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September 24, 2013

### Federal Reserve Board issues interim final rules clarifying how companies should incorporate Basel III reforms into capital and business projections

For immediate release

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The Federal Reserve Board on Tuesday issued two interim final rules that clarify how companies should incorporate the Basel III regulatory capital reforms into their capital and business projections during the next cycle of capital plan submissions and stress tests.

Rules to implement the Basel III capital reforms in the United States were finalized in July, and will be phased-in beginning in 2014 or 2015, depending on the size of the banking organization. The planning horizon for the next capital planning and stress testing cycle runs from the fourth quarter of 2013 through the fourth quarter of 2015. Thus, the next capital planning and stress testing cycle, which begins October 1, overlaps with the implementation of the Basel III capital reforms.

The Board's first interim final rule applies to bank holding companies with \$50 billion or more in total consolidated assets. The rule clarifies that in the next capital planning and stress testing cycle, these companies must incorporate the revised capital framework into their capital planning projections and into the stress tests required under the Dodd-Frank Wall Street Reform and Consumer Protection Act using the transition paths established in the Basel III final rule. This rule also clarifies that for the upcoming cycle, capital adequacy at large banking

organizations would continue to be assessed against a minimum 5 percent tier 1 common ratio calculated in the same manner as under previous stress tests and capital plan submissions, ensuring consistency with those previous exercises.

The second interim final rule provides a one-year transition period for most banking organizations with between \$10 billion and \$50 billion in total consolidated assets. These companies this fall are conducting their first company-run stress test under the Board's rules implementing the Dodd-Frank Act. These companies will be required to calculate their stress test projections using the Board's current regulatory capital rules during the upcoming stress test to allow time to adjust their internal systems to the revised capital framework.

The interim final rules also clarify that companies will not be required to use the advanced approaches in the Basel III capital rules to calculate their projected risk-weighted assets in a given capital planning and stress testing cycle unless the companies have been notified by September 30 of that year, prior to the start of that capital planning and stress testing cycle.

The interim final rules are effective immediately. The Federal Reserve will accept comments on the interim final rules through November 25, 2013, and the rules could be revised later in response to comments. In addition, the Y-14 reporting instructions, which can be found at [www.federalreserve.gov/apps/reportforms/default.aspx](http://www.federalreserve.gov/apps/reportforms/default.aspx), are being updated to reflect these changes.

For media inquiries, call 202-452-2955

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Regulations Y and YY: Application of the Revised Capital Framework to the Capital Plan and Stress Test Rules

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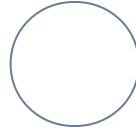
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Period to Revised Regulatory  
Capital Framework for 2013-2014  
Stress Test Cycle

Last Update: September 24, 2013



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