Congress of the United States
Washington, DC 20515

August 26, 2025

Dear Chair Powell, Vice Chair for Supervision Bowman, Comptroller Gould, and Acting Chairman Hill:

We write in regard to the proposed rule issued jointly on June 27, 2025 by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, the Agencies) to modify the enhanced supplementary leverage ratio (eSLR).[1] We support the Agencies' objective to reduce disincentives for banks to engage in lower-risk activities (e.g., taking in new deposits, Treasury market intermediation) and promote the smooth functioning of U.S. cash and Treasury markets. To that end, we ask the Agencies to further evaluate whether exempting Treasuries and banks' deposits at the Federal Reserve Banks (reserves) from the calculation of the eSLR can appropriately preserve safety and soundness while also improving intermediation of the Treasuries market.

Further, while we appreciate your consideration of alternatives to the proposal, including a targeted exclusion of reserves and Treasuries from the eSLR calculation, we believe that, in general, capital treatment should be applied consistently for the same risk and activity. As your agencies consider adjustments to the eSLR, we encourage the agencies to consider whether comparable modifications to the supplementary leverage ratio (SLR), tier one leverage ratio (T1LR), and community bank leverage ratio (CBLR) would also support Treasury market functionality. Notwithstanding the need to increase capacity for deposit taking and Treasury market intermediation, it is prudent that the Agencies also consider the cumulative impact of leverage ratio reforms together with potential recalibrations to risk-based capital requirements to ensure the framework continues to adequately promote safety, soundness, and financial stability.

We agree that confidence in the functioning of the Treasury market, including during times of stress, is critical to the stability of the domestic and global banking and financial systems. However, banks that are bound by leverage ratios, which are intended to serve as a backstop to risk-based requirements, have been capital constrained from holding additional Treasuries or accepting a rapid influx of customer deposits under stressed conditions, when banks most need to provide intermediation and capacity. This can create conditions requiring the Federal Reserve to step in as a buyer of last resort to restore proper Treasury market functioning, as it did most recently in 2020.[2] It may also limit banks' ability to serve their deposit customers, who often desire increased liquidity in stressed financial conditions.

As you know, the eSLR applies only to U.S. global systemically important banks (GSIBs), and the SLR applies only to the largest U.S. banks (Category I to III). The T1LR, however, applies to all banks, large and small, that do not qualify for and use the CBLR.

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[1] Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio, 90 Fed. Reg. 30780 (proposed July 10, 2025).

[2] Bd. of Governors of the Fed. Rsrv. Sys., *Federal Reserve announces extensive new measures to support the economy* (Mar. 23, 2020), https://www.federalreserve.gov/newsevents/pressreleases/monetary20200323b.htm.

Should your agencies choose to pursue alternatives to the leverage proposal affecting the treatment of reserves and Treasuries, your agencies should determine whether those adjustments will create disparities between banks of different sizes and ensure that all leverage ratios create the proper incentives for firms wanting to engage in low-risk activities. Even if banking organizations are not bound by some of the leverage ratios today, they may become so in the future due to projected growth in reserves and Treasury issuances, or in times of stress. This was the case in 2020-2021, when governments around the world exempted cash reserves held at central banks and certain other assets from leverage ratios.[3] Leverage ratio reform should consider these lessons and provide greater clarity for banks and market participants to continue serving customers during times of stress and reduce the risk of market disruption. We recognize that the Agencies have used their authority in the past to exclude low-risk assets from leverage ratio calculations and would encourage similar consideration when evaluating the exemption of reserves and Treasuries.[4]

We appreciate the opportunity to comment on the proposal and look forward to working with you to develop leverage and risk-based capital rules that collectively support financial stability and the smooth operation of the market for U.S. Treasuries. If you have any questions, please contact Brooke Kramer in Rep. Lucas' office [redacted]), Cody Hollerich ([redacted]) in Rep. Foster's office, Megan Guiltinan in Rep. Barr's office ([redacted]), and Cory Maks ([redacted]) in Rep. Sherman's office.

Sincerely,

[redacted]

Frank D. Lucas
Member of Congress

[redacted]

Bill Foster
Member of Congress

[redacted]

Andy Barr
Member of Congress

[redacted]

Brad Sherman
Member of Congress

[3] Bd. of Governors of the Fed. Rsrv. Sys., *Federal Reserve Board announces temporary change to its supplementary leverage ratio* (Apr. 1, 2020), https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200401a.htm; Eur. Cent. Bank Banking Supervision, *ECB allows temporary relief in banks' leverage ratio* (Sept. 17, 2020), https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr200917~eaa01392ca.en.html.
[4] Treatment of Certain Emergency Facilities in the Regulatory Capital Rule and the Liquidity Coverage Ratio, 85 Fed. Reg. 68243 (Oct. 28, 2020).