

Berkshire Hathaway — The Next U.S. Economic System Risk Designee?

The Financial Stability Oversight Council (FSOC) is charged — via the Dodd-Frank Act — of determining which large corporations pose the most danger to the U.S. economy should they collapse. A systemically risky designation means a company has to go through all kinds of regulatory hoops and is then overseen by the Federal Reserve. At the designation point the Fed will require strict capital, leverage and liquidity requirements and a detailed plan to unwind the company if a crisis hits.



Warren Buffett

Almost all banks have received the systemically risky designation. A few insurance companies — AIG, Prudential and MetLife — have also been tagged.

Now Warren Buffett's Berkshire Hathaway is in the FSOC sights. Not officially, at least not yet. All of this is speculation and was reported originally by **Bloomberg** last week. The news source cites two sources from the FSOC committee staff.

The company is being considered because Berkshire Hathaway's reinsurance operation is the world's fourth largest. It is also the largest stockholder for Wells Fargo and American Express. The bank is the nation's biggest mortgage lender and American Express is the top credit card company. Berkshire Hathaway also gave \$5 billion to Bank of America in 2011 when the bank's stock was tumbling.

Buffett also owns GEICO.

No comment from Buffett or from Berkshire Hathaway. However, in an address to stockholders in 2010, Buffett noted the difference between Berkshire Hathaway and banks that had to be bailed out by the federal government at the start of the 2008 financial crisis.

"When the financial system went into cardiac arrest in September 2008, Berkshire was a supplier of liquidity and capital to the system, not a supplicant," he said.