



**Date:** April 2, 2015

Contact: Jill Hershey, 202.649.4601, [jill.hershey@theclearinghouse.org](mailto:jill.hershey@theclearinghouse.org)

## **Financial Industry Associations Submit Comment Letter on Proposed Capital Surcharge for U.S. GSIBs**

*Comment Letter Highlights Support for Robust Capital Levels and Recommends Changes to U.S. Proposal to Better Reflect Actual U.S. Systemic Risk*

New York, NY – April 2, 2015 – Today, The Clearing House (“TCH”), the Securities Industry and Financial Markets Association (“SIFMA”), and the Financial Services Roundtable (“FSR” and together, the “Associations”) filed a [comment letter](#) with the Board of Governors of the Federal Reserve System (the “Federal Reserve”) in response to its proposal (“the Proposal”) to impose additional capital surcharge requirement (the “GSIB surcharge”) on U.S. global systemically important bank holding companies (“U.S. GSIBs”).

“We strongly agree that robust capital levels at all banks promote the safety, soundness and stability of the financial system, and while we believe that a properly structured GSIB capital surcharge can have the effect of reducing systemic risk, the Federal Reserve’s proposal has significant weaknesses” said Jim Aramanda, CEO of The Clearing House. “Though we understand that a number of the shortcomings of the Proposal have been imported from the internationally-agreed Basel GSIB framework, we recommend, at a minimum, that the proposal be revised to better reflect the actual systemic risks posed by U.S. GSIBs by ameliorating the impact of short-term foreign exchange fluctuations and better reflecting the market for financial services in the U.S. We also urge the Federal Reserve to ensure that the rulemaking process is appropriately transparent by disclosing publicly the analyses and data underlying critical elements of the proposal, including the doubling of the capital surcharge components, and avoid imposing unnecessary costs on funding sources that are beneficial to all market participants.”

“A GSIB surcharge should improve the stability of our financial system, provided it is calibrated in a way that does not disrupt the business practices of our financial institutions,” said Kenneth E. Bentsen, Jr., SIFMA President and CEO. “We believe that any surcharge should appropriately reflect the actual systemic risks, be fully transparent and avoid putting U.S. firms at a competitive disadvantage. We have significant concerns the methodology in the Fed’s proposal will undermine its policy objectives, which is

why we recommend that the Fed adhere to the Basel GSIB framework in addition to providing further explanation on its methodology while allowing for public comment. Furthermore, as we near the end of the global financial reform process, we must look at the interaction of this new rule with all of the other prudential rules changes and the cumulative effect of these rules on the industry, its customers and the economy.”

“Transparency is paramount, especially as the Federal Reserve Board is formulating rules that could possibly impose unneeded costs on financial companies that could also negatively impact American consumers,” said Rich Foster, FSR Senior Vice President and Senior Counsel for Regulatory and Legal Affairs. “We urge the Board to publicly disclose its steps as this process unfolds, and also consider revising the proposal in a way that accurately reflect GSIBs’ systemic risk before making any hasty decisions.”

In order to avoid undermining the credibility and effectiveness of any U.S. GSIB capital surcharge framework from a policy perspective, the Associations recommend that the Federal Reserve, at a minimum, adhere to the Basel international GSIB framework commencing in 2016 with appropriate changes to address the critical deficiencies in the U.S. proposal described above.

**About The Clearing House.** Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world’s largest commercial banks, which collectively employ more than two million people and hold more than half of all U.S. deposits. The Clearing House Payments Company L.L.C. provides payment, clearing, and settlement services to its member banks and other financial institutions, clearing almost \$2 trillion daily and representing nearly half of the automated-clearing-house, funds- transfer, and check-image payments made in the U.S. The Clearing House Association L.L.C. is a nonpartisan advocacy organization representing – through regulatory comment letters, amicus briefs, and white papers – the interests of its owner banks on a variety of systemically important banking issues. See The Clearing House’s web page at [www.theclearinghouse.org](http://www.theclearinghouse.org).

**About SIFMA.** The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

**About the Financial Services Roundtable.** As advocates for a strong financial future™, FSR represents 100 integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. FSR member companies provide fuel for America’s economic engine, accounting directly for \$98.4 trillion in managed assets, \$1.1 trillion in revenue, and 2.4 million jobs.