

March 10, 2017

The Honorable Janet Yellen
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., NW
Washington, D.C. 20551

Dear Chair Yellen:

Thank you for your recent testimony before the House Committee on Financial Services to discuss the Federal Reserve's semiannual Monetary Policy Report to Congress. The report and your testimony underscores the tremendous progress that has been made since the passage of the Dodd-Frank Wall Street Reform and Consumer Financial Protection Act (Dodd-Frank Act) to build a stronger financial regulatory system that protects consumers, investors and taxpayers and promotes stable economic growth.

It has come to our attention that some of our Republican colleagues recently asked you and your colleagues at the Federal Reserve Board to stop carrying out your duties under the law unless and until a Vice Chairman for Supervision is appointed and confirmed. Unfortunately, it is not a surprise to hear that request from Members who have not only strongly opposed the Federal Reserve's robust regulatory agenda in recent years, but also seek to radically reform the institution you lead. But fortunately for the American people, the law provides no such regulatory freeze and we ask that you and your colleagues continue to carry out your regulatory responsibilities without fear or favor.

As you know, the Dodd-Frank Act created a Vice Chairman for Supervision to lead the Board of Governors' efforts in supervising banks and financial firms, most notably to develop supervisory and regulatory policy recommendations regarding these firms.¹ But the law does not transfer any of the rulemaking powers that reside with the Board of Governors to the Vice Chairman for Supervision; the full Board can consider the Vice Chairman's recommendations, but it has the responsibility to act as it deems necessary. This fact has been borne out by the Federal Reserve Board's active and ongoing regulatory efforts despite not having a Vice Chairman for Supervision the past six years.

This distinction regarding the Board's authorities compared to the Vice Chairman for Supervision's is important because there is more work to do. As the Federal Reserve Board demonstrated a few weeks ago, there are additional steps that can be prudently taken to better tier and tailor rules for various sized banks based on their risk profile. We were pleased to see that the Federal Reserve Board issued updated stress testing rules so that smaller, less risky banks were not subject to the strictest requirements that should be reserved for the largest, riskiest banks.²

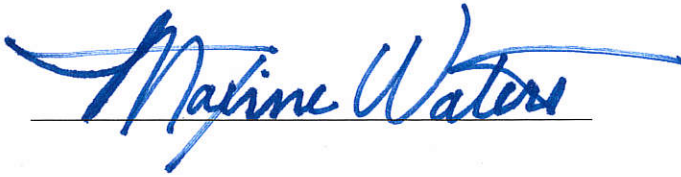
¹ See Section 1108 of the Dodd-Frank Act.

² See Federal Register, "Amendments to the Capital Plan and Stress Test Rules; Regulations Y and YY," (February 3, 2017), available at <https://www.federalregister.gov/d/2017-02257>.

In addition, the Federal Reserve Board has worked with other bank regulators over the past few years to review all of its regulations under the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). The purpose of the EGRPRA review, as you know, is to identify outdated, unnecessary, or unduly burdensome regulations and consider how to reduce regulatory burden on insured depository institutions while, at the same time, ensuring their safety and soundness and the safety and soundness of the financial system. Unlike our Republican colleagues, we do not believe this important regulatory review should stop and prevent the Federal Reserve Board from taking the appropriate steps identified to refine compliance rules, particularly for small community banks that are safe and sound and fully comply with consumer financial protection laws.

We will closely monitor the Federal Reserve Board's actions in the coming weeks and months to ensure that the duties Congress has tasked it with by law are fully and appropriately carried out. The Federal Reserve Board must not wait to exercise its proper regulatory authority to impose the strictest standards on the largest, most complex banks that pose the greatest risk to our financial system while reducing any unnecessary compliance requirements for community banks throughout the country.

Sincerely,

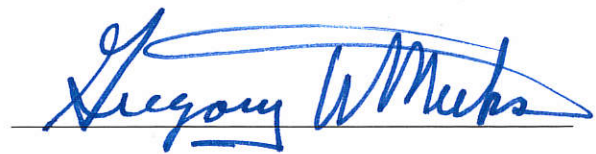




















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