

## The nation's largest banks are highly regulated.

- Unlike in other industries, large banks cannot make share distributions without first passing a strenuous stress test to prove they are able to maintain a strong capital position and support the economy, even during a significant downturn.
- Then, and only then, are banks able to distribute capital.

## The eight U.S. Global Systemically Important Banks have increased the quality and quantity of capital in the past decade.

- From 2010 to 2019, they increased their Tier 1 capital by 32 percent to \$914 billion.
- In March, these same institutions temporarily suspended their share buybacks in light of the uncertainty seen at the start of the COVID-19 pandemic and built their capital even further.
- The institutions also set aside a significant amount of money to reserve against losses.

## Based on their position of strength, these banks have been vital sources of support to the economy this year. For example, in 2020 Forum members have:

- Increased their overall lending to \$4.1 trillion;
- Provided businesses of all sizes with \$272 billion in loans in Q1;
- Dispersed \$72.4 billion in loans to more than 850,000 businesses through the Paycheck Protection Program; and
- Helped raise \$2.2 trillion in corporate bonds and \$339 billion in equity for U.S. companies.

## Share distributions act as a source of support to the economy.

- More than half of all Americans own stocks -- The Fed's 2019 Survey of Consumer Finances found 52.6% of U.S. households have stock holdings.
- Money returned to shareholders recirculates throughout the economy.
- Says Federal Reserve Chairman Jay Powell:

*"When a company buys back its shares or pays higher dividends, the resources do not disappear. Rather, they are redistributed to other uses in the economy. For instance, shareholders may decide to invest the windfall in another company, which may in turn make productivity-enhancing investments. Or they may decide to spend the windfall on goods and services that are produced by other companies, who may in turn hire new workers. In these ways, stock repurchases would also be likely to boost economic growth."*

## Buybacks complement – not replace – investments businesses make in their communities, workers, capital, and businesses.

- According to research, business investment has accounted for the largest share of U.S. business spending every year since at least 1990.

## Rather than focusing on the amount of resources that are transferred to investors outside of a bank, attention should be focused on the capital and resources that are retained inside the firm.

- The nation's largest banks will continue to maintain strong capital positions even after making distributions.
- These same banks are committed to supporting a robust, durable and inclusive economic recovery.

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The Financial Services Forum is an economic policy and advocacy organization whose members are the chief executive officers of the eight largest and most diversified financial institutions headquartered in the United States.