

Press Release

FEDERAL RESERVE press release



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The Federal Reserve Board on Monday outlined the criteria it will use to evaluate applications to redeem U.S. Treasury capital from the 19 bank holding companies (BHC) that participated in the Supervisory Capital Assessment Program (SCAP).

Redemption approvals for an initial set of these large bank holding companies are expected to be announced during the week of June 8. Applications will be evaluated periodically thereafter. Any banking organization wishing to redeem U.S. Treasury capital must first obtain approval from its primary federal supervisor, which then forwards approved applications to the Treasury Department.

Any BHC seeking to redeem U.S. Treasury capital must demonstrate an ability to access the long-term debt markets without reliance on the Federal Deposit Insurance Corporation's Temporary Liquidity Guarantee Program (TLGP), and must successfully demonstrate access to public equity markets.

In addition, the Federal Reserve's review of a BHC's application to redeem U.S. Treasury capital will include consideration of the following:

- Whether a BHC can redeem its Treasury capital and remain in a position to continue to fulfill its role as an intermediary that facilitates lending to creditworthy households and businesses;
- Whether, after redeeming its Treasury capital, a BHC will be able to maintain capital levels that are consistent with supervisory expectations;
- Whether a BHC will be able to continue to serve as a source of financial and managerial strength and support to its subsidiary bank(s) after the redemption; and
- Whether a BHC and its bank subsidiaries will be able to meet its ongoing funding requirements and its obligations to counterparties while reducing reliance on government capital and the TLGP.

Finally, all BHCs must have a robust longer-term capital assessment and management process geared toward achieving and maintaining a prudent level and composition of capital commensurate with the BHC's business activities and firm-wide risk profile.