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United States Senate
COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

November 30, 2023

The Honorable Michael Barr
Vice Chair for Supervision, Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Notice of Proposed Rulemaking on Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies, RIN 7100-AG65

Dear Vice Chair Barr:

We strongly support the Board of Governors of the Federal Reserve System's effort to make the U.S. banking system more resilient by strengthening the guardrails at global systemically important banking organizations (GSIBs).

As we saw in the 2008 financial crisis, global megabanks took on layers of risky financial bets with too little capital to withstand the losses, crashing our financial system and forcing taxpayer bailouts, while millions of workers and their families lost their homes, jobs, and savings. The GSIB surcharge is an additional capital buffer designed to improve the safety and soundness of global systemically important institutions, strengthen their resiliency against stress events, and mitigate the risks to the financial stability of the United States and global economies resulting from a big bank failure. The biggest, most complex, and most interconnected global banks which have exposures to riskier, nontraditional banking activities, like trading, derivatives, and private equity, pose unique threats to the financial system. It is imperative that our regulatory capital framework adequately accounts for those risks.

The Federal Reserve's proposal would fine-tune the calculation of the GSIB surcharge to better reflect a firm's systemic risk. The proposal would enhance the sensitivity and responsiveness of the surcharge to changes in an institution's risk profile and deter firms from gaming the system to lower their capital buffers. These banks should be using more shareholders' equity to fund their risky activities, so that they – not U.S. taxpayers – are on the hook if those bets do not pay off.

We urge the Federal Reserve to finalize a strong GSIB surcharge rule that improves the resiliency of the largest, global systemically important banks and the broader financial system. Imposing stronger capital rules on the biggest Wall Street banks will help protect Main Street workers, small businesses, and the economy.

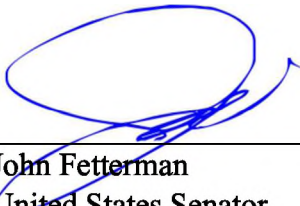
Sincerely,



Sherrod Brown
Chairman
Senate Committee on
Banking, Housing, and Urban
Affairs



Elizabeth Warren
United States Senator



John Fetterman
United States Senator



Jack Reed
United States Senator