

Congress of the United States
Washington, DC 20515

November 19, 2019

The Honorable Jerome Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Randal K. Quarles
Vice Chairman for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Chairman Powell and Vice Chairman Quarles:

We write to inquire about the status of the Federal Reserve Board's ongoing review of the post-crisis regulatory framework. In a letter dated July 12, 2019, Chairman Powell stated that the Board is currently conducting a review of "significant aspects of its regulatory framework, which includes the GSIB surcharge." As the Board seeks to finalize several pending proposals to significantly amend capital requirements for large institutions, including two that would cross-reference the GSIB surcharge, it is especially important to consider the coherence and efficiency of the overall capital regime.

As you know, post-crisis improvements to the quality and quantity of bank capital have significantly enhanced the resiliency of the banking system, as capital provides a buffer to absorb losses in the face of financial shocks. Although we recognize the importance of strong capital requirements, the ability of large institutions to continue serving as a leading source of lending and investment for U.S. consumers and businesses depends on the efficient calibration of regulation, including capital requirements.

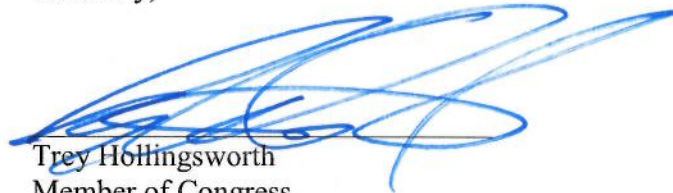
In a recent speech, Vice Chairman Quarles stated that he expects the Board to move forward with the proposed Stress Capital Buffer (SCB), which, as proposed, would incorporate the GSIB surcharge and integrate the stress test into the broader bank capital framework. As the Board proceeds with its implementation of the SCB, we ask that you provide information on the ways in which the comprehensive review of the post-crisis regulatory regime has informed the development of the SCB. Specifically, we request that you identify any changes to the original proposal as a result of this review, particularly how the changes might impact individual banks with different business models.

Moreover, with respect to SCB, we ask that the Board improve the overall transparency of the stress test and the macroeconomic scenarios developed as part of the Comprehensive Capital Analysis and Review (CCAR) program while maintaining the risk sensitivity of the capital framework. To this point, we agree with Vice Chairman Quarles' assertion that the Board's


“regulatory measures are most effective when they are as simple and transparent as possible, and it is prudent to periodically review all of [these] practices to ensure they are achieving these goals.” We note that such transparency measures are applied to the rest of the bank capital regime. For example, other factors determining overall capital requirements are subject to the public notice-and-comment process, which is a cornerstone of good government. Greater transparency into the CCAR scenarios would improve the accuracy of the stress test and enable banks to make more informed choices regarding risk management and the corresponding capital costs.

Thank you for your commitment to reviewing the efficiency and effectiveness of the regulatory framework. We believe any changes to the SCB and larger capital framework should account for each bank’s unique risk profile and appropriate counter-cyclicality in the capital framework. We appreciate your utmost attention to the information requested.


Sincerely,



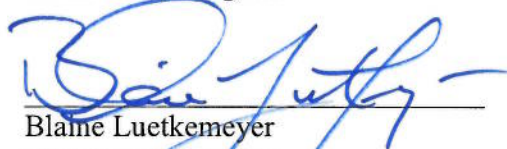
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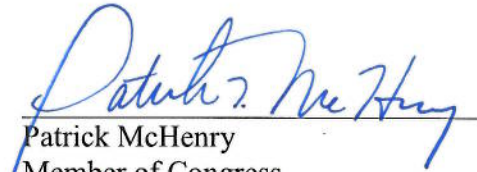
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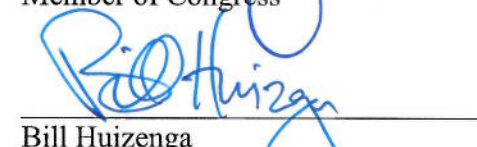
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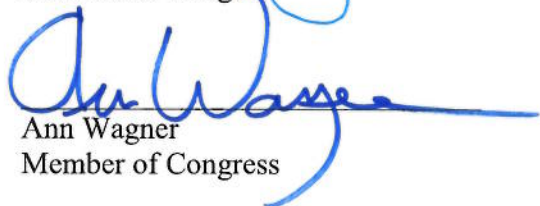
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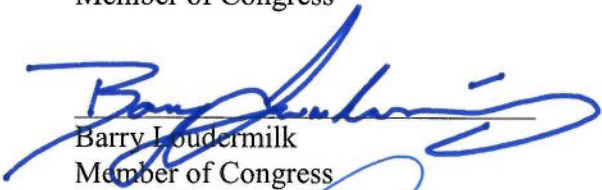



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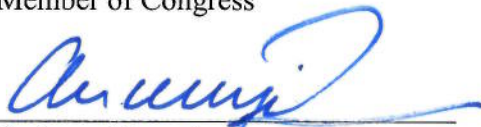

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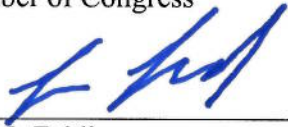

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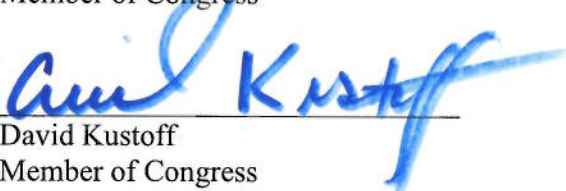

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