DEFINITION OF "PREDOMINANTLY ENGAGED IN FINANCIAL ACTIVITIES"

FEDERAL RESERVE SYSTEM
12 CFR Part 225
Regulation Y; Docket No. R-1405
RIN 7100-AD64

COMMENTS RELATING TO DEFINITION OF INSTITUTIONS PREDOMINANTLY ENGAGED IN FINANCIAL ACTIVITIES

Len Canty
Chairman, Black Economic Council

Jorge Corralejo
Chairman, Latino Business Chamber of Greater Los Angles

Faith Bautista
President and CEO, National Asian American Coalition

1850 M Street, NW, Suite 1100
Washington, DC 20036
Telephone: (202) 559 7483
Fax: (202) 204 5843
Email: mmartinez@naacoalition.org

April 11, 2012

COMMENTS RELATING TO DEFINITION OF INSTITUTIONS PREDOMINANTLY ENGAGED IN FINANCIAL ACTIVITIES

These exploratory comments are filed by the Black Economic Council, the Latino Business Chamber of Greater Los Angeles and the National Asian American Coalition. All three groups represent the unbanked, underbanked and underserved communities, and have a national bank regulatory office in Washington DC.

We file on behalf of the more than 60 million unbanked and underbanked, and our nation's 120 million minorities who are often disproportionately subject to onerous financial terms by so-called nonfinancial institutions.

In examining the 36-page Federal Reserve order of April 2, 2012 seeking a definition of "predominantly engaged in financial activities," we wish to offer some initial observations.

Firstly, the comments appear to ignore the consequences and impact of nonfinancial institutions that take advantage of and/or prey upon, underserved, unbanked and underbanked communities.

Similarly, the proposed regulations appear to ignore the multibillion-dollar role of so-called nonfinancial institutions that play an increasing role in financing the activities of the underserved, unbanked and underbanked communities. For example, it appears that Wal-Mart would not fall within any conceivable definition of "predominantly engaged in financial activities" definition presently being considered under this regulation. Yet, Wal-Mart is the largest corporation in America. Its 2010 revenue exceeded that of any corporation in America. Within Wal-Mart's $422 billion revenue in 2010 were an estimated minimum of $20 billion that clearly would be considered financial activities subject to this regulation. Please note, the FDIC has subjected all the financial institutions with merely $10 billion a year in assets to stress tests.

Further, Wal-Mart is increasingly competing within a broad range of financial services with our largest banks. And, in many cases, it has substantially reduced the profits of community banks that attempt to compete with Wal-Mart.

The minority business and community organizations herein do not contend by the above observations that Wal-Mart is providing unfair or inferior financial services or that it is providing financial services at a higher cost. In fact, if Wal-Mart were regulated and subject, for example, to the definition of "predominantly being engaged in financial activities," it might become even more effective and offer more low-cost alternatives than traditional financial institutions. Further, many of these traditional financial institutions are increasingly abandoning underserved communities. That is, the Federal Reserve or other regulatory oversight might assist Wal-Mart in more effectively serving its customers.

Therefore, including Wal-Mart within the regulatory definition would permit the Federal Reserve to guide Wal-Mart in more effectively serving its unbanked and unaderbanked customers, a matter of increasing concern to all regulators in the current environment. (In a current environment, many traditional banks are seeking to focus their activities primarily on the affluent.)

In summary, we fear that the unduly complex regulatory framework of this proposed regulation may produce a narrow and largely useless definition of institutions "predominantly engaged in financial activities." This unfortunate circumstance could allow many institutions that could be subject to Federal Reserve scrutiny to unnecessarily prey on underserved, unbanked and underbanked communities. Consider, for example, the past history among unregulated so-called financial institutions, such as Ameriquest and New Century Financial.

Respectfully submitted,

/s/ Len Canty
Len Canty
Chairman
Black Economic Council

/s/ Jorge Corralejo
Jorge Corralejo
Chairman
Latino Business Chamber of
Greater Los Angeles

/s/ Faith Bautista
Faith Bautista
President and CEO
National Asian
American Coalition

/s/ Robert Gnaizda
Robert Gnaizda
Counsel

/s/ Mia Martinez
Mia Martinez
Director for the DC Office

April 11, 2012