United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

WASHINGTON, DC 20510–6075

March 12, 2021

Mr. David Solomon
Chairman and CEO
The Goldman Sachs Group, Inc.
200 West Street
New York, NY 10282

Dear Mr. Solomon:

We write to request an explanation regarding the effect of weakened capital requirements on lending to small businesses and households.

In April of 2020, the Board of Governors of the Federal Reserve System (the Board) adopted a rule that instructed bank holding companies, including The Goldman Sachs Group, Inc. (Goldman Group), to exclude holdings of U.S. Treasuries and deposits at Federal Reserve Banks from the calculation of the Supplementary Leverage Ratio (SLR).

Shortly thereafter, the Board, Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC), adopted a rule allowing the depository institutions for which they serve as primary regulator to opt-in to a similar regime, with the added requirement that they receive permission from their primary regulator before making any capital distributions. According to public filings, Goldman Sachs Bank USA (Goldman Bank), a New York State chartered bank supervised and regulated by the Fed and a subsidiary of Goldman Group, opted into this regime.[1]

As you know, in its rulemaking related to bank holding companies the Board stated that it was "providing the temporary exclusion contained in the interim final rule in order to allow banking organizations to expand their balance sheets as appropriate to continue to serve as financial intermediaries, *rather than allow banking organization to increase capital distributions*, and will administer the interim final rule accordingly."[2] Similarly, the joint agency rulemaking with regard to depository institutions noted that requiring pre-approval of capital distributions will "support the objective of the interim final rule to strengthen the ability of electing depository institutions to continue taking deposits, *lending* and conducting other financial intermediation activities during this period of stress."[3]

---

[1] Goldman Sachs Bank USA and Subsidiaries Annual Report for the year end December 31, 2020, page 6. Available at: https://www.goldmansachs.com/investor-relations/financials/current/subsidiary-financial-info/gsbank-usa/gsbusa-annual-report-12-31-2020.pdf

[2] Rule Published in the Federal Register on April 14, 2020, available at: https://www.federalregister.gov/documents/2020/04/14/2020-07345/temporary-exclusion-of-us-treasury-securities-and-deposits-at-federal-reserve-banks-from-the

[3] From page 12 of Interim Final Rule available at: https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200515a1.pdf

It has been widely reported that in response to the scheduled expiration of these rules on March 31, affected banks have been pressing regulators and Congress to extend these exemptions. Many groups representing the largest banks, including the Financial Services Forum of which the Goldman Group is a member, have argued that these reduced capital requirements support lending to small businesses and households.[4] It has also been widely reported, however, that banks are devoting a smaller share of their resources to lending for small businesses and households.

To our knowledge, Goldman Bank is the only depository institution that opted into these weakened capital requirements whose holding company continued to reduce its capital by paying dividends. We believe your organization has a unique perspective with regard to these rules.

In order to aid us in assessing the efficacy and impact of these weakened capital requirements on lending and financial stability, we request that you respond to the following questions no later than March 26, 2021.

1) After Goldman Bank opted into the weakened capital requirements, did Goldman Bank or the Goldman Group request and receive a waiver to make capital distributions?

2) Since Goldman Bank opted into the weakened capital requirements, how much has the Goldman Group paid out in dividends to shareholders? Has the Goldman Group made any other capital distributions?

3) Did Goldman Bank's decision to opt into the weakened capital regime impact any consolidated capital measures at the Goldman Group? If so, how?

4) How many loans, by whole number and by dollar amount, did Goldman Bank extend to small businesses and households, that it would not have otherwise extended, since it elected into weakened capital requirements? (Please exclude any Paycheck Protection Program Loans pledged as collateral to the Board's PPPLF).

5) After opting into weakened capital standards, did Goldman Bank seek to provide loans to a broader set of small businesses and households with lower incomes, lower credit scores, or otherwise less positive credit histories? Did Goldman Bank offer loans under more attractive terms and rates than those offered prior to opting in? If not, why not?

6) Board surveys suggest that commercial loan demand has fallen to historically low levels while at the same time reporting that banks have tightened lending standards. How do tightened lending standards impact loan demand? How does reducing capital standards help banks extend credit to households and small businesses in the face of low demand?

[44] Campbell, Sean. "Leverage Requirements and Financial Stability: Getting the Transition Right", February 10, 2021. Available at: https://www.fsforum.com/types/press/blog/leverage-requirements-and-financial-stability-getting-the-transition-right/

Your answers will help us to assess the economic consequences of regulations that effectively reduce capital requirements at the largest banks. Thank you for your timely cooperation.

Sincerely,

Sherrod Brown
Chairman

Elizabeth Warren
Chair
Subcommittee on Economic Policy