

Congress of the United States
Washington, DC 20515

July 27, 2018

Randal K. Quarles
Vice Chairman for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Vice Chairman Quarles:

We write to urge the Board of Governors of the Federal Reserve System to recalibrate the extra capital surcharge for large U.S. financial institutions.

Since the Federal Reserve adopted a more stringent version of the surcharge than the one adopted by the international Basel Committee for Banking Supervision in 2015, concerns have been raised about this inequity harming the international competitiveness of U.S. banks. The rationale for adopting the surcharge – to reduce an institution’s probability of default – has also been used to justify a range of other post-crisis regulations. Accordingly, we are concerned that the surcharge has become duplicative of other post-crisis reforms, including, for example, requirements for liquidity, derivatives, and other capital requirements. As a result, there is great concern that the surcharge calculation, as currently constructed, is putting unwarranted capital burdens on U.S. banks. This is despite the facts that U.S. banks are already complying with the previously mentioned post-crisis regulations and their foreign competitors are operating with a less stringent capital surcharge standard adopted by Basel.

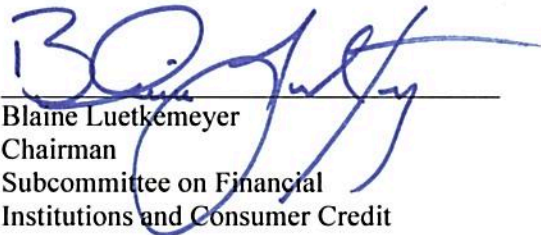
When you testified before the House Financial Services Committee on April 17, 2018, you stated, “I think it’s generally accepted that [the living will process] has resulted in improvement in resolvability of the firms and that means that the consequence of their default is less.” Currently, the surcharge fails to take into account improvements in resolvability as well. Finally, in any effort to recalibrate the capital surcharge it is of critical importance that the rule is made as simple and transparent as possible, which will help reduce associated compliance costs that are often passed on to American consumers.

As you can see, we believe it is imperative that the Federal Reserve recalibrate the surcharge now, given the aforementioned problems. Doing so would promote economic growth and bring efficiencies to the post-crisis regulatory framework. Most importantly, we believe it would make our economy more resilient to shocks while at the same time enabling American banks to more easily compete with their competitors. In the end this will translate to more opportunities for the American people and their families. We look forward to your response.

Sincerely,




Andy Barr
Chairman
Subcommittee on Monetary
Policy and Trade




Blaine Luetkemeyer
Chairman
Subcommittee on Financial
Institutions and Consumer Credit



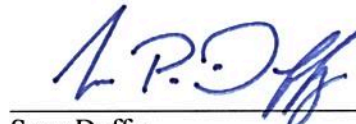
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