

Congress of the United States
Washington, DC 20515

March 25, 2015

The Honorable Ander Crenshaw
Chairman
Subcommittee on Financial Services and
General Government
House Appropriations Committee
Washington, D.C. 20515

Dear Chairman Crenshaw,

We write to you today regarding the improper application of certain capital and liquidity regulations on traditional U.S. banking organizations. Specifically, we are concerned that these financial institutions are being forced to comply with capital and liquidity rules designed for the most complex and most globally active banks.

In 2003, the banking agencies first introduced in the United States the Advanced Approaches risk-based capital framework for “internationally active” banks. This framework was based on a standard developed by the Basel Committee on Banking Supervision (“Basel”), which includes as members the Federal Reserve Board, the Federal Reserve Bank of New York, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The Advanced Approaches framework was meant to ensure that the most complex and most globally active banks in the world had sufficient capital to withstand economic volatility. Accordingly, U.S. regulators applied the framework only to those U.S. banks with total assets of \$250 billion or more, or with \$10 billion in foreign exposure. In 2003, when the thresholds were first proposed, only the largest money center institutions were captured using these thresholds.

Since 2003, the U.S. banking industry has undergone significant change; however the Advanced Approaches threshold has never been revisited. As a result, multiple regional banks and traditional U.S. lending institutions with extremely limited exposure overseas have been captured by the Advanced Approaches threshold. In many cases, the amount of capital required under the Advanced Approaches may be higher than necessary for safe and sound operation of a traditional banking organization and that could otherwise be used to make loans and spur the economy here at home.

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The Advanced Approaches threshold has also been used by the U.S. regulators for other Basel-related rulemakings. Just last year, the banking agencies finalized a rule implementing the Basel liquidity standards in the U.S., including the Liquidity Coverage Ratio ("LCR"). In particular, the Basel liquidity standards were applied to financial institutions in two forms – a "full" and a "modified" version. Because the regulators used the Advanced Approaches threshold of \$250 billion or more in total assets to apply the "full" Basel liquidity standards in the U.S., some regional financial institutions find themselves in the same regulatory bucket with the most complex and most globally active banks, despite their regional peers facing a "modified," less strenuous liquidity standard. Appropriately tailoring the Basel liquidity standards in the U.S. so that all regional banks are subject to the "modified" standard would again free up significant resources that could be used to deploy credit to our constituents.

As members of the House Financial Services Committee and Appropriations Committee, we respectfully request that you consider our concerns regarding the improper application of capital and liquidity regulations and include report language to accompany your Fiscal Year 2016 appropriations bill. Such language would encourage the banking agencies to remedy the application of both the Advanced Approaches framework and the Basel capital and liquidity standards in the U.S. This would be a step towards modernizing application of capital and liquidity rules, and restoring the original intent of Basel-related standards.

Thank you,



Randy Neugebauer
Member of Congress



Blaine Luetkemeyer
Member of Congress



Steve Stivers
Member of Congress

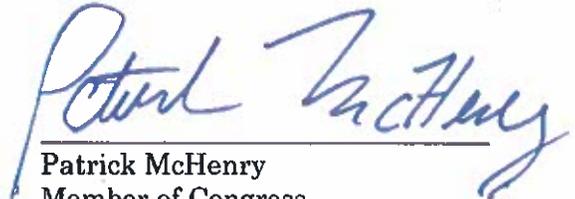


Bill Huizenga
Member of Congress

Enclosure: Appropriations Report Language



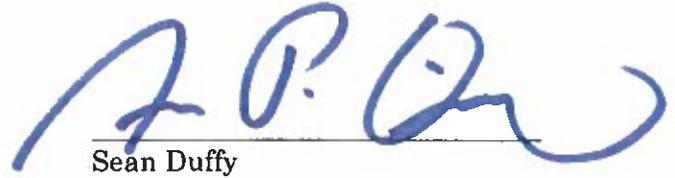
Andy Barr
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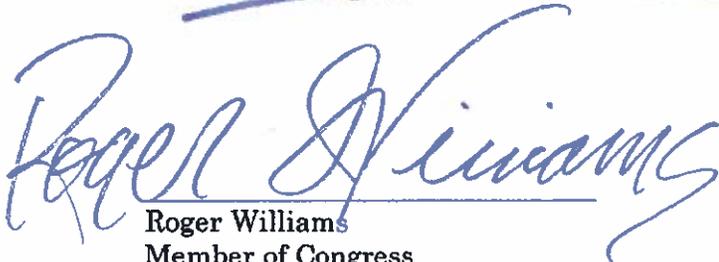
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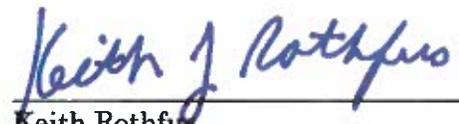
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Frank Lucas
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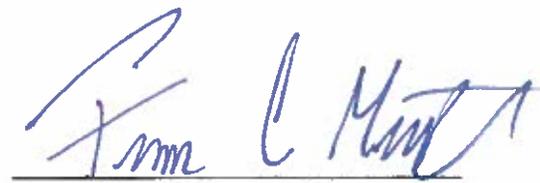
Stephen Fincher
Member of Congress



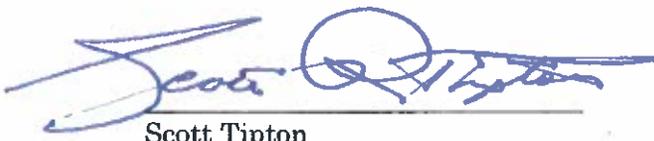
Keith Rothfus
Member of Congress



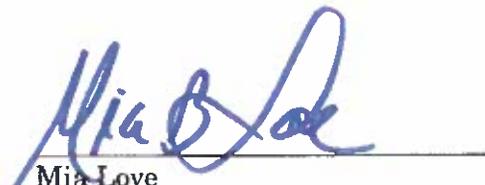
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Scott Rigell
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