



January 29, 2024

The Honorable Andy Barr
Chairman
Subcommittee on Financial Institutions
and Monetary Policy
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Bill Foster
Ranking Member
Subcommittee on Financial Institutions
and Monetary Policy
2129 Rayburn House Office Building
Washington, DC 20515

Re: Hearing Entitled, "Rules Without Analysis: Federal Banking Proposals Under the Biden Administration" (January 30, 2024)

Dear Chairman Barr and Ranking Member Foster:

The U.S. Chamber of Commerce ("Chamber") appreciates the House Financial Services Subcommittee on Financial Institutions and Monetary Policy holding the hearing on January 30, 2024, entitled, "*Rules Without Analysis: Federal Banking Proposals Under the Biden Administration*." We are concerned with the sparse economic analysis the federal banking regulators are attempting to rely on to justify their proposed rulemaking entitled "Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity," commonly referred to as the Basel III Endgame Rule.¹

On January 17, 2024, the Chamber published a new report entitled, "'Endgame' for Main Street Lending: Understanding how the Basel III bank capital rules will harm American businesses and the U.S. economy."² The report shows how the proposed Basel III Endgame Rule would make it harder for businesses to access the financing they need to expand, innovate, and hire. If the rule is finalized as proposed, businesses of all sizes and in all sectors could face increased costs and limited availability for a variety of financial products, including but not limited to, lines of credit, closed-end loans, hedging activities, and wealth management services.

A recent Chamber survey of 300 treasurers and financial decision-makers revealed that **68%** of business owners believe that a net increase in bank capital requirements could be detrimental to their business. Furthermore, the survey found that an alarming **87%** of businesses have been negatively impacted by cost increases resulting from financial

¹ Federal Reserve Board of Governors, The Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation. Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity. (July 27, 2023).

<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20230727a.htm>.

² U.S. Chamber of Commerce Center for Capital Markets Competitiveness. "'Endgame' for Main Street Lending: Understanding how the Basel III bank capital rules will harm American businesses and the U.S. economy." (January 2024) <https://www.uschamber.com/assets/documents/Endgame-for-Main-Street-Lending-Basel-III-White-Paper.pdf>.

regulation, including **46%** of companies that have delayed or canceled planned investments or capital expenditures due to financial regulations.³

The Chamber wrote to the Federal Reserve Board (“FRB”) in May 2023, urging it to *“provide an opportunity for the public to examine its Holistic Capital Review – including the data and methodology used to reach its findings – before proposing a rule to implement any new capital standards.”*⁴ The FRB did initiate a Quantitative Impact Study (“QIS”) in October 2023, but this was months after proposing the Basel III Endgame Rule. Earlier this month, Michael Barr, Vice Chair for Supervision and Regulation, FRB, stated that the full results of the QIS would *not* be released, only the FRB’s analysis of those finding.⁵ The FRB should be transparent about its methodology supporting the results it intends to publish – simply put, the math matters.

The Chamber believes the Basel III Endgame Rule proposal should be withdrawn and repropose only if based on supporting economic analysis. The federal banking regulators must study the indirect consequences of, and justify, a major increase in capital requirements for U.S. banks. Businesses and consumers deserve a transparent rulemaking process given the downstream effects on access to credit.

Sincerely,



Tom Quaadman
Executive Vice President
Center for Capital Market Competitiveness
U.S. Chamber of Commerce

Cc: Members of the House Financial Services Committee

³ U.S. Chamber of Commerce, How Business Views Financial Challenges: Basel III & Beyond (October 2023), https://www.uschamber.com/assets/documents/CCMC_Survey-FinancialChallenges_Fall2023.pdf

⁴ T., Quaadman. Letter to Federal Reserve Board of Governors, Re: Holistic Capital Review (May 3, 2023), https://www.centerforcapitalmarkets.com/wp-content/uploads/2023/05/U.S.-Chamber-Commerce-Comments_SVBCapitalReview_FederalReserve-Final.pdf?#.

⁵ American Banker: “Regulators will take comments on Basel III endgame impact analysis.” (January 9, 2024). *“We’ll analyze that information, and, on an aggregated basis, we’ll publish that information. We’ll give people a chance to comment, in effect, on the impact itself,”* Barr said during an event hosted by the professional group Women in Housing and Finance. <https://www.americanbanker.com/news/regulators-will-take-comments-on-basel-iii-endgame-impact-analysis>.