

The application of the LER criteria should, among other things, ensure that the allocation of activities across the firm's U.S. branches and U.S. non-branch material entities support the firm's U.S. resolution strategy and minimize risk to U.S. financial stability in the event of resolution.

Moreover, LER works with other components to improve resolvability. For example, with regard to shared services the firm should identify all shared services that support identified critical operations, maintain a mapping of how/where these services support core business lines and identified critical operations, and include this mapping into the legal rationalization criteria and implementation efforts.

#### *Derivatives and Trading Activities*

To the extent relevant, the derivatives and trading FAQs have been consolidated into the updated section of the Proposed Guidance.

#### *Legal*

##### LEG 1. Support Within the United States

*Q. Could the Agencies clarify what further legal analysis would be expected regarding the impact of potential state law and bankruptcy law challenges and mitigants to the planned provision of Support?*

A. The firms should address developments from the firm's own analysis of potential legal challenges regarding the Support and should also address any additional potential legal challenges identified by the Agencies in the Support within the United States section of the Proposed Guidance. A legal analysis should include a detailed discussion of the relevant facts, legal challenges, and Federal or State law and precedent. The analysis also should evaluate in detail the legal challenges identified in the Support within the United States section of the Proposed Guidance, any other legal challenges identified by the firm, and the efficacy of potential mitigants to those challenges. Firms should identify each factual assumption underlying their legal analyses and discuss how the analyses and mitigants would change if the assumption were not to hold. Moreover, the analysis need not take the form of a legal opinion.

##### LEG 2. Contractually Binding Mechanisms

The Proposed Guidance states that the legal analysis described under the heading "Support Within the United States" should include mitigants to the potential challenges to the planned Support and that the plan should identify the mitigant(s) to such challenges that the firm considers most effective. The Proposed Guidance does not specifically reference consideration of a contractually binding mechanism. However, the following questions and answers may be useful to a firm that chooses to consider a contractually binding mechanism as a mitigant to the potential challenges to the planned Support.

*Q1. Do the Agencies have any preference as to whether capital is down-streamed to key subsidiaries (including an IDI subsidiary) in the form of capital contributions vs. forgiveness of debt?*

A1. No. The Agencies do not have a preference as to the form of capital contribution or liquidity support.

*Q2. Should a contractually binding mechanism relate to the provision of capital or liquidity? What classes of assets would be deemed to provide capital vs. liquidity?*

A2. Contractually binding mechanism is a generic term and includes the down-streaming of capital and/or liquidity as contemplated by the U.S. resolution strategy. Furthermore, it is up to the firm, as informed by any relevant guidance of the Agencies, to identify what assets would satisfy a U.S. affiliate's need for capital and/or liquidity.

*Q3. Is there a minimum acceptable duration for a contractually binding mechanism? Would an "evergreen" arrangement, renewable on a periodic basis (and with notice to the Agencies), be acceptable?*

A3. To the extent a firm utilizes a contractually binding mechanism, such mechanism, including its duration, should be appropriate for the firm's U.S. resolution strategy, including adequately addressing relevant financial, operational, and legal requirements and challenges.

Q4. Not consolidated.

Q5. Not consolidated.

*Q6. The firm may need to amend its contractually binding mechanism from time to time resulting potentially from changes in relevant law, new or different regulatory expectations, etc. Is a firm able to do this as long as there is no undue risk to the enforceability (e.g., no signs of financial stress sufficient to unduly threaten the agreement's enforceability as a result of fraudulent transfer)?*

A6. Yes, however the Agencies should be informed of the proposed duration of the agreement, as well as any terms and conditions on renewal and/or amendment. Any amendments should be identified and discussed as part of the firm's next U.S. resolution plan submission.

Q7. Not consolidated.

*Q8. Should firms include a formal regulatory trigger by which the Agencies can directly trigger a contractually binding mechanism?*

A8. No

#### *General*

None of the general FAQs were consolidated.

By order of the Board of Governors of the Federal Reserve System, March 11, 2020.

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

Federal Deposit Insurance Corporation.

By order of the Board of Directors.

Dated at Washington, DC, on March 5, 2020.

**Annamarie H. Boyd,**  
*Assistant Executive Secretary.*

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## 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 (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 applications are set forth in paragraph 7 of the Act (12 U.S.C. 1817(j)(7)).

The applications listed below, as well as other related filings required by the Board, if any, 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 paragraph 7 of the Act.

Comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors, Ann E. Misback, Secretary of the Board, 20th and Constitution Avenue NW, Washington, DC 20551-0001, not later than April 1, 2020.

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

1. *The Rahman Family Trust Dated August 7, 1997, Altadena, California, Yahia Abdul Rahman and Madga Rahman, Trustees, both of Altadena, California; American Finance House Lariba, Whittier, California; Maie St. John, Los Angeles, California; Richard St. John, Los Angeles, California; and Marwa Abdul Rahman, Altadena, California;* to retain voting shares of Greater Pacific Bancshares, and thereby indirectly retain shares of Bank of Whittier, National Association, both of Whittier, California.

2. *Sang Young Lee and Chun Young Lee, both of La Canada, California, and Lee's Gold & Diamond Import, Inc., Los Angeles, California;* to acquire the voting shares of PCB Bancorp and thereby indirectly acquire shares of Pacific City Bank, both of Los Angeles, California.

Board of Governors of the Federal Reserve System, March 12, 2020.

**Yao-Chin Chao,**  
*Assistant Secretary of the Board.*

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