

The Clearing House Reacts to the Federal Reserve's GSIB Surcharge Rule

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New York, NY – July 20, 2015 – Following today's adoption by the Board of Governors of the Federal Reserve System (Fed) of a final rule implementing a capital surcharge for global systemically important banks (GSIBs), Jim Aramanda, CEO of The Clearing House issued the following statement.

"At first glance, although the final rule appears to include some improvements to the proposal, we remain concerned that the final rule failed to address a number of significant flaws we identified in our comment letter. These remaining flaws will have meaningful and negative consequences, especially for the robustness and liquidity of markets served by activities disproportionately impacted by the final rule, and will result in adverse impacts to customers and the real economy.

"While we also appreciate that today the Fed publicly disclosed some aspects of the analytical and quantitative bases underlying critical elements of the rule, we continue to believe that such analyses should be fully transparent and subject to public debate as part of the comment process, and not simply in a final rule, consistent with both the letter and spirit of our rulemaking process. This is especially important where, as here, the final rule imposes a surcharge on U.S. banks that goes well beyond internationally agreed upon standards.

"We are disappointed that, like the proposal, the final rule does not properly take into account the dramatic reduction in systemic risk that has come from enhanced liquidity, increased use of clearing, stricter margining, resolution and recovery rules, and other post-crisis changes that significantly reduce the probability of a GSIB failure and the potential systemic impact in the event of a failure.

"We appreciate that the final rule included several changes intended to improve the surcharge calculation methodology, including measures to minimize the volatility of short-term fluctuations in foreign exchange and modest reductions in the weightings assigned to certain forms of short-term funding that pose little or no systemic risk.

"The Clearing House looks forward to further engagement with the Fed and the Basel Committee to seek ways to improve the international and U.S. GSIB

surcharge frameworks and methodologies so that they better reflect the actual systemic risks posed by U.S. GSIBs.”

About The Clearing House. Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world’s largest commercial banks, which collectively hold more than half of all U.S. deposits and which employ over one million people in the United States, and more than two million people worldwide. The Clearing House Association L.L.C. is a nonpartisan advocacy organization that represents the interests of its owner banks by promoting and developing policies to support a safe, sound and competitive banking system that serves customers and communities. Its affiliate, The Clearing House Payments Company L.L.C., which is regulated as a systemically important financial market utility, owns and operates payments technology infrastructure that provides safe and efficient payment, clearing and settlement services to financial institutions, and leads innovation and thought leadership activities for the next generation of payments. It clears almost \$2 trillion each day, representing nearly half of all automated clearing-house, funds transfer and check-image payments made in the United States. See The Clearing House’s web page at www.theclearinghouse.org.