From: Katherine Karpf

Subject: Reg Y

Comments:

Docket no. FRS-2011-0035

The Dodd-Frank Wall Street Reform and Consumer Protections Act is arguably the most sweeping financial reform legislation to be passed through Congress since the era of recovery during the Great Depression. With that being said, it is crucial for there to be clarity when evaluating which financial institutions must comply with certain standards. This rule focuses on effectively establishing definitions and standards to evaluate whether a company is "predominately engaged in financial activities" and is a "significant nonbank company" due to the fact that said criteria was missing from the Act during its passage through Congress in 2010.

Upon reading through the rule, comment was requested on the following issues: whether or not the percentage threshold of eighty-five percent of revenues, calculated after the proposed two year fiscal period, derived from financial activity is an appropriate proportion of a company's revenue to deem it a "non-bank financial company"; whether the usage of the consolidated year-end financial statements of a company prepared in accordance with GAAP or IFRS is an appropriate basis for determining the company's annual gross consolidated financial revenue and consolidated assets (related to equity); and finally, whether the definitions given to these institutions, granted that they meet the established threshold of eighty-five percent of revenue obtained through financial activity in addition to holding fifty billion dollars with of assets/equity, are appropriate. My comment will address these issues in the respective order.

The proposed addendum to Section 113 of the Dodd-Frank Wall Street Recovery Act is quite fair. The threshold introduced for an institution to be considered a "nonbank financial company" which relates to the proportion of revenue generated by financial activity, currently proposed to be eighty-five percent, is well above the majority of a firm's income. This should ensure that the scope of private business review would remain focused on those companies that have a primary interest in the financial market. Additionally, in order for said "nonbank financial company" to be considered "significant", it must have in the past fiscal year at least fifty billion dollars in consolidated assets. This threshold finds precedence as an accepted number as it has been applied to banking institutions to determine their financial significance.

Methodology is tremendously important in determining whether certain standards should be deemed fit for utilization in a piece of legislation. The two-year period utilized as a standard of data evaluation, in order to determine whether or not a company falls within the boundary of the new standards for regulation, is also a seemingly accurate measure of a company's most current financial standing. By utilizing a period over one year and below five, one can be sure that companies that might experience changes to their structure resulting then deriving eighty-five percent or more of their income coming from financial activities are not left for too long a period outside the scope of increased scrutiny. Additionally, it will ensure that companies that fall below the established threshold are no longer made burdens of the newly established over sight council.

These definitions find strength in consistency. This also applies to the use of consolidated year-end financial statements of a company prepared in accordance with commonly utilized GAAP or IFRS standards in order to establish a company's consolidated asset worth and, thus, whether or not it can be deemed "significant" financially. Because the statements utilize the standard accounting procedures and would be prepared regardless of the passage of the Dodd-Frank Wall Street Recovery act, they too can be deemed neutral criteria for evaluation. Additionally, the amount of time spent preparing these responses would average approximately twelve hours per year. Thus, it does not place a significant burden upon the businesses that require evaluation. The terms and definitions of the proposed "nonbank financial company" and "significant nonbank financial company" are appropriate in that the language is neutral and they are very specific. Additionally, there is consistency with regards to the criteria that would cause a company to fall within said newly established parameters thus eliminating the risk of unnecessary regulation and observance.

It is my opinion that the definitions and parameters presented in docket FRS-2011-0035 are fair and appropriate criteria that would successfully implement the Dodd-Frank Wall Street Recovery Act.

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Katherine Karpf