

Title: JACKED: The Fed & FDIC are crying for help

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Get [JACKED to the tits](https://www.youtube.com/watch?v=DQ5VfKSYvSk)! The "Federal Reserve Board invites public comment on an advance notice of proposed rulemaking to **enhance regulators' ability to resolve** ***large banks*** **in an orderly way should they** ***fail***". \[Sauce: **Federal Reserve** Press Release (Oct. 14, 2022)](https://www.federalreserve.gov/newsevents/pressreleases/bcreg20221014a.htm)\]

TADR: Big Banks, Big Booms

Large banks? Fail? What's going on???

The Federal Reserve ("Fed") \[Wikipedia](https://en.wikipedia.org/wiki/Federal_Reserve)\] and Federal Deposit Insurance Corporation ("FDIC") \[Wikipedia](https://en.wikipedia.org/wiki/Federal_Deposit_Insurance_Corporation)\] are concerned about financial system stability and limiting contagion risk should a big bank go bust. So, they (Fed & FDIC together) are proposing [Resolution-Related Resource Requirements for Large Banking Organizations (PDF)](https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20221014a1.pdf). **The Fed & FDIC need options on how to handle a big bank going bust** and are proposing to add an "extra layer of loss-absorbing capacity".

[Fed & FDIC Proposal pg 1](https://preview.redd.it/u7dut65fmmv91.png?width=1818&format=png&auto;=webp&s;=5a531e45adaf6307f95a0f37406852048dae8b30)

Let me apeify this for you. ***"Resolving a large banking organization"*** is fancy words for cleaning up the mess when a big bank fails. So this proposal summary is saying the FDIC (who provides insurance for cash deposits) needs options to clean up the mess ("resolve a firm") in a way that doesn't break the whole financial system ("in a way that minimizes the long term risk to financial stability") that keeps their options open ("preserves optionality").

Normally, messes are cleaned up by selling a failed financial institution to someone else. Selling one failed bank to a functional one turns out to be the cheapest option for the FDIC's [Deposit Insurance Fund](https://www.fdic.gov/resources/deposit-insurance/deposit-insurance-fund/). After all, no insurance company ever *wants* to pay out when there is another option on the table.

[Fed & FDIC Proposal pg 7](https://preview.redd.it/hkiyls85qmv91.png?width=2290&format=png&auto;=webp&s;=8a6a2bb6c61278915de1061054c16be59a574dd6)

Except during the 2008 global financial crisis, there was not a lot of buyers for the biggest failures. And that hasn't really changed since 2008. There's simply no good option for cleaning up the mess when a *really big bank* fails which made them [Too Big To Fail](https://en.wikipedia.org/wiki/Too_big_to_fail) *so the Big Banks got bailed out by taxpayers* \[Too Big to Fail Banks: Where Are They Now? (Investopedia)](https://www.investopedia.com/insights/too-big-fail-banks-where-are-they-now/)\].

The 2008 bailouts meant *Too Big To Fail* now became a **goal** for banking organizations chasing short-term profits by relying on ***risky*** *(less stable)* **uninsured** deposits to keep running -- at about 40% of total deposits.

[Fed & FDIC Proposal pg 7](https://preview.redd.it/exi1uxawsmv91.png?width=1792&format=png&auto;=webp&s;=e44607156c85a16643b07a42928f8568297b1218)

What did we expect when excessive risk leads to taxpayers paying the bills? Private profits and public losses.

Some large banking organizations really reached for *Too Big To Fail* by operating across jurisdictional borders (e.g., EU and Asia) and setting up "significant non-bank operations" to provide bank-like financial services without the banking regulations and oversight.

\[[Investopedia](https://www.investopedia.com/terms/n/nbfcs.asp)\] Non-bank operations include hedge funds, pension funds, and insurance companies

\[[Investopedia](https://www.investopedia.com/terms/n/nbfcs.asp);

[Wikipedia](https://en.wikipedia.org/wiki/Non-bank_financial_institution); [BIS](https://www.bis.org) [Glossary](https://www.bis.org/statistics/glossary.htm?&selection;=281&scope;=Statistics&c;=a&base;=term);

[World Bank Definition](https://www.worldbank.org/en/publication/gfdr/gfdr-2016/background/nonbank-financial-institution)) -- *the same type of non-bank targets the* [*OCC got the green light to raise unlimited funds from*](https://www.reddit.com/r/Superstonk/comments/x56h7d/the_fox_is_guarding_the_hen_house_the_sec_is/).

[Fed & FDIC Proposal pg 8](https://preview.redd.it/x8s5lbdkjnv91.png?width=2300&format;=png&auto;=webp&s;=8d8ed5af8a98c61342531d0de180e5f92a91020c)

\$#!+. Now what?

>"We're kinda screwed. Need some options people!"

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>[Fed, basically]

The Fed is basically asking for options. (Asking Wall St., not apes -- we know they don't care much about the public aside from taking our money.)

The Fed is basically proposing to set up more assets and insurance as "an extra layer of loss-absorbing capacity" to give the FDIC something to work with. This is interesting because it also implies that without "an extra layer of loss-absorbing capacity", ***the FDIC expects there won't be much to work with.***

[Fed & FDIC Proposal pgs 8-9](https://preview.redd.it/1ocmhvuupnv91.png?width=2298&format;=png&auto;=webp&s;=6bd773936a94b3023107ce3c3af8da14183d03c1)

Assets? Wut assets? All gone. ***Poof!***

This is so important that this document reiterates what the FDIC can and can't do:

[Fed & FDIC Proposal pgs 10-11](https://preview.redd.it/75m921ef0ov91.png?width=2302&format;=png&auto;=webp&s;=21525b47ca6a27415a92fa837667f1845689cdcf)

The Fed and the FDIC are looking for options for how to handle failures of the largest and most complex banking organization**s** *(plural)* because there's not much assets left for the FDIC to work with. They're almost out of options and time is running out.

So the Fed issued a cryptic **cry for help** with all the legalese and complex phrasing you might expect from a group trying to keep normal people from figuring out that they've got a *really big problem* with their biggest banks going boom.

What next?

Well, obviously, apes and the public need to comment! People should speak up because there is no way the Fed, which is basically owned by Wall St, wants to hear from the public on this which makes it a prime example of [why the public needs to create a record for posterity](https://www.reddit.com/r/Superstonk/comments/y39fpp/why_comments_matter_with_an_elia_on_the_secs/).

Beyond the Federal Reserve [website for Proposals for Comment](http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm), I'm not actually sure how to comment to the Federal Reserve on this or what to say yet. (Still reviewing...)

Please help review the [Proposal (PDF)](<https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20221014a1.pdf>) and [Press Release](<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20221014a.htm>) to share your thoughts on what is worth commenting to the Federal Reserve on how to handle bank failures! ***NEED MORE WRINKLES!***

Thanks to [u/julian424242](<https://www.reddit.com/user/julian424242/>) for [the heads up](https://www.reddit.com/r/Superstonk/comments/yb3ha3/probably_nothing/)!