

**Congress of the United States**  
**Washington, DC 20515**

September 28, 2018

The Honorable Randal Quarles  
Vice Chairman for Supervision  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, D.C. 20551

Dear Vice Chairman Quarles,

We write to you regarding the Federal Reserve's (Fed) implementation of P.L. 115-174, the Economic Growth, Regulatory Relief, and Consumer Protection Act— specifically Section 401, which provides regulatory relief to financial institutions with less than \$250 billion in assets. We were encouraged by Chairman Powell's testimony at the July 18, 2018 House Financial Services Committee hearing in which he reaffirmed his comments from the previous hearing on February 27. At both hearings, Chairman Powell stated that financial institutions with less than \$250 billion in assets generally do not present a systemic risk to the economy, and we agree with that view. We were also encouraged by your comments to the American Bankers Association on July 18 in which you stated that a proposed rule regarding the tailoring of prudential regulations for these firms should be a near-term priority. We understand that you intend to promulgate a rulemaking to determine the Fed's course of action on implementing this section of the law. However, we still have concerns with the Fed's posture on this issue going forward as we are unsure if the Fed is committed to fully removing these firms from regulation as a systemically important financial institution (SIFI) if they do not pose a systemic risk to the economy.

As you know, P.L. 115-174 immediately raised the Dodd-Frank \$50 billion SIFI threshold to \$100 billion, and further raises the threshold to \$250 billion after an 18 month transition period. The law also provides the Fed with authority to remove firms from SIFI regulation at any point during the transition period. Additionally, the law provides the Fed with authority to apply enhanced prudential regulations to any financial institution with between \$100-250 billion in assets upon finding that the application of such standards is "appropriate to prevent or mitigate risks to the financial stability of the United States" or "to promote the safety and soundness of the bank holding company or bank holding companies." In making this determination, the Fed must consider the bank holding company's or companies' capital structure, riskiness, complexity, financial activities, size, and any other risk-related factors deemed to be appropriate.

The Fed has had the responsibility for systemic risk oversight of all the firms within the \$100-250 billion asset range for many years. As such, the Fed has had the opportunity to conduct analysis, gather data, and actively determine the risks these firms present. We are not aware of the Fed finding that any of them present systemic risk. In fact, the Systemic Risk Indicator Scores incorporated by the Fed in the G-SIB surcharge rule, the recent CCAR stress test results,

and the overwhelming body of the Fed's post-crisis research substantiate that firms in the \$100-250 billion range do not pose a systemic risk. We note that these low systemic risk indicator scores have also been demonstrated by regional banks with an international parent. Therefore, we believe the Fed should ensure that international banks with less than \$250 billion in U.S. assets are treated equally to their purely domestic counterparts.

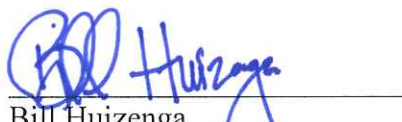
In light of all of this— the Fed's role as systemic risk regulator, the results of previous reviews, and the significant amount data that presently indicates no systemic risk— we are concerned that you have expressed the intention to further review these firms in order to determine how to regulate them. Due to the fact that there have been no past nor any present findings of systemic risk, we strongly believe that the Fed should take quick action to completely remove these firms, both domestic and international, from all SIFI-associated regulations. While we fully recognize the need to monitor systemic risk and to take action in cases where risks to financial stability and or safety and soundness emerge, the lack of any *current* risk posed by these firms provides a sound basis for such action in the immediate future. Further, we believe that if the Fed does elect to apply certain enhanced prudential regulations to a firm of this size in the future, that decision must be based on clear data and evidence which demonstrates that the firm has come to present one or more of these risks.

Thank you, and we look forward to continuing to work with you on these important issues.


Sincerely,


  
Barry Loudermilk  
Member of Congress


  
Patrick McHenry  
Member of Congress

  
Bill Huizenga  
Member of Congress

  
Blaine Luetkemeyer  
Member of Congress

  
Andy Barr  
Member of Congress

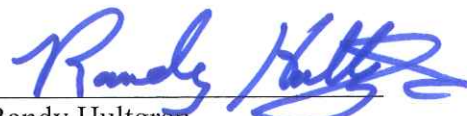
  
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Peter King  
Member of Congress

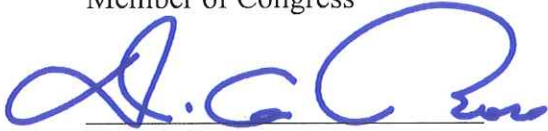
  
Frank Lucas  
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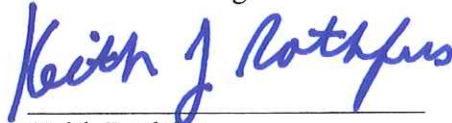
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Randy Hultgren  
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Dennis A. Ross  
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Keith Rothfus  
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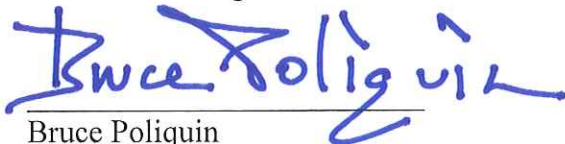
Luke Messer  
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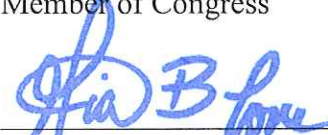
Scott Tipton  
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Roger Williams  
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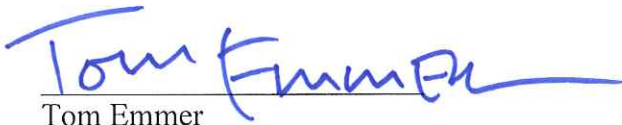
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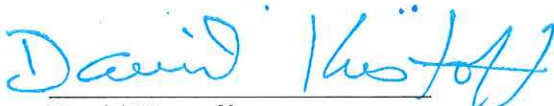
Alex Mooney  
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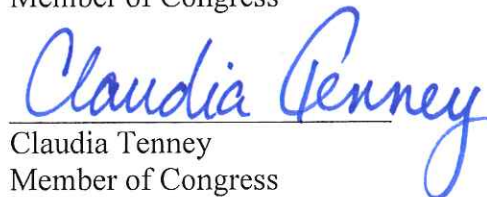
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Ted Budd  
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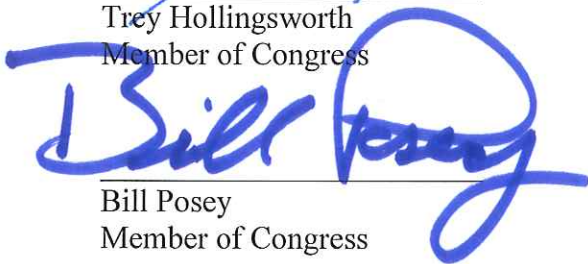
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