MAYER | BROWN
REGULATORY DEVELOPMENTS IN BANK RISK TRANSFER TRADES IN THE UNITED STATES, EU, AND UNITED KINGDOM
May 2026

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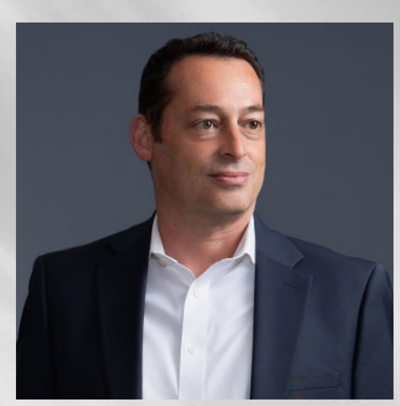

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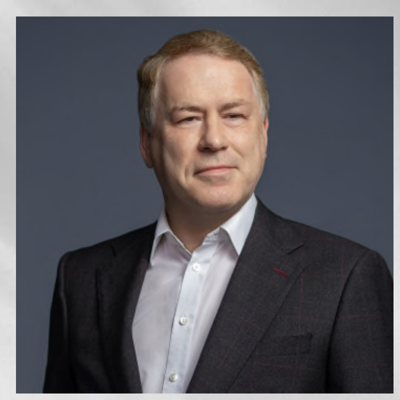
Sagi Tamir concentrates his practice in the areas of structured finance and derivatives. Sagi is experienced in representing asset managers, initial purchasers, placement agents and issuers in a variety of securitization and other structured finance transactions. He has represented clients in numerous cash and synthetic collateralized bond, loan, fund and debt obligations transactions. Sagi also has extensive experience in workouts of CDO and CLO transactions. In the derivatives area, Sagi is working with credit default swaps and other derivative transactions.



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Neil Hamilton acts for arrangers, originators, servicers and investors and has extensive experience in a variety of asset classes, including RMBS, CLOs, CMBS, auto loans and leases, trade receivables and consumer loans. He also advises on structured products such as repackagings, TRS and structured notes. He frequently advises clients in relation to the Securitisation Regulation and other legal and regulatory aspects of securitisation and structured finance transactions.

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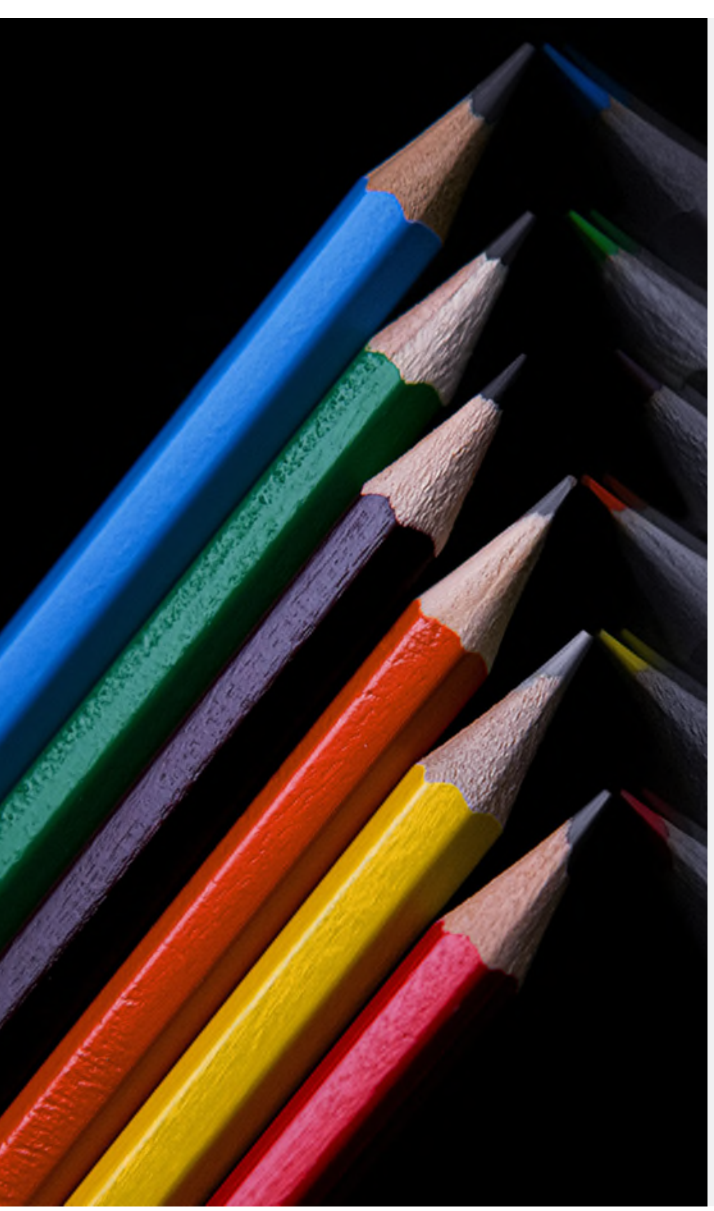
01

OVERVIEW AND SCOPE

BACKGROUND

- Under regulatory capital rules, all banks must comply with minimum capital requirements and capital adequacy standards
  - Applied based on a legal entity basis (i.e., foreign branches are rolled up into a bank's home country capital requirements; not host country's)
  - Risk-based ratios adjust the value of each asset or off-balance sheet exposure by its credit risk weight
- Risk weights are assigned by regulators under the Standardized Approach and calculated by banks under the Advanced Approaches
  - Many lending exposures, like sublines and CRE, are assigned a 100% or greater risk weight under the Standardized Approach



CAPITAL RELIEF THROUGH CREDIT RISK MITIGANTS

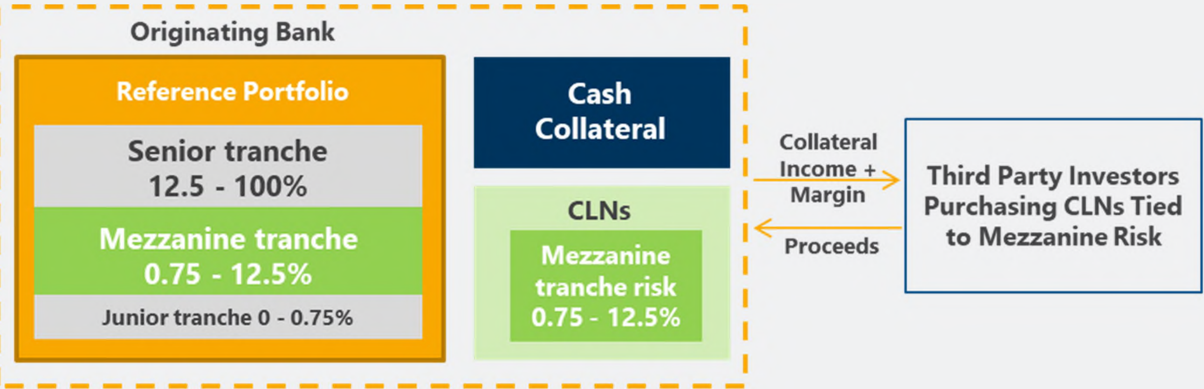
- Banks can use risk transfers to obtain capital relief if the criteria for synthetic securitizations are satisfied
  - Typically, lower capital charge than using a non-securitization credit risk mitigant
  - Bank will look to the rules regarding credit risk mitigation to determine the resulting capital treatment of the exposure it holds in relation to the transferred tranche of credit risk
  - US does not impose a requirement to transfer "significant" credit risk
- So, need to meet definition of synthetic securitization and need to meet the operational criteria for synthetic securitizations
  - If the operational criteria for synthetic securitization and credit risk mitigation are met, bank holds capital against any credit risk of exposures it retains but using the securitization framework
  - Can reduce capital charge up to 80% under the Standardized Approach and similar magnitude of relief under the Advanced Approaches

CDS/GUARANTEE

- **Collateralized CDS/Guarantee:** Bank buys protection from investors who post 100% cash collateral
  - Credit derivative or guarantee does not need to be "eligible" under the capital rules
- **Unfunded CDS/Guarantee:** Bank buys protection from investors who **do not** post 100% cash collateral
  - The derivative or guarantee must meet the requirements of an eligible guarantee or eligible credit derivative, which, among other things, means the counterparty must be an "eligible guarantor"

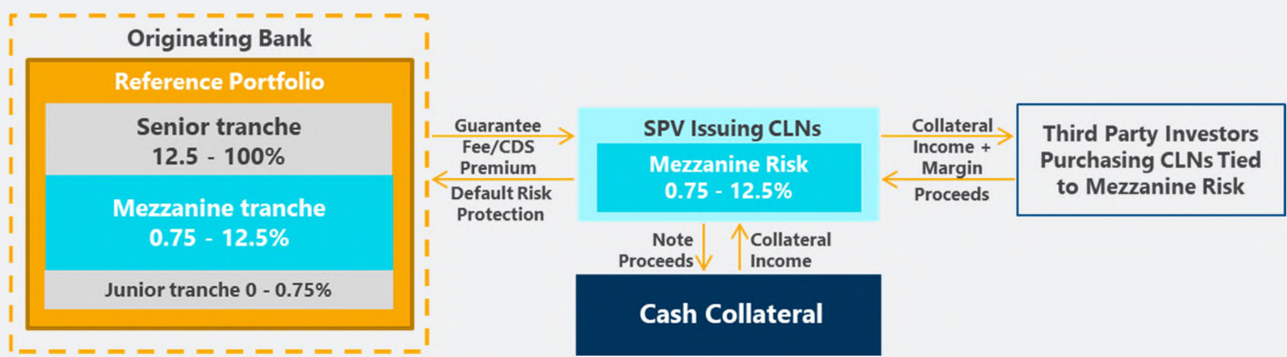
DIRECT-ISSUE CLN

- The CLNs in these structures will have embedded features of a credit derivative or guarantee to satisfy certain regulatory requirements, but do not need to be "eligible" under the capital rules
- These structures are not bankruptcy remote; and therefore, the rating of the CLNs often is linked/limited to the rating of the bank or collateral holder



SPV CLN

- Bank enters into either a credit derivative or a financial guarantee with an SPV
- The SPV issues CLN to investors and deposits the proceeds of the CLNs into a custodial or trust account for the benefit of both the bank (first) and CLN investors (second)



02
US REGULATORY DEVELOPMENTS

REGULATORY CAPITAL REQUIREMENTS

- Since the 1980s, US banking organizations have been required to satisfy minimum regulatory capital requirements
  - US regulations are based on international Basel Committee standards (but subject to US APA rulemaking)
  - Current requirements were adopted in 2013 and are known as "Basel III"
- US regulatory capital requirements generally apply to all insured depository institutions, bank holding companies (BHCs) and most savings and loan holding companies (SLHCs) and US intermediate holding companies (IHCs) of foreign banking organizations (FBOs)
- US banking organizations must satisfy certain minimum (i) capital to risk-weighted asset ratios and (ii) capital to total assets ratios (the "leverage ratios")
  - May be required to maintain one or more additional buffers of capital, known as the capital conservation buffer, countercyclical capital buffer, and global systemically important bank (G-SIB) surcharge
  - Are required to comply with other capital-related requirements, including capital adequacy assessments, capital stress testing and capital planning

2026 PROPOSALS

- In **March 2026**, the US banking regulators released new proposals to implement Basel III
- Proposals generally would apply to Category I, II, III, and IV banking organizations and smaller banking organizations that do not rely on the community bank leverage ratio (CBLR) or small holding company policy statement
  - Would not apply to FBOs or US branches or agencies of FBOs
  - Generally would not apply to banking organizations subject to CBLR (except for changes related to mortgage servicing rights (MSRs))
- Proposals segmented into three parts:
  - Risk-based capital requirements for Category I and II banking organizations (**Expanded Risk-Based Approach Proposal**)
  - Risk-based capital requirements for Category III and IV banking organizations and smaller banking organizations that do not rely on the community bank leverage ratio or small holding company policy statement (**Standardized Approach Proposal**)
  - Capital surcharge for Category I banking organizations (**G-SIB Surcharge Proposal**)
- Comments due by **June 18, 2026**

IMPACTED BANKING ORGANIZATIONS

Proposed Expanded Risk-Based Approach		Proposed Standardized Approach		
Category I	**Category II**	**Category III**	**Category IV**	**Non-Categorized**
Bank of America ◊♥◙⊕	Northern Trust ◊♥◙⊕	American Express ◊	Ally Financial ♦	Amerinational Community Services ♣
BNY Mellon ◊♥◙⊕		Capital One ♦♡	Citizens Financial ♦♡	Barrington Bank & Trust ♣
Citigroup ◊♥◙⊕		Charles Schwab ♦♥	Fifth Third ♦♡	BOK Financial ♥
Goldman Sachs ◊♥◙⊕		PNC Financial ♦♥	First Citizens ♦	Community Bank & Trust ♣
JPMorgan Chase ◊♥◙⊕		Truist Financial ♦♥	Huntington ♦♡	Cornerstone Capital Bank ♣
Morgan Stanley ◊♥◙⊕		U.S. Bancorp ♦♥⊕	KeyCorp ♦♡	First Federal Bancorp ♣
State Street ◊♥◙⊕		Barclays US ♦♥	M&T Bank ♦	First Horizon ♡
Wells Fargo ◊♥◙⊕		BMO Financial ♦♡	Regions Financial ♦	Gateway First Bank ♣
		Deutsche Bank USA ◊♥	Synchrony Financial ♦	Raymond James Financial ♡
		DWS ◊	HSBC North America ♦♥⊕	Stifel Financial ♡
		TD Group US ♦♥	RBC US ♦♥	University Bancorp ♣
		UBS Americas ♦♥	Santander Holdings USA ♦♥	Westgate Bank ♣
				BNP Paribas USA ♥
				CIBC Bancorp ♡
				Mizuho Americas ♥⊕
				SMBC Americas Holdings ♥
				All other non-CBLR banking organizations

◊ AOCI Inclusion (current)
♦ AOCI Inclusion (expected)
♣ MSR Benefit (expected)
♥ Market Risk Charge (expected)
♡ Market Risk Withdrawal (expected)
◙ Operational Risk Charge (expected)
⊕ CVA Risk Charge (expected)

SECURITIZATIONS

- Proposals would address securitization by adopting a form of the securitization framework that is used in the Advanced Approaches, with modifications, for the Standardized Approach and Expanded Standardized Approach
  - Additional operational requirements for synthetic securitizations related to early amortization provisions, synthetic excess spread, and minimum payment thresholds
  - A new securitization standardized approach (SEC-SA), as a replacement to the supervisory formula approach and standardized supervisory formula approach
    - Gross-up approach used by many smaller banking organizations also would be eliminated; 1250% fallback risk weight would be retained
  - New maximum capital requirements and eligibility criteria for certain senior securitization exposures (i.e., the long-sought "look-through approach")
  - A new framework for non-performing loan securitizations
  - Expand the definition of "eligible clean-up call" to include clean-up calls exercisable when certain regulatory or tax events occur
- Would codify several concepts related to credit-risk transfer trades that involve the issuance of credit-linked notes
  - Introduce a new type of credit-risk mitigant, to be known as an "eligible prepaid credit protection arrangement"
  - Replace requirement for banking organization to have a collateral agreement for financial collateral with eligibility conditions
  - Resolve inconsistencies with treatment of maturity and currency mismatches in the credit risk mitigation requirements for collateralization

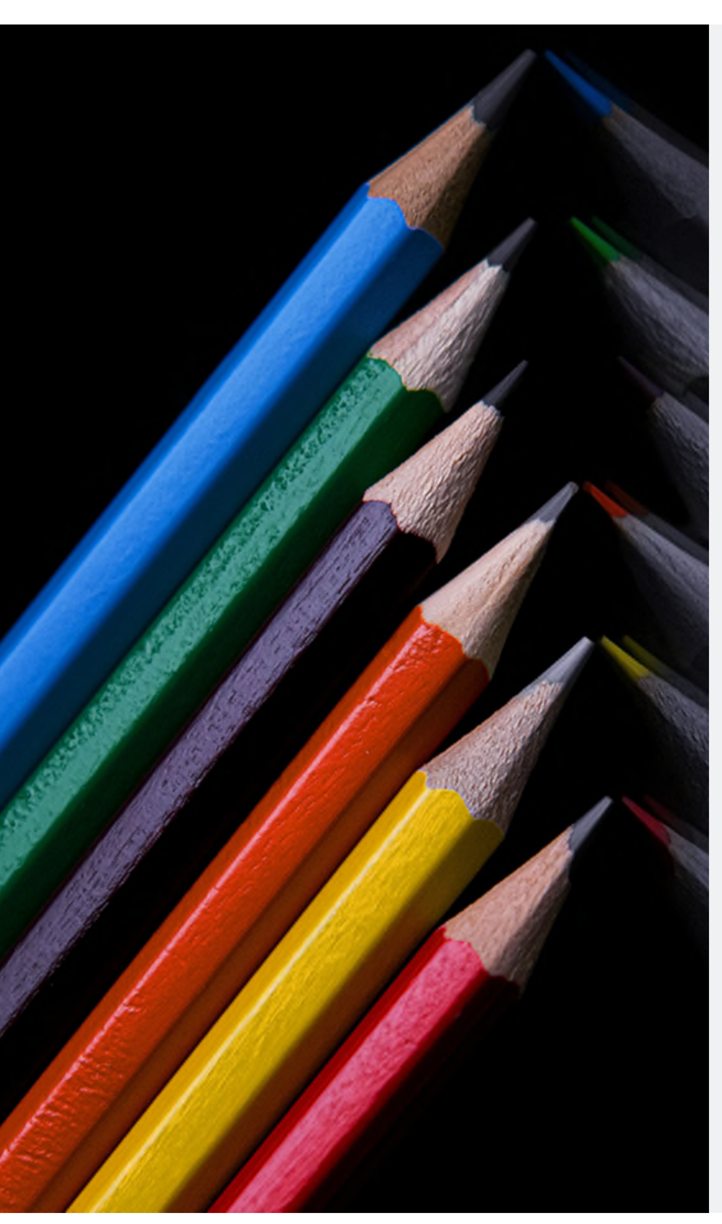
FEDERAL RESERVE CONCERNS WITH DIRECT CLNS

- Federal Reserve staff had expressed concerns that **direct CLNs** failed to satisfy the "cash on deposit" and the "executed under standard industry" documentation requirements of Reg Q
- *Credit derivative* means a financial contract executed under standard industry credit derivative documentation that allows one party (the protection purchaser) to transfer the credit risk of one or more exposures (reference exposure(s)) to another party (the protection provider) for a certain period of time
- *Financial collateral* means collateral:

  (1) In the form of:

  (i) Cash on deposit with the Board-regulated institution (including cash held for the Board-regulated institution by a third-party custodian or trustee);

  (2) In which the Board-regulated institution has a perfected, first-priority security interest or, outside of the United States, the legal equivalent thereof, (with the exception of cash on deposit; and notwithstanding the prior security interest of any custodial agent or any priority security interest granted to a CCP in connection with collateral posted to that CCP).
- *Collateral agreement* means a legal contract that specifies the time when, and circumstances under which, a counterparty is required to pledge collateral to a Board-regulated institution for a single financial contract or for all financial contracts in a netting set and confers upon the Board-regulated institution a perfected, first-priority security interest (notwithstanding the prior security interest of any custodial agent), or the legal equivalent thereof, in the collateral posted by the counterparty under the agreement. This security interest must provide the Board-regulated institution with a right to close-out the financial positions and liquidate the collateral upon an event of default of, or failure to perform by, the counterparty under the collateral agreement.



RESERVATION OF AUTHORITY PROCESS

- In the 2023 FAQs, Federal Reserve staff recognized that direct CLNs can be an effective way to transfer credit risk
  - Also recognized that SPV CLNs satisfy all requirements of Reg Q
- The FAQs establish a process through which a banking organization may request that staff exercise their "reservation of authority" to permit the assignment of a different RWA to the reference portfolio for a direct CLN
  - If granted, these approvals may contain limitations or conditions and may not be relied upon by other banking organizations
  - Generally subject to a $20 billion per-bank cap on covered pool size
  - Currently, there are publicly available approval letters for direct-issue CLN transactions granted to Morgan Stanley, US Bank, Huntington Bank, Santander, Truist, Ally, Merchants Bank of Indiana, Citi, HSBC, and JP Morgan

ELIGIBLE PREPAID CREDIT PROTECTION ARRANGEMENT

- An eligible prepaid credit protection arrangement would be a prepaid credit protection arrangement that:
  - Is written;
  - Is unconditional;
  - Covers all or a pro rata portion of all contractual payments due to be paid on the reference exposure or reference exposures;
  - Provides that the amount and timing of payments due from the protection purchaser to the protection provider are incorporated into the arrangement and the arrangement only allows these terms to change in the event of a breach of the arrangement by the protection purchaser;
  - Provides that entry of the protection provider into receivership, insolvency, liquidation, conservatorship, or similar proceeding does not change the amounts or timing of payments due from the protection purchaser under the arrangement;
  - Is legally valid and enforceable under the applicable law of the relevant jurisdictions;
  - Upon a failure by the obligor on one or more reference exposures to make a contractually required payment, or the occurrence of other credit events as described in the arrangement, allows the protection purchaser promptly to reduce the outstanding balance of the initial principal amount due to the protection provider by the loss of the protection purchaser on the reference exposures without input from the protection provider; and
  - Does not increase the protection purchaser’s cost of credit protection in response to deterioration in the credit quality of any of the reference exposures
- All exposure types, including securitizations, could rely on an eligible prepaid credit protection arrangement, which would permit banking organizations to recognize a credit-risk mitigation benefit up to the protection amount of the prepaid credit protection arrangement

ELIGIBLE CLEAN-UP CALL

- Proposals would expand the definition of "eligible clean-up call" to include clean-up calls exercisable when certain regulatory or tax events occur
  - The events must represent final actions rather than proposed rules or legislation
- *Eligible clean-up* call means a clean-up call that:

(1) Is exercisable solely at the discretion of the originating [banking organization] or servicer;

(2) Is not structured to avoid allocating losses to securitization exposures held by investors or otherwise structured to provide credit enhancement to the securitization; and

(3) Is only exercisable:

(i) For a traditional securitization, when 10 percent or less of the principal amount of the underlying exposures or securitization exposures (determined as of the inception of the securitization) is outstanding;

(ii) For a synthetic securitization, when 10 percent or less of the principal amount of the reference portfolio of underlying exposures (determined as of the inception of the securitization) is outstanding;

(iii) Upon the occurrence of a regulatory event that significantly changes the risk-weighted asset amount for the securitization exposure under this part; or

(iv) Upon the occurrence of a tax event that significantly changes the tax treatment of the securitization exposure under applicable tax laws.

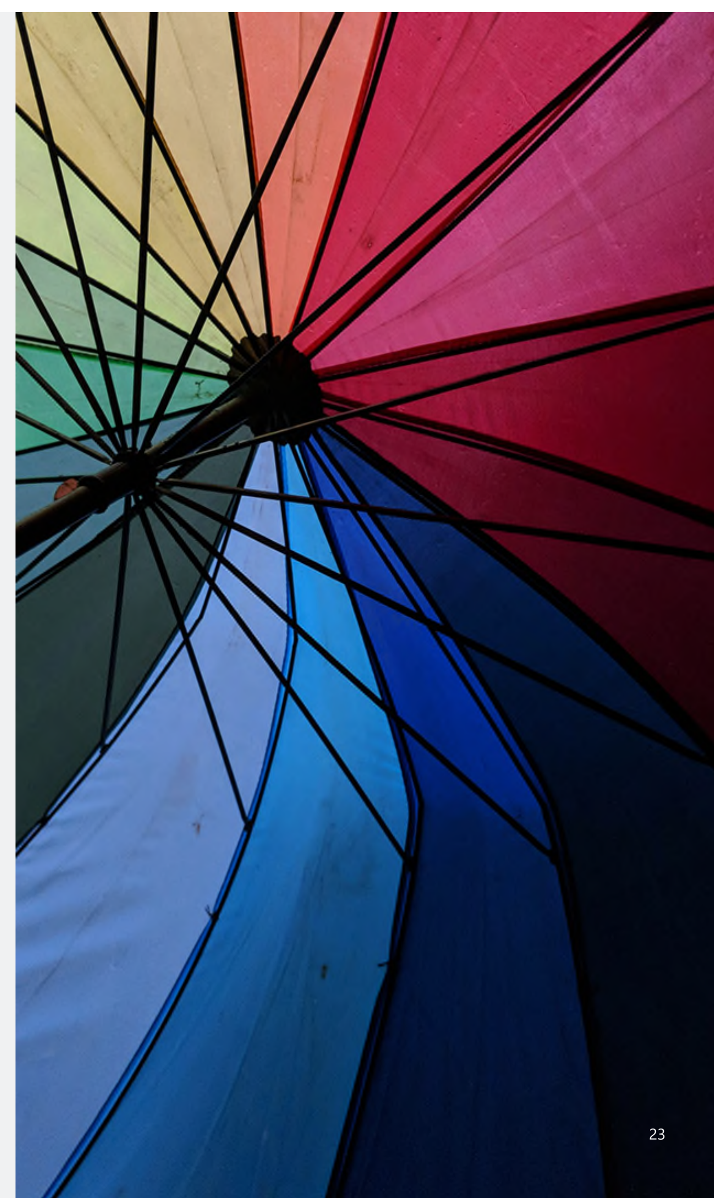
SEC-SA FORMULA

- SEC-SA would be a modified version of the current standardized supervisory formula approach
  - Modified definitions of attachment and detachment points, W parameter, and K_G
  - No change to p-factor
  - Lower risk-weight floor for securitization exposures that are not resecuritization exposures (reduced from 20% to 15%)
  - Higher risk-weight floor (100%) for resecuritization exposures

- Current SSFA parameters generally are comparable to SEC-SA
  - K_G: The weighted average capital requirement associated with the underlying exposures (i.e., the securitized assets)
  - ***W***: The proportion of underlying exposures that are defaulted, seriously delinquent, etc.
  - K_A: The weighted average capital requirement associated with the underlying exposures, as adjusted to reflect adverse performance; $K_A = (1-W)K_G+0.5W$
  - ***A***: The attachment point of the exposure (tranche) – the point in the capital structure of the securitization at which the tranche begins to absorb losses (i.e., the threshold at which credit losses will first be allocated to the exposure)
  - ***D***: The detachment point of the securitization exposure (tranche) – the point in the capital structure of the securitization at which the tranche ceases to absorb losses (i.e., the threshold at which credit losses allocated to the exposure would result in a total loss of principal)
  - ***P***: A supervisory calibration parameter (0.5 for non-resecuritizations; 1.5 for resecuritizations)

OTHER SECURITIZATION ISSUES

- Would not change the definition of “eligible guarantor” to permit subsidiaries to rely on parent company debt issuance to qualify
- Would not adopt simple, transparent, and comparable (STC) securitization framework
- Keeps the risk weight for senior, non-equity exposures to government-sponsored enterprises (GSEs) at 20%, even though a similarly structured private securitization could access the lower 15% risk weight floor
- New operational requirements for synthetic securitizations (i.e., prohibitions on early amortization and synthetic excess spread) are problematic for some asset classes
- Retains punitive duplicative treatment of defaulted exposures in W parameter and K_G



03

UK AND EU REGULATORY DEVELOPMENTS

CRT/SRT (EXCLUDING THE SECURITISATION REGULATION)

- ECB SRT Fast-Track (permanent, Dec 2025): eligibility and speed
- PRA Dear CFO on SRT financing (Apr 2025): governance and liquidity
- UK: Unfunded protection for synthetic SRT (from 1 Jan 2026)
- EU: Harmonised SRT approval & principles-based assessment (June 2025)
- 2026 planning and next steps

ECB SRT FAST-TRACK (PERMANENT PROCESS): EU (ECB) | IN FORCE DEC 2025; OPERATIONAL FROM JAN 2026

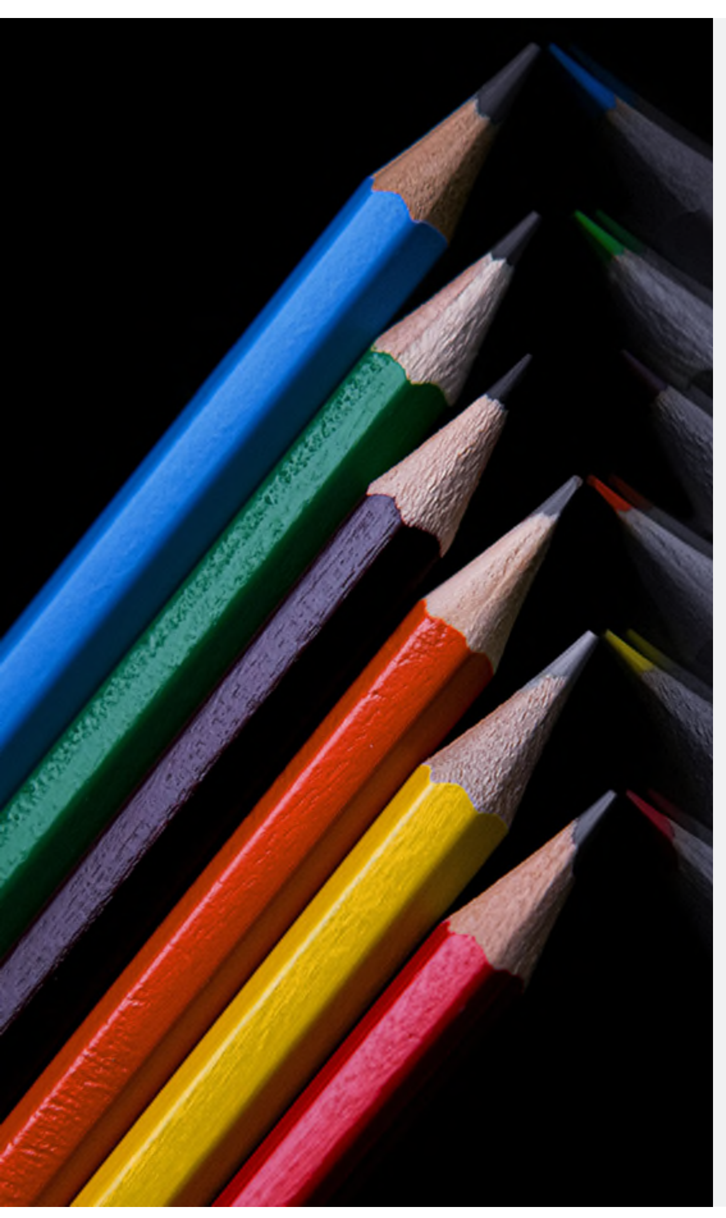
- What changed: 8-working-day fast-track acknowledgement for simpler, standardised SRT
- Eligibility (at a glance): performing/granular pool; limited leveraged exposure; modest CET1 impact; standard clauses
- Practical impact: materially lowers regulatory timing risk for plain-vanilla CRT; non-standard features go regular track
- Action: Adopt ECB Guide template/clauses and build a fast-track pack (data, opinions, self-assessment)

PRA DEAR CFO ON SRT FINANCING TAG: UK (PRA)

- Scope: less-liquid/structured financing with focus on SRT financing, collateral and liquidity
- Expectations: substance over form; robust collateral haircuts/margining; strengthened MI/ICAAP linkage
- Practical impact: tighter scrutiny of SRT repo/back-leverage; uplift to second/third-line oversight
- Action: Refresh SRT financing policy, collateral eligibility and MI; evidence alignment in ICAAP/SREP packs

UK — UNFUNDED PROTECTION FOR SYNTHETIC SRT: UK (PRA) | EFFECTIVE 1 JAN 2026

- Policy change: unfunded guarantees/credit protection eligible for SRT recognition (subject to requirements)
- Execution: downgrade/replacement mechanics; enforceability and substitution; collateral terms where relevant
- Practical impact: wider counterparty set; lower funding frictions; higher governance expectations
- Action: Update UK templates (downgrade/termination/replacement); align CRM/ICAAP and back-leverage controls

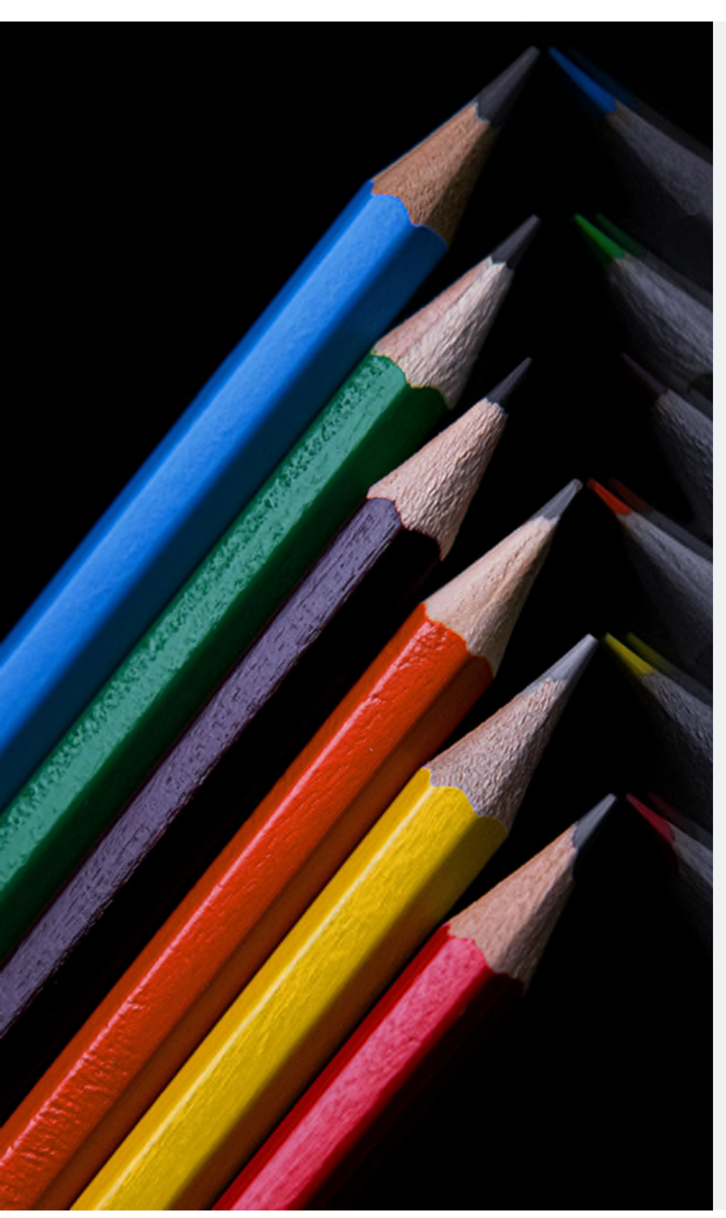


EU — HARMONISED SRT APPROVAL & PRINCIPLES-BASED ASSESSMENT: EU (COMMISSION/CRR) | PROPOSED JUNE 2025; TRILOGUES 2026

- What’s proposed: harmonised SRT approval path in CRR via delegated act
- Shift to PBA: from mechanical ratios to evidenced commensurate risk transfer of unexpected loss
- Practical impact: more predictability; higher bar for modelling, self-assessment and life-cycle documentation
- Action: Prepare a PBA-ready pack (loss allocation, cash-flows, calls/triggers, protection cost vs benefit)

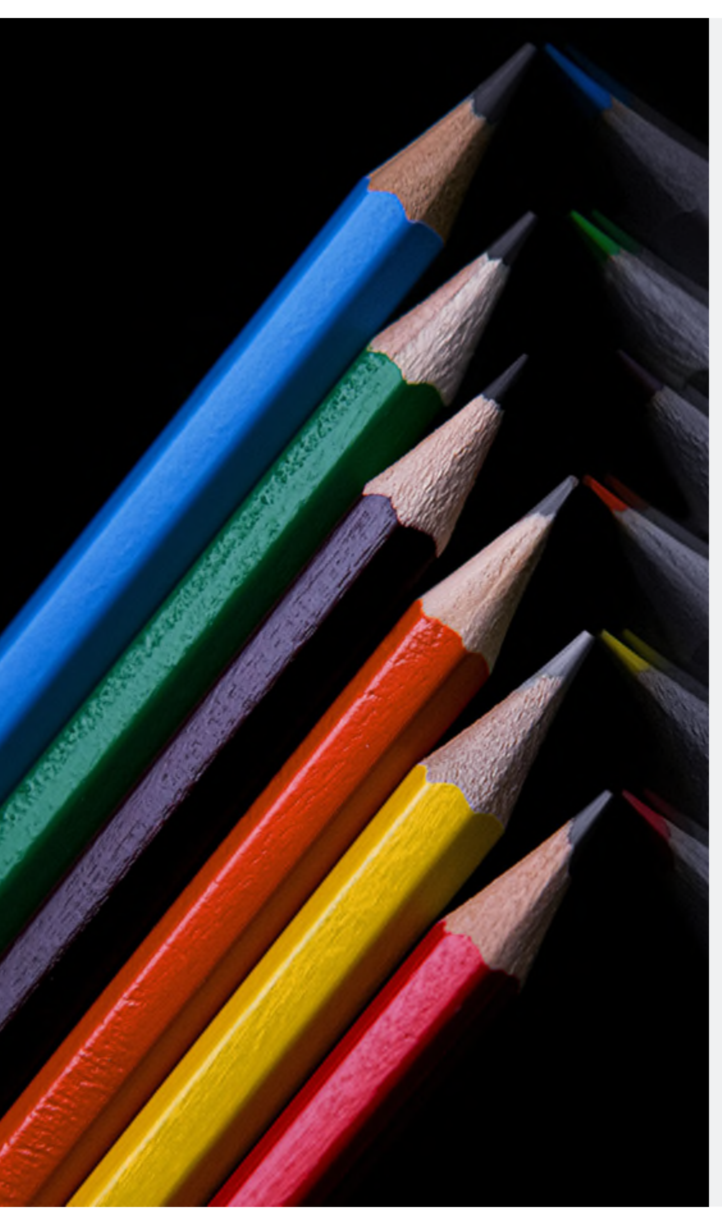
2026 — WHAT TO BUILD INTO SRT PLANNING

- UK execution differences. From 1 Jan 2026 governance tightens and unfunded guarantees are in scope; robust downgrade/replacement mechanics required. Action: refresh templates and ICAAP for unfunded protection and back-leverage governance.
- Portfolio mix and pricing. Prime/granular retail remains efficient; wholesale/corporate will price wider and need thicker mezzanine (and, in some cases, public-sector wraps). Action: set tranche thickness and coupon expectations early with investors.



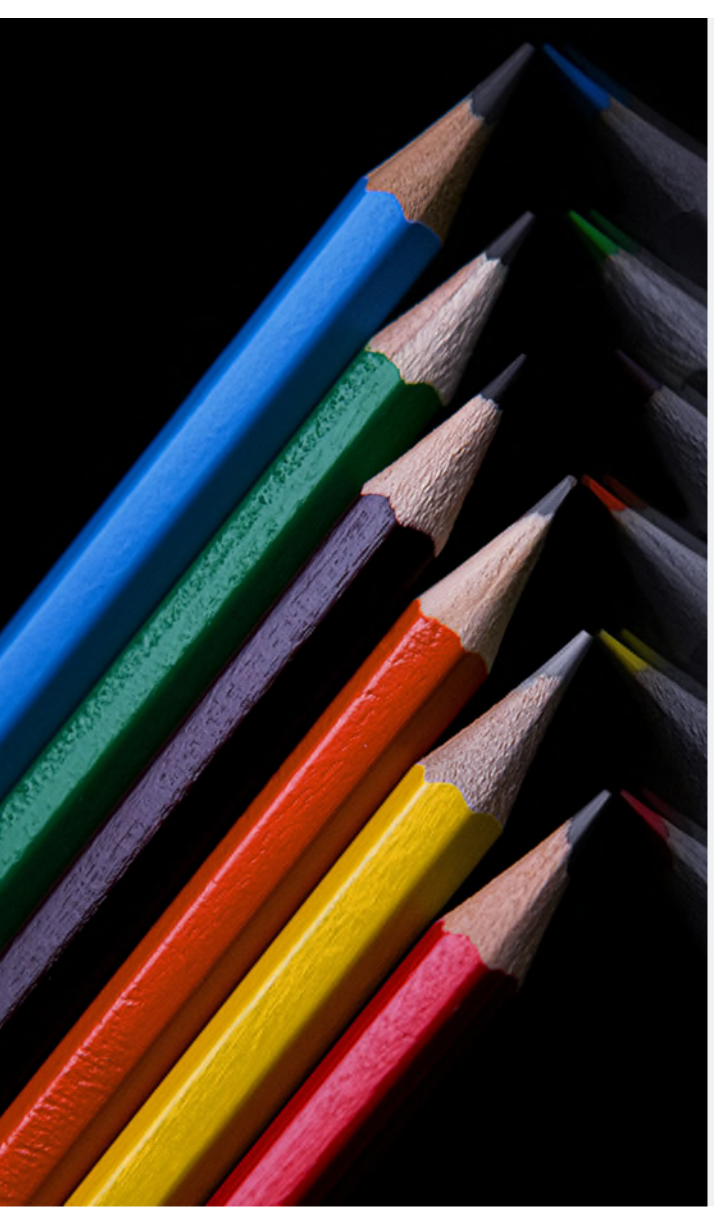
SYNTHESIS AND WHAT'S NEXT & THREE ACTIONS TO TAKE NOW

- Standardise to move fast: adopt ECB Guide wording; pre-build fast-track packs
- Evidence commensurateness: ready a PBA-style self-assessment and cash-flows
- Uplift governance: align SRT financing, downgrade/replacement and ICAAP disclosures
- What's next (short timeline)
- 2026: EU trilogues on CRR SRT package; ECB monitoring of fast-track and rollover risk
- 2026: UK go-live for unfunded SRT protection expectations
- 2027: UK Basel 3.1 elements commence — start data capture now



APPENDIX — KEY DEFINITIONS

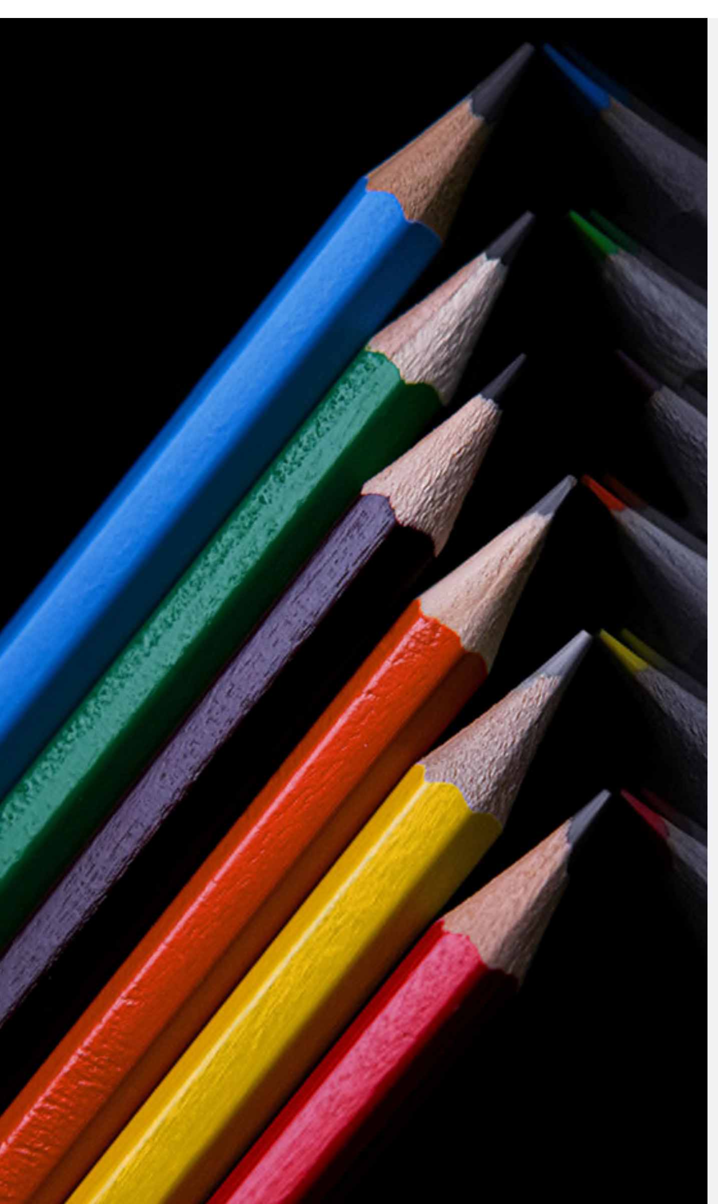
- SRT: supervisory recognition that a securitisation transfers a significant share of credit risk, enabling capital relief under CRR
- CRR3 output floor: minimum RWA level based on standardised approaches; may bind tranche sizing even where models are used
- Synthetic excess spread (SES): contractual spread to absorb losses; keep capped/time-bucketed with clean waterfalls
- Unfunded protection: guarantee/credit derivative without posted collateral; needs robust downgrade/replacement mechanics and CRM compliance



EU AND UK SECURITISATION RULES (NON-CRR) – PROPOSED REFORMS AFFECTING SRT

Due Diligence

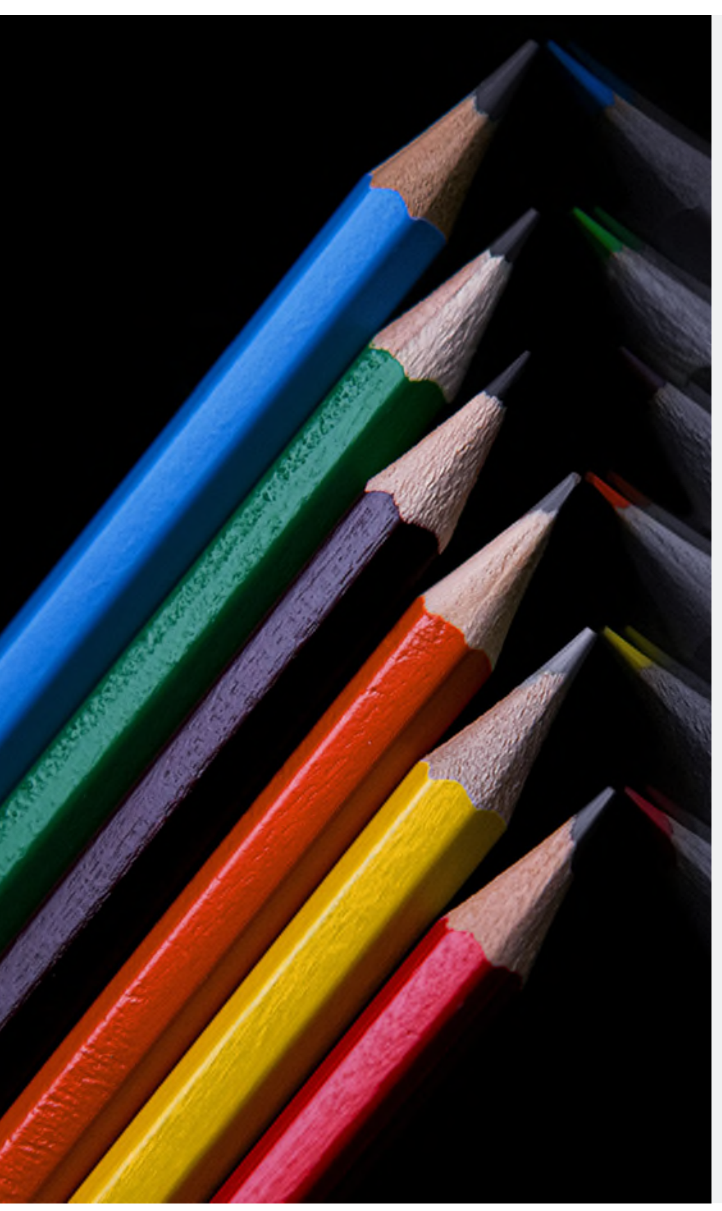
- **EU (June 2025 reform package):** European Commission proposes removing the obligation for EU investors to verify sell-side's compliance if sell-side is also EU-regulated.
  - Due diligence to become more 'principles-based', allowing investors to tailor due diligence to the risk profile of the transaction rather than following a prescribed checklist.
- **UK (consultation papers CP26/6 and CP2/26 (Feb 2026)):** FCA and PRA propose replacing prescriptive verification rules with a more flexible requirement to be satisfied that a manufacturer has sufficient alignment of commercial interest.
  - Secondary market trades: investors in secondary trades to have up to 15 calendar days to document their due diligence after the trade.
  - No necessity to verify risk retention if originator, sponsor or original lender maintains, on an ongoing basis, sufficient and appropriate alignment of commercial interest (aimed at permitting investment in US CLOs)
  - No requirement for investors to verify (a) credit-granting criteria or (b) compliance with simple, transparent and standardised (STS) criteria.



EU AND UK SECURITISATION RULES (NON-CRR) – PROPOSED REFORMS AFFECTING SRT CONT.

Risk Retention

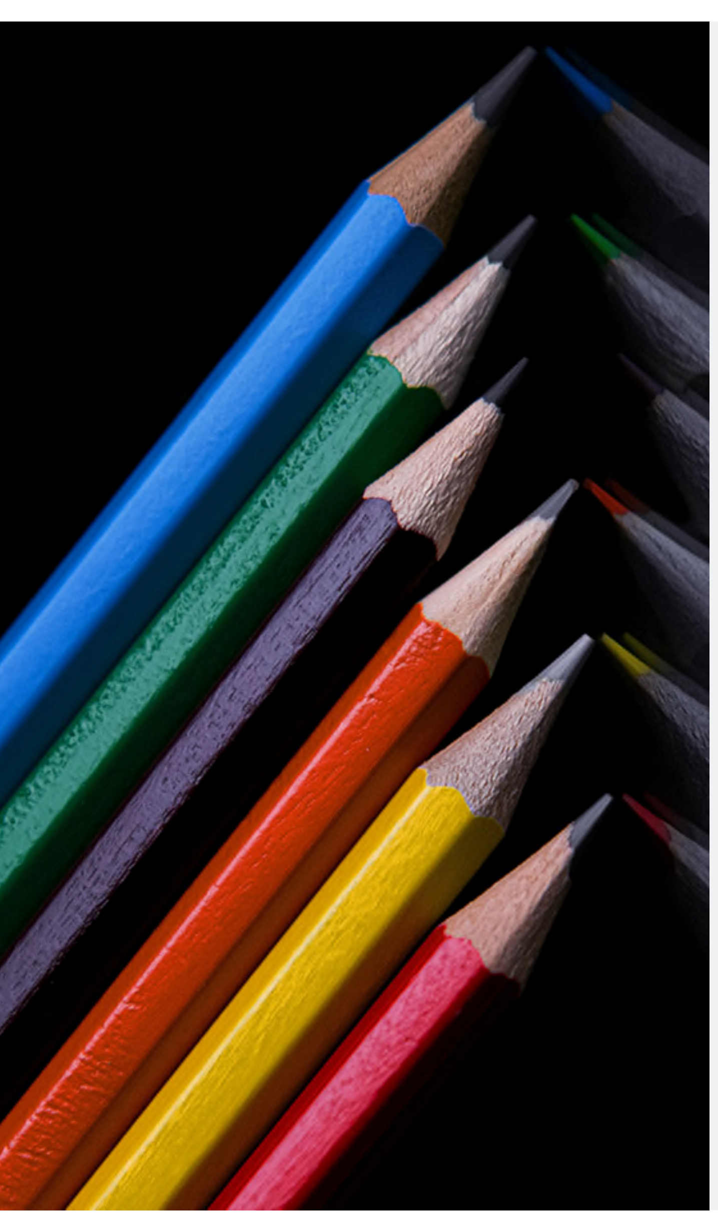
- **"L-Shaped" Retention (UK):** The UK proposes introducing "L-shaped" retention, which combines vertical (nominal value) and horizontal (first-loss) retention. This is often more capital-efficient for certain SRT tranches.
- **MDB Exemption (EU):** Proposals would waive risk retention and investor due diligence requirements if a Multilateral Development Bank (MDB) (e.g. the EIF or EBRD) holds a first-loss position of at least 15%.



EU AND UK SECURITISATION RULES (NON-CRR) – PROPOSED REFORMS AFFECTING SRT CONT.

Transparency and Templates

- **EU**: European Commission's June 2025 proposal aims to introduce simplified reporting for private deals and a 35% reduction in data fields for public transactions. The extent of mandatory repository reporting is debated.
- **UK:** the UK intends to delete prescribed templates for several asset classes frequently used in SRTs, such as corporate exposures, CRE, and esoteric assets.
  - Disclosure will shift to a 'principles-based' approach, where originators must provide sufficiently granular information, but are encouraged to use industry-standard packages.
  - New CLO template**:** a streamlined template specifically for CLOs is proposed.



EU AND UK SECURITISATION RULES (NON-CRR) – PROPOSED REFORMS AFFECTING SRT CONT.

Other Proposed EU Reforms

- Solvency II Reforms (SRT for Insurers): New rules applying from January 2027 significantly reduce ‘spread risk’ charges for insurers investing in securitisation.
  - Unfunded guarantees issued by insurers can satisfy STS criteria, allowing them to act as protection providers in synthetic SRT deals.
- Expansion of STS synthetics for corporates: threshold for SME loans in an STS synthetic pool is proposed to drop from 100% to 70%.
  - Helps banks securitise "mixed" corporate portfolios previously excluded from the STS label. This may lead to growth in "multi-asset" SRTs.

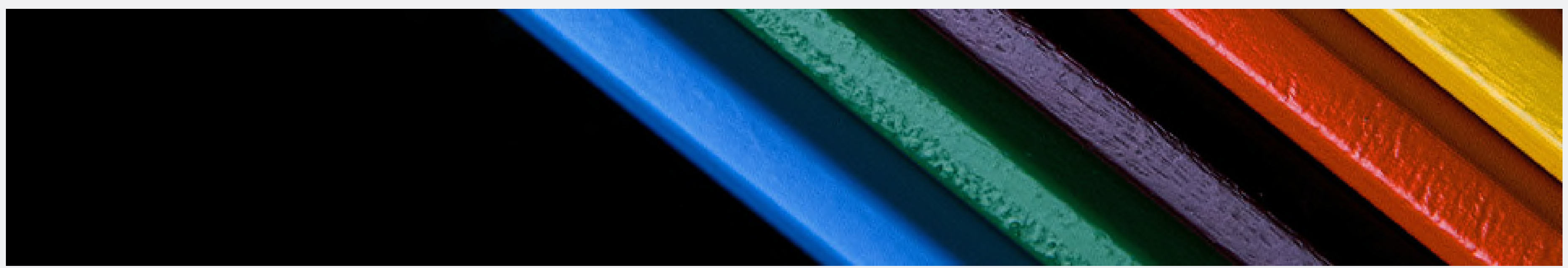
04

CONCLUDING THOUGHTS

HOW MAYER BROWN CAN HELP

We regularly assist banking organizations in applying, and mitigating the effect of, the regulatory capital requirements

- Assess asset or exposure qualification for specific risk weights for transactions and new products
- Review assignment of assets and exposures to banking or trading book
- Restructure loans and other asset sales to maximize regulatory capital benefits
- Issue true sale, non-consolidation and securitization opinions to support loan and other financing sales
- Develop and execute credit risk transfer trades
- Design off-balance sheet lender finance structures
- Amend and revise instrument terms to qualify as regulatory capital
- Advise on refiling, correction and self-disclosure of capital reporting failures
- Negotiate classification and eligibility issues with regulators
- Develop regulatory capital management frameworks, procedures and job aids
- Draft comment letters on regulatory proposals



BANK REGULATORY PRACTICE

- Mayer Brown lawyers provide tailored regulatory advice on the full range of regional, national, and international requirements facing banks and their investors, partners and counterparties.
- We have decades of experience navigating the complex web of regulatory requirements to satisfy supervisory expectations, create innovative solutions, and achieve client objectives. We also draw on our extensive relationships and experience working with national and local financial services regulators to obtain necessary regulatory feedback and approvals.
- For example, our lawyers routinely advise clients on compliance with the Volcker Rule. This work includes reviewing fund structures and financing arrangements to help clients determine if their participation is subject to the Volcker Rule's covered fund prohibitions and whether exclusions or exemptions may be available to them. We have one of the few regulatory teams that comprehensively advises on proprietary trading and covered fund issues.

Recognized Industry Leadership

Steve Kaplan named as a Leading Partner

Ranked in six Financial Services Regulation categories:

Banking (Compliance)	Consumer Finance (Compliance)
Banking (Enforcement & Investigations)	Consumer Finance (Enforcement & Investigations)
Broker Dealer (Compliance)	Consumer Finance (Litigation)

Jeffrey Taft named a Notable Practitioner

Named North America Law Firm of the Year

Matthew Bisanz recognized for Outstanding Contribution to Regulatory Reform

Musonda Kapotwe named a Next Generation Partner

Ranked as a leading law firm for Financial Services Regulation: Banking & Consumer Finance

IFLR 1000

Ranked as a leading law firm for Financial Services Regulation in the US, UK, and Germany

Named Banking Group of the Year

Matthew Bisanz named as One to Watch

Ranked as a leading law firm for Financial Services Regulatory

IFLR 1000

Brad Resnikoff named a Rising Star

Chris Chapman ranked for Financial Services Regulatory

REGULATORY COUNSEL AT THE MATTER LEVEL

- Most transactions involving banks have regulatory elements from day one. We assist in structuring and documenting regulated transactions and in preparing, submitting and negotiating all necessary regulatory applications and notice filings.
- We routinely review term sheets and analyze structure charts to identify and resolve issues related to compliance with restrictions on activities under banking laws, the prohibitions of the Volcker Rule, margin lending requirements and anti-tying rules.
- We synthesize disparate regulatory requirements to produce innovative solutions—for example, trade structures that satisfy regulatory capital and liquidity rules and true sale accounting standards while providing appropriate insolvency protections.
- We also advise on anti-money laundering and sanctions compliance matters globally, including under the USA PATRIOT Act, Bank Secrecy Act, and Corporate Transparency Act.
- In addition to providing business-as-usual regulatory compliance counseling, we implement practical compliance solutions for complex commercial transactions by drawing on our substantial experience with how anti-money laundering requirements affect these transactions and working with our peers in the banking industry.

Specific Capabilities in Action

- Collateral management. We advise clients on discount window asset eligibility, custody, and audit programs. We have negotiated with several Reserve Banks and FHLBs on these issues.
- Liquidity management and reporting. We have helped clients with LCR categorization and re-categorization, as well as material entity coordination issues for the FR 2052a.
- Board training and assessment. We provide training and self-assessment modules to bank boards for regulatory compliance purposes.
- Golden parachute issues. We have developed comprehensive golden parachute assessment and exemption request programs for Part 359 purposes.
- Applications and licensing. We have a 50-state licensing group that handles mortgage, lender, and money transmitter licensing issues.
- Capital and debt qualification. We provide regulatory memos and structuring advice to ensure transactions qualify for capital relief or as eligible debt/equity.

REGULATORY STRATEGY AT THE OPERATING LEVEL

- On an ongoing basis, we counsel clients, solve complex management issues associated with corporate activities and operations and advise senior management and boards on corporate governance and oversight, transactions with affiliates, risk management and management succession.
- Our advice ranges from addressing discrete control issues under the Bank Holding Company Act to drafting comprehensive policies for equity investments for cross-border financial institutions. We tailor our advice to the specific issue facing the client, which may be as small as providing an opinion for onboarding as a financial market utility or as large as preparing an organization-wide resolution plan.
- We guide clients through the most recent changes in supervisory expectations for corporate governance, risk management, compliance and cybersecurity. We also conduct end-to-end regulatory reviews to support risk management functions and gap analyses.
- Our deep involvement throughout the lifecycle allows us to efficiently provide customized solutions in the mitigation stage, such as by adjusting reporting lines under the three lines of defense model or drafting policy addenda for new legal requirements.

Heightened Standards Experience

- Our team advises banking organizations' senior management and boards of directors on supervisory expectations for risk management and corporate governance.
- Our work includes designing and implementing risk governance frameworks under the OCC's heightened standards, as well as making incremental revisions to policies and procedures.
- We conduct regulatory inventories to support risk management functions and gap analyses to ensure compliance with evolving third-party risk management expectations.
- We also train directors on federal supervisory expectations for board effectiveness and state law fiduciary duties. These tailored trainings reflect the complex interaction between the federal regulatory requirements and state corporate law.
- And we review management and board reporting structures and help banking organizations clarify and align roles and responsibilities relative to supervisory expectations, such as through the three lines of defense model.

This Mayer Brown publication provides information and comments on legal issues and developments of interest to our clients and friends. The foregoing is not a comprehensive treatment of the subject matter covered and is not intended to provide legal advice. Readers should seek legal advice before taking any action with respect to the matters discussed herein.

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