Proposal: 1813 (AG64) Reg H, Q, LL & YY-Regulatory Capital Rule: Amendments to LBOs and Banking Organizations

Description:

Comment ID: 157195

From: Robert E. Rutkowski

Proposal: 1813 (AG64) Reg H, Q, LL & YY-Regulatory Capital Rule: Amendments to LBOs and Banking Organizations

Subject: R-1813 Regulatory Capital Rule: Amendments Applicable to Large Banking Organizations and to Banking

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Comments:

Jerome Powell, Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, DC 20551
regs.comments@federalreserve.gov

Re: Regulatory Capital Rules related to the Basel III Endgame

Dear Chair:

Commenting on the filing of Better Markets' Comment Letters on the Regulatory Capital Rules related to the Basel III Endgame with the three banking agencies: The biggest threat to Main Street families, the financial system, and the economy are less than 1% of the country's largest, most dangerous megabanks that do not have enough capital. Those megabanks are undercapitalized, will fail if they get in trouble, and will put their hands out again for taxpayers to bail them out of the risks they took to stuff their pockets with hundreds of billions of dollars in bonuses. Wall Street's megabanks have been running a propaganda campaign to make people think that the threat to the country is overcapitalized megabanks, but those self-serving claims are baseless and contradicted by objective data.

The only thing standing between a failing Wall Street megabank and that megabank inflicting massive losses on Main Street is the amount of equity capital that megabank has to absorb its own losses. If Wall Street megabanks don't have enough equity capital, then they either crash and throw Main Street Americans out of work and their homes like 2008 or trillions of dollars are used to bail out those megabanks as happened in 2008. The simple solution to ending Wall Street bailouts and protecting Main Street families, small businesses, community banks, and the entire economy is for those megabanks to have more equity capital, which is why the proposed Basel III Endgame rules require those banks to have just a little more equity capital.

Importantly, the proposed capital requirements are targeted on the megabanks high risk, most dangerous trading and investment activities. Megabank lending to the real economy should not be impacted at all as proved by the significant capital increases after 2008 when bank lending to nonfinancial firms increased as well. Wall Street's megabank propaganda is objectively refuted by this data, which fully supports the proposed rules. The truth is that Wall Street megabanks hate equity capital because the lower the capital, the higher the bonuses are for Wall Street CEOS and executives.

While strong support is expressed for these proposed rules from the banking agencies, they need to be implemented more expeditiously. After all, The Basel Endgame rules are a response to the 2008 crash, and banks complying by 2027 is too long. However, even if the rules are finalized as proposed, the megabanks will still not have sufficient equity capital to ensure that the do not threaten the country. The banking agencies must also move forward with even stronger rules that require much greater equity capital. Only that will truly end too-big-to-fail and bailouts for Wall Street's megabanks.

Better Markets' Comment Letters

https://bettermarkets.org/wp-content/uploads/2024/01/Better-Markets-Comment-Letter-Regulatory-Capital-Rule-1-16-24.pdf

https://bettermarkets.org/wp-content/uploads/2024/01/Better-Markets-Comment-Letter-Risk-Based-Capital-Surcharges-for-GSIBS-1-16-24.pdf

Yours sincerely,
Robert E. Rutkowski

cc:
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