



United States House of Representatives
One Hundred Eighteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

March 5, 2024

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave NW
Washington, DC 20551

The Honorable Martin Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Mr. Michael Hsu
Acting Director
Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

Dear Chair Powell, Chairman Gruenberg, and Acting Director Hsu:

We write regarding your agencies' Basel III Endgame proposal (the proposal), the largest proposed rewrite of capital rules for financial institutions since the Dodd-Frank Act. We recommend that the proposal be withdrawn and that your agencies identify clear objectives and well-supported justifications for any implementation of the Basel III Endgame framework. Any new proposal should be supported by rigorous quantitative analysis, be issued first as an advance notice of public rulemaking, and then proceed through the rulemaking process with transparency that has been lacking with the existing proposal.

As you are aware, we are not alone in making such a recommendation. The proposal has received an unprecedented number of comment letters. More than 97 percent of these comments call for withdrawal, a re-proposal, or otherwise expressed significant concerns with the overall proposal or significant elements.¹ Those comments came from across the ideological spectrum and from a broad base of sectors and constituencies. This broad-based opposition makes clear that it is not just the banking industry crying wolf against heightened capital requirements.

¹ See, e.g., *Comments on the Basel III Endgame Proposal: Opposition and significant concerns dominate the record*, February 2, 2024, Latham & Watkins, LLP, at <https://www.lw.com/admin/upload/SiteAttachments/comments-basel-III-endgame-proposal.pdf> (collecting and categorizing the public comments on the proposal).

As issued, the proposal lacks justification, lacks rigorous quantitative analysis, and is procedurally flawed. Recognizing these weaknesses, your agencies extended the comment period for the proposal by more than 45 days to January 16, 2024. Likewise, your agencies belatedly issued a detailed information request from the firms that will be affected by the proposal during the open comment period.

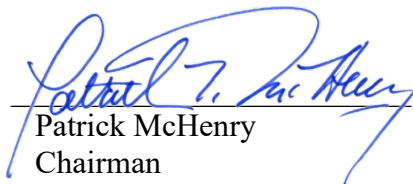
It is now unclear how the agencies will proceed or what the timeline may be for further development of the proposal. To begin, there has been little clarity or transparency with Congress or the American people as to when or how the agencies will release the information collected from the banks or seek comment on whatever future analysis your agencies conduct using that information. Without an opportunity to review the information or comment on the agencies' analysis, Congress, the American people, and the regulated industry will be denied the opportunity to meaningfully participate in the rulemaking.

More concerning, there have been reports that rather than meaningfully respond to the substantial public comments, your agencies will simply recalibrate the proposal. This would be viewed as a thinly veiled attempt to salvage a fatally flawed proposal and would open your agencies to criticism for rushing the process to avoid accountability under the Congressional Review Act.²

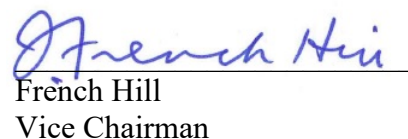
Finally, there has not been clear bipartisan support on the Federal Reserve Board or the Board of Directors of the Federal Deposit Insurance Corporation. It is critical to the legitimacy and independence of these agencies that they proceed through consensus-driven, bipartisan actions.

Given the impact that the flawed proposal would have on the banking industry and the American economy, your agencies must provide greater clarity on what your plans are moving forward, and how you intend to take public comments into account. We believe that the right path forward is to withdraw this flawed proposal and encourage you to do so.

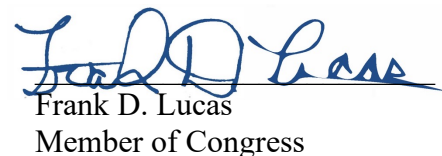
Sincerely,



Patrick McHenry
Chairman



French Hill
Vice Chairman

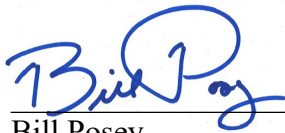


Frank D. Lucas
Member of Congress



Pete Sessions
Member of Congress

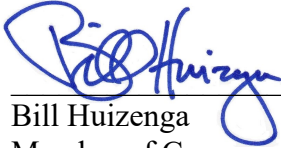
² See, for example, *Clock ticking for regulators to Congressional Review Act-proof new rules*, August 29, 2023, American Banker, at <https://www.americanbanker.com/list/clock-ticking-for-regulators-to-congressional-review-act-proof-new-rules>.



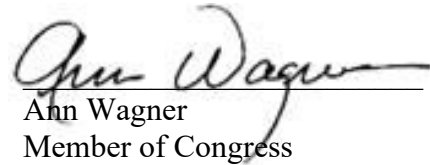
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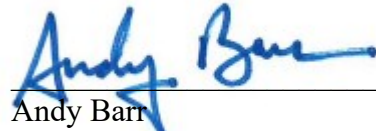
Blaine Luetkemeyer
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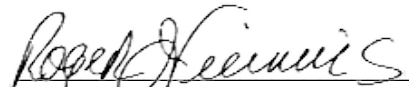
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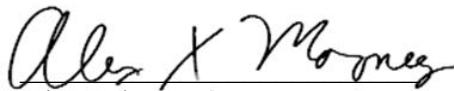
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Tom Emmer
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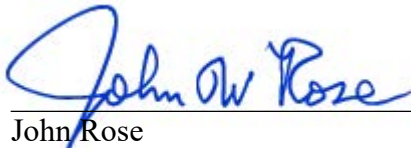
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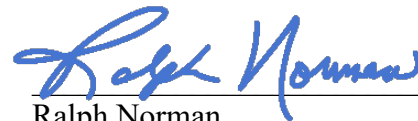
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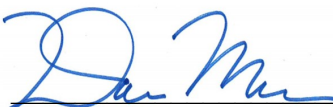
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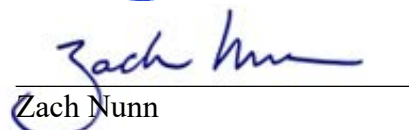
Byron Donalds
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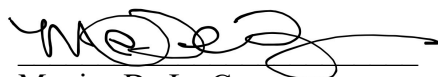
Mike Flood
Member of Congress



Michael V. Lawler
Member of Congress



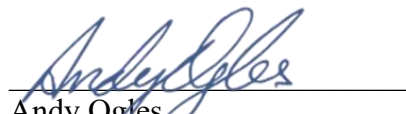
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