

MEMORANDUM

To: Members of the Committee on Financial Services

From: FSC Majority Staff

Date: September 11, 2023

Re: September 14, 2023, Financial Institutions and Monetary Subcommittee Hearing

On Thursday, September 14, 2023, at 10:00 a.m. in Room 2128 of the Rayburn House Office Building, the Financial Services Subcommittee on Financial Institutions and Monetary Policy will hold a hearing titled “Regulatory Partisanship: Basel III Endgame.” Testifying at the hearing will be:

- Mr. Greg Baer, President, and CEO of the Bank Policy Institute
- Mr. Andrew Olmem, Partner, Mayer Brown
- Mr. Robert Broeksmit, President and CEO, Mortgage Bankers Association
- Ms. Alexa Philo, Senior Policy Analyst for Banking, Systemic Risk, Economic Justice & Racial Equity, Americans for Financial Reform

Background

The hearing will examine the recent interagency notice of proposed rulemaking (NPR) from the Board of Governors of the Federal Reserve (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC), that would implement the so-called Basel III Endgame. The hearing will also cover a separate FRB proposal to adjust the risk-based capital surcharges for global systemically important bank holding companies (G-SIBs). For both proposals, the public comment period closes on November 30, 2023.

On July 27, 2023, the FRB, FDIC Board, and OCC jointly issued an NPR that would implement the final components of the Basel III recommendations of the Basel Committee on Banking Supervision (BCBS) that were developed in the aftermath of the Global Financial Crisis to strengthen regulation, supervision, and risk-management of banks.¹ The proposed rule alters how banks and bank holding companies with more than \$100 billion in total assets would calculate their risk-weighted capital for credit risk, market risk, operational risk, and financial derivative risk. The proposed rule, if implemented, is expected to meaningfully increase capital requirements for banking organizations, with the agencies estimating an aggregate 16 percent increase in common equity tier 1 capital requirements.

The adjustments to the GSIB surcharges include changes to calculations intended to improve the measurement of “systemic indicators” used to calculate GSIB surcharges, enhance the sensitivity of surcharges to changes in a company’s risk profile, and for other technical purposes.

¹ The OCC, with a single agency head, issued the proposal on the same day.