FRENCH HILL, AR
CHAIRMAN

MAXINE WATERS, CA
RANKING MEMBER

United States House of Representatives
One Hundred Nineteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

November 21, 2025

The Honorable Michelle Bowman
Vice Chair for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Jonathan Gould
Comptroller
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

The Honorable Travis Hill
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Vice Chair Bowman, Comptroller Gould, and Acting Chairman Hill,

We write regarding your agencies' use of regulatory thresholds in the context of Congress' explicit mandate to tailor bank supervision and regulation.[1] We request you take the following actions which we believe you already possess the power to implement based on existing statutory authorities. Together, we can promote a banking system that serves as a key engine of the U.S. economy while maintaining a regulatory and supervisory framework that safeguards banks' safety and soundness and broader financial stability.

When Congress directed the Federal Reserve Board (FRB) in 2010 to establish enhanced prudential standards (EPS) for banks with $50 billion or more in assets, it provided discretionary authority to tailor application of EPS based on the statutory factors of "capital structure, riskiness, complexity, financial activities[], size, and any other risk-related factors that the [FRB] deems appropriate."[2] In 2018, having judged the $50 billion threshold for mandatory application

[1] For the purposes of this letter, the term "bank" includes national- and state-chartered banks, national- and state-chartered savings and loan associations, bank holding companies, and savings and loan holding companies.
[2] Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, § 165(a), 124 Stat. 1376, 1423–24 (2010).

of EPS as too low and the previous iteration of discretionary regulatory tailoring as resulting in standards too inflexible to banks' varying characteristics, Congress raised the threshold for mandatory application of EPS to $250 billion, required tailoring based on the statutory factors to be mandatory, and conferred discretion upon the FRB to promulgate regulations applying EPS to banks between $100 billion and $250 billion in assets with the same directive that such standards be tailored to the statutory factors.[3]

The FRB finalized regulations in 2019 under the leadership of then-Vice Chair for Supervision Randal Quarles to implement the statutory directive, tailoring EPS to a bank's characteristics by creating several new categories of banks and applying EPS on a graduated basis based on a bank's categorization.[4] The FRB, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) have consistently used and referenced these categories when promulgating, finalizing, and implementing EPS in regulation.[5]

Unfortunately, since that time, the FRB's discretionary authority to apply EPS to banks between $100 billion and $250 billion in assets and FRB's manifestations of Congress' mandatory tailoring directive have only resulted in a negligibly tiered application of EPS that still too closely resembles the one-size-fits-all approach that Congress explicitly rejected in 2018. Three of the current bank categories deserve particular attention in the context of Congress's tailoring mandate for all EPS and grant of discretion regarding EPS for banks between $100 billion and $250 billion in assets: Category II,[6] Category III,[7] and Category IV[8] banks.

Category II covers banks with either $700 billion or more in assets, *or* banks with $100 billion or more in assets and $75 billion or more in cross-jurisdictional activity. This results in banks with less than $250 billion in assets, for which Congress made application of EPS discretionary, being subject to the same EPS as banks whose size is nearly triple the $250 billion threshold at which Congress made EPS mandatory. These requirements may fit the risk characteristics of some of these banks but impose an undue burden on other banks that pose lower risk. Moreover, the wide variation in business models that would result in banks meeting the first prong versus the second prong leading to Category II designation would suggest that certain of the Category II EPS would be better suited to the risk characteristics of the first subset of Category II banks than the second subset, and vice versa.

We request the agencies consider whether the exercise of discretion in applying Category II EPS to banks with less than $250 billion in assets is appropriate; whether the current

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[3] Economic Growth, Regulatory Relief, and Consumer Protection Act, Pub. L. No. 115-174, § 401(a), 132 Stat. 1296, 1356–57 (2018) (codified at 12 U.S.C. § 5365(a)).
[4] Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations, 84 Fed. Reg. 59032, 59077, 59099 (Nov. 1, 2019) (codified at 12 C.F.R. §§ 238.10, 252.5).
[5] *See, e.g.*, Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements, 84 Fed. Reg. 59230 (Nov. 1, 2019).
[6] 12 C.F.R. §§ 238.10(b); 252.5(c).
[7] 12 C.F.R. §§ 238.10(c), 252.5(d).
[8] 12 C.F.R. §§ 238.10(d), 252.5(e).

characteristics resulting in Category II designations reflect the actual risks respective banks pose; and whether it might be appropriate to divide Category II into two or more separate categories that more appropriately apply varying levels of EPS stringency to banks based on their actual risk characteristics. Given that Congress mandated that application of EPS be tailored[9] and provided discretionary authority to apply EPS to banks between $100 billion and $250 billion in assets,[10] we believe that your agencies already possess the statutory authority necessary to undertake any of the aforementioned regulatory changes.

Category III covers banks with either $250 billion or more in assets, *or* banks with $100 billion or more in assets and $75 billion or more in nonbank assets, short-term wholesale funding, or off-balance sheet exposures. This results in banks with less than $250 billion in assets, for which Congress made application of EPS discretionary, being subject to the same EPS as banks with $250 billion or more in assets, for which Congress made EPS mandatory. This has resulted in a group of Category III banks of incredibly diverse capital structures, risk attributes, levels of complexity, financial activities, size, and other factors being subject to a uniform set of EPS requirements. These requirements may fit the risk characteristics of some of these banks but impose an undue burden on other banks that pose lower risk. Most recently, Category III was composed of 11 banks with wide variations in their characteristics, from banks with more traditional retail and commercial banking models to banks with large broker-dealer and trading operations.[11]

We request the agencies consider whether the exercise of discretion in applying Category III EPS to banks with less than $250 billion in assets is appropriate; whether the current characteristics resulting in Category III designations reflect the actual risks respective banks pose; and whether it might be appropriate to divide Category III into two or more separate categories that more appropriately apply varying levels of EPS stringency to banks based on their actual risk characteristics. Given that Congress mandated that application of EPS be tailored[12] and provided discretionary authority to apply EPS to banks between $100 billion and $250 billion in assets,[13] we believe that your agencies already possess the statutory authority necessary to undertake any of the aforementioned regulatory changes.

Category IV covers banks with $100 billion or more in assets and for which designation as a Category I, II, or III bank is inapplicable. Composed entirely of banks for which Congress made application of EPS discretionary, Category IV banks are nevertheless subject to largely the

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[9] 12 U.S.C. § 5365(a)(2)(A), (a)(2)(C)(ii).
[10] 12 U.S.C. § 5365(a)(2)(C).
[11] Bd. of Governors of the Fed. Rsrv. Sys., *2025 Fed. Rsrv. Stress Test Results* 8–9 (June 27, 2025), https://www.federalreserve.gov/publications/files/2025-dfast-results-20250627.pdf.
[12] 12 U.S.C. § 5365(a)(2)(A), (a)(2)(C)(ii).
[13] 12 U.S.C. § 5365(a)(2)(C).

same set of EPS as Category I, II, and III banks[14] with some modest easing in certain instances.[15] This still stringent set of EPS applicable to Category IV banks not only leads to an objectively heightened set of applicable regulatory standards, it also leads to a subjectively heightened level of supervisory treatment by examiners, especially given that Category IV banks are supervised under the same Large and Foreign Banking Organization (LFBO) supervision program that supervises Category II and III banks. Thus, bank examiners examine Category IV banks with the same stringency and allusion to the same EPS applicable to their Category II and III peers even though each of these categories is subject to a different set of EPS.

We request the agencies consider whether their current exercise of discretion in applying EPS to Category IV banks with $100 billion or more in assets but less than $250 billion in assets is appropriate; whether the current characteristics leading to Category IV designations are reflective of the actual risks respective banks pose; and whether it might be appropriate to modify the characteristics resulting in Category IV designations, eliminate Category IV altogether, or divide Category IV into two or more separate categories that more appropriately apply varying levels of EPS stringency to banks based on their actual risk characteristics. Given the discretionary authority conferred by Congress for application of EPS to banks in this asset-size range,[16] we believe your agencies already possess the statutory authority necessary to undertake any of the aforementioned regulatory changes.

As your agencies consider these and other changes to the appropriate application of EPS to Category II, III, and IV banks in a way that maintains financial stability and is consistent with safety and soundness, we encourage you to take into account the role of the U.S. banking system as a key engine for the U.S. economy and financial system, as well as the importance of a resilient and competitive banking sector. We believe the current framework of regulation for banks generally, and Category II, III, and IV banks in the particular context of EPS regulation, acts as a barrier to more robust competition for the largest banks given the largely one-size-fits-all approach taken in regulating banks with $100 billion or more in assets and given the fact that Category II, III, and IV banks are forced to spread their regulatory compliance costs over smaller economies of scale.

Finally, since 2018, growth in the economy and the effects of inflation have led to a diminution in the ratio between regulatory thresholds relative to the nominal value of U.S. gross domestic product (GDP), the nominal value of total assets in the U.S. banking system, and other measures of economic changes. Without periodic adjustment, static threshold values result in

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[14] E.g., capital planning and stress capital buffer (SCB) requirements; FR Y-14 capital assessments and stress testing reporting; FR Y-15 systemic risk reporting; Form 2052a complex institution liquidity monitoring reporting; SR 19-3 Large Financial Institution (LFI) Rating System assessments.

[15] E.g., no supplementary leverage ratio (SLR) requirement; can be excluded at the federal banking agencies' discretion from liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) liquidity standards but must still apply a heightened liquidity-risk management framework; are subject to biennial as opposed to annual FRB supervisory stress testing; are not required to submit triennial resolution plans.

[16] 12 U.S.C. § 5365(a)(2)(C).

regulatory threshold bracket creep, inappropriately subjecting more banks to overly stringent and inapposite regulatory requirements like EPS.

We request the agencies consider indexing regulatory thresholds that established Category II, III, and IV to growth in nominal GDP, nominal growth in total assets in the U.S. banking system, growth in a particular price index, or another indexing measure to adjust regulatory thresholds from levels determined in prior years and to prevent future regulatory threshold bracket creep for banking regulations generally and the current tiered application of EPS in particular. We note that your agencies previously indicated that they planned to reevaluate such thresholds "by periodically reviewing [them] and proposing changes through the notice and comment process,"[17] though no such action has occurred since the implementation of the current thresholds set in 2019.

We appreciate your attention to these matters and look forward to working together to promote a more effective bank regulatory and supervisory framework.

Sincerely,

French Hill
Chairman

Bill Huizenga
Vice Chairman

Frank D. Lucas
Chairman, Task Force on Monetary Policy, Treasury Market Resilience, and Economic Prosperity

Pete Sessions
Member of Congress

Ann Wagner
Chairman, Subcommittee on Capital Markets

Andy Barr
Chairman, Subcommittee on Financial Institutions

[17] Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations, 84 Fed. Reg. 59032, 59046; *see also* Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements 84 Fed. Reg. 59230, 59244.

Roger Williams
Member of Congress

Tom Emmer
Member of Congress

Barry Loudermilk
Member of Congress

Warren Davidson
Chairman, Subcommittee on National Security, Illicit Finance, and International Financial Institutions

John Rose
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Lisa McClain
Member of Congress

Maria Salazar
Member of Congress

Troy Downing
Member of Congress

Mike Haridopolos
Member of Congress

Tim Moore
Member of Congress

cc: The Honorable Maxine Waters, Ranking Member