Strengthening the American Economy by Modernizing Capital Rules for the Largest U.S. Banks

FINANCIAL SERVICES FORUM

America's largest banks are **well capitalized, tested, and essential to the nation's economy**. Yet, these banks face **unsubstantiated rising capital requirements** that limit the financial opportunities for American families, raise costs for consumers, and slow economic growth. It's time to modernize these rules to benefit American consumers and the wider economy, allowing banks to keep offering vital tools and services.

Excessive Capital Requirements Impose Tangible Economic Costs to the American People

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Researchers estimate that raising capital requirements by two percentage points costs the U.S. economy roughly **$1 trillion over 30 years**.[1]

86%

Eighty-six percent of stakeholders who opposed a 2023 proposal to increase capital requirements for large banks were from outside the banking sector, including small-town mayors, major utility companies, and housing advocates.[2]

The Largest U.S. Banks Are Among the World's Best Capitalized

Capital has tripled

America's largest banks have tripled their capital levels to nearly **$1 trillion** over the past 15 years.

World-class strength

America's largest banks are among the **best-capitalized globally** and are built to support individuals, families, and businesses through market cycles.

Proven resilience

America's largest banks **consistently demonstrate strength** under regulatory stress testing and real-world shocks, including COVID-19 and 2023 regional bank volatility.

"More than a decade of stress tests and real-world events have shown that these banks are resilient to very large macroeconomic shocks."

— Federal Reserve Governor Christopher Waller, July 2023

1. William R. Cline, Testing the Modigliani-Miller Theorem of Capital Structure Irrelevance for Banks, April 2015, https://www.piie.com/publications/working-papers/testing-modigliani-miller-theorem-capital-structure-irrelevance-banks
2. Latham & Watkins, Comments on the Basel III Endgame Proposal, February 2024, https://www.lw.com/en/news/2024/02/comments-on-the-basel-iii-endgame-proposal

Capital Requirements for the Largest U.S. Banks Keep Growing Without Justification

18% increase from 2020-2024 despite a broad consensus that the largest U.S. banks already hold sufficient capital.

Regulators have increased capital requirements for the largest U.S. banks for reasons **unrelated to risk** or financial stability.

Current Capital Requirements Place America at a Disadvantage

Regulatory disparities result in higher costs and reduced access to financial services for both consumers and businesses.

Stricter requirements than international peers

U.S. regulators impose significantly higher capital requirements than global competitors.

Economic handicap for the U.S.

This regulatory disparity undermines the competitiveness of the broader American economy.

Negative Customer Impact

American consumers and businesses face disadvantages compared to their international counterparts, such as higher loan interest rates, stricter lending standards, and reduced product offerings.

The Largest U.S. Banks Provide Stability and Drive Economic Growth

America's largest banks are vital to the U.S. economy, actively:

Supporting infrastructure

Supporting vital projects that uplift communities and improve well-being, from the roads people travel, to the schools their children attend, and the hospitals that care for them.

Investing in small businesses

Empowering entrepreneurs to build thriving businesses, create jobs, and strengthen their communities by providing capital, advice, and solutions.

Financing innovation

Enabling Americans to turn breakthrough ideas into tangible advantages by providing the necessary capital across areas like advanced manufacturing, AI, and more.

Empowering Americans

Helping millions of American families save, achieve homeownership, and build generational wealth through access to credit and financial tools.

It's Time to Modernize Capital Rules for the Largest U.S. Banks

While positive steps have been taken recently, regulators have an opportunity to modernize the overall capital framework for the largest U.S. banks, maintaining financial stability while supporting a stronger and more dynamic economy. The need for capital reform also includes:

GSIB Surcharge. It must be adjusted to promote economic growth and eliminate the competitive disadvantage faced by American bank customers.

Stress Test Transparency. The Federal Reserve must allow for public comment and incorporate feedback to improve the stress test framework. The current stress tests lack transparency and violate regulatory law.