Unleash U.S. Economic Growth: Now Is the Time to Modernize Outdated Capital Rules

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.

Excessive Capital Rules Harm U.S. Consumers and Small Businesses

$1 T

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

3X

Capital has tripled

America's largest banks have tripled their capital levels to over **$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 economic 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.

Current Capital Requirements Place America at a Disadvantage

Elevated U.S. capital rules lead to higher costs and reduced access to bank services for Americans.

Stricter requirements than international peers

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

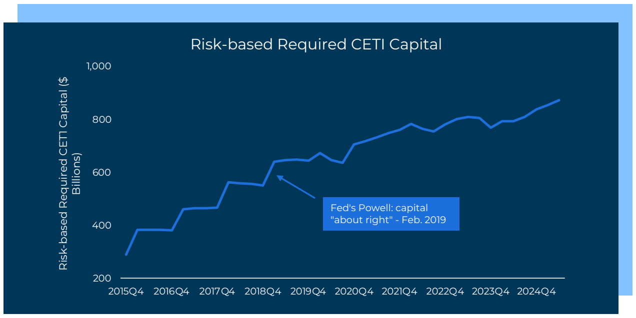
Economic disadvantage for the U.S.

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

Negative Customer Impact

American consumers and businesses face higher loan rates, stricter lending standards, and fewer bank options than their global counterparts.

Capital Rules for Largest U.S. Banks Keep Rising Without Justification



Source: Fed Y-15 and Y9-C

25% increase from 2020-2024 despite broad consensus capital is sufficient.

Regulators have increased capital rules for reasons **unrelated to risk** or financial stability.

Need for Change

Now is the time to modernize outdated capital requirements to ensure the American economy can grow, create jobs, and remain competitive on the global stage. Americans would benefit, including:

Families: Households seeking to borrow to purchase their first home or buy a car to get to work could see **lower interest rates**, reducing their costs.

Small businesses: Lower loan interest rates and better borrowing opportunities can help business owners expand, hire, and reduce costs, leading to **more stable prices** for consumers.

Savers: Americans saving for retirement, college, and other goals could benefit from lower costs and better returns as investment companies face **reduced borrowing costs.**

Governments and taxpayers: States and local governments could save money when issuing municipal bonds, which fund infrastructure projects like roads, schools, and other services, **lowering taxpayer costs.**

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

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