

Congress of the United States
House of Representatives
Washington, DC 20515-1013

November 13, 2024

The Honorable Joseph R. Biden
President
The White House
1600 Pennsylvania Avenue NW
Washington, D.C. 20050

Dear President Biden,

I write as a senior member of the House Financial Services Committee in strong support of the Federal Reserve's recommendation to re-propose the Basel III endgame rules.¹ As such, I request your immediate assistance in compelling the Federal Deposit Insurance Corporation (FDIC) to move forward with a vote in order to begin negotiations as soon as possible. Doing so will provide the American public the opportunity to review a number of material changes made to the revised proposal and afford stakeholders the ability to offer comments in an appropriate timeline.

As you know, the revised bank capital rules are carefully crafted by regulators and must be jointly approved by the Fed, OCC and FDIC. The recommended revisions have the potential to more adequately toughen capital requirements for our largest banks—better preparing them to absorb losses from poor mismanagement, market volatility or defaulted assets.² I echo the recent remarks made by Fed Vice Chair for Supervision Michael Barr, that unreasonably high capital rules can raise the cost of funding to a bank and can result in banks passing those higher costs on to households, businesses, and customers engaged in a wide range of financial activities.³ Striking the right balance between ensuring financial stability and economic growth must remain our collective goal.

Regulators received hundreds of comments from the public and took into account significant input from members of congress, especially from Committee Democrats who raised concerns related to the impact of the original proposal on key lending sectors. Among them, the impact that disproportionately high capital rules could make banking activities, like mortgage borrowing, small business lending, and trading, much more expensive than they are today—particularly for underserved and minority communities.⁴ These comments were not partisan attacks. On the contrary, they highlight a strong cross-sectional viewpoint from civil rights organizations, public pension funds, affordable housing stakeholders, and agricultural industries who stand to lose the most from a weakened banking sector.

¹ Federal Reserve, FOMC Press Conference Transcript, September 18, 2024, [Access Link Here](#)

² Banking Dive, "Dive Deposits: Throw away your Basel timeline, Two dominoes have fallen," Dan Ennis, Sept. 20, 2024, <https://www.bankingdive.com/news/fed-fdic-occ-basel-revamp-barr-chopra-powell-gruenberg-otting-hsu-cra/727675/>

³ Federal Reserve, "Speech by Vice Chair Michael S. Barr," September 10, 2024, Brookings Institution Speech, <https://www.federalreserve.gov/newsevents/speech/barr20240910a.htm>

⁴ Latham & Watkins, "Comments on the Basel III Endgame Proposal" February 2, 2024, <https://www.lw.com/admin/upload/SiteAttachments/comments-basel-III-endgame-proposal.pdf>

Unfortunately, weeks of delays have prevented the Fed and FDIC from engaging in significant or substantive negotiations to reach a deal.⁵ While I understand the concern by some members on the FDIC board who remain opposed to this carefully crafted re-proposal, we must reject the notion that the Fed's recommendations are nothing more than a giveaway to Wall Street banks. Further stalemate will result in the high likelihood that a final rule will not be completed until well after the Trump Administration takes office in 2025. If we don't act fast, your strong record of fighting for a more equitable economy built for middle-class families and small businesses will be in serious risk of being dismantled.

Under the Biden Administration, the soundness and stability of our financial system continues to be the envy of the world. That is why I respectfully request your assistance in urging all members of the FDIC board to put partisan tactics aside and immediately move forward with a vote to begin Basel III endgame negotiations. Millions of households and small businesses across the nation are relying on us to get this right.

Thank you for your leadership and attention to this important regulatory matter. I look forward to your support.

Sincerely,



David Scott
Member of Congress

⁵ Bloomberg, "Fed's Relaxed Bank-Capital Plan Faces Bipartisan FDIC Pushback," Katanga Jonhson, Sept. 20, 2024, <https://www.bloomberg.com/news/articles/2024-09-20/fed-s-relaxed-bank-capital-plan-faces-bipartisan-fdic-pushbackv>