CONGRESS OF THE UNITED STATES, ELIZABETH WARREN, ET. AL.

Proposal and Comment Information

Title: SLR-Enhanced Supplementary Leverage Ratio, R-1867

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Subject

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Submitter Information

Organization Name: Congress of the United States

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Name: Elizabeth Warren, et. al.

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Congress of the United States
Washington, DC 20515

September 25, 2025

The Honorable Michelle Bowman
Vice Chair for Supervision
Federal Reserve Board
20th Street and Constitution Avenue NW
Washington, D.C. 20551

The Honorable Travis Hill
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429

The Honorable Jonathan Gould
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

Dear Vice Chair Bowman, Comptroller Gould, and Acting Chair Hill:

We write to request that the Federal Reserve Board ("Fed"), Federal Deposit Insurance Corporation ("FDIC"), and Office of the Comptroller of the Currency ("OCC") (collectively, "the agencies") withdraw the proposed rule to significantly reduce the enhanced supplementary leverage ratio ("eSLR") requirement for the eight U.S. global systemically important banks ("GSIBs").[1] The proposal could reduce loss-absorbing capital at the nation's largest banks by more than $200 billion, decrease their capacity to lend to businesses and households by up to $2.7 trillion, and increase the likelihood of big bank failures and taxpayer bailouts.[2]

A robust capital framework for Wall Street banks is central to ensuring financial stability, durable lending to businesses and households, and strong economic growth. The eSLR is one of the most transparent and straightforward safeguards implemented in the wake of the devastating 2008 financial crisis. It simply ensures that big banks finance a modest portion of their loans and other investments using their own money and rely less on debt. Relying less on borrowed funds enables banks to better absorb losses in periods of stress without collapsing and reducing the availability of critical financial services.[3] In essence, the eSLR ensures bank shareholders have

[1] Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corporation, "Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies," July 10, 2025, https://www.federalregister.gov/documents/2025/07/10/2025-12787/regulatory-capital-rule-modifications-to-the-enhanced-supplementary-leverage-ratio-standards-for-us.
[2] Financial Times, "Wall Street to trump Main Street with new bank rules," Sheila Bair, July 18, 2025, https://www.ft.com/content/553c0b1a-33d0-4b6c-a048-3a11064f5d3b; Federal Reserve Board, "Statement on Enhanced Supplementary Leverage Ratio Proposal by Governor Michael S. Barr," press release, June 25, 2025 https://www.federalreserve.gov/newsevents/pressreleases/barr-statement-20250625.htm.
[3] Bank for International Settlements, "Why bank capital matters for monetary policy," Leonardo Gambacorta and Hyun Song Shin, April 7, 2016, https://www.bis.org/publ/work558.htm; Federal Reserve Bank of Minneapolis, "The Minneapolis Plan To End Too Big To Fail," December 2017, https://www.minneapolisfed.org/-/media/files/publications/studies/endingtbtf/the-minneapolis-plan/the-minneapolis-

skin in the game. Well-capitalized banks lend more to the economy through good times and bad and are a lifeline for first-time homebuyers applying for a mortgage, entrepreneurs seeking loans to get their businesses off the ground, and countless others building financial security.[4]

It is dangerous to relax standards for Wall Street, just as President Trump's reckless policy agenda pushes our economy to the brink. The agencies risk repeating history, putting depositors, the financial system, and broader economy at risk. Excessive leverage at big banks was a major contributor to the 2008 financial crisis as well as the 2nd, 3rd, and 4th largest bank failures in U.S. history just two years ago.[5] This proposal represents extreme deregulation – even compared to what Trump-appointed regulators proposed, but never finalized, in 2018.[6] Your agencies should prioritize reforms that safeguard the economy against financial instability in this precarious moment, not rules that could accelerate the next financial crisis. We urge the agencies to withdraw this proposal.

A Strong eSLR Promotes Financial Resilience

The 2008 financial crisis demonstrated the perils of an overleveraged banking system. Weak rules enabled big banks to load up on debt in the preceding years and take outsized risks. Many firms operated on razor thin margins with no shareholder equity cushions and eventually collapsed, or nearly collapsed, necessitating extraordinary government interventions and taxpayer bailouts.[7] In the Great Recession that followed, Americans endured the largest job losses since the Great Depression, widening wealth gaps between the richest Americans and middle class, and the foreclosure of nearly 10 million homes.[8] It was also catastrophic for

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plan-to-end-too-big-to-fail-final.pdf

[4] Brookings, "The Credit Crunch," Ben S. Bernake and Cara S. Lown, 1991, https://www.brookings.edu/wp-content/uploads/1991/06/1991b_bpea_bernanke_lown_friedman.pdf; Federal Reserve Bank of San Francisco, "Capital Regulation and Bank Lending," 1992, Frederick Furlong, https://www.fedinprint.org/item/fedfer/23251; Real Estate Economics, "Bank Capital and the Credit Crunch: The Roles of Risk-Weighted and Unweighted Capital Regulations," Diana Hancock and James Wilcox, March 1994, https://onlinelibrary.wiley.com/doi/10.1111/1540-6229.00626; Federal Reserve Board, "Capital Ratios and Bank Lending: A Matched Bank Approach," Mark Carlson et al, 2011, https://www.federalreserve.gov/pubs/feds/2011/201134/201134pap.pdf; James R. Barth and Stephen Matteo Miller, "Benefits and Costs of a Higher Bank Leverage Ratio," July 10, 2018, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2913734; https://www.scienBenefits and Costs of a Higher Bank Leverage Ratiocedirect.com/science/article/abs/pii/S0378426617300092.

[5] Anat R. Admati, The Compelling Case for Stronger and More Effective Leverage Regulation in Banking, *The Journal of Legal Studies* 43(S2)(2014), https://www.jstor.org/stable/10.1086/677557?seq=1. Center for American Progress, "The Role of Leverage in the Failures of Silvergate, Silicon Valley, and Signature Banks," Marc Jarsulic and Alexandra Thornton, March 16, 2023, https://www.americanprogress.org/article/the-role-of-leverage-in-the-failures-of-silvergate-silicon-valley-and-signature-banks/.

[6] Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corporation, "Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Certain of Their Subsidiary Insured Depository Institutions; Total Loss-Absorbing Capacity Requirements for U.S. Global Systemically Important Bank Holding Companies," April 19, 2018 https://www.federalregister.gov/documents/2018/04/19/2018-08066/regulatory-capital-rules-regulatory-capital-enhanced-supplementary-leverage-ratio-standards-for-us.

[7] Anat R. Admati, The Compelling Case for Stronger and More Effective Leverage Regulation in Banking, *The Journal of Legal Studies* 43(S2)(2014), https://www.jstor.org/stable/10.1086/677557?seq=1.

[8] Joint Center for Political and Economic Studies, "The Great Recession, Jobless Recoveries and Black Workers," https://laborcenter.berkeley.edu/pdf/2010/the-great-recession.pdf; Los Angeles Times, "The financial crisis hit 10 years ago. For some, it feels like yesterday," Colleen Shalby, September 15, 2025 https://www.latimes.com/business/la-fi-financial-crisis-experiences-20180915-htmlstory.html;

community banks and small businesses, which unlike Wall Street firms, were allowed to fail en masse.

Regulators had historically relied heavily on complicated "risk-weighted" capital requirements, determined by the actual or supposed riskiness of an asset. The crisis showed that regulators and banks can get these risk predictions dangerously wrong. In the lead up to the crisis, for instance, highly rated mortgage backed securities were believed to be a safe bet: low-risk and exceedingly profitable. When these investments, backed by risky subprime loans, blew up, Wall Street was woefully unprepared to cover the magnitude of losses.

In passing the Dodd-Frank Wall Street Reform and Consumer Protection Act, Congress acknowledged the shortcomings of relying too heavily on risk-weighting and pushed regulators to toughen leverage requirements, which are simple and risk-neutral.[9] The eSLR is a pillar of post-crisis reforms. It sets a clear and modest floor for how much of a loan or other investment must be financed using a firm's own money, instead of relying on customer deposits and other debt. The current eSLR requires for every $95 of debt used to finance loans and other investments, GSIBs must use at least $5 of shareholders' equity capital.[10]

The Trump administration's proposal, however, calls for severe reductions. The proposal would reduce capital by at least 27 percent, or $210 billion for GSIB insured banks, and could reduce capital at GSIB holding companies by roughly the same amount over time.[11] GSIBs would be free to juice dividends and share buybacks at the expense of financial stability. As Fed Governor, and former Vice Chair for Supervision, Michael Barr stated in his dissent, "these changes would significantly increase the risk that a GSIB bank would fail, orderly resolution would not be possible, and the Deposit Insurance Fund would incur higher losses."[12] The proposal is extreme, even compared to deregulatory efforts during the first Trump administration, as it would reduce capital by nearly three times more than a similar proposal from 2018 that was never finalized.[13] Advancing this proposal undermines the progress made to the bank capital regime over the past 15 years and lays the groundwork for more big bank failures, bailouts, and economic devastation.

Healthy Banks Are Central to Treasury Market Functioning and Economic Growth

https://inequality.stanford.edu/sites/default/files/IncomeWealthDebt_fact_sheet.pdf.

[9] 12 U.S. Code § 5371(b)(1).

[10] At the insured bank level, for every $94 of debt used to finance an asset, banks are required to use $6 of shareholders' equity capital.

[11] Federal Reserve Board, "Statement on Enhanced Supplementary Leverage Ratio Proposal by Governor Michael S. Barr," press release, June 25, 2025 https://www.federalreserve.gov/newsevents/pressreleases/barr-statement-20250625.htm.

[12] *Id.*

[13] Office of the Comptroller of the Currency, Federal Reserve Board, Federal Deposit Insurance Corporation, "Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Certain of Their Subsidiary Insured Depository Institutions; Total Loss-Absorbing Capacity Requirements for U.S. Global Systemically Important Bank Holding Companies," April 19, 2018 https://www.federalregister.gov/documents/2018/04/19/2018-08066/regulatory-capital-rules-regulatory-capital-enhanced-supplementary-leverage-ratio-standards-for-us.

Banks with more shareholder capital lend more to businesses and households, in good times and bad, which is critical for economic growth.[14] The agencies' proposal would reduce GSIBs' capacity to lend by up to $2.7 trillion.[15] The reduction in lending could impair the ability of businesses to open a new store or launch a new product, of households to finance a home or vehicle, or otherwise create headwinds for our economy at a precarious moment.

The agencies speculate that GSIBs might purchase more Treasuries as a result of the proposal. A well-functioning Treasury market is a source of strength to the U.S. economy, providing efficient government financing and serving as a liquidity haven that underpins the global financial system. Earlier this year, this critical market experienced significant volatility as President Trump's so-called "Liberation Day" tariff announcements sparked historic market swings and a sell off of Treasury securities.[16] While conditions eventually stabilized, this event drew renewed attention to potential fragilities in the Treasury market. Your agencies, as well as Treasury Secretary Bessent, have noted supporting Treasury market intermediation as a primary driver for pursuing this proposal, arguing that reducing the eSLR removes disincentives for firms to engage in these "lower-risk, lower-return activities."[17]

Promoting a healthy Treasury market is a laudable and shared goal, but severely loosening capital requirements for the largest banks is the wrong tool to achieve it. There is no guarantee that GSIBs will purchase more Treasuries. They currently have more than $3 trillion in capacity to purchase more Treasuries under the existing eSLR requirements but have opted not to use it.[18] Instead, as recent reporting indicates, banks appear eager to use capital deregulation to reward

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[14] Bank for International Settlements, "Why bank capital matters for monetary policy," Leonardo Gambacorta and Hyun Song Shin, April 7, 2016, https://www.bis.org/publ/work558.htm; Federal Reserve Bank of Minneapolis, "The Minneapolis Plan To End Too Big To Fail," December 2017, https://www.minneapolisfed.org/-/media/files/publications/studies/endingtbtf/the-minneapolis-plan/the-minneapolis-plan-to-end-too-big-to-fail-final.pdf; Brookings, "The Credit Crunch," Ben S. Bernake and Cara S. Lown, 1991, https://www.brookings.edu/wp-content/uploads/1991/06/1991b_bpea_bernanke_lown_friedman.pdf; Federal Reserve Bank of San Francisco, "Capital Regulation and Bank Lending," 1992, Frederick Furlong, https://www.fedinprint.org/item/fedfer/23251; Real Estate Economics, "Bank Capital and the Credit Crunch: The Roles of Risk-Weighted and Unweighted Capital Regulations," Diana Hancock and James Wilcox, March 1994, https://onlinelibrary.wiley.com/doi/10.1111/1540-6229.00626; Federal Reserve Board, "Capital Ratios and Bank Lending: A Matched Bank Approach," Mark Carlson et al, 2011, https://www.federalreserve.gov/pubs/feds/2011/201134/201134pap.pdf; James R. Barth and Stephen Matteo Miller, "Benefits and Costs of a Higher Bank Leverage Ratio," July 10, 2018, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2913734; https://www.scienBenefits and Costs of a Higher Bank Leverage Ratiocedirect.com/science/article/abs/pii/S0378426617300092.

[15] Financial Times, "Wall Street to trump Main Street with new bank rules," Sheila Bair, July 17, 2025, https://www.ft.com/content/553c0b1a-33d0-4b6c-a048-3a11064f5d3b.

[16] Brookings, "What's going on in the US Treasury market, and why does it matter?," Nellie Liang, April 14, 2025, https://www.brookings.edu/articles/whats-going-on-in-the-us-treasury-market-and-why-does-it-matter/.

[17] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, "Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies," July 10, 2025, https://www.federalregister.gov/documents/2025/07/10/2025-12787/regulatory-capital-rule-modifications-to-the-enhanced-supplementary-leverage-ratio-standards-for-us.

[18] Federal Reserve Board, "Assessment of Dealer Capacity to Intermediate in Treasury and Agency MBS Markets," Paul Cochran et. al., October 22, 2024, https://www.federalreserve.gov/econres/notes/feds-notes/assessment-of-dealer-capacity-to-intermediate-in-treasury-and-agency-mbs-markets-20241022.html.

shareholders through higher dividends and boosted stock buybacks.[19] Banks may also shift resources to non-Treasury-related trading activities. A growing chorus of experts are raising red flags, questioning the feasibility of achieving desired Treasury market outcomes through the bank capital framework.[20] For example, former New York Fed President Bill Dudley recently warned, "Loosening [the eSLR] won't be sufficient to drive a big decline in longer-term yields. Banks' appetite for such Treasuries will be limited, because they don't want too much exposure to interest-rate risk."[21] What is more likely is that we are left with an even more leveraged banking sector, far less capable of withstanding adverse shocks and serving their communities.

Regulators could strengthen a number of other tools at their disposal to more directly support Treasury market functioning, such as improving transparency, broker dealer registration requirements, and central clearing, among others, that do not weaken rules that prevent disastrous bank failures.

As the Trump administration continues to implement its harmful agenda, there is good reason to believe that economic stress events, like the Treasury market turmoil experienced earlier this year, will only become more frequent. The agencies are considering this proposal as the Fed's own projections show dimming economic conditions marked by higher prices, slower growth, and greater unemployment, driven by the Administration's tariff policies.[22] Additionally, Congressional Republicans recently passed legislation that adds $3.3 trillion to the federal deficit while ripping away core services from our communities to finance tax cuts for the President's billionaire friends.[23] It would be irresponsible to now weaken rules that protect against financial instability.

Conclusion

We urge the agencies to withdraw this proposal. A well-capitalized and stable banking system is central to economic growth, enabling Americans to access credit and build financial prosperity. The eSLR is a vital tool that ensures firms can weather good times and bad and continue serving their communities without disruption. Reducing safety and soundness standards for the very largest and riskiest banks is always dangerous, but even more so now as the Trump administration's policies drive the economy toward the edge of a cliff.

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[19] Reuters, "Biggest US banks hike dividends, announce share buybacks after acing stress tests," Nupur Anand and Niket Nishant, July 1, 2025, https://www.reuters.com/sustainability/boards-policy-regulation/biggest-us-banks-hike-dividends-announce-share-buybacks-after-acing-stress-tests-2025-07-01/.

[20] See Financial Times, "Easing leverage limits on banks could backfire," Sheila Bair, April 22, 2025, https://www.ft.com/content/12587b06-6446-4f03-9ad3-6506ac6b0d56; Federal Reserve Board, "Statement on Enhanced Supplementary Leverage Ratio Proposal by Governor Michael S. Barr," press release, June 25, 2025 https://www.federalreserve.gov/newsevents/pressreleases/barr-statement-20250625.htm; Mercatus Center comment letter on Notice of Proposed Rulemaking on Modifications to the Enhanced Supplementary Leverage Ratio Standards, July 22, 2025, https://www.regulations.gov/comment/OCC-2025-0006-0005.

[21] Bloomberg, "America, This Isn't How You Lower Interest Rates," Bill Dudley, July 7, 2025, https://www.bloomberg.com/opinion/articles/2025-07-07/trump-and-interest-rates-this-isn-t-how-you-lower-them.

[22] Federal Reserve Board, "June 17-18, 2025 FOMC Meeting," July 17-18, 2025, https://www.federalreserve.gov/monetarypolicy/fomcpresconf20250618.htm.

[23] Congressional Budget Office, "Estimated Budgetary Effects of an Amendment in the Nature of a Substitute to H.R. 1, the One Big Beautiful Bill Act, Relative to CBO's January 2025 Baseline." June 29. 2025.

Sincerely,

Elizabeth Warren
Ranking Member
Committee on Banking,
Housing, and Urban Affairs

Jack Reed
United States Senator

Bernard Sanders
United States Senator

Tina Smith
United States Senator

Jerrold Nadler
Member of Congress

Rashida Tlaib
Member of Congress

Pramila Jayapal
Member of Congress