

UNITED STATES SENATE, ELIZABETH WARREN, ET. AL.

Proposal and Comment Information

Title: GSIB-Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15), R-1889

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Submitter Information

Organization Name: United States Senate

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Name: Elizabeth Warren, et. al.

Submitted Date: 06/18/2026

United States Senate

WASHINGTON, DC 20510

June 18, 2026

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

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

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

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

We write to request that the agencies withdraw the three bank capital proposals issued on March 19, 2026, including the so-called Basel III Endgame proposal.¹ The largest and most complex Wall Street banks are the biggest beneficiaries of these proposals. Combined with other deregulatory activities, these proposals would reduce loss absorbing capital requirements at big banks by at least 6%,² and potentially up to 15%.³ It is never prudent to undermine the resilience of the banking system, but it is especially dangerous to do so during a period of heightened economic risks and uncertainty.⁴ Increasing the likelihood of big bank failures and taxpayer bailouts would further endanger the economy and American families. Your agencies should re-propose strong capital rules that promote lending and economic growth by strengthening U.S. financial stability.

The centerpiece of the three capital proposals is referred to as Basel III Endgame, which is supposed to implement a 2017 international agreement negotiated at the Basel Committee on Banking Supervision.⁵ Given that the United States has the most important financial system in

¹ Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, “Agencies request comment on proposals to modernize the regulatory capital framework and maintain the strength of the banking system,” press release, March 19, 2026, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260319a.htm>.

² Board of Governors of the Federal Reserve System, “Statement on Bank Capital Proposals by Governor Michael S. Barr,” press release, March 19, 2026, <https://www.federalreserve.gov/newsevents/pressreleases/barr-statement-20260319.htm>.

³ Better Markets, “The Main Street Economy Will Suffer If Capital Is Reduced For Wall Street’s 8 Megabanks,” Christopher Appel and Phillip Basil, April 27, 2026, https://bettermarkets.org/wp-content/uploads/2026/04/BM-FactSheet_MainStreetEconomyWillSuffer_04-27-2026.pdf.

⁴ Bloomberg, “Everyone’s Watching Stocks. The Real Bubble Is AI Debt.,” Edward Harrison, December 31, 2025, <https://www.bloomberg.com/news/newsletters/2025-12-31/everyone-s-watching-stocks-the-real-bubble-is-ai-debt>; CNBC, “Private credit’s \$2 trillion boom raises global stability fears, watchdog warns,” Hugh Leask, May 6, 2026, <https://www.cnbc.com/2026/05/06/private-credit-stress-risks-financial-stability-markets.html>.

⁵ U.S. Department of the Treasury, “Treasury Secretary Mnuchin’s Statement on Basel III,” press release, December 7, 2017, <https://home.treasury.gov/news/press-releases/sm0232>.

the world, U.S. negotiators across multiple administrations played a central role in drafting the agreement. The purpose of the 2017 agreement was to fix serious flaws in the risk-based capital framework that were revealed by the 2008 financial crisis. For example, the 2008 crisis demonstrated that the risk-weights assigned to trading activities were far too low.⁶ As a result, banks did not fund these activities with nearly enough loss-absorbing capital and instead used excessive debt.⁷ In 2023, the banking agencies proposed a rule that would have meaningfully strengthened big bank capital requirements and fixed many of the identified flaws, in line with the 2017 agreement.⁸ Big banks lobbied aggressively against the proposal,⁹ and after President Trump was sworn in for his second term, the agencies scrapped much of it.¹⁰

The 2026 Basel III proposal drastically waters down core components of the 2017 agreement and 2023 proposal and increases the likelihood of bank failures. First, the 2026 proposal scraps the key pillar of the 2017 agreement and 2023 proposal: significant improvements to the big bank capital framework for the risky trading activities that proved dangerously over-leveraged in the 2008 financial crisis. In particular, the improvements would have limited the ability of big banks to self-regulate by using their own complex internal models to calculate their capital requirements.¹¹ Big banks would have been subjected to more standardized calculations and meaningful guardrails on the use of their own internal models. Instead, the 2026 proposal doubles down on the pre-crisis approach. It allows big banks to expand use of internal models to reduce their capital requirements without key safeguards and backstops that would prevent the type of abuse that occurred in the lead-up to the 2008 financial crisis.¹² It also allows big banks to assume that a greater range of complex trading risks cancel each other out, artificially reducing the reported size of their trading activities and required capital.

Second, the 2026 proposal would reduce capital requirements for loans to nonbank financial companies, like private credit funds.¹³ Banks have significantly increased lending to nonbank financial companies in recent years, from \$56 billion in the first quarter of 2010 to \$1.32 trillion

⁶ Basel Committee on Banking Supervision, “Fundamental review of the trading book,” May 3, 2012, p. 8, <https://www.bis.org/publ/bcbs219.htm>.

⁷ *Id.*

⁸ Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, “Agencies request comment on proposed rules to strengthen capital requirements for large banks,” press release, July 27, 2023, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20230727a.htm>.

⁹ See for example, Bank Policy Institute, “New BPI Ad Campaign Encourages Americans to Demand Accountability from Regulators for Higher Loan Prices,” press release, September 5, 2023, <https://bpi.com/new-bpi-ad-campaign-encourages-americans-to-demand-accountability-from-regulators-for-higher-loan-prices/>.

¹⁰ Reuters, “Fed’s Bowman says regulators to unveil Basel capital rule redo by early 2026,” Pete Schroeder, September 25, 2025, <https://www.reuters.com/sustainability/boards-policy-regulation/feds-bowman-says-regulators-unveil-basel-capital-rule-redo-by-early-2026-2025-09-25/>.

¹¹ Federal Deposit Insurance Corporation, “Basel III Notice of Proposed Rulemaking,” Chairman Martin J. Gruenberg, July 27, 2023, <https://www.fdic.gov/news/speeches/2023/spjul2723a.html>.

¹² See Section V.A., Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, “Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations,” March 27, 2026, <https://www.federalregister.gov/documents/2026/03/27/2026-05959/regulatory-capital-rule-category-i-and-ii-banking-organizations-banking-organizations-with>.

¹³ The Wall Street Journal, “New Bank Regulations Could Favor Loans to Private Credit,” Telis Demos, March 25, 2026, <https://www.wsj.com/finance/regulation/new-bank-regulations-could-favor-loans-to-private-credit-674e1106>.

in the third quarter of 2025.¹⁴ It is the fastest growing bank lending segment since the financial crisis, far outstripping corporate lending.¹⁵ Banks are therefore highly exposed to potential stress among nonbank financial companies. Over the past year, some private credit funds have experienced significant losses in their loan portfolios, which has sparked increasing redemption requests.¹⁶ Reducing capital requirements for this category of bank lending would needlessly increase the risk that distress among nonbank financial institutions destabilizes the banking system. If anything, regulators should be tightening oversight over the interconnections between banks, private credit funds, and other nonbank financial companies – not relaxing them.

Third, the 2026 proposal removes improvements to the capital framework that were designed to better protect against losses from operational failures, such as fines from legal violations, cybersecurity attacks, system outages, or other operational events. The 2023 proposal would have imposed higher capital requirements on banks that repeatedly violate the law and that otherwise had a history of operational blunders that caused losses.¹⁷ The 2026 proposal eliminates that provision. In addition, the 2026 proposal needlessly reduces operational risk capital requirements for big banks' fee-based activities, which are certainly vulnerable to operational losses.¹⁸

Fourth, not only does the 2026 proposal constitute bad policy, it also appears to violate the law. Section 171 of the Dodd-Frank Act, otherwise known as the “Collins Amendment,” prohibits regulators from establishing risk-based capital requirements for big banks that are lower than the generally applicable risk-based capital requirements that apply to all banks.¹⁹ This is a commonsense principle that was not followed in the years leading up to the 2008 financial crisis. In our view, the 2026 proposal violates this provision by exempting big banks from the generally applicable capital requirements and subjecting them to a more lenient risk-weighted capital framework, a fact plainly supported by the agencies' own quantitative analysis.²⁰ In addition, Section 171 prohibits regulators from setting capital requirements below the requirements that were in place on the date of the Dodd-Frank Act's enactment.²¹ It is unclear as to whether the

¹⁴ Federal Deposit Insurance Corporation, “Bank lending to nondepository financial institutions,” Kate Fritz Dixon and Joycelyn Lu, February 2026, <https://www.fdic.gov/analysis/bank-lending-nondepository-financial-institutions.pdf>.

¹⁵ *Id.*

¹⁶ Congressional Research Service, “Private Credit Funds Redemption Restrictions: Market Context and Policy Issues,” Eva Su, April 2, 2026, <https://www.congress.gov/crs-product/IN12674>.

¹⁷ This provision is referred to as the “Internal Loss Multiplier.”

¹⁸ Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, “Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations,” March 27, 2026, <https://www.federalregister.gov/documents/2026/03/27/2026-05959/regulatory-capital-rule-category-i-and-ii-banking-organizations-banking-organizations-with>.

¹⁹ 12 U.S.C. 5371.

²⁰ See Table VIII.2, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, “Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations,” March 27, 2026, <https://www.federalregister.gov/documents/2026/03/27/2026-05959/regulatory-capital-rule-category-i-and-ii-banking-organizations-banking-organizations-with>.

²¹ 12 U.S.C. 5371.

2026 proposal also violates this prong, as the agencies provided no quantitative analysis comparing these requirements.²²

Furthermore, the March 19th package includes two other concerning proposed rules. One proposal would amend a regulatory formula to reduce the additional capital surcharge that applies to the eight U.S. Global Systemically Important Banks (GSIB), further undermining the resilience of the largest and most complex banks in the country.²³ The other proposal would apply lower risk-weights to an assortment of bank assets, reducing required capital by 6-8% for all banks not covered by the Basel III Endgame proposal.²⁴

The agencies should rescind these three proposals and promote long-term economic growth by re-issuing rules that meaningfully strengthen capital requirements. Banks with higher capital lend more to businesses and households, especially in periods of economic distress when our economy needs it the most. Unfortunately, just three years after deregulation implemented during President Trump's first term contributed to the second, third, and fourth largest bank failures in U.S. history,²⁵ you are picking up right where your predecessors left off. It is especially dangerous to reduce capital requirements and increase the likelihood of big bank failures at a moment of significant economic uncertainty. American families are struggling under President Trump's failed economic agenda. The last thing they need is for an unstable banking system to further threaten their jobs, access to credit, and life savings.

Sincerely,



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



Jack Reed
United States Senator

²² Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, "Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations," March 27, 2026, <https://www.federalregister.gov/documents/2026/03/27/2026-05959/regulatory-capital-rule-category-i-and-ii-banking-organizations-banking-organizations-with>.

²³ Board of Governors of the Federal Reserve System, "Regulatory Capital Rule (Regulation Q): Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15)," March 27, 2026, <https://www.federalregister.gov/documents/2026/03/27/2026-05961/regulatory-capital-rule-regulation-q-risk-based-capital-surcharges-for-global-systemically-important>.

²⁴ Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, "Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets," March 27, 2026, <https://www.federalregister.gov/documents/2026/03/27/2026-05960/regulatory-capital-rules-regulatory-capital-and-standardized-approach-for-risk-weighted-assets>.

²⁵ Board of Governors of the Federal Reserve System and Consumer Financial Protection Bureau, Office of Inspector General, "Material Loss Review of Silicon Valley Bank," September 25, 2023, <https://oig.federalreserve.gov/reports/board-material-loss-review-silicon-valley-bank-sep2023.pdf>.

A handwritten signature in blue ink, reading "Chris Van Hollen", written over a horizontal line.

Chris Van Hollen
United States Senator

A handwritten signature in blue ink, reading "Dick Durbin", written over a horizontal line.

Richard J. Durbin
United States Senator

A handwritten signature in blue ink, reading "Richard Blumenthal", written over a horizontal line.

Richard Blumenthal
United States Senator