial data, an organization chart, verification of domestic branch data, and information about certain shareholders.

With respect to GECC, the Board expects to use this information, in

conjunction with the information collected through the FR Y-10 report, to monitor the financial condition and the activities of GECC. This information will also be used by the Board to monitor the extent to which the activities and operations of GECC pose a threat to the financial stability of the United States and GECC's compliance with the requirements of Title I of the Dodd-Frank Act, the enhanced prudential standards that are imposed on GECC, and other relevant law. In addition, this information will be used to capture the legal entity structure of GECC. The Board also expects to use this information, combined with the information collected through the FR Y-9C, FR Y-9LP, FR Y-10, FR Y-11, FR Y-11S, FR 2314, and FR 2314S reports, to monitor intercompany transactions and changes in GECC's legal entity structure over time.

#### B. FR Y-10 Report

The FR Y-10 (Report of Changes in Organizational Structure) is an event-generated information collection currently submitted by top-tier bank holding companies; savings and loan holding companies; state member banks unaffiliated with a bank holding company or a foreign banking organization; Edge and agreement corporations that are not controlled by a state member bank, a domestic bank holding company, or a foreign banking organization; and nationally chartered banks that are not controlled by a bank holding company or a foreign banking organization (with regard to their foreign investments only), to capture changes in their regulated investments and activities. The Board uses this information to ensure that these firms' activities are conducted in a safe and sound manner. The data also provide the Board with information integral to monitoring compliance with the BHC Act, the Gramm-Leach-Bliley Act, the Federal Reserve Act, the International Banking Act, the Sarbanes-Oxley Act, the Board's Regulation Y, the Board's Regulation K, the Board's Regulation LL, and HOLA.

The information in this report, in conjunction with the information in the FR Y-6, will be used to capture the legal entity structure of GECC. As noted above, the FR Y-6 and FR Y-10 reports are the only detailed sources of information on the structure of these top-tier firms. This information will also be used by the Board to monitor the extent to which the activities and operations of GECC pose a threat to the financial stability of the United States and GECC's compliance with the requirements of Title I of the Dodd-

Frank Act, the enhanced prudential standards that are imposed on GECC, and other relevant law. In addition, this information will be used to capture the legal entity structure of GECC. The Board also expects to use this information, combined with the information collected through the FR Y-9C, FR Y-9LP, FR Y-10, FR Y-11, FR Y-11S, FR 2314, and FR 2314S reports, to monitor intercompany transactions and changes in GECC's legal entity structure over time.

#### C. FR Y-9C and FR Y-9LP Reports

The FR Y-9C (Consolidated Financial Statements for Holding Companies) and FR Y-9LP (Parent Company Only Financial Statements for Large Holding Companies) reports are standardized financial statements currently submitted by bank holding companies, savings and loan holding companies, and securities holding companies on a quarterly basis. The FR Y-9C consists of standardized financial statements and collects consolidated data from these entities. The FR Y-9LP collects basic financial data from domestic bank holding companies, savings and loan holding companies, and securities holding companies on a consolidated, parent-only basis in the form of a balance sheet, an income statement, and supporting schedules relating to investments, cash flow, and certain memoranda items. Financial information from these reports is used to assess and monitor the financial condition of holding company organizations, which may include parent, bank, and nonbank entities. This information also is used to detect emerging financial problems, to review performance and conduct pre-inspection analysis, to monitor and evaluate capital adequacy, to evaluate mergers and acquisitions, and to analyze the overall financial condition of bank holding companies, savings and loan holding companies, and securities holding companies, to ensure safe and sound operations.

With respect to GECC, the Board expects to use the data to monitor the financial condition of the company and subsidiaries and assess the systems of the company and subsidiaries for monitoring and controlling financial, operating, and other risks. This information also may be used to analyze the extent to which the activities and operations of the company or subsidiaries pose a threat to the financial stability of the United States and to monitor GECC's compliance with Title I of the Dodd-Frank Act, the enhanced prudential standards that are imposed on GECC, and other relevant law. The standardized format of these

reports allows for the consistent assessment of financial condition across all firms that are required to report under these forms. The level of detail provided within the supporting schedules of these reports is not available through public financial filings or alternate sources.

#### *D. FR Y-11 and FR Y-11S Reports*

The FR Y-11 and FR Y-11S (Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies) reports collect financial information for individual non-functionally regulated U.S. nonbank subsidiaries of domestic bank holding companies, savings and loan holding companies, and securities holding companies. This report consists of a balance sheet and income statement; information on changes in equity capital, changes in the allowance for loan and lease losses, off-balance-sheet items, and loans; and a memoranda section. Top-tier bank holding companies, savings and loan holding companies, and securities holding companies file the FR Y-11 and FR Y-11S reports on a quarterly or annual basis according to filing criteria. The information obtained through the FR Y-11 and FR Y-11S reports is used with other bank holding companies, savings and loan holding companies, and securities holding companies data to assess the condition of firms that are engaged in nonbanking activities and to monitor the volume, nature, and condition of their nonbanking operations.

With respect to GECC, the Board expects to use this information, in conjunction with the information collected through the FR 2314 and FR 2314S reports, to assess the financial condition of U.S. nonbanking entities within GECC and to monitor their activities. This information also may be used to monitor the financial condition of subsidiaries of GECC and to assess the systems of the company for monitoring and controlling financial, operating, and other risks. This information may further be used to analyze the extent to which the activities and operations of GECC or its subsidiaries pose a threat to the financial stability of the United States and to monitor GECC's compliance with Title I of the Dodd-Frank Act, the enhanced prudential standards that are imposed on GECC, and other relevant law. In addition, the information collected through the FR Y-11, FR Y-11S, FR 2314, and FR 2314 reports serves to identify material legal entities.

#### *E. FR 2314 and FR 2314S Reports*

The FR 2314 and FR 2314S (Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations) reports collect financial information for non-functionally regulated direct or indirect foreign subsidiaries of U.S. state member banks, Edge and agreement corporations, bank holding companies, and savings and loan holding companies. The FR 2314 and FR 2314S reports consist of a balance sheet and income statement; information on changes in equity capital, changes in the allowance for loan and lease losses, off-balance-sheet items, and loans; and a memoranda section. Holding companies file this report on a quarterly or annual basis according to filing criteria. The data is used to identify current and potential problems at the foreign subsidiaries of U.S. parent companies, to monitor the activities of U.S. banking organizations in specific countries, and to develop a better understanding of activities within the industry, in general, and of individual institutions, in particular. The FR 2314 and FR 2314S reports are the only source of comprehensive and systematic data on the assets, liabilities, and earnings of the foreign bank and nonbank subsidiaries of U.S. state member banks, holding companies, and Edge Act and agreement corporations.

With respect to GECC, the Board expects to use this information, in conjunction with the information collected through the FR Y-11 and FR Y-11S reports, to assess the financial condition of foreign subsidiaries of GECC and to monitor their activities. This information may be used to assess the systems of GECC and its foreign subsidiaries for monitoring and controlling financial, operating, and other risks. This information also may be used to analyze the extent to which the activities and operations of the foreign subsidiaries pose a threat to the financial stability of the United States and to monitor compliance with Title I of the Dodd-Frank Act, the enhanced prudential standards that are imposed on GECC, and other relevant law. The information collected through the FR Y-11, FR Y-11S, FR 2314, and FR 2314S reports will allow the Board to develop a better understanding of the activities of GECC and its subsidiaries in specific countries, and to develop a better understanding of the activities conducted within the industries in which GECC operates.

#### *F. FR Y-14A, FR Y-14M, and FR Y-14Q Reports*

Submitted as part of the Board's CCAR and stress testing processes, the FR Y-14A, FR Y-14M, and FR Y-14Q (Capital Assessments and Stress Testing) reports collect detailed financial information from top-tier bank holding companies (other than foreign banking organizations) with \$50 billion or more in total consolidated assets, as determined based on: (i) The average of the bank holding company's total consolidated assets in the four most recent quarters as reported quarterly on the bank holding company's FR Y-9C reports; or (ii) the average of the bank holding company's total consolidated assets in the most recent consecutive quarters as reported quarterly on the bank holding company's FR Y-9C reports, if those bank holding companies have not filed an FR Y-9C report for each of the most recent four quarters.

The FR Y-14A report is an annual collection of these bank holding companies' quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios, with certain projections and information collected on a semi-annual basis. The FR Y-14M report is a monthly submission that comprises three loan- and portfolio-level collections of data concerning domestic residential mortgages, domestic home equity loan and home equity lines of credit, and domestic credit card loans, and one detailed address-matching collection to supplement two of the loan- and portfolio-level collections. The FR Y-14Q report is a quarterly collection of granular data on these bank holding companies' various asset classes and pre-provision net revenue for the reporting period, including information pertaining to securities, retail loans, wholesale loans, mortgage servicing rights, regulatory capital instruments, operational risk, and trading, private equity, and other fair-value assets. Collectively, the Y-14 data is used to assess the capital adequacy of large bank holding companies using forward-looking projections of revenue and losses, and to support supervisory stress test models and continuous monitoring efforts.

With respect to GECC, the Board expects to use this information to assess GECC's internal assessments of its capital adequacy under a stressed scenario, and to conduct the Federal Reserve's supervisory stress tests that

assess GECC's ability to withstand stress in a manner consistent with bank holding companies subject to the Board's capital plan and stress testing rules. In addition, this information will be used to support ongoing monitoring of changes in GECC's risk profile and composition.

The Board would require GECC to file its first FR Y-14A submission on April 5, 2016, as part of its capital plan. In addition, the Board would require GECC to submit its first FR Y-14Q and Y-14M reports as of one calendar year before the as of date of its first supervisory and company-run stress test under the Board's stress test rules, which would be as of December 31, 2015, under this proposal.

#### G. FR Y-15 Report

The FR Y-15 (Banking Organization Systemic Risk Report) report collects consolidated systemic risk data from bank holding companies with total consolidated assets of \$50 billion or more and the U.S. operations or large foreign banking organizations. The data items collected in this report mirror those developed by the Basel Committee to assess the global systemic importance of banks. The Board uses the information collected annually through the FR Y-15 report to: (i) Facilitate the future implementation of the capital surcharge on global systemically-significant banking organizations through regulation; (ii) identify institutions that may be domestic systemically-significant banking organizations under a future framework; (iii) analyze the systemic risk implications of proposed mergers and acquisitions; and (iv) monitor, on an ongoing basis, the systemic risk profile of the institutions that are subject to enhanced prudential standards under section 165 of the Dodd-Frank Act.<sup>72</sup>

If applied to GECC, the Board expects to use this data to assess and monitor GECC's systemic risk profile and its global systemic importance, as well as its ongoing compliance with Title I of the Dodd-Frank Act, the enhanced prudential standards that are imposed on GECC, and other relevant law.

#### H. FFIEC 009 and FFIEC 009a Reports

The Federal Financial Institutions Examination Council (FFIEC) is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board, the FDIC, the National Credit Union Administration, the OCC, and the Consumer Financial Protection Bureau

and to make recommendations to promote uniformity in the supervision of financial institutions. The FFIEC 009 (Country Exposure Report) and FFIEC 009a (the Country Exposure Information Report) reports are quarterly information collections currently submitted by U.S. commercial banks and bank holding companies holding with \$30 million or more in claims on residents of foreign countries. The FFIEC 009 collects detailed information on the distribution, by country, of claims on foreigners held by U.S. banks and bank holding companies. The FFIEC 009a is a supplement to the FFIEC 009 that provides specific information about the reporting institutions' exposures in particular countries.

The FFIEC 009 report consists of four schedules that collect information concerning: (1) Claims on the firm on the basis of the country of residence of the borrower (except claims from the fair value of derivative contracts); (2) the reporting firm's claims on an ultimate-risk basis with additional details related to those claims; (3) the firm's foreign-office liabilities; and (4) the firm's off-balance-sheet exposures from commitments, guarantees, and credit derivatives. The information collected is used to determine the presence of credit and related risks, including transfer and country risk. The FFIEC 009a is filed if exposures to a country exceed 1 percent of total assets or 20 percent of capital at the reporting institution and requires that the respondent also furnish a list of countries in which exposures were between 0.75 percent and one percent of total assets or between 15 and 20 percent of capital.

With respect to GECC, the Board expects to use this information to assess GECC's credit and related risks. Specifically, the information collected on the FFIEC 009 report and the FFIEC 009a report provides additional information on counterparties, the type of claim being reported, and credit derivative exposure. The information also provides details on a limited number of risk mitigants to help provide context for currently reported gross exposure numbers. This information may be used to analyze the extent to which GECC's credit exposures pose a threat to the financial stability of the United States. The information collected through the FFIEC 009 report and the FFIEC 009a report will allow the Board to develop a better understanding of GECC's exposures in specific countries, and to monitor trends in exposures to foreign creditors.

#### I. FFIEC 102

The proposed FFIEC 102 reporting form is designed to implement the reporting requirements for institutions that are subject to the federal banking agencies' market risk capital rule under the revised capital framework.<sup>73</sup> The proposed reports would be quarterly information collections used to assess the reasonableness and accuracy of a market risk institution's calculation of its minimum capital requirements under the market risk capital rule and to evaluate such an institution's capital in relation to its risks.

The market risk information collected in the FFIEC 102 is designed to: (a) Permit the federal banking agencies to monitor the market risk profile of and evaluate the impact and competitive implications of the market risk capital rule on individual market risk institutions and the industry as a whole; (b) provide the most current statistical data available to identify areas of market risk on which to focus for onsite and offsite examinations; (c) allow the federal banking agencies to assess and monitor the levels and components of each reporting institution's risk-based capital requirements for market risk and the adequacy of the institution's capital under the market risk capital rule; and (d) assist market risk institutions to implement and validate the market risk framework.

Although GECC would not currently be subject to the Board's market risk capital rule because it does not meet the applicable aggregate trading assets and trading liabilities thresholds, the proposed order would require GECC to submit the FFIEC 102 should GECC become subject to the Board's market risk capital rule.<sup>74</sup> The information collected on the FFIEC 102 would allow the Board to monitor GECC's market risk profile and the adequacy of GECC's capital under the market risk capital rule should it become applicable.

#### VI. Timing of Application

In general, the Board is proposing to require GECC to begin complying with the proposed enhanced prudential standards beginning July 1, 2015, except

<sup>73</sup> See Subpart F to 12 CFR 217.

<sup>74</sup> The Board's market risk capital rule applies to any state member bank, bank holding company, or savings and loan holding company with aggregate trading assets and trading liabilities (as reporting on the applicable Call Report, for a state member bank, or FR Y-9C, for a bank holding company or savings and loan holding company, as applicable) equal to: (i) 10 percent or more of the quarter-end total assets as reported on the most recent regulatory report; or (ii) \$1 billion or more. 12 CFR 217.201(b). As of September 30, 2014, GECC had approximately \$229 million in aggregate trading assets and trading liabilities.

<sup>72</sup> 12 U.S.C. 5365.

for the Board's capital planning and stress testing rules, which the Board has proposed will apply to GECC beginning on the next capital planning and stress testing cycle beginning January 1, 2016, and January 1, 2017, respectively. However, regardless of the transition period for application of the enhanced prudential standards, GECC will continue to be subject to the Board's examination and oversight authority, and any other prudential requirements imposed under HOLA.<sup>75</sup>

15. Should the Board consider providing a longer transition period for any of the standards that it has proposed to apply to GECC?

### VII. Paperwork Reduction Act

Certain provisions of the Board's proposed order contain "collection of information" requirements within the meaning of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501–3521). In accordance with the requirements of the PRA, the Board may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Board reviewed the proposed order under the authority delegated to the Board by OMB.

The proposed order contains reporting requirements subject to the PRA and would require GECC to submit the following reporting forms in the same manner as a bank holding company:

(1) Country Exposure Report and Country Exposure Information Report (FFIEC 009 and FFIEC 009a; OMB No. 7100–0035);

(2) Proposed Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule (FFIEC 102; OMB No. to be obtained) (See the initial **Federal Register** notice (79 FR 52108) published on September 2, 2014.);

(3) Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations; and Abbreviated Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations (FR 2314; and FR 2314S OMB No. 7100–0073);

(4) Annual Report of Holding Companies (FR Y–6; OMB No. 7100–0297);

(5) Consolidated Financial Statements for Holding Companies (FR Y–9C; OMB No. 7100–0128);

(6) Parent Company Only Financial Statements for Large Holding Companies (FR Y–9LP; OMB No. 7100–0128);

(7) Report of Changes in Organizational Structure (FR Y–10; OMB No. 7100–0297);

(8) Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies; and Abbreviated Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies (FR Y–11; and FR Y–11S OMB No. 7100–0244);

(9) Capital Assessments and Stress Testing (FR Y–14A; FR Y–14M; and FR Y–14Q OMB No. 7100–0341); and

(10) Banking Organization Systemic Risk Report (FR Y–15; OMB No. 7100–0352).

The proposed order contains reporting, recordkeeping, or disclosure requirements subject to the PRA and would require GECC to comply with the following information collections in the same manner as a bank holding company:

(1) Funding and Liquidity Risk Management Guidance (FR 4198; OMB No. 7100–0326). See the Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations final rule (79 FR 17239) published on March 27, 2014.

(2) Risk-Based Capital Standards: Advanced Capital Adequacy Framework Information Collection (FR 4200; OMB No. 7100–0313). See the Regulatory Capital Rules final rule (78 FR 62017) published on October 11, 2013, and the Regulatory Capital Rules final rule (79 FR 57725) published on September 26, 2014.

(3) Risk-Based Capital Guidelines: Market Risk (FR 4201; OMB No. 7100–0314). See the Regulatory Capital Rules final rule (78 FR 62017) published on October 11, 2013.

(4) Recordkeeping and Reporting Requirements Associated with Regulation Y (Capital Plans) (Reg Y–13; OMB No. 7100–0342). See the Capital Plans final rule (76 FR 74631) published on December 1, 2011, the Supervisory and Company-Run Stress Test Requirements for Covered Companies final rule (77 FR 62377) published on October 12, 2012, and the Capital Plan and Stress Test Rules final rule (79 FR 64025) published on October 27, 2014.

(5) Reporting and Recordkeeping Requirements Associated with Regulation WW (Liquidity Coverage Ratio; Liquidity Risk Measurement, Standards, and Monitoring) (Reg WW; OMB No. to be obtained). See the Liquidity Coverage Ratio final rule (79 FR 61439) published on October 10, 2014.

(6) Reporting, Recordkeeping, and Disclosure Requirements Associated with Regulation YY (Enhanced Prudential Standards) (Reg YY; OMB

No. 7100–0350). See the Supervisory and Company-Run Stress Test Requirements for Covered Companies final rule (77 FR 62377) published on October 12, 2012, and the Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations final rule (79 FR 17239) published on March 27, 2014.

Comments are invited on:

(a) Whether the proposed collections of information are necessary for the proper performance of the Federal Reserve's functions, including whether the information has practical utility;

(b) The accuracy of the Federal Reserve's estimates of the burden of the proposed information collections, including the validity of the methodology and assumptions used;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the information collections on respondents, including through the use of automated collection techniques or other forms of information technology; and

(e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

All comments will become a matter of public record. Comments on aspects of this proposed order that may affect reporting, recordkeeping, or disclosure requirements and burden estimates should be sent to the addresses listed in the **ADDRESSES** section above. A copy of the comments may also be submitted to the OMB desk officer: By mail to Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street NW., Washington, DC 20503 or by facsimile to 202–395–6974, Attention, Federal Reserve Desk Officer.

### VIII. Proposed Order

#### FEDERAL RESERVE SYSTEM

**General Electric Capital Corporation, Inc.**

**Norwalk, Connecticut**

#### **Order Imposing Enhanced Prudential Standards and Reporting Requirements**

Pursuant to section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the Board of Governors of the Federal Reserve System (Board) is required to apply enhanced prudential standards to General Electric Capital Corporation (GECC), a nonbank financial company that the Financial Stability Oversight Council has determined should be supervised by the Board (nonbank

<sup>75</sup> 12 U.S.C. 1467a, 5361.



financial company supervised by the Board).

After consideration of all of the relevant factors set forth in sections 165(a) and 165(b) of the Dodd-Frank Act, for the reasons set forth in the preamble to this order, the Board is applying the following enhanced prudential standards and reporting requirements to GECC that the Board has tailored, where appropriate, in light of those factors.

#### Capital Requirements

Beginning on July 1, 2015, GECC shall comply with the Board's capital framework, set forth in 12 CFR part 217,<sup>1</sup> as if GECC were a bank holding company that is an "advanced approaches Board-regulated institution" and a "covered BHC," each as defined under 12 CFR 217.2, *provided, however*, that notwithstanding 12 CFR 217.100(b), GECC will not be required to comply with subpart E of 12 CFR part 217 or to calculate an advanced measure for market risk.<sup>2</sup>

#### Capital Planning

GECC shall comply with the capital plan rule set forth in 12 CFR 225.8 as a nonbank financial company supervised by the Board, pursuant to 12 CFR 225.8(b)(1)(iv), and shall submit a capital plan for the capital plan cycle beginning on January 1, 2016.<sup>3</sup>

#### Stress Testing

GECC shall comply with the stress testing requirements set forth in subparts E and F of Regulation YY (12 CFR part 252, subparts E and F) as a nonbank financial company supervised by the Board, pursuant to 12 CFR 252.43(a)(1)(iii) and 12 CFR 252.53(a)(1)(iii), beginning with the stress testing cycle beginning on January 1, 2017.<sup>4</sup>

#### Liquidity Requirements

1. Beginning on July 1, 2015, GECC shall comply with the liquidity requirements, set forth in sections 252.34 and 252.35 of the Board's Regulation YY, as though it were a bank holding company with \$50 billion or more in total consolidated assets.<sup>5</sup>

2. Beginning on July 1, 2015, GECC shall comply with the liquidity coverage ratio (LCR) standard, set forth in 12 CFR part 249, as a covered nonbank company, pursuant to 12 CFR 249.1(b)(1)(iv) and 12 CFR 249.3, subject

to the transition periods set forth under 12 CFR 249.50(b).<sup>6</sup>

3. Beginning on July 1, 2015, GECC shall comply with the Board's supervisory guidance on principles of sound liquidity risk management, as set forth in the Board's Supervision and Regulation letter 10-6, "Interagency Policy Statement on Funding and Liquidity Risk Management," issued in March 2010.<sup>7</sup>

#### Risk Management

1. Beginning on July 1, 2015, GECC shall comply with the risk-management standards under section 252.33 of the Board's Regulation YY as though it were a bank holding company with \$50 billion or more in total consolidated assets.<sup>8</sup>

a. In addition, beginning on July 1, 2015, GECC is required to maintain a board of directors that has the greater of 25 percent of directors or two directors who are independent of General Electric Company's management and board of directors and GECC's management, one of whom may satisfy the independent director requirement under section 252.33(a)(4) of Regulation YY; and

b. GECC shall ensure that the chair of the risk committee established at GECC pursuant to Regulation YY is among the directors who are independent of General Electric Company's management and board of directors and GECC's management.<sup>9</sup>

2. GECC shall continue to comply with the Board's existing risk-management guidance and supervisory expectations applicable to nonbank financial companies supervised by the Board.<sup>10</sup>

#### Restrictions on Intercompany Transactions

Beginning on July 1, 2015, all transactions between GECC (or any of its subsidiaries) and GE (or any of its subsidiaries other than GECC or subsidiaries of GECC) shall be subject to the requirements of section 23B of the

Federal Reserve Act and the corresponding provisions of Regulation W (subpart F of 12 CFR part 223) as if GECC (or any of its subsidiaries) were a "member bank" and GE (or any of its subsidiaries other than GECC and subsidiaries of GECC) were an "affiliate" as defined in section 23B of the Federal Reserve Act and Regulation W.<sup>11</sup> However, this restriction would not apply to transactions between GECC and any person the proceeds of which are used for the benefit of, or transferred to, an affiliate, which would otherwise be a covered transaction under section 23A(a)(2) of the Federal Reserve Act and section 223.16 of Regulation W.<sup>12</sup>

#### Future Standards

Nothing herein limits the Board's authority to impose additional enhanced prudential standards to apply to GECC in the future.

#### Reporting Requirements

1. Beginning on July 1, 2015, pursuant to section 161(a) of the Dodd-Frank Act,<sup>13</sup> GECC shall file the following reports with the Board:

a. FFIEC 102 report (Market Risk Regulatory Report for Institutions Subject to the Market Risk Capital Rule);<sup>14</sup>

b. FFIEC 009 report (Country Exposure Report) and FFIEC 009a report (Country Exposure Information Report);

c. FR Y-6 report (Annual Report of Holding Companies);

d. FR Y-10 report (Report of Changes in Organizational Structure);

e. FR Y-9C report (Consolidated Financial Statements for Holding Companies) and FR Y-9LP report (Parent Company Only Financial Statements for Large Holding Companies);

f. FR Y-11 and FR Y-11S reports (Financial Statements of U.S. Nonbank Subsidiaries of U.S. Holding Companies);

g. FR 2314 and FR 2314S reports (Financial Statements of Foreign Subsidiaries of U.S. Banking Organizations);

h. FR Y-14A, FR Y-14M, and FR Y-14Q reports (Capital Assessments and Stress Testing); and

i. FR Y-15 report (Banking Organization Systemic Risk Report).

2. Other than the FR Y-14A, FR Y-14M, and FR Y-14Q reports, GECC

<sup>1</sup> 12 CFR part 217.

<sup>2</sup> 12 CFR 217.204.

<sup>3</sup> 12 CFR 225.8.

<sup>4</sup> Subparts E and F of 12 CFR part 252.

<sup>5</sup> 12 CFR 252.34, 252.35.

<sup>6</sup> 12 CFR part 249.

<sup>7</sup> Board of Governors of the Federal Reserve System, Division of Banking Supervision and Regulation (2010), "Interagency Policy Statement on Funding and Liquidity Risk Management," Supervision and Regulation Letter SR 10-6 (March 17); 75 FR 13656 (March 22, 2010); available at: <http://www.federalreserve.gov/boarddocs/srletters/2010/sr1006.pdf>.

<sup>8</sup> 12 CFR 252.33.

<sup>9</sup> 12 CFR 252.33(a).

<sup>10</sup> See Board of Governors of the Federal Reserve System, Division of Banking Supervision and Regulation (2012), "Consolidated Supervision Framework for Large Financial Institutions," Supervision and Regulation Letter SR 12-17 (December 17), available at: <http://www.federalreserve.gov/bankinfo/reg/srletters/sr1217.htm>.

<sup>11</sup> 12 U.S.C. 371c-1; subpart F of 12 CFR part 223.

<sup>12</sup> 12 U.S.C. 371c(a)(2); 12 CFR 223.16.

<sup>13</sup> 12 U.S.C. 5361(a).

<sup>14</sup> GECC shall become subject to the FFIEC 102 report in the event the company meets the aggregate trading assets and trading liabilities threshold for application of the Board's market risk capital rule. 12 CFR 217.201(b).

shall file each of the reports in accordance with the timelines set forth in the applicable instructions to each reporting form.

3. GECC shall submit its first FR Y-14A report on April 5, 2016, in connection with its first submission under the capital plan rule (12 CFR 225.8).

4. GECC shall submit its first FR Y-14Q and FR Y-14M reports one calendar year before the as of date of its first supervisory and company-run stress test under the Board's stress testing requirements under Regulation YY (12 CFR part 252, subparts E and F).

5. The Board intends to confer with GECC to determine whether GECC should modify any reporting schedules that may not be necessary for GECC to provide, based on its profile, structure, activities, risks, or other characteristics.

By order of the Board of Governors of the Federal Reserve System, November 25, 2014.

**Robert deV. Frierson,**

*Secretary of the Board.*

[FR Doc. 2014-28414 Filed 12-2-14; 8:45 am]

**BILLING CODE 6210-01-P**

## FEDERAL RESERVE SYSTEM

### Change in Bank Control Notices; Acquisitions of Shares of a Bank or Bank Holding Company

The notificants listed below have applied under the Change in Bank Control Act (12 U.S.C. 1817(j)) and § 225.41 of the Board's Regulation Y (12 CFR 225.41) to acquire shares of a bank or bank holding company. The factors that are considered in acting on the notices are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The notices are available for immediate inspection at the Federal Reserve Bank indicated. The notices also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing to the Reserve Bank indicated for that notice or to the offices of the Board of Governors. Comments must be received not later than December 15, 2014.

A. Federal Reserve Bank of St. Louis (Yvonne Sparks, Community Development Officer) P.O. Box 442, St. Louis, Missouri 63166-2034:

1. *Byron B. Webb, III, Emden, Missouri, as Trustee of the Byron B. Webb, III Separate Property Trust, dated April 26, 2004, and Victoria Webb Sack, Del Mar, California, as Trustee of the Victoria Webb Sack Separate Property Recoverable Stock Trust, dated June 12, 2008;* to acquire voting shares of Byron B. Webb, Inc., and thereby indirectly

acquire voting shares of HomeBank, both in Palmyra, Missouri.

B. Federal Reserve Bank of Kansas City (Dennis Denney, Assistant Vice President) 1 Memorial Drive, Kansas City, Missouri 64198-0001:

1. *The Virgil A. Lair and Mary A. Lair Irrevocable Trust dated August 15, 2013, Chanute, Kansas; Gregory D. Lair, Piqua, Kansas; Casey A. Lair, Neodesha, Kansas; Mark T. Lair, Chanute, Kansas; and Jill A. Aylward, Chanute, Kansas;* all individually and as trustees; to retain voting shares of Southeast Bancshares, Inc., and thereby indirectly retain voting shares of Bank of Commerce, both in Chanute, Kansas; Chetopa State Bank & Trust Company, Chetopa, Kansas; and First Neodesha Bank, Neodesha, Kansas.

Board of Governors of the Federal Reserve System, November 28, 2014.

**Margaret McCloskey Shanks,**

*Deputy Secretary of the Board.*

[FR Doc. 2014-28433 Filed 12-2-14; 8:45 am]

**BILLING CODE 6210-01-P**

## FEDERAL RESERVE SYSTEM

### Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The applications will also be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities will be conducted throughout the United States.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of

Governors not later than December 26, 2014.

A. Federal Reserve Bank of Minneapolis (Jacquelyn K. Brunmeier, Assistant Vice President) 90 Hennepin Avenue, Minneapolis, Minnesota 55480-0291:

1. *HF Financial Corp., Sioux Falls, South Dakota;* to become a bank holding company by converting its wholly-owned subsidiary Home Federal Bank, Sioux Falls, South Dakota, from a federal savings bank to a South Dakota state-chartered bank.

Board of Governors of the Federal Reserve System, November 28, 2014.

**Margaret McCloskey Shanks,**

*Deputy Secretary of the Board.*

[FR Doc. 2014-28435 Filed 12-2-14; 8:45 am]

**BILLING CODE 6210-01-P**

## FEDERAL RESERVE SYSTEM

### Notice of Proposals To Engage in or To Acquire Companies Engaged in Permissible Nonbanking Activities

The companies listed in this notice have given notice under section 4 of the Bank Holding Company Act (12 U.S.C. 1843) (BHC Act) and Regulation Y, (12 CFR part 225) to engage *de novo*, or to acquire or control voting securities or assets of a company, including the companies listed below, that engages either directly or through a subsidiary or other company, in a nonbanking activity that is listed in § 225.28 of Regulation Y (12 CFR 225.28) or that the Board has determined by Order to be closely related to banking and permissible for bank holding companies. Unless otherwise noted, these activities will be conducted throughout the United States.

Each notice is available for inspection at the Federal Reserve Bank indicated.

The notice also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether the proposal complies with the standards of section 4 of the BHC Act.

Unless otherwise noted, comments regarding the applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than December 15, 2014.

A. Federal Reserve Bank of San Francisco (Gerald C. Tsai, Director, Applications and Enforcement) 101 Market Street, San Francisco, California 94105-1579:

1. *First Financial Northwest, Inc. ("FFNW"),* to engage *de novo* through its subsidiary, First Financial Diversified Corporation, both of Renton, Washington, in extending, acquiring,