

MEMORANDUM

To: Members of the Committee on Financial Services

From: Financial Services Republican Staff

Date: September 20, 2024

Re: September 25, 2024, Subcommittee on Financial Institutions and Monetary Policy
Hearing titled: “Regulatory Recipe for Economic Uncertainty: The Endless Basel
Endgame and an Onslaught of Hurried Rulemaking Undertaken by the Administration”

On Wednesday, September 25, 2024, at 10:00 a.m. in room 2128 of the Rayburn House Office Building, the Subcommittee on Financial Institutions and Monetary Policy of the Committee on Financial Services will hold a hearing titled “Regulatory Recipe for Economic Uncertainty: The Endless Basel Endgame and an Onslaught of Hurried Rulemaking Undertaken by the Administration.”

Witnesses:

- Mr. Jonathan V. Gould, Partner, Jones Day
- Mr. Kenneth E. Bensten, Jr., President and Chief Executive Officer, SIFMA
- Dr. Marc Jarsulic, Chief Economist, Center for American Progress

Background:

Federal banking regulatory officials at the Federal Reserve Board (FRB), Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) [together, “the agencies”] have introduced numerous substantive regulatory proposals to address perceived banking turbulence following the bank failures in March 2023.

Of these, many of the proposals are significant and have been issued without broad support, even within the agencies. Controversy and failure by the agencies to obtain broad support, along with questions of adherence to the Administrative Procedure Act, have injected uncertainty into the future rules of the road for financial institutions.

One example of this type of rulemaking is the July 27, 2023, proposal by the FRB, FDIC, and OCC “to strengthen capital requirements for large bank” to significantly alter the capital framework governing financial institutions to align with a “Basel agreement.” The so-called “Basel III Endgame” proposal has been met with widespread concern from the public and Congress. Recently, the agencies signaled that they will “soon” vote on a proposed “supplemental” to the Basel III Endgame. Yet, uncertainty about the rule continues, particularly with respect to when the public will learn details.

In addition to the Basel capital recommendations, there have been numerous new proposals considered at the agencies. For example, on July 30, 2024, the FDIC held an unusually long Board meeting to vote on controversial regulatory proposals covering, *inter alia*, Brokered Deposit Restrictions, Parent Companies of Industrial Banks and Industrial Loan Companies, and Change in Bank Control Act Regulations and Procedures.

It remains unclear how all the proposals under consideration will, when considered “holistically” together, affect costs of and access to credit and financial services for American families and businesses of all sizes.