



March 6, 2018

The Honorable Mike Crapo  
239 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Sherrod Brown  
713 Hart Senate Office Building  
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown,

We appreciate the efforts of the 115th Congress to revisit and right-size the systemic risk requirements established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”). With the Senate scheduled to consider the Economic Growth, Regulatory Relief, and Consumer Protection Act (S. 2155) this week, it is important that any legislation appropriately tailor requirements to avoid a one-size-fits all approach that inappropriately applies the same standards developed for the largest, global systemically important banks (“GSIBs”) to regional banks focused on providing traditional banking products to consumers, Main Street businesses, and municipalities.

Together, regional banks play an important role in the U.S. economy. Our traditional retail and commercial bank business models are focused on serving the banking and financial services needs of American consumers, small- and mid-sized business, and state and municipal governments. Like other regional banks, our organizations do not present the sorts of financial stability risks that have been a key focus of post-financial crisis reforms. However, the arbitrary Dodd-Frank \$50 billion asset threshold subjects our organizations, and other regional banks, to unnecessary systemic risk regulations and the same regulatory requirements as the largest, most complex GSIBs.

As Federal Reserve Chairman Jerome Powell and Vice Chair for Supervision Randal Quarles have acknowledged, asset size alone is a poor proxy for risk to the financial system. That is why the bipartisan Systemic Risk Designation Improvement Act of 2017 (H.R. 3312), which has already passed the House by a vote of 288-130, would require the regulators to use a risk-focused approach to identify those banking organizations that properly warrant enhanced systemic risk regulation under Dodd-Frank. A recent report by the Office of Financial Research confirms that a more risk-focused alternative to simple asset thresholds would be a more appropriate way of applying systemic risk regulations.

We believe that any approach to revising the arbitrary Dodd-Frank \$50 billion asset threshold should be data-driven and sensibly distinguish among organizations based on business models and risk profiles. Empirical data clearly demonstrates that the business model and risk profile of our regional banking organizations are essentially the same as those of other regional banks, specifically those with more than \$50 billion but less than \$250 billion in assets (“Other Regionals”), and very different from that of the GSIBs. For example—

- Our bank-centric organizational structures are straightforward with bank assets representing 98 percent of our total assets, similar to the average for Other Regionals (99%) and considerably higher than the average for GSIBs (69%).
- We focus on traditional retail and commercial banking, with limited trading and capital markets operations. Our ratio of trading assets to total assets (1%) is in line with the average among Other Regionals (1%) and many multiples lower than the average for the GSIBs (14%).
- Similarly, our derivative activities, in terms of the notional value of derivative contracts to total assets, are extremely small (67%) compared to the average for the GSIBs (2,116%) and more closely align with those of Other Regionals (53%).

As Congress considers reforms to right-size Dodd-Frank requirements, we urge you to ensure that such reforms provide appropriate tailoring for all regional banks and allow all regional banks to compete on equal regulatory footing. It is our hope that the Senate and House can work together to ensure that any final legislation incorporates tailoring based on risk and business model-related factors for banks that fall above the proposed \$250 billion asset threshold.

Doing so would allow our organizations to better support job creation, consumers, small and mid-sized businesses, municipalities and our local communities without the unnecessary burdens caused by an arbitrary asset-based line. At the same time, our organizations would remain subject to robust capital, liquidity and other prudential standards that are appropriate for our business model and risk profile. We appreciate your attention to this important policy objective and look forward to continuing to work with Congress to ensure that regulatory requirements are appropriately tailored based on the actual business model and risk profile of banking organizations.

Sincerely,

BB&T Corporation  
 Capital One Financial Corporation  
 The PNC Financial Services Group, Inc.  
 U.S. Bancorp

CC: Members of the Senate Banking Committee and S. 2155 co-sponsors