

Comparison of Material Differences in the Final Guidance vs. the Proposed Guidance

Sub-Section/Topic	Summary of Proposed Guidance <i>Includes Comparison of Material Differences with 2018 FBO Guidance</i>	Status in Final Guidance <i>Includes Comparison of Material Differences with Proposed Guidance</i>	Page # in Final Guidance
I. Introduction			
<i>Scope of Applicability</i>	<p>The 2018 FBO Guidance only applied to four named institutions: Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG and UBS AG.</p> <p>The Proposed Guidance would have applied to foreign banking organizations (“<u>FBOs</u>”) with U.S. intermediate holding companies (“<u>IHCs</u>”) that (i) are triennial full filers and (ii) whose IHCs have a score of 250 or more under method 2 of the G-SIB capital surcharge framework (“<u>Specified FBOs</u>”). At the time of the Proposed Guidance, that methodology would have resulted in application to Barclays PLC, Credit Suisse Group AG and Deutsche Bank AG.</p>	<p>Under the Final Guidance, a Specified FBO (i) has combined U.S. operations that are subject to Category II standards under the Board’s Tailoring Rule and (ii) is required to form an IHC.</p> <p>At present, the Final Guidance applies to Barclays PLC, Credit Suisse Group AG, Deutsche Bank AG, and Mitsubishi UFJ Financial Group, Inc. (“<u>MUFG</u>”). However, MUFG is subject to a transition period, meaning that its first submission subject to the Final Guidance will be in 2024.</p> <p>Going forward, FBOs that become newly subject to the Final Guidance will be required to apply the Final Guidance to the first resolution plan that is due at least 12 months after the FBO crosses the scoping threshold, whether the resolution plan is a full resolution plan or a targeted resolution plan.</p> <p>The Final Guidance will immediately cease to apply once an FBO is no longer subject to Category II standards.</p>	52
<i>Prior Guidance Incorporated or Superseded</i>	Under the Proposed Guidance, prior guidance and FAQs would have been superseded with respect to the Specified FBOs to the extent not incorporated in or appended to the Proposed Guidance.	Adopted as proposed. Also, the FAQs reflect changes made by the Final Guidance.	53

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II. Capital			
<i>Resolution Capital Adequacy and Positioning (“RCAP”)</i>	No material changes.	Expectation removed from Final Guidance.	N/A
<i>Resolution Capital Execution Need (“RCEN”)</i>	No material changes.	Adopted as proposed.	54
III. Liquidity			
<i>Liquidity Capabilities</i>	No material changes.	Expectation removed from Final Guidance.	N/A
<i>Resolution Liquidity Adequacy and Positioning (“RLAP”)</i>	No material changes.	Expectation removed from Final Guidance.	N/A
<i>Resolution Liquidity Execution Need (“RLEN”)</i>	No material changes.	Adopted as proposed.	55

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IV. Governance Mechanisms			
<i>Playbooks.</i>	No material changes.	Adopted as proposed.	57
<i>Foreign Parent Support</i>	No material changes.	Expectation removed from Final Guidance.	N/A
<i>Triggers</i>	No material changes.	Expectation removed from Final Guidance.	N/A
<i>Support Within the United States</i>	No material changes.	Expectation removed from Final Guidance.	N/A
V. Operational			
<i>Payment, Clearing, and Settlement Activities (“PCS”)</i>	<p>The 2018 FBO Guidance required the named banks to develop playbooks that would ensure continued access to PCS services in a manner that would support an orderly resolution under its U.S. strategy.</p> <p>The Proposed Guidance would have required a Specified FBO to specifically develop playbooks for each key financial market utility (“<u>FMU</u>”) and key agent bank essential to its U.S. resolution strategy, which should both:</p> <ul style="list-style-type: none"> • ensure continued access to PCS services as a user; and • ensure continued access to PCS services to other firms and affiliates as a provider. 	In contrast to the Proposed Guidance, the Final Guidance “does not include expectations that firms provide information regarding indirect access to the key FMUs and agent banks provided by non-U.S. branches and affiliates.” ¹ The preamble notes that the Agencies anticipate interacting with home country authorities and Specified FBOs on this topic. Final Guidance otherwise materially adopted as proposed.	58

¹ Final Guidance at 31.

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	<p>The Proposed Guidance also would have added three new subsections that list the kinds of information the playbooks should include based on the Specified FBOs’ role as a user or provider of PCS services.</p> <p>Under the Proposed Guidance, to demonstrate capabilities for continued access to PCS services essential to its U.S. resolution strategy and to assist in developing its playbooks, a Specified FBO would have had to:</p> <ul style="list-style-type: none"> • identify clients (including affiliates), FMUs and agent banks for the firm’s U.S. material entities (“<u>MEs</u>”), identified critical operations and core business lines (“<u>CBLs</u>”) using both quantitative (volume and value) and qualitative criteria. • include mapping of U.S. MEs, critical operations, CBLs and key clients of the firm’s U.S. operations to both key FMUs and agent banks. <p>The PCS requirements would have applied to all branches, not just U.S. branches, that are significant to the activities of a Specified FBO’s U.S. MEs, identified critical operation or CBLs.</p>		
<i>Managing, Identifying, and Valuing Collateral</i>	No material changes.	Adopted as proposed.	65

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<i>Management Information Systems (“MIS”)</i>	No material changes. The requirement to implement infrastructure projects by 2018 has expired.	Expectation removed from Final Guidance.	N/A
<i>Shared and Outsourced Services</i>	The Proposed Guidance would have clarified that arrangements to support the continuity of shared or outsourced services that support critical operations must include plans to retain key personnel relevant to the Specified FBO’s strategy.	Adopted as proposed.	67
<i>Qualified Financial Contracts (“QFCs”)</i>	The Proposed Guidance would have removed language from the 2018 FBO Guidance relating to the development of the ISDA protocols to comply with the QFC Stay Rules, as such protocols have been implemented and are effective for adherents, but it would have retained the expectation that a Specified FBO’s plan reflect the current state of how the early termination of QFCs could impact the resolution of its U.S. operations.	Expectation removed from Final Guidance.	N/A
VI. Branches			
<i>Mapping</i>	No material changes.	Expectation removed from Final Guidance.	N/A
<i>Continuity of Operations</i>	No material changes.	Expectation for a liquidity buffer was removed.	69
<i>Impact of the Cessation of Operations</i>	No material changes.	Adopted as proposed.	70

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Group Resolution Plan (removed)			
	No material changes.	Expectation removed from Final Guidance.	N/A
VII. Legal Entity Rationalization			
<i>Legal Entity Rationalization Criteria</i>	No material changes.	Adopted as proposed.	70
<i>Separability</i>	<p>The 2018 FBO Guidance required the named firms to conduct a separability analysis and identify discrete U.S. operations which could be sold or transferred in resolution. The named firms were required to maintain a data room with analysis on the U.S. operations to facilitate buyer due diligence and refresh such analysis annually.</p> <p>The Proposed Guidance would have required the Specified FBOs to have the capability to populate a data room with information on each potential divestiture in a timely manner, but not to continuously maintain a data room with such information. The Proposed Guidance also would have required the Specified FBOs to consider additional detail in the separability analyses, such as the potential consequences for U.S. financial stability of executing each separability option. The amount of detail and analysis would have varied depending on the Specified FBO’s risk profile.</p>	Expectation removed from Final Guidance.	N/A

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VIII. Derivatives and Trading Activities			
<i>Capabilities</i>	<p>The 2018 FBO Guidance required the named banks to have:</p> <ul style="list-style-type: none"> • a developed booking practice with capabilities to track and monitor market, credit and liquidity risk transfers between legal entities; • the ability to provide transparency into the risks associated with derivatives trading, including on a legal entity basis by U.S. broker-dealers, banks and other derivatives trading entities; and • the capacity to facilitate the transfer of prime brokerage accounts to peer prime brokers and include an assessment of how they would complete such transfers. <p>The Proposed Guidance would have replaced the <i>Capabilities</i> subsection in the 2018 FBO Guidance in its entirety with the subsections <i>Booking Practices</i>, <i>U.S. Activities Monitoring</i> and <i>Prime Brokerage Customer Account Transfers</i> described below.</p>	Adopted as proposed.	N/A
<i>Stabilization</i>	The Proposed Guidance would have eliminated the requirements in the 2018 FBO Guidance that a resolution plan include rating agency playbooks and agency-specified data templates and would have therefore deleted the <i>Stabilization</i> subsection.	Adopted as proposed.	N/A
<i>Passive Wind-Down Analysis</i>	The Proposed Guidance would have eliminated the requirement in the 2018 FBO Guidance that a resolution plan include a passive wind-down analysis and would	Adopted as proposed.	N/A

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	have therefore deleted the <i>Passive Wind-Down Analysis</i> subsection.		
<i>Active Wind-Down Analysis</i>	The Proposed Guidance would have eliminated the requirement in the 2018 FBO Guidance that a resolution plan include an active wind-down analysis and would have therefore deleted the <i>Active Wind-Down Analysis</i> subsection.	Adopted as proposed.	N/A
<i>Residual Derivatives Portfolio</i>	The Proposed Guidance would have eliminated the requirement in the 2018 FBO Guidance that a resolution plan include an active wind-down analysis and would have therefore deleted the <i>Residual Derivatives Portfolio</i> subsection, which required the named firms to perform risk analysis on residual portfolios that remained following the active-wind down period.	Adopted as proposed.	N/A
<i>Non-surviving Entities</i>	The Proposed Guidance would have eliminated <i>Non-surviving Entities</i> as a separate subsection and included its requirements under the new subsection <i>Derivatives Stabilization and De-risking Strategy</i> (please see further discussion below).	Adopted as proposed.	N/A
<i>Booking Practices</i>	The Proposed Guidance would have added a new <i>Booking Practices</i> subsection and required a Specified FBO to have a booking framework that includes derivatives and trading entity analysis and reporting for its derivatives and trading activities (“DER”) that are (i) related to its CBL or critical operations, (ii) conducted on its behalf or on behalf of its clients or counterparties that are originated from, booked into, traded through or	The Final Guidance removes from the DER expectations derivatives and trading activities originating from a U.S. entity that are booked directly to a non-U.S. affiliate. The Agencies anticipate interacting with home country authorities and Specified FBOs on derivatives booking practices. Furthermore, while the DER expectations previously would have applied to non-derivatives	71

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	<p>otherwise conducted (in whole or in material part) in a U.S. entity or (iii) both of the foregoing.</p> <p>The Proposed Guidance would have extended the scope of the DER expectations to encompass non-derivatives trading activities such as securities financing transactions.</p>	<p>trading activities such as securities financing transactions, the Final Guidance only applies to derivatives trading activities and linked non-derivatives trading activities. A firm may base its definition of “linked non-derivatives trading activities” on its overall business and resolution strategy.</p>	
<i>U.S. Activities Monitoring</i>	<p>The Proposed Guidance would have added a new <i>U.S. Activities Monitoring</i> subsection and required a Specified FBO to establish a monitoring framework for U.S. DER that included at a minimum methods to:</p> <ul style="list-style-type: none"> • identify, measure, monitor and report on U.S. DER on a business line and legal entity basis; and • identify, assess and report the potential impact on clients, counterparties of the U.S. entities that conduct the U.S. DER and any related risk transfer arrangements among U.S. entities and their non-U.S. affiliates <p>The Proposed Guidance would have scoped in U.S. DER activities booked directly into a non-U.S. affiliate.</p>	<p>In contrast to the Proposed Guidance, a firm does not need to include activities that are booked directly into a non-U.S. affiliate. Otherwise adopted as proposed.</p>	74
<i>Prime Brokerage Customer Account Transfers</i>	<p>The Proposed Guidance would have maintained the general requirements from the 2018 FBO Guidance regarding facilitating transfers of U.S. prime brokerage accounts to peer prime brokers and created a new subsection devoted specifically to such transfers. The Proposed Guidance would have clarified that the guidance applies to client accounts of the Specified FBO’s U.S. prime brokerage business, regardless of</p>	<p>In contrast to the Proposed Guidance, the Final Guidance only applies to U.S. prime brokerage client accounts where the client has signed a prime brokerage agreement with a U.S. material entity; the Final Guidance does not apply to prime brokerage client account positions booked directly</p>	74

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	where those positions or balances are booked. The Proposed Guidance also would have added a new requirement that a Specified FBO must be able to segment U.S. prime brokerage accounts based on characteristics that determine the speed at which accounts could be transferred.	to a non-US affiliate. Otherwise adopted as proposed.	
<i>Portfolio Segmentation</i>	<p>The Proposed Guidance would have added a new subsection and requirements that a Specified FBO have system capabilities that would allow it to produce a portfolio segmentation analysis using multiple segmentation dimensions for each U.S. entity with a derivatives portfolio, including:</p> <ul style="list-style-type: none"> • trading desk or product; • cleared vs. clearable vs. non-clearable trades; • counterparty type; • currency; • maturity; • level of collateralization; and • netting set. 	Adopted as proposed. The preamble explicitly clarifies that this subsection applies only to U.S. derivatives positions in U.S. entities.	76
<i>Derivatives Stabilization and De-risking Strategy</i>	<p>The 2018 FBO Guidance required the named banks' resolution plans to address the following in regards to their U.S. IHC derivatives subsidiaries that would continue after the U.S. IHC entered bankruptcy proceedings:</p> <ul style="list-style-type: none"> • use of rating agency playbooks; 	Adopted as proposed.	76

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	<ul style="list-style-type: none"> • active and passive wind down analysis; • the risks of any residual derivatives portfolios in regards to U.S. IHC derivatives subsidiaries; and • a non-surviving U.S. IHC derivatives subsidiary analysis, if applicable. <p>Under the Proposed Guidance, to the extent a Specified FBO's U.S. resolution strategy assumes the continuation of a U.S. IHC subsidiary with a derivatives portfolio after the U.S. IHC enters bankruptcy proceedings, the Specified FBO's plan would have been required to include a detailed analysis of the strategy to stabilize and de-risk the derivatives portfolios of its surviving U.S. IHC subsidiaries that incorporated defined assumptions regarding OTC derivatives market access, early exits (break clauses) and time horizon.</p> <p>The Proposed Guidance would have required the analysis to take into account:</p> <ul style="list-style-type: none"> • the starting profile of any derivatives portfolios of each surviving derivatives subsidiary; • the profile and function of the surviving derivatives subsidiaries during the resolution period; • the means, challenges and capacity of the surviving derivatives subsidiary to manage and de-risk its derivatives portfolios; • the financial and operational resources required to effect the derivatives strategy; and 		

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	<ul style="list-style-type: none"> • any potential residual portfolio. <p>Rather than require wind down analysis, the Proposed Guidance would have required the forecasts of resource needs of the U.S. IHC subsidiaries to be incorporated into the Specified FBO’s RCEN and RLEN calculations.</p> <p>The Proposed Guidance also would have required the plan to include:</p> <ul style="list-style-type: none"> • a method to apply sensitivity analyses to the key drivers of derivatives-related costs and liquidity flows under the Specified FBO’s U.S. resolution strategy; • a method for estimating the potential residual derivatives portfolio booked in a U.S. IHC subsidiary under the preferred scenario; and • if applicable, a non-surviving U.S. IHC derivatives subsidiary analysis, which addresses the impacts on funding markets, underlying asset markets, clients and counterparties (including affiliates) and the Specified FBO’s U.S. resolution strategy. 		
IX. Format and Structure of Plans			
<i>Format of Plan</i>	The Proposed Guidance would have added Section X, noting, in materially similar language to the Guidance for 2013 §165(d) Annual Resolution Plan Submissions by Foreign-Based Covered Companies that Submitted Initial Resolution Plans in 2012 (“ <u>2013 Guidance</u> ”) that a resolution plan should contain:	Adopted as proposed.	81

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	<ul style="list-style-type: none"> • an executive summary including a description of the elements of the resolution strategy and a discussion of any impediments to resolution, along with any actions taken to address those impediments; • a narrative strategic analysis (the “Narrative”), including how each Specified FBO is addressing key vulnerabilities identified by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation; • appendices containing sufficient detail and analysis to substantiate and support the resolution strategy described in the Narrative; • a public section and confidential section; and • any other informational requirements from the resolution planning rules, though the Specified FBOs may incorporate by reference previously submitted information 		
<i>Guidance Regarding Assumptions</i>	The Proposed Guidance would have expanded upon the required assumptions in the 2013 Guidance, including noting that a firm cannot assume any waivers of sections 23A or 23B of the Federal Reserve Act. A firm could have assumed that its depository institution will have access to the Federal Reserve’s Discount Window for a few days after the point of failure. However, the firm could not have assumed its subsidiary depository institutions will have Discount Window access while critically undercapitalized, in receivership or operating as a bridge bank, nor could it have assumed any lending	Adopted as proposed.	82

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	from a Federal Reserve credit facility to a non-bank affiliate.		
<i>Financial Statements and Projections</i>	The Proposed Guidance would have expanded upon the requirements in the resolution planning rules by stating that resolution plans should include the actual balance sheet for each ME, the consolidating balance sheet adjustments between MEs, the pro forma balance sheets for each ME at the point of failure and key junctures in the execution of the resolution strategy and projected statements of sources and uses of funds for the interim periods.	Adopted as proposed.	83
<i>Material Entities</i>	The Proposed Guidance would have updated from the 2013 Guidance a list of types of entities that <i>should</i> be considered MEs, including subsidiaries, branches and agencies significant to the activities of a critical operation or CBL through their support of global treasury operations, funding or liquidity activities; operational support; derivatives booking activities, asset custody or asset management; or holding licenses or memberships in clearinghouses, exchanges or other FMUs.	Adopted as proposed.	83
X. Public Section			
	The Proposed Guidance would have added a new requirement that a Specified FBO include in the public section of its resolution plan a broad explanation of how it has addressed deficiencies and other key vulnerabilities identified in prior resolution plan submissions.	Adopted as proposed.	85

