

## Press Release

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November 17, 2010

### Federal Reserve issues guidelines for capital action proposals by large bank holding companies

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The Federal Reserve Board on Wednesday issued guidelines for evaluating proposals by large bank holding companies (BHCs) to undertake capital actions in 2011, such as increasing dividend payments or repurchasing or redeeming stock. The criteria provide a common, conservative approach to ensure that BHCs hold adequate capital to maintain ready access to funding, continue operations, and continue to serve as credit intermediaries, even under adverse conditions.

The criteria for evaluating capital distributions are outlined in a revised temporary addendum to Supervision and Regulation letter 09-4, "Dividend Increases and Other Capital Distributions for the 19 Supervisory Capital Assessment Program Firms." The guidelines state that any capital distribution plan will be evaluated on the basis of a number of criteria, with particular emphasis on:

- the firm's ability to absorb losses over the next two years under several scenarios, including an adverse macroeconomic scenario specified by the Federal Reserve and adverse scenarios appropriate for a particular firm's business model and portfolios;
- how the firm will meet Basel III capital requirements as they take effect in the United States, in the context of the proposed capital distributions as well as any anticipated impact of the Dodd-Frank Wall Street Reform and Consumer Protection Act on the firm's

- business model or capital adequacy; and
- the firm's plans to repay U.S. government investments, if applicable. BHCs are expected to complete the repayment or replacement of any U.S. government investments in the form of either preferred shares or common equity prior to increasing capital payouts through higher dividends or stock buybacks.

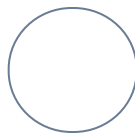
The Federal Reserve expects to respond to capital distribution requests beginning in the first quarter.

The Federal Reserve will evaluate requests for planned capital actions in the context of its broader process for assessing capital adequacy at the largest BHCs. As part of the regular supervisory process, the Federal Reserve is requesting that large U.S. BHCs submit comprehensive capital plans by early next year, regardless of whether a capital action is planned. The capital plan review is the latest step in the Federal Reserve's efforts to enhance supervision of banking organizations. As recognized by the Dodd-Frank Act and demonstrated by the Federal Reserve-led Supervisory Capital Assessment Program in 2009, regular, horizontal reviews across groups of firms provide regulators with both firm-specific and industry-wide perspectives of various issues and trends. The Federal Reserve plans to undertake these capital plan reviews on a regular basis and will consult with primary federal bank regulators.

[SR Letter 09-4](#)

[Attachment](#)

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