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Proposal and Comment Information

Title: Regulatory Capital Rule: Amendments Applicable to Large Banking Organizations and to Banking Organizations with Significant Trading Activity , R-1813

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Subject

New Fed Research Shows Wall Street Megabanks Are Undercapitalized and Pose Needless Risk of Failure, Crashes and Bailouts

Submitter Information

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Jerome Powell, Chair
Board of Governors of the Federal Reserve System
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Re: New Fed Research Shows Wall Street Megabanks Are Undercapitalized and Pose Needless Risk of Failure, Crashes and Bailouts

Dear Chair:

Commenting in connection with a Better Markets supplemental comment letter,
https://bettermarkets.org/wp-content/uploads/2025/01/Better-Markets-Supplemental-Comment-Letter-Regulatory-Capital-Rule.pdf,
on the Regulatory Capital Rules related to the Basel III Endgame proposal: The letter highlights compelling Federal Reserve Bank of New York research that underscores the need for higher capital levels to protect the U.S. financial system.

It is bad news for the American people that the Federal Reserve has caved to the misleading and baseless lobby campaign of Wall Street's megabanks to gut if not kill the proposed capital rules. The independent data and analysis show that the biggest banks remain undercapitalized, and, as a result, they continue to pose an unreasonable risk to the financial system and Main Street Americans.

That data and analysis now includes new research from the Federal Reserve Bank of New York, which provides yet more clear and compelling support for higher capital requirements for U.S. megabanks. While Wall Street's powerful megabanks and its allies, including three if not four members of the Federal Reserve Board, inaccurately claim that the risk to the U.S. is from over capitalized banks, the real threat has always been from undercapitalized banks. The NY Fed's research debunks many of the false claims being pushed by Wall Street. This research is the most comprehensive of its kind, containing data from more than 37,000 banks and 5,000 bank failures that occurred in the United States between 1865 and 2023. This analysis shows that the lack of sufficient bank capital leads to bank runs and bank failures.

It is well-known and indisputable that the only thing standing between a failing bank and a taxpayer bailout – if not a catastrophic financial and economic crash – is the amount of capital a bank has to absorb its own losses, as proved in 2008 and again in 2023. The Federal Reserve needs to start disregarding the industry's baseless lobbying campaign and follow the evidence, which now includes detailed research from the NY Fed.

Yours sincerely,

Robert E. Rutkowski