



Highlight of the Week

Implications of Crossing the \$100 Billion Threshold and Becoming a Category IV Bank

- In conjunction with a disappointing earnings announcement on January 31st, New York Community Bank detailed meaningful efforts to align with peer banks over \$100 billion, in compliance with Category IV regulations .
- NYCB's efforts have sparked many regulatory conversations within the past week, particularly about the implications of crossing regulatory thresholds and the dangers of growing too quickly. The \$100 billion threshold has strict capital, liquidity, and supervisory implications.
 - **Capital implications:** Banks that cross the \$100 billion mark are subject to biennial supervisory stress tests and the resulting Stress Capital Buffer. Category IV banks must also submit annual capital plans to the Federal Reserve.
 - **Liquidity implications:** Category IV banks are subject to LCR and NSFR requirements for institutions having more than \$50 billion of short-term wholesale funding. These banks are subject to quarterly Internal Liquidity Stress Tests and must maintain a resulting liquidity buffer. Detailed liquidity risk management frameworks are also required as well as an established independent review function to review these processes.
 - **Supervisory implications:** Banks with more than \$100 billion in assets are supervised as Large and Foreign Banking Organizations (LFBOs) versus Regional Banking Organizations (RBOs). LFBO banks are subject to increased supervision, more frequent examinations, and significant data capture/reporting requirements. The LFBO framework also frequently uses horizontal exams to compare banks within peer groups and to ensure proper alignment to market best practices.
- The capital requirements at the \$100 billion threshold may be greatly exacerbated if Basel III Endgame is implemented. Proposed requirements for Category IV banks include: the incorporation of AOCI in capital, changes to RWA calculations, and supplementary leverage ratio requirements.
- These current and proposed implications of the \$100 billion threshold require several years of preparation. As the former president of the Boston FRB said "the time to worry about risk management for an institution going over \$100 billion is before they go over \$100 billion".

Rate Curves

