U.S. Chamber of Commerce

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August 20, 2025

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Attention: Ann E. Misback, Secretary

James P. Sheesley, Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Attention: Comments/Legal OES (RIN 3064–AG11)

Office of the Comptroller of the Currency
Chief Counsel's Office
400 7th Street, SW, Suite 3E-218
Washington, DC 20219
Attention: Comment Processing

Re: Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions (Docket ID OCC–2025–0006; Federal Reserve Docket No. R–1867; FDIC RIN 3064–AG11)

Dear Ladies and Gentlemen:

The U.S. Chamber of Commerce's ("Chamber") Center for Capital Markets Competitiveness submits these comments in response to the Board of Governors of the Federal Reserve System's ("FRB"), the Federal Deposit Insurance Corporation's ("FDIC"), and the Office of the Comptroller of the Currency's ("OCC") (collectively the "Agencies") joint proposed rulemaking entitled Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies ("Proposal"). As discussed below, we support the Proposal as an initial step toward a revised capital framework that more appropriately balances economic growth and financial stability goals.

The Proposal would revise the enhanced Supplementary Leverage Ratio ("eSLR") requirement to equal the 3 percent minimum Supplementary Leverage Ratio ("SLR") plus 50 percent of the Method 1 GSIB surcharge, replacing the current fixed thresholds of 5 percent at the holding company level and 6 percent at the depository institution level.

The Chamber supports the principle that strong capital and leverage requirements are essential to promoting financial stability, however, we caution that overly stringent standards can produce unintended consequences that hinder banks' ability to fulfill their core functions. Regulatory frameworks must strike a balance ensuring financial stability while enabling banks to support economic growth. In this context, we appreciate the Agencies' recognition that the current calibration of the eSLR has led to adverse outcomes, and we support their efforts to thoughtfully recalibrate the rule.

To that end, the Chamber respectfully recommends that the Agencies:

- **Finalize the proposed recalibration of the eSLR;**
- **Continue transitioning toward a capital framework that reflects the evolving composition of bank balance sheets and the role of low-risk assets in financial intermediation; and,**
- **Harmonize the GSIB surcharge methodology with international Basel standards.**

The eSLR was intended to serve as a non-risk-based backstop to the risk-based capital framework. However, in the recent environment, marked by elevated central bank reserves, sustained Treasury issuance, and already-strong capital positions, the leverage ratio has become the binding constraint on several global systemically important banking organizations (GSIBs), overriding the framework it was meant to complement. U.S. GSIBs are holding Common Equity Tier 1 (CET1) capital levels 20-30 percent above what is required under risk-based frameworks.[1] This misalignment disrupts the intended capital hierarchy and restricts the productive use of capital – this capital that could otherwise support lending, investment, and liquidity remains sidelined because of the binding nature of the eSLR. Research from the Federal Reserve Bank of Kansas City supports this view, finding that balance sheet constraints, not liquidity shortages, are the primary impediment to intermediation. [2] These distortive regulatory constraints have negatively impacted the ability of GSIBs to deploy capital effectively.

GSIBs are foundational to the U.S. financial system. The functions they serve in

[1] https://www.federalreserve.gov/publications/files/large-bank-capital-requirements-20220804.pdf
[2] https://www.kansascityfed.org/documents/9664/JH2022_Du.pdf

credit intermediation, market making, and liquidity provisions are critical to economic growth and financial stability. Their ability to perform these roles effectively depends on a regulatory framework that is risk-sensitive and responsive to evolving market conditions. Currently, three of the six largest U.S. bank holding companies are bound by the eSLR, limiting their ability to absorb, for example, additional Treasuries without reducing other assets or raising capital. [3] Treasury securities have grown nearly fourfold relative to primary dealer balance sheets, further straining balance sheet capacity.[4] A recalibrated framework that reflects these structural realities is necessary to ensure that capital requirements do not unintentionally restrict credit or impair market functioning.

In addition to their role in the Treasury market, GSIBs play a critical role for main street lending. For example, GSIBs account for approximately 25 percent of all small business loans in the United States. [5] When capital is constrained by a binding leverage ratio, credit availability to small businesses is reduced. A 2019 survey conducted by the U.S. Chamber of Commerce revealed that 63 percent of businesses were in favor of recalibrating capital requirements to enhance small business lending.[6] This support aligns with the objectives of the Proposal. Research from the Federal Reserve Bank of Boston illustrates how such a recalibration could help, concluding that easing leverage constraints improved Treasury market liquidity and reduced volatility, which in turn lowered Treasury yields and narrowed the bid-ask spread.[7] Because Treasury yields influence the prime rate, a key benchmark for small business loans, including SBA 7(a) loans, these improvements can translate into lower borrowing costs for small firms.[8] Finalizing the proposed eSLR recalibration could result in enhanced economic outcomes for small businesses and households.

Moreover, the distortive effects of the current eSLR calibration are not merely theoretical. In September 2019 and again in March 2020, GSIBs faced heightened demand for Treasury intermediation and liquidity provision. Yet the leverage ratio became the most binding constraint. During the COVID-19 crisis, GSIBs played a vital role in stabilizing markets by absorbing a surge in Treasuries and reserves. However, this brought several institutions close to their leverage limits, prompting the Federal Reserve to issue a temporary exemption from the SLR in April 2020. The exemption was explicitly designed to ease strains in the Treasury market and increase banks'

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[3] https://bpi.com/treasury-market-resiliency-and-large-banks-balance-sheet-constraints/
[4] https://bpi.com/what-is-the-current-state-of-bank-capital-in-the-u-s/
[5] https://www.uschamber.com/finance/the-gsib-surcharge-needs-update-small-businesses-are-counting-it
[6] https://www.uschamber.com/finance/the-gsib-surcharge-needs-update-small-businesses-are-counting-it.
[7] https://www.bostonfed.org/publications/research-department-working-paper/2024/the-effect-of-primary-dealer-constraints-on-intermediation-in-the-treasury-market
[8] https://www.bostonfed.org/publications/current-policy-perspectives/2025/relaxing-dealers-risk-constraints-can-make-treasury-market-liquid.aspx

capacity to provide credit.[9] Its expiration in March 2021, despite continued elevated reserve levels, left GSIBs once again constrained.

Today, several of the largest U.S. bank holding companies are operating at or near their eSLR thresholds, providing them little room to absorb additional safe assets. Research from the Financial Services Forum has noted that roughly 60 percent of the observed increase in GSIB scores can be attributed to the government's pandemic response.[10] These developments highlight the need for a capital framework that can accommodate systemic shocks without requiring emergency exemptions. As Chair Jerome Powell recently stated, "conditions have changed," and it is "prudent for us to reconsider our original approach," particularly to ensure that the leverage ratio does not discourage participation in low-risk activities such as Treasury market intermediation.[11]

Capital inefficiency has real economic consequences because when capital is unnecessarily constrained, the effects ripple through the economy impacting small businesses, households, and infrastructure investment. Estimates from the Bank for International Settlements and other central banks suggest that the optimal Tier 1 capital range lies between 10 and 14 percent, indicating that current levels in the U.S. substantially exceed what is economically justified.[12] A recalibrated eSLR that better reflects the structure of modern bank balance sheets would unlock capital for more productive uses, improve market functioning, and support a more dynamic and inclusive economy.

While the proposed recalibration of the eSLR is modest in scope, it meaningfully addresses a broader structural issue within the capital framework. The current misalignment has created distortions that limit the ability of banks to support credit markets and absorb risk-free assets. Realigning the eSLR with its original intent is a necessary step toward restoring balance and improving capital efficiency.

At the Chamber, we advocate for policy decisions that deliver meaningful outcomes for the real economy. Capital standards must evolve alongside the financial system they govern. A well-calibrated framework should preserve financial resilience while enabling institutions to meet the credit needs of businesses and households. We support this recalibration as a targeted, prudent reform that strengthens the foundation of the financial system without compromising safety and soundness. Getting this balance right is essential to sustaining both financial stability and

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[9] https://www.federalregister.gov/documents/2020/04/14/2020-07345/temporary-exclusion-of-us-treasury-securities-and-deposits-at-federal-reserve-banks-from-the
[10] https://fsforum.com/a/media/gsib_paper_6.2.25.pdf
[11] https://www.federalreserve.gov/newsevents/pressreleases/powell-statement-20250625.htm
[12] Bank for International Settlements, *"Assessing the Economic Impact of Capital Requirements,"* BIS Working Papers.

economic growth.

As Chair Powell noted at the outset of the FRB's capital conference in July 2025, the U.S. bank capital framework is made up of multiple interlocking components, risk-based capital requirements, leverage requirements, the GSIB surcharge, and stress testing. These elements must work together effectively to support a safe, sound, and efficient banking system.[13] Adjustments to one part of the framework often indicate the need for complementary reforms elsewhere. A comprehensive approach is essential to ensure that the framework functions cohesively. When one element becomes distortive, it can reveal broader misalignments that merit closer examination. We look forward to commenting on other reforms such as Basel III, the GSIB Surcharge, and Regulatory Tailoring, and to contributing to a thoughtful, system-wide recalibration that strengthens the financial system and supports the real economy.

Sincerely,

Bill Hulse
Senior Vice President
Center for Capital Market Competitiveness
U.S. Chamber of Commerce

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[13] https://www.federalreserve.gov/newsevents/speech/powell20250722a.htm