BLOG POST

Long Term Debt Proposal Needs Changes

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State bank regulators have asked the federal banking agencies to amend their long-term debt (LTD) proposal for large banking organizations.

The proposal would require banks over $100 billion in assets to issue and maintain a minimum amount of LTD, which is meant to enhance the resolvability of such firms in the event of failure, as well as promote the resiliency of these banks and the broader banking system.

While state regulators recognize the benefits of a new LTD requirement, the proposal should be recalibrated to account for these large banks' diverse sizes, structures, risks, and likely resolutions in the event of failure, CSBS outlined in a comment letter sent to the Federal Reserve, OCC, and the FDIC. Additionally, the LTD proposal will be impacted by revisions to capital rules currently under consideration by the federal banking agencies.

CSBS asked the federal banking agencies to first finalize revisions to large bank capital rules, update their economic impact analysis of LTD requirements, and then allow the public another opportunity to provide comments on the proposal before finalizing an LTD rule.