Statement of Michael J. Hsu
Acting Comptroller of the Currency
In Support of the Notice of Proposed Rulemaking
to Establish a Long-Term Debt Requirement
FDIC Board Meeting
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I support this interagency proposal to establish a long-term debt requirement for large banks with $100 billion or more in assets. Notably, the OCC is joining the FDIC and Federal Reserve in issuing this notice of proposed rulemaking (NPR).

Safeguarding and fostering trust in large banks is critical to the missions of the federal banking regulators, to financial stability, and to sustaining democracy. Few things can erode that trust faster than the deep unfairness that comes from "privatized gains, socialized losses". This interagency NPR establishing a long-term debt requirement for *all* large banks, not just the global systemically important banks (GSIBs), would mitigate this risk.

Long-term debt can play a crucial role in the orderly resolution of a failed bank. Under the total loss absorbing capital (or TLAC) requirement, GSIBs are required to hold a minimum amount of long-term debt. This serves as an important buffer, so that if a firm fails, its private investors absorb the firm's losses and are "bailed in" instead of taxpayers footing the bill for a bailout or healthy banks being asked to cover outsized losses via the Deposit Insurance Fund or a special assessment.

All large banks, not just the GSIBs, should have sufficient long-term debt. Long-term debt can help mitigate the risk of runs by ensuring that large banks' private investors absorb losses before the depositor class. If Silicon Valley Bank, for instance, had had sufficient long-term debt, its losses would have been borne by the bank's investors, potentially mitigating the risk of a depositor run.

In the event of a failure, a bank's buffer of long-term debt would also make it more likely that a closing weekend sale could comply with the statutory least-cost test and avoid the need for consideration of a Systemic Risk Exception to that test. Moreover, the long-term debt buffer would also create additional options in resolution, such as recapitalization of the failed bank under new ownership or breaking up the bank and selling portions of it to different acquirers. These solutions would expand today's limited choices beyond simply an acquisition by another large institution.

For these reasons, I support inviting public comment on the interagency notice of proposed rulemaking to establish a long-term debt requirement for large banks with $100 billion or more in assets. I want to thank staffs at all three of the agencies for their hard work and collaboration on this NPR.