

Title: FED announces capital requirements for all large banks, effective on October 1
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TLDR: On October 1st, large banks (see below for Tier 1 banks), will be required to adhere to minimum capital requirements. Falling below this minimum will result in automatic restrictions to capital distributions (dividends) and discretionary bonus payments. Interestingly, BofA (tier 1) and Huntington (tier 4) requested their stress test results be reconsidered.

Projected Trading Losses

These are the projected trading losses based on the Stress Tests conducted by the FED on the tier 1 banks.

Bank	Projected Trading Losses 2022	Projected Trading Losses 2021	Projected Trading Losses 2020
Bank of America	\$12.9B (+30.3%)	\$9.9B (-5.7%)	\$10.5B
Bank of New York Mellon	\$2.9B (+190%)	\$1B (+25%)	\$800M
Citigroup	\$13.6B (+58.13%)	\$8.6B (+50.87%)	\$5.7B
Goldman Sachs	\$20.9B (-0.94%)	\$21.1B (+18.53%)	\$17.8B
JPMorgan Chase	\$16.1B (-14.36%)	\$18.8B (-13.76%)	\$21.8B
Morgan Stanley	\$10.6B (-5.35%)	\$11.2B (+17.89%)	\$9.5B
State Street	\$1.5B (+87.5%)	\$800M (+33.3%)	\$600M
Wells Fargo	\$13.7B (+47.31%)	\$9.3B (+6.89%)	\$8.7B

A minor detail in the stress test report....

Importantly, these projected losses are based on the trading positions and counterparty exposures held by banks on the same as-of date (October 8, 2021) and could have varied if they had been based on a different date.

I did check other reports and it seems normal for the bank to use the previous year's "as-of date," in October. This detail is important to point out, since October of last year when these assets were all accounted and their values determine, there has been a substantial decline in their values.

Provision for Loan Losses (including Margin Loan)

This is a basket of potential loan losses; corporate loans, mortgage loans, auto loans, credit cards...but the one that's also included in this metric: loans for purchasing and carrying securities (basically margin loans).

Bank	Provision Loan Losses 2022	Provision Loan Losses 2021	Provision Loan Losses 2020
Bank of America	\$53.5B (+27.68%)	\$41.9B (-21%)	\$53.1B
Bank of New York Mellon	\$1.7B (+6.25%)	\$1.6B (-11%)	\$1.8M
Citigroup	\$37.5B (+10.61%)	\$33.9B (-32.2%)	\$50B

Goldman Sachs	\$18.9B ^(\[+47.65%\])	\$12.8B ^(\[+15.31%\])	\$11.1B
JPMorgan Chase	\$64.5B ^(\[+55.42%\])	\$41.5B ^(\[-42.6%\])	\$72.3B
Morgan Stanley	\$11.5B ^(\[+36.9%\])	\$8.4B ^(\[+29.23%\])	\$6.5B
State Street	\$2.1B ^(\[+40%\])	\$1.5B ^(\[+7.14%\])	\$1.4B
Wells Fargo	\$53.9B ^(\[+23.34%\])	\$43.7B ^(\[-17.39%\])	\$52.9B

Does this mean anything? **NOPE**. I included it in here since it's actually where the stress test accounts for *potential failed margin calls*. In the fallout of Archegos, where Credit Suisse had a \$5.5B loss, their 2021 test ^((remember that the 21' report reflects an October 20' snapshot)) only accounted a \$200M loss potential. Guess phone numbers *can* be prices.

Speaking of Archegos, this post will be the only place I ever speculate on BBBY....check the bonus section.

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Falls from Tier 1

Based on comparing the 2021 to 2022 reports, the following banks are no longer Tier 1 banks: *Barclays, Credit Suisse, Deutsche Bank, and HSBC.*

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Bonus: Revisiting Archego's Timeline

* March 22nd: ViacomCBS (PARA) announced a \$3B offering

<https://preview.redd.it/2a9i69sqe7l91.png?width=725&format;=png&auto;=webp&s;=fefe9a46db3d547d79ebd08bb8506ccad0118874>

* March 23rd: Viacom closed down -9%; Potentially, when margin calls were issued.

* March 24th: Viacom closed down -23%; Potentially, the day a margin call failed.

* March 25th: GME closed up +52.68%

<https://preview.redd.it/hnfz4c1fh7l91.png?width=1032&format;=png&auto;=webp&s;=264700d34aee6c60094a2891d36fa4e8647dc910>

* March 26th: Goldman and Morgan Stanley liquidate PARA and other positions.

* March 27th: News is released on Archegos failure.

<https://preview.redd.it/268sxxmxgh7l91.png?width=931&format;=png&auto;=webp&s;=3bcb381d28b60ca36c7cd44fcf10f6f8fff52281>

So what does this have to do with BBBY, RC, and GME?

>Let's see who's in the top 5 ownership of BBBY

<https://preview.redd.it/h68co2owi7l91.png?width=1002&format;=png&auto;=webp&s;=534d77bd13479555c447596cb3039107e659985b>

And what does BBBY have in common with PARA...now.

<https://preview.redd.it/irw6ksw3j7l91.png?width=1310&format;=png&auto;=webp&s;=357c5733dec5afc7818194de2b26c12b24c33ede>

One last thing, when I actually researched BBBY and it's institutional holders...RC wasn't the first to sell.

* August 10th: Fidelity sold 13,799,381 shares, representing a 13.65% stake \[4\]

* August 16th: Freeman sold 4,968,000 shares, 6.21% stake, and a position only held for 27 days

If history repeats itself, BBY may mimic PARA's negative price action, which may positively correlate to GME again as it did in the past. With the new ISDA initial margin requirements (Sep 1st) and the banking capital requirements (Oct 1st) going into effect, hands may be *forced to act...****again**.

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Sources

* [0] FED Capital Requirements October 1st Press: <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20220804a.htm>

* [1] Current 2022 Stress Test Report: <https://www.federalreserve.gov/publications/files/2022-dfast-results-20220623.pdf>

* [2] 2021 Stress Test Report: <https://www.federalreserve.gov/publications/files/2021-dfast-results-20210624.pdf>

* [3] 2020 Stress Test Report: <https://www.federalreserve.gov/publications/files/2020-dfast-results-20200625.pdf>

* [4] Fidelity BBY sale: <https://www.sec.gov/Archives/edgar/data/0000315066/000031506622001698/0000315066-22-001698-index.html>