Meeting Between Federal Reserve Staff and Representatives of The Clearing House  
September 14, 2011

Participants: Rodgin Cohen, Mark Welshimer, Paul Saltzman, Eli Peterson, Daniel McCordell, Christopher Mazingo, Hamid Samandari, Arvind Govindarajan, Howard Moseson and Sujit Chakravorti  
(Representatives of The Clearing House)

Bill Nelson, Bill Bassett, Rick Naylor, Anna Lee Hewko, Pat Parkinson, Art Lindo, Mark Van Der Weide, Wayne Passmore and Mike Kiley  
(Federal Reserve Board)

Summary: On September 14, 2011, representatives of The Clearinghouse met with Federal Reserve Board staff to discuss the risk-based capital surcharge for global systemically important banks proposed by the Basel Committee on Banking Supervision in July 2011. Meeting participants discussed concerns about the lack of transparency of Basel Committee’s indicator-based methodology, which impacts bank management’s ability to make informed business decisions and creates uncertainty regarding capital requirements. Topics of discussion also included concerns about the relevance of individual indicators, including assets under custody and underwriting activity, as measures of a firm’s systemic impact; perverse incentives that might be created by using particular indicators as inputs into a systemic capital surcharge; the rationale behind the Basel Committee’s indicator choices; and the importance of collecting uniform data across jurisdictions. Meeting participants also discussed the interaction between and potential evolution of the systemic capital surcharge regime and resolution regimes for global systemically important banks.

Representatives of The Clearinghouse also presented data on the failure rates of banking organizations based on their pre-financial crisis common equity tier 1 capital ratios and on the impact of higher capital requirements on banking organizations’ return on equity.