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

August 8, 2025

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

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

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

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

We write to request that you provide Congress and the public with more rigorous data and analysis on the economic impacts of the agencies' proposed reduction of the enhanced supplementary leverage ratio ("eSLR"), an important safeguard created through the Dodd-Frank Wall Street Reform and Consumer Protection Act that promotes the resiliency of the largest and most complex banks.[1] Changes to such a significant pillar of the post-Global Financial Crisis bank regulatory framework should be accompanied by robust economic impact analyses, as well as a clear explanation of the rationale behind such changes for our constituents. We request that you provide more specific information on the short- and long-term implications of this proposal, including possible risks.

To enable the public to provide informed comments on the proposal, we further request that you extend the comment deadline by 90 days from the date on which you publish the supplemental information requested in this letter. The current 60-day comment period is inconsistent with past practice for a proposal of this magnitude. The economic costs of rushing through this type of proposal, and potentially getting it wrong, could be severe, and would be borne by American taxpayers, small businesses, and low- and middle-income households across the country.

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[1] 90 CFR 30780.

The Agencies Must Provide the Public with More Time to Evaluate the Proposal

The eSLR is a critical capital requirement that was implemented in the wake of the 2008 financial crisis to improve the resiliency and loss-absorbing capacity of the eight U.S. global systemically important banks ("GSIBs"). The 2008 financial crisis was triggered, in part, by overleveraged banks. Their lack of capital left them vulnerable to shocks, like distress in the subprime mortgage market, and their failure (or near-failure) inflicted severe economic pain on businesses and households. Ultimately, taxpayers were called on to inject capital back into big banks to stabilize the financial system.

The agencies' proposal would reduce the eSLR requirement, on average, by 23% for GSIB holding companies and 36% for GSIB insured depository subsidiaries ("banks").[2] The proposal may have significant effects on our financial system. It is critical for the agencies to provide Congress, mid-sized and community banks, other entities in the U.S. financial system, and the broader public with sufficient time to evaluate the proposal. We are requesting an additional 90 days to comment. As Vice Chair Bowman has previously stated, "Agency rulemaking is more credible and effective when it is conducted in an open and collaborative manner with sufficient time to provide comment..."[3]

An extension of the comment deadline would be consistent with the agencies' previous practice. Historically, the agencies have been highly responsive to banking industry requests for comment deadline extensions regarding proposals that would strengthen big bank safeguards. For example, in 2023, the agencies proposed an increase in risk-weighted capital requirements for big banks. The comment period was initially set for 126 days.[4] After requests from the banking industry for an extension, the agencies granted an additional 47 days, bringing the total comment period to 173 days.[5] The agencies should provide a 90-day comment deadline extension to align with previous practice and to provide Congress and the public with sufficient time to evaluate the proposal. The comment deadline extension should take effect on the date upon which the agencies publish the supplementary information requested in this letter.

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[2] *Id.*

[3] Board of Governors of the Federal Reserve System, "Statement by Governor Michelle W. Bowman on the Proposed Long-term Debt Requirements and Proposed Guidance for Resolution Plan Submissions of Domestic Triennial Full Filers," press release, August 29, 2023, https://www.federalreserve.gov/newsevents/pressreleases/bowman-statement-20230829.htm.

[4] Board of Governors of the Federal Reserve System, "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.

[5] Board of Governors of the Federal Reserve System, "Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity; Extension of Comment Period," press release, October 27, 2023, https://www.federalregister.gov/documents/2023/10/27/2023-23671/regulatory-capital-rule-large-banking-organizations-and-banking-organizations-with-significant.

The Need for Sufficient Economic Analysis

As Vice Chair Bowman correctly said in the past: "[P]olicymakers should be expected to show their work."[6] The "Economic Analysis" section of the eSLR proposal should be revised to provide lawmakers and the public with data and analysis on the proposal's risks and evidence to support its purported benefits. It should also weigh these benefits against the risks.[7]

First, the agencies should quantify the risks mentioned in the economic analysis, including for the four policy alternatives considered. The agencies explain that the proposal would "reduce the [eSLR] requirement by 23 percent, on average, for the holding companies, ranging from 15 to 30 percent across GSIBs, and by 36 percent, on average, for the major depository institution subsidiaries of GSIBs, ranging from 29 to 42 percent across these subsidiaries."[8] The reduction in eSLR requirements could cause a reduction in GSIB capital levels of more than $200 billion.[9] For example, the agencies should quantify the increase in likelihood of GSIB failures or other risks to the overall financial system, given that the significant reduction in capital could cause "a potential increase in the leverage of GSIBs."[10] In addition, the agencies should further explain their conclusion that the proposal could cause "a potential increase in the costs associated with the failure of insured depository institution subsidiaries of GSIBs."[11] The agencies should estimate the potential increase in the costs of those failures to the Deposit Insurance Fund ("DIF") and the broader economy.

Second, the agencies should comprehensively evaluate the impact of the proposal on bank lending. We strongly support providing and facilitating broader access to capital. There is research demonstrating that reducing capital requirements does not lead to more lending.[12] For

[6] Board of Governors of the Federal Reserve System, "Remarks by Governor Michelle W. Bowman at the 2023 Community Banking Research Conference," October 4, 2023, https://www.federalreserve.gov/newsevents/speech/bowman20231004a.htm.
[7] 90 CFR 30780. (The Economic Analysis can be found in Section VI of the proposed rule.)
[8] *Id.*
[9] *Id.*
[10] *Id.*
[11] *Id.*
[12] Bank for International Settlements, Monetary and Economic Department, "Why bank capital matters for monetary policy," April 2016, pp. 1-22, https://www.bis.org/publ/work558.pdf; *See also*: Federal Reserve Bank of Minneapolis, "The Minneapolis Plan to End Too Big To Fail," December 2017, pp. 1-160, https://www.minneapolisfed.org/-/media/files/publications/studies/endingtbtf/the-minneapolis-plan/the-minneapolis-plan-to-end-too-big-to-fail-final.pdf; *See also*: Brookings Papers on Economic Activity, "The Credit Crunch," Ben S. Bernanke and Cara S. Lown, 1991, https://www.brookings.edu/wp-content/uploads/1991/06/1991b_bpea_bernanke_lown_friedman.pdf; *See also*: Economic Review, "Capital regulation and bank lending," Frederick T. Furlong, 1992,

example, the agencies anticipate that banks could shift more resources to capital markets trading activities and away from bank lending. Specifically, every $1 of capital that GSIBs shift out of their banks to other parts of the organization could reduce the applicable bank's lending capacity to small businesses, other key financial institutions, and everyday households by approximately $12.50.[13] Therefore, by reducing capital by more than $200 billion, the proposal may reduce GSIB lending capacity by up to $2.7 trillion.[14] Given the potential impact of this proposal on our constituents, and institutions across the country, that are reliant on lending from the GSIBs to meet their day-to-day banking needs, we urge the agencies to estimate the impacts of this potential decline in lending on economic growth.

Third, the agencies should better explain the potential impact on GSIB funding costs, which the agencies describe as a potential "private economic transfe[r]" that "shift[s] greater risks to taxpayers, insurers, or other creditors" to the benefit of bank shareholders.[15] The agencies should quantify the value to GSIBs of this shifting of risk to everyday Americans and evaluate its implications for the competitiveness of community and mid-sized banks.

Fourth, the agencies should more thoroughly support the possible economic benefits cited in the proposal with stronger evidence. The agencies outline two primary benefits: improving Treasury market functioning and returning leverage requirements to their role as a backstop to risk-weighted capital requirements. The agencies assert that the proposal "could enhance the functioning of financial markets, including the U.S. Treasury market, by facilitating intermediation activities of the largest banking organizations."[16] While we acknowledge the value of these benefits to the U.S. financial system if these claims prove accurate, the agencies should support these claims by estimating the amount of Treasuries GSIBs will purchase as a result of

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https://ideas.repec.org/a/fip/fedfer/y1992p23-33n3.html; *See also*: 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; *See also*: Federal Reserve Board, "Capital Ratios and Bank Lending: A Matched Bank Approach," Mark Carlson, Hui Shan, and Missaka Warusawitharana, 2011, https://www.federalreserve.gov/pubs/feds/2011/201134/201134pap.pdf; *See also*: Journal of Financial Stability, "Benefits and Costs of a Higher Bank Leverage Ratio," James R. Barth and Stephen Matteo Miller, January 15, 2020, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2913734; *See also*: Journal of Banking & Finance, "The effect of bank capital on lending: Does liquidity matter?" Dohan Kim and Wook Sohn, April 2017, https://www.sciencedirect.com/science/article/abs/pii/S0378426617300092.

[13] The 8% total capital ratio for an insured depository institution suggests a 12.5x capital to lending capacity multiple.

[14] 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.

[15] 90 CFR 30780.

[16] *Id.*

the proposal and the resulting impact on common Treasury market liquidity metrics, including bid-ask spreads, market depth, trade size, and trade volume.

The agencies only provide an estimate of the increased "capacity" for GSIBs to purchase Treasuries, without clarifying that GSIBs presently have more than $3 trillion in unused balance sheet capacity to purchase Treasuries under existing rules.[17] The agencies do acknowledge that the capacity estimates are "not meant to suggest how or to what extent any additional capacity may be used" and that they do not have "the information necessary to precisely estimate what type, and the dollar volume, of low-risk assets banking organizations would add to their balance sheets if the proposal were adopted."[18] The agencies should also evaluate the likelihood that GSIBs respond to the proposal by increasing their engagement in non-Treasury related financial market activities.

Fifth, the agencies should evaluate how the eSLR proposal interacts with other deregulatory proposals related to the stress capital buffer, GSIB surcharge, stress testing framework, supervisory ratings, and Basel III Endgame.

Finally, the agencies should better quantify the purported benefits of the proposal on the average American. According to the agencies, "The proposal is expected to support increased lending...[19] The agencies should provide models of how this could affect, for example, the housing market and other consumer-facing markets. If the agencies believe this proposal could meaningfully increase access to capital and credit, those benefits should be quantified and/or estimated and clearly described for our constituents and the American people writ large.

We respectfully request that you submit answers to the following questions to the proposal's comment file as soon as practicable, but no later than September 2, 2025, and alongside a notice extending the comment deadline by 90 days.

Questions: Possible Risks and Benefits of the Proposal

1. The proposal would decrease capital by at least 27% at GSIB banks.[20] The economic analysis acknowledges that this decrease in capital could increase losses to the Deposit

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[17] Board of Governors of the Federal Reserve System, "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.
[18] 90 CFR 30780.
[19] *Id.*
[20] *Id.*

Insurance Fund. What are projected losses to the DIF under the baseline scenario and if this proposal is finalized? What could this mean for projected DIF premiums, particularly for community banks?

2. The economic analysis acknowledges that the proposal could increase GSIB leverage and the likelihood of GSIB failures. What is the likelihood and estimated economic cost of a GSIB failure under the baseline scenario and if the proposal is finalized? How could this impact the U.S. government's deficit and level of debt outstanding?

3. The economic analysis outlines the important role GSIBs play in intermediating the Treasury market. How would a GSIB failure impact Treasury market functioning? Has the proposal considered the potential estimated economic cost of impaired Treasury market functioning in the event of a GSIB failure?

4. GSIB banks are backstopped by taxpayers through the Deposit Insurance Fund. Under the existing eSLR rule, the bank has a higher eSLR requirement than the holding company to better protect taxpayers. What is the policy justification for the agencies' decision in the proposal to eliminate that extra taxpayer protection at the bank?

5. There are some estimates that the proposal could reduce lending at GSIB banks by $2.7 trillion.[21] What do the agencies project as the decrease in GSIB lending as a result of the proposal? What impact could the reduction in lending have on business and household borrowers, along with economic growth?

6. The agencies provide an estimate of the proposal's reduction of capital at GSIB holding companies. This estimate was based on GSIBs' 2024 risk-weighted capital requirements, which include the stress capital buffers determined by the 2024 stress tests. The Federal Reserve Board has since released the results of the 2025 stress tests, which reduce GSIB stress capital buffers. What is the updated estimate of the reduction of capital at GSIB holding companies based on 2025 risk-weighted capital requirements?

7. Would any provision in the proposal prevent GSIB holding companies from reducing Tier 1 capital by more than $200 billion over time by adjusting their balance sheet composition to reduce risk-weighted assets? Do the agencies reasonably expect GSIBs to adjust their balance sheets and reduce risk-weighted assets as a result of the proposal?

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[21] 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.

8. GSIBs' current risk-weighted surcharge is calculated under the so-called "Method 2" formula, which was therefore referenced in the similar 2018 eSLR proposed rule during the first Trump administration. What is the justification for the agencies' decision to set the eSLR at 50% of a GSIB's "Method 1" surcharge in this proposal?

9. The economic analysis states that for at least half of GSIB banks, the separate "tier 1 leverage ratio" that generally applies to all banks, including community banks, would be more stringent than the eSLR.[22] What is the policy justification for making the *enhanced* supplementary leverage ratio – a heightened requirement for the most systemic banks in the world – weaker than the general leverage ratio that applies to all banks?

10. How many Treasuries could GSIBs purchase under existing eSLR requirements without breaching those requirements? How many could they purchase under the proposal, and how could this benefit the economy?

11. There are many policy levers that could be deployed to directly improve Treasury market intermediation, including central clearing reforms developed by the Securities and Exchange Commission. Did the agencies conduct a comparative analysis to determine how reducing the eSLR compared to other Treasury market reform policy options in terms of risks and benefits? If not, please explain the basis for why such an analysis was not done.

12. The economic analysis cites a 2023 paper authored by Federal Reserve researchers on the impact that temporary reductions of the SLR during COVID had on Treasury market intermediation.[23] The paper was cited as "background" on the importance of GSIBs for Treasury market intermediation. In addition to providing helpful background information, the paper concluded: "We do not observe any noticeable effect of the exclusions on dealers' direct holdings of Treasuries or their SFTs backed by Treasuries."[24] Can the agencies explain or refute these findings?

13. The proposal asserts that leverage requirements should serve as a backstop to risk-weighted capital requirements. To reduce the current bindingness of leverage requirements, the agencies could reduce leverage requirements or increase risk-weighted requirements. What data and analysis did the agencies rely on to conclude that reducing

[22] 90 CFR 30780.
[23] *Id.*
[24] Board of Governors of the Federal Reserve System,"Dealers' Treasury Market Intermediation and the Supplementary Leverage Ratio," Paul Cochrane et. al., August 3, 2023, https://www.federalreserve.gov/econres/notes/feds-notes/dealers-treasury-market-intermediation-and-the-supplementary-leverage-ratio-20230803.html.

leverage requirements has greater economic benefits than increasing risk-weighted capital requirements?

14. Leverage ratios for GSIBs have declined steadily over the last nine years, falling from a high of 9% in 2016 to 7% today.[25] What evidence did the agencies rely on to determine that the eSLR requirement is not currently serving a "backstop" function? Do the agencies believe a backstop requirement should never be triggered?

15. How could the proposal affect the housing market? Can the agencies quantify any impact on mortgage lending to consumers, in particular low- and moderate-income consumers?

16. How would the eSLR proposal interact with other recent or pending regulatory reforms—including changes to the GSIB surcharge, Basel III Endgame, the stress capital buffer, and the stress testing framework—in terms of cumulative economic benefits and risks? Have the agencies conducted, or do they plan to conduct, a holistic impact analysis to inform public comment on the full set of interrelated proposals?

Sincerely,

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

Jack Reed
United States Senator

Mark R. Warner
United States Senator

Chris Van Hollen
United States Senator

[25] Federal Reserve Bank of New York, "Q1 2025: Quarterly Trends for Consolidated U.S. Banking Organizations," https://www.newyorkfed.org/research/banking_research/quarterly_trends.

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