U.S. Chamber of Commerce

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January 27, 2022

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

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

Dear Chair Brown and Ranking Member Toomey:

The Chamber urges the Committee to raise several important issues with Sarah Bloom Raskin when considering her nomination to serve as Vice Chair for Supervision of the Board of Governors of the Federal Reserve System. This position enforces and helps develop the regulations that are the bedrock of competitive financial markets. Some of Ms. Raskin's past actions and statements have raised concerns among the U.S. business community and merit the Committee's scrutiny.

COVID-19 Pandemic Response

Banks played an important role in supporting the U.S. economy throughout the economic shock brought about by COVID-19. They were critical to administering the Paycheck Protection Program, the Federal Reserve's 13(3) emergency lending facilities, and providing forbearance and other solutions on loans that helped millions of small businesses survive.

- Were bank holding companies able to comfortably weather the economic shock brought about by COVID-19? Was the existing regulatory framework adequate?

- Did bank holding companies and other financial institutions make concerted efforts to meet the needs of consumers, businesses, and their communities during this period of economic uncertainty?

Climate Change

Ms. Raskin has been critical of the Federal Reserve for allowing oil and gas companies to access the emergency 13(3) facilities during the COVID-19 pandemic.[1] She has also advocated for federal regulators to transition financing away from the fossil fuel industry in her writings and public comments.

- Is it the role of the Federal Reserve to direct capital away from certain industries that are politically disfavored or direct capital towards industries that are politically favored?

- Please explain her statements proposing to deny oil and gas companies access to the Federal Reserve's 13(3) emergency lending facilities, including those explicitly authorized by Congress via the CARES Act?

Independence of the Federal Reserve

The Federal Reserve is designed to adhere to its statutory mandate and remain independent from political influence. Governors have a long history of collegiality and professionalism in how they interact with each other and of deferring to the Chair on setting the agenda for the Board. After the recent push by Board members at the Federal Deposit Insurance Corporation (FDIC) to usurp the Chair's authority, we have serious concerns about similar politicization at the Federal Reserve. We encourage you to secure a commitment from Ms. Raskin to maintain the political independence of the Board and stay committed to its statutory mission.

Basel III Implementation and Small Businesses

In 2017, the Basel Committee on Banking Supervision (BCBS) made updates to the Basel III agreement (oftentimes referred to as the "Basel III endgame") that would require banks to change how they assess credit risk. These changes are expected to be implemented soon by the United States and could alter the availability of credit, especially for small businesses.

- Does Ms. Raskin support implementing Basel III in a manner that does not reduce the availability of or increase the cost of credit for small businesses?

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[1] Raskin, S. B. (2020, May 28). Why Is the Fed Spending So Much Money on a Dying Industry? *The New York Times*. Retrieved from https://www.nytimes.com/2020/05/28/opinion/fed-fossil-fuels.html.

- What observations does Ms. Raskin have regarding the implementation of these standards by the European Union? Does she support, or oppose, any steps they have taken to ensure that small businesses retain access to affordable credit?

Competition/Bank Mergers

The Biden Administration has broadly asserted that most major sectors of the United States have unsatisfactory competition as a justification for a myriad of new regulations.[2] The President's July 2021 Executive Order singled out a lack of competition in the banking industry and recommended updating regulations to limit mergers and acquisitions.

- Can bank mergers benefit competition and consumers, and if so, how? Are there any examples of past bank mergers that promoted competition?

- What standard does Ms. Raskin think is appropriate to measure competition?

- If Ms. Raskin believes guidelines for mergers and acquisitions should be updated, what would be the justification?

Financial Stability and International Standards for Financial Regulation

The Financial Stability Board (FSB) promotes global financial stability by coordinating the development of regulatory, supervisory, and other financial sector policies.

- Is the U.S. obligated to implement the standards proposed by the FSB and its subsidiary organizations (e.g. BCBS), or are they just recommendations and best practices for consideration by participating governments?

- Should the U.S. consider its existing regulatory structure and maintaining competitive financial markets when weighing implementation of standards agreed to by the FSB and its subsidiary organizations? Will the Vice-Chair for Supervision commit to not gold-plating (i.e. more stringent/conservative than the international agreement) these stands if implementing them in the U.S.?

- Will the Vice-Chair for Supervision commit to updating the public, including Congress, regarding the recommendations of the Federal Reserve Board to the FSB and BCBS?

[2] The White House. Executive Order on Promoting Competition in the American Economy (July 9, 2021), available at https://www.whitehouse.gov/briefing-room/presidential-actions/2021/07/09/executive-order-on-promoting-competition-in-the-american-economy/

__Financial Stability and Activities-Based Approach to Financial Regulation__

Not long ago, many policymakers sought to apply bank-like regulation to entities that do not operate like a bank due to a perception of systemic risk. The Financial Stability Oversight Council (FSOC) subjected some nonbanks to regulation by the Federal Reserve Board, and the FSB deemed some nonbanks systemically important. In recent years, there has been a growing appreciation to shift away from an entities-based approach to systemic risk in favor of addressing discrete activities through targeted regulation. Secretary Yellen expressed her preference for an activities-based approach during her confirmation hearing. Thus far, she has pursued this approach during her time as Chair of the FSOC.

- Is an activities-based approach appropriate for addressing systemic risk?

- Is it inappropriate for the Financial Stability Board, the International Association of Insurance Supervisors, or the International Organization of Securities Commissions to issue a list of entities they consider to be systemically important?

Thank you for considering these important issues.

Sincerely,

Tom Quaadman
Executive Vice President
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce

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