



FEDERAL DEPOSIT INSURANCE CORPORATION

July 23, 2020

JELENA McWILLIAMS  
CHAIRMAN

Honorable Elizabeth Warren  
United States Senate  
Washington, D.C. 20510

Dear Senator Warren:

Thank you for your letter regarding the interim final rule issued jointly by the federal banking agencies (the “Agencies”) on May 15, 2020, that temporarily revises the supplementary leverage ratio calculation for depository institutions. I appreciate the opportunity to respond to your concerns.

As described in the interim final rule, the temporary exclusion of U.S. Treasury securities and deposits at Federal Reserve Banks from the supplementary leverage ratio strengthens the ability of banks to continue to act as financial intermediaries, support the flow of credit to the economy, and accept exceptionally high levels of customer deposits. The Agencies expect that the increase in leverage exposure capacity as a result of the rule will strengthen banks’ ability to fulfill these important functions. The exclusion is time-limited and will end on March 31, 2021. Further, the limited scope and temporary nature of this relief creates a natural limitation on the extent to which a bank can reduce its capital holdings.

Banks that elect to use the exclusion must request regulatory approval before making certain capital distributions so long as the exclusion is in effect. The Agencies will consider all relevant factors when evaluating any such requests, including whether any distribution would be contrary to safety and soundness. The Agencies will also consider limitations on distributions in the existing rules applicable to the electing depository institution. The restrictions in the interim final rule are in addition to, and therefore do not supersede, other existing statutory and regulatory limitations on making capital distributions.

The Agencies will continue to actively monitor the effects of COVID-19 on the U.S. financial system and will take additional actions as necessary to help banks and their customers respond to challenges during this difficult time.

Thank you again for sharing your concerns about this important matter, and I hope this information is helpful. If you have additional questions, please contact me at (202) 898-6868 or M. Andy Jiminez, Director, Office of Legislative Affairs, at (202) 898-6761.

Sincerely,

  
Jelena McWilliams