CHAMBER OF COMMERCE
OF THE
UNITED STATES OF AMERICA

R. BRUCE JOSTEN
EXECUTIVE VICE PRESIDENT
GOVERNMENT AFFAIRS

1615 H STREET, N.W.
WASHINGTON, D.C. 20062-2000
202/463-5310

February 9, 2015

The Honorable Richard Shelby
Chairman
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Shelby and Ranking Member Brown:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations, and dedicated to promoting, protecting, and defending America's free enterprise system, applauds the Committee on Banking, Housing, and Urban Affairs for holding the hearing entitled "Regulatory Relief for Community Banks and Credit Unions."

Businesses need a varied financing structure in order to provide the resources needed to operate on a daily basis and to grow long-term. The Chamber has released two reports that may be of interest to the Committee. The first, released in 2011, *Sources of Capital and Economic Growth: Interconnected and Diverse Markets Driving U.S. Competitiveness*, by Anjan Thakor, John E. Simon Professor of Finance at Washington University, St. Louis, demonstrates the diversity of financing sources needed to fuel growth. The second, released in 2013, *How Main Street Businesses Use Financial Services*, by FTI Consulting, shows the number of different financial institutions, big and small, used by businesses to meet their needs.

Small- and mid-size banks and credit unions are important liquidity and capital providers for Main Street businesses and entrepreneurs. The Chamber is increasingly concerned that these institutions, through threshold requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the broad application of Basel III implementing regulations, are subject to rules designed for larger, more globally active institutions. This creates a regulatory mismatch that presents obstacles to the traditional role these smaller financial firms have played for Main Street businesses.

Regrettably, banking regulators have failed – on numerous occasions – to conduct a robust economic analysis of their rulemakings, as required under the Riegle Community Development and Regulatory Improvement Act of 1994. By not using these legally mandated tools, banking regulators have failed to identify regulatory deficiencies and have not taken proactive steps to prevent policies from having unintended adverse consequences for Main Street

businesses. For instance, under rules designed to implement Basel III capital standards, banks are disincentivized from providing businesses with commercial lines of credit, or to even allow businesses to deposit cash with a financial institution. Despite the Chamber's request to do so, banking regulators have failed to undertake legally mandated studies or publish for comment any analysis these rules may have on the ability of Main Street businesses to access the financial resources needed to grow and create jobs.

The Chamber hopes that you will take these issues into account as you hold this important hearing and to work with the Committee to implement solutions to appropriately tailor capital requirements to business models, thereby enhancing financial stability and preserving the reasonable risk-taking needed for businesses to grow and create jobs.

Sincerely,

R. Bruce Josten

cc: Members of the Committee on Banking, Housing and Urban Affairs