The Federal Reserve Board on Monday said that 9 of the 10 Bank Holding Companies (BHCs) that were determined in the Supervisory Capital Assessment Program (SCAP) earlier this year to need to raise capital or improve the quality of their capital to withstand a worse-than-expected economic scenario now have increased their capital sufficiently to meet or exceed their required capital buffers. The one exception, GMAC, is expected to meet its remaining buffer need by accessing the TARP Automotive Industry Financing Program, and is in discussions with the U.S. Treasury on the structure of its investment. In the SCAP, it was determined that these BHCs needed to augment their capital by $74.6 billion, almost all in the form of common or contingent common capital, by November 9.1 These 10 BHCs took the following capital actions:

- New issuance of common equity or other eligible securities of $39 billion;
- Conversion of existing preferred equity to common equity in the amount of $23 billion; and
- Sales of businesses or portfolios of assets that increased common equity by $9 billion.

Some firms also increased capital through other actions, including reduced dividend payments, issuance of common shares to employee stock ownership plans, and larger-than-anticipated pre-provision net revenue, to meet their required buffers. As a result of all these actions, Tier 1 Common equity increased by more than $77 billion at the 10 firms.2

Led by the Federal Reserve, supervisors, economists, and analysts who conducted the SCAP assessed the amount of capital needed by the 19 largest bank holding companies to withstand greater-than-expected losses and still remain sufficiently capitalized through 2010 to be able to meet the needs of their creditworthy borrowers. The release of the assessment results provided important information about the condition of major U.S. financial institutions during a period of high stress and uncertainty, and helped to increase public confidence in the banking system.

1. Federal Reserve, "The Supervisory Capital Assessment Program: Overview of Results (10.61 MB PDF)," May 7, 2009. Return to text

2. Tier 1 capital, as defined in the Board's Risk-Based Capital Adequacy Guidelines, is composed of common and non-common equity elements, some of which are subject to limits on their inclusion in Tier 1 capital. See 12 CFR part 225, Appendix A, Section 11.A.1. Return to text