

Proposal: 1706 (AF80) Reg YY; Total Loss-Absorbing Capacity (TLAC) Rule: Eligible Retained Income

Description:

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Comment ID: 137251

From: Kermit Kubitz

Proposal: 1706 (AF80) Reg YY; Total Loss-Absorbing Capacity (TLAC) Rule: Eligible Retained Income

Subject: Regulation YY; Total Loss-Absorbing Capacity, Long-Term Debt, and Clean Holding Company Requirements

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Comments:

Date: May 11, 2020

Proposal: Regulation YY: Total Loss-Absorbing Capacity, Long-Term Debt, and Clean Holding Company Requirements for Systemically Important U.S. Bank Holding Companies and Intermediate Holding Companies of Systemically Important Foreign Banking Organizations: Eligible Retained Income [R-1706]

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Your comment: The proposal to use a four year average of income to ease restrictions on distributions because of occurrence of conditions related to the coronavirus pandemic may be reasonable, but it must be considered in connection with other actions. These include the use or availability of funds from the Federal Reserve, any transfers of liabilities or securities to the Federal Reserve or the Department of the Treasury, and the magnitude of any capital distributions that are permitted as the result of the relaxation of the net income requirement. That is, capital distributions should not be permitted if a financial entity is also receiving support from the Fed or the Treasury, as well as using the modified, relaxed income look back. Capital distributions may be justified, but they should have associated requirements for lending, limits on executive bonuses or payouts, limits on share repurchase, and other means of capital distribution or uses of funds which weaken the financial institution and are only permitted as the result of federal government support through multiple avenues including the CaresAct funding. Only if capital distributions enhance the financial institution's ability to contribute to economic recovery of both the stock market and main street businesses, emphasizing main street businesses and small businesses need for liquidity, should the relaxed 4 quarter income look back be adopted.