

Congress of the United States  
Washington, DC 20515

December 12, 2013

The Honorable Benjamin S. Bernanke  
Chairman  
Federal Reserve Board of Governors  
20th Street and Constitution Ave NW  
Washington, DC 20551

Dear Chairman Bernanke,

We are writing in regards to the Federal Reserve Board's proposed rule on capital requirements for foreign financial institutions published on December 28, 2012. We believe the rule and the Dodd-Frank-Act section it implements are very important to safeguarding America's financial system, and it is critical to produce a rule that will have lasting success. Because of that, we believe the rule would be improved and would more faithfully carry out the clear language of the statute if there were one change.

A rule to insulate American operations of foreign banks from overseas trouble is absolutely necessary. It is clear from hearings in front of the Financial Services Committee that there are worries about failures of European and Asian banks, and 2008 clearly illustrated how problems in one country can spread to others. Dodd-Frank tried to address that to protect the U.S., and we are glad to see the Fed following through on that plan with the requirements proposed in this rule. The proposed intermediate holding company model makes sense to us as a way to protect the U.S. financial system from trouble spreading from overseas, and it seems a practical choice given that some banks already use that model. So, we support the general framework of the rule.

However, we believe the rule would work better if it applied bank capital requirements only to banks. Across a wide variety of issues, all of us have heard from non-bank financial companies that the Fed is subjecting them to bank-specific requirements and procedures. The same goes with this proposed rule. We support subjecting foreign-owned banks operating in the United States to U.S. banking regulations, but we do not understand why we would subject foreign-owned broker-dealers that do not own a full-service commercial bank to capital rules designed for banks. If U.S. broker dealers are subject to different capital requirements than U.S. banks, what is the rationale for applying bank requirements to broker-dealers that are foreign owned?

None of us were in Congress for the passage of Dodd-Frank, but it seems clear that the concerns we raise were shared by the drafters of that law. The Federal Reserve was specifically instructed to consider "whether the [foreign financial] company owns an insured depository institution." While Dodd-Frank is not a perfect bill, and there are plenty of unintended consequences from complex legislation, it seems like this is a case where Congress correctly anticipated possible problems, worked to address them and then the Federal Reserve has not followed that instruction. We hope that will change.

We remain committed to robust implementation of the Dodd-Frank Act and its reforms. This proposed rule represents significant progress in that respect, and we want to make clear our general support. However as we work to protect the regulators from attempts to undermine their authority under the law, we will also respectfully ask the regulators to implement the statute in the manner directed by Congress and to take note of the direction to distinguish between banks and non-banks. Thank you for your consideration.

Sincerely,



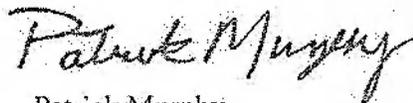
Denny Heck  
Member of Congress



Joyce Beatty  
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John Delaney  
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Patrick Murphy  
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Terri Sewell  
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Dan Kildee  
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