



INSTITUTE OF INTERNATIONAL BANKERS

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September 23, 2026

By Electronic Mail

The Honorable Michelle W. Bowman
Vice Chair for Supervision
Board of Governors of the Federal Reserve System

Re: Proposed Reforms to the Combined U.S. Operations (“CUSO”) Rating System

Dear Vice Chair Bowman:

The Institute of International Bankers (the “IIB”) respectfully submits the attached proposed revisions to the rating system for a foreign banking organization’s Combined U.S. Operations (“CUSO”) contained in SR 00-14 (SUP).

The proposed revisions are intended to refocus CUSO rating assessments so that they better reflect the financial condition of, and material financial risks to, an FBO’s combined U.S. operations. The proposal also seeks to align the CUSO framework, where appropriate, with the Federal Reserve Board’s recent amendments to the Large Financial Institution rating system and the FFIEC proposal to amend the CAMELS rating system.

We appreciate the Board’s consideration of these proposed revisions and would welcome the opportunity to discuss them at your convenience. For ease of review, we are also attaching a redline showing the proposed revisions against SR 00-14 (SUP). If we can answer any questions or provide any additional information, please contact me at 646-213-1149 or swebster@iib.org.

Very truly yours,

Stephanie Webster
General Counsel
Institute of International Bankers

Attachments:

Institute of International Bankers Draft of Proposed Revisions to the CUSO Rating System
Redline of Proposed Revisions Against SR 00-14 (SUP)

cc: Randall D. Guynn, Director, Division of Supervision and Regulation
Aleksandra Wells, Adviser, Division of Supervision and Regulation

Institute of International Bankers
Draft of Proposed Revisions to the CUSO Rating System

Set out below are proposed amendments to the rating system for an FBO's Combined U.S. Operations (CUSO) contained in [SR 00-14 \(SUP\), Enhancements to the Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations](#).¹ The proposed amendments aim to refocus CUSO rating assessments to better reflect the financial condition and material financial risk of the CUSO, consistent with the FRB's recent amendments to the Large Financial Institution (LFI) rating system and the FFIEC's proposal to amend the CAMELS rating system. Many of the proposed revisions mirror the revised LFI rating system or the CAMELS proposal.

We hope this is helpful and would be happy to discuss at your convenience.

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DETERMINING THE OVERALL CONDITION OF THE FBO'S U.S. OPERATIONS
Summary of Condition and Assignment of a Rating for the Combined U.S. Operations

An important component of this program is the integration of individual examination findings into an assessment of an FBO's combined U.S. operations. At a minimum, following the conclusion of the last examination of an FBO's U.S. operations in a given annual supervisory cycle, a Summary of Condition should be prepared for all FBOs with multiple U.S. operations. (Please note that for FBOs whose U.S. operations include a commercial bank supervised directly by the OCC or the FDIC, the Reserve Bank drafting the Summary of Condition should include appropriate language in the document identifying the primary supervisory agency for the bank, and that agency's appropriate contact person.) The responsible Reserve Bank, or other U.S. bank supervisory agency, should prepare an evaluation of the condition of the FBO's U.S. operations, which will lead to the assignment of a single-component rating between "1" and "5" for those operations on a combined basis.

This evaluation should assess whether the combined U.S. operations of the FBO possess sufficient financial and operational strength and resilience² to maintain safe and sound operations through a range of conditions. The assessment should consider all risk factors that impact the financial condition of and material financial risks to the combined U.S. operations, including (1)

¹ Specifically, the text is reproduced from the attachment to SR 00-14 (SUP), entitled "Guidelines for Implementing the Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations (the FBO Supervision Program)."

² "Financial strength and resilience" is defined as maintaining effective capital and liquidity governance and planning processes, and sufficiency of related positions, to provide for the continuity of the combined U.S. operations (including their critical operations and banking offices) through a range of conditions.

"Operational strength and resilience" is defined as maintaining effective governance and controls to provide for the continuity of the combined U.S. operations (including their critical operations and banking offices) and to promote compliance with laws and regulations, including those related to consumer protection, through a range of conditions.

References to "financial or operational" weaknesses or deficiencies implicate a firm's financial or operational strength and resilience.

all elements of the ROCA rating system, (2) quality of risk management oversight employed by all levels of management in the FBO's U.S. operations, and (3) the results of examinations of all entities of the FBO conducted during the year, in each case, to the extent relevant to the overall financial and operational strength of, or material financial risks to, an FBO's combined U.S. operations, taken as a whole.

The Summary of Condition and rating of the FBO's combined U.S. operations represent important tools in reaching decisions regarding the scope and frequency of future examinations and appropriate supervisory measures. This information also should provide the basis for a more efficient utilization of supervisory resources (i.e., recognizing, where appropriate, a low or high level of supervisory concern for the FBO's combined U.S. operations).

In arriving at the rating for the combined U.S. operations of the FBO, financial and operational strength and resilience and material financial risks are the predominant considerations. All of the FBO's U.S. entities should be considered; however, this rating should not be based merely on an arithmetic average of the examination ratings of the entities examined. The strengths or weaknesses exhibited within individual entities should be evaluated based on their size and importance relative to the financial and operational strength and resilience of the FBO's combined U.S. operations, taken as a whole, and the materiality and extent of the weaknesses.

The five ratings are defined as follows:

Combined Rating of "1" - The combined U.S. operations broadly meet supervisory expectations, possess sufficient financial and operational strength and resilience to maintain safe-and-sound operations through a range of conditions, and are in substantial compliance with laws and regulations. Identified supervisory issues present no material financial risks.

Combined Rating of "2" - The combined U.S. operations operate in a basically sound manner and are in substantial compliance with laws and regulations, but have modest financial or operational weaknesses that could pose a material financial risk to the combined U.S. operations if not corrected by management in the normal course of business. Identified weaknesses and supervisory issues do not currently create a demonstrable material financial risk to the combined U.S. operations, taken as a whole.

Combined Rating of "3" - The combined U.S. operations have financial or operational deficiencies that create a demonstrable and present material financial risk to the combined U.S. operations, taken as a whole. This rating may also be assigned for significant and substantive noncompliance with laws and regulations that materially undermines the financial or operational resilience of the combined U.S. operations.

Combined Rating of "4" - The financial condition or performance of the combined U.S. operations is deficient, and there is a significant volume of serious financial or operational weaknesses that have resulted in material financial risk to the FBO's combined U.S. operations, taken as a whole. There may be systemic or pervasive noncompliance with laws and regulations that has resulted in material financial risk to the combined U.S. operations. These operations require close supervisory attention and surveillance monitoring, and a definitive plan for corrective action by head office management.

Combined Rating of “5” - The financial condition or performance of the combined U.S. operations is critically deficient, and there are severe financial or operational weaknesses that require urgent restructuring by head office management.

Institute of International Bankers
Draft of Proposed Revisions to the CUSO Rating System

Set out below are proposed amendments to the rating system for an FBO's Combined U.S. Operations (CUSO) contained in SR 00-14 (SUP), Enhancements to the Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations.¹ The proposed amendments aim to refocus CUSO rating assessments to better reflect the financial condition and material financial risk of the CUSO, consistent with the FRB's recent amendments to the Large Financial Institution (LFI) rating system and the FFIEC's proposal to amend the CAMELS rating system. Many of the proposed revisions mirror the revised LFI rating system or the CAMELS proposal.

We hope this is helpful and would be happy to discuss at your convenience.

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DETERMINING THE OVERALL CONDITION OF THE FBO'S U.S. OPERATIONS
Summary of Condition and Assignment of a Rating for the Combined U.S. Operations

An important component of this program is the integration of individual examination findings into an assessment of an FBO's ~~entire~~combined U.S. operations. At a minimum, following the conclusion of the last examination of an FBO's U.S. operations in a given annual supervisory cycle, a Summary of Condition should be prepared for all FBOs with multiple U.S. operations. (Please ~~see Appendix V for a sample Summary of Condition letter. Please also~~ note that for FBOs whose U.S. operations include a commercial bank supervised directly by the OCC or the FDIC, the Reserve Bank drafting the Summary of Condition should include appropriate language in the document identifying the primary supervisory agency for the bank, and that agency's appropriate contact person.) The responsible Reserve Bank, or other U.S. bank supervisory agency, should prepare an evaluation of the condition of the FBO's U.S. operations, which will lead to the assignment of a single-component rating between "1" and "5" for those operations on a combined basis.

This evaluation should ~~include an~~ assess whether the combined U.S. operations of the FBO possess sufficient financial and operational strength and resilience² to maintain safe and sound

¹ Specifically, the text is reproduced from the attachment to SR 00-14 (SUP), entitled "Guidelines for Implementing the Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations (the FBO Supervision Program)."

² "Financial strength and resilience" is defined as maintaining effective capital and liquidity governance and planning processes, and sufficiency of related positions, to provide for the continuity of the combined U.S. operations (including their critical operations and banking offices) through a range of conditions.

"Operational strength and resilience" is defined as maintaining effective governance and controls to provide for the continuity of the combined U.S. operations (including their critical operations and banking offices) and to promote compliance with laws and regulations, including those related to consumer protection, through a range of conditions.

References to "financial or operational" weaknesses or deficiencies implicate a firm's financial or operational strength and resilience.

operations through a range of conditions. The assessment of~~should consider~~ all risk factors, and that impact the financial condition of and material financial risks to the combined U.S. operations, including (1) all elements of the ROCA rating system, (2) quality of risk management oversight employed by all levels of management in the ~~FBO's~~FBO's U.S. operations, and (3) the results of examinations of all entities of the FBO conducted during the year~~-, in each case, to the extent relevant to the overall financial and operational strength of, or material financial risks to, an FBO's combined U.S. operations, taken as a whole.~~

The Summary of Condition and rating of the ~~FBO's~~FBO's combined U.S. operations represent important tools in reaching decisions regarding the scope and frequency of future examinations and appropriate supervisory measures. This information also should provide the basis for a more efficient utilization of supervisory resources (i.e., recognizing, where appropriate, a low or high level of supervisory concern for the FBO's combined U.S. operations).

In arriving at the rating for the combined U.S. operations of the FBO, ~~all~~financial and operational strength and resilience and material financial risks are the predominant considerations. All of the FBO's U.S. entities should be considered; however, this rating should not be based merely on an arithmetic average of the examination ratings of the entities examined. The strengths or weaknesses exhibited within individual entities should be evaluated based on their size and importance relative to the financial and operational strength and resilience of the FBO's ~~overall combined~~ U.S. operations, taken as a whole, and the materiality and extent of the weaknesses.

The five ratings are defined as follows:

Combined Rating of "1" - The ~~overall combined U.S.~~ operations ~~are fundamentally sound in every respect. They cause no supervisory concern and require only normal~~broadly meet supervisory expectations, possess sufficient financial and operational strength and resilience to maintain safe-and-sound operations through a range of conditions, and are in substantial compliance with laws and regulations. Identified supervisory ~~attention~~issues present no material financial risks.

Combined Rating of "2" - The combined U.S. operations operate in a basically sound manner and are in substantial compliance with laws and regulations, but ~~may~~ have modest financial or operational weaknesses that ~~can be~~could pose a material financial risk to the combined U.S. operations if not corrected by management in the normal course of business. ~~They do not require more than normal supervisory attention~~ Identified weaknesses and supervisory issues do not currently create a demonstrable material financial risk to the combined U.S. operations, taken as a whole.

Combined Rating of "3" - ~~Overall~~The combined U.S. operations ~~are weak in risk management, operational controls, and compliance, or have numerous asset quality problems that in combination with the condition of the FBO cause supervisory concern. U.S. and/or head office management may not be taking the necessary corrective actions to address any weaknesses~~have financial or operational deficiencies that create a demonstrable and present material financial risk to the combined U.S. operations, taken as a whole. This rating may also be assigned ~~when either risk management, operational controls, or compliance is individually viewed as unsatisfactory.~~

~~Generally, these operations raise supervisory concern and require more than normal supervision to address their weaknesses.~~ for significant and substantive noncompliance with laws and regulations that materially undermines the financial or operational resilience of the combined U.S. operations.

Combined Rating of “4” - The financial condition or performance of the combined U.S. operations ~~have~~is deficient, and there is a significant volume of serious financial or operational weaknesses. ~~Serious problems or unsafe and unsound banking practices or operations exist, which have not been satisfactorily addressed or resolved by U.S. or head office management that~~ have resulted in material financial risk to the FBO’s combined U.S. operations, taken as a whole. There may be systemic or pervasive noncompliance with laws and regulations that has resulted in material financial risk to the combined U.S. operations. These operations require close supervisory attention and surveillance monitoring, and a definitive plan for corrective action by head office management.

Combined Rating of “5” - The financial condition or performance of the combined U.S. operations ~~have so many severe~~is critically deficient, and there are severe financial or operational weaknesses ~~or unsafe and unsound conditions that they~~that require urgent restructuring by head office management.