

Public Comments on Resolution of Systemically Important Financial Institutions: Single Point of Entry Strategy:=====

Title: Resolution of Systemically Important Financial Institutions: Single Point of Entry Strategy

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Comment: Although regulations need to be considered for the orderly resolution of financial institutions, the structure proposed by the Single Point of Entry Strategy does not impose true accountability upon those who are culpable. To foster true accountability, minimum criminal penalties should be established for anyone within a SIFI or G-SIFI who is instrumental in its failure. From there, anyone who has derived benefit, knowingly or unknowingly, should be held accountable, including but not limited to shareholders and debt holders. Depositors, on the other hand, should not be penalized, yet they will be under this plan - to the extent their deposits exceed FDIC insurance limits, because depositors are considered creditors - and deposits in excess of FDIC insurance are considered unsecured debt. This may be news to many, but any time a deposit institution fails deposits in excess of insured limits are exposed to loss. Since receivership actions are at the discretion of the FDIC, this may be perceived as self-serving or double-dealing. It is time to hold those responsible for an institution's failure due to excessive abuses of prudent-man policies that should govern deposit institutions. It is time to return to Glass-Steagall, establishing a separation of investment banking from depositories. There is nothing wrong with an entity profiting as long as it is not at the expense of the unwitting. Shareholders bear a certain amount of responsibility and risk as equity partners in any entity, as do debt holders. Since they receive a benefit from the entity they are party to, they should share in its losses. Depositors should not. Nothing will change unless those who operate the SIFI or G-SIFI are held criminally responsible for their willful disregard for the general public, knowing that others will bear the brunt of their indiscretions.

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