



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

December 16, 2021

Mr. Andrew Fellingham
Managing Director, Group Head CUSO Liquidity Risk
Sumitomo Mitsui Banking Corporation Americas
One North Lexington Avenue
White Plains, New York 10601

Dear Mr. Fellingham:

This letter responds to the request by Sumitomo Mitsui Banking Corporation (SMBC), Tokyo, Japan, for the Board to determine that Canada Mortgage Bonds (CMBs)¹ meet the criteria to be highly liquid assets under section 252.157(c)(7)(i)(C) of the Board's Regulation YY² for purposes of the liquidity buffer that SMBC must maintain for its U.S. branches and agencies.³

Regulation YY requires that a foreign banking organization that has combined U.S. assets of \$100 billion or more must maintain a liquidity buffer consisting of highly liquid assets for its U.S. branches and agencies.⁴ Highly liquid assets include cash, assets that meet the criteria for high-quality liquid assets as defined in section 249.20 of the Board's Regulation WW,⁵ or any

¹ CMBs are bonds issued by Canada Housing Trust No. 1, a special purpose trust that holds mortgage-backed securities issued by the Canada Mortgage and Housing Corporation pursuant to the Canadian National Housing Act. *See generally* Canada Housing Trust No. 1, Canada Mortgage Bonds Program User Guide (2018).

² 12 CFR 252.157(c)(7)(i)(C)(1)-(3).

³ 12 CFR 252.157(c)(1) and (3).

⁴ *Id.* Similar requirements apply to certain large foreign banking organizations with respect to their intermediate holding companies and certain large domestic depository institution holding companies with respect to their consolidated organizations. *See* 12 CFR 252.157(c)(1)-(2) (intermediate holding companies of foreign banking organizations); 12 CFR 252.35(b) (bank holding companies); and 12 CFR 238.124 (b) (savings and loan holding companies).

⁵ 12 CFR 249.20.

other asset that the foreign banking organization demonstrates to the satisfaction of the Board meets the following criteria:

- (1) Has low credit risk and low market risk;
- (2) Is traded in an active secondary two-way market that has committed market makers and independent bona fide offers to buy and sell so that a price reasonably related to the last sales price or current bona fide competitive bid and offer quotations can be determined within one day and settled at that price within a reasonable time period conforming with trade custom; and
- (3) Is a type of asset that investors historically have purchased in periods of financial market distress during which market liquidity has been impaired.⁶

Based on all the facts of record, including the information provided by SMBC and other supervisory information, the Director of the Division of Supervision and Regulation, in consultation with the General Counsel, acting under authority delegated by the Board,⁷ has granted SMBC's request.⁸

This action is based on the specific facts of record and representations in the request and in related communications with Board staff. Any material change in these facts or representations should be communicated immediately to Board staff and may result in a revocation of this determination.

⁶ 12 CFR 252.157(c)(7)(i).

⁷ See Board Order Delegating Authority to Make Certain Determinations under Regulation LL and Regulation YY, item 1 (Oct. 10, 2019), <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/delegating-authority-orders-20191010.pdf>.

⁸ This approval is limited to the determination that SMBC has satisfactorily demonstrated that CMBs meet the criteria to be highly liquid assets under section 252.157(c)(7)(i)(C) of Regulation YY for purposes of the liquidity buffer that SMBC must maintain for its U.S. branches and agencies. SMBC may include CMBs in such liquidity buffer provided the other requirements in section 252.157 of Regulation YY are met. 12 CFR 252.157.

Please contact Devyn Jeffereis, Division of Supervision and Regulation, at (202) 452-2729, or Laura Bain, Legal Division, at (202) 736-5546, if you have any questions.

Very truly yours,

(Signed) Ann E. Misback

Ann E. Misback
Secretary of the Board