

Comment

Federal Reserve System

Definitions of “Predominantly Engaged in Financial Activities” and “significant” Nonbank Financial company and Bank Holding Company

To whom it may concern:

I appreciate the opportunity to submit comments on this proposed regulation. As a lay citizen and non-expert in this issue, I am broadly supportive of the efforts made under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to create oversight and regulation for high-risk financial institutions.

It is my opinion that, since it is the government and the law that imbue corporations with structure and purpose, it is also the responsibility of government to ensure that that purpose is carried out to the benefit of its citizens. Otherwise, this narrowly and strictly defined legal mandate of short-term wealth generation, existing for the benefit of a corporation’s stock holders, if left alone with minimal regulation, will continue to produce cyclical market failures and a predictable pattern of widely-felt externalities—the Great Recession and BP oil spill being the most recent and prominent examples of each.

It pleases me that the public’s discontent has allowed us to take this step in the right direction.

As regards the agency’s request for proposals on the criteria for determining whether a company is “predominantly engaged in financial activities” and on definitions for “significant nonbank financial company” and “significant bank holding company,” my only concern is that the reach of the regulation may not go far enough.

For the new regulatory Council to be able to establish oversight over a financial company, it must be “predominantly engaged in financial activities,” which is defined by the statute as having financial business constitute more than 85% of the consolidated gross revenues or assets of the company. My concern is that a very large company—that has less than 85% of its revenues drawn from financial business but that still occupies a substantial portion of the financial services market—may be exempt from regulation. Large companies that occupy a substantial portion of the financial services market and could therefore pose a particular threat to the financial stability of the United States are exactly the sorts of companies that this act was intended to regulate.

Thank you for your consideration. Here’s to wishing this bill a long life of effective financial-meltdown prevention.

Kudos,

Daniel P.