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Contact:

Bipartisan Agreement: Basel III Endgame Proposal's Lack of Analysis Leaves Economy Vulnerable

Washington, Jan 31 -

Today, the Subcommittee on Financial Institutions and Monetary Policy held a [hearing](#) on the lack of economic analysis in the Biden Administration's massive overhaul of bank capital requirements, also known as the Basel III Endgame. Considering the proposal's significant impact on the availability of affordable credit for families, small businesses, homebuyers, farmers, and municipalities, Members on both sides of the aisle made clear the rule's inadequate economic analysis leaves the American economy vulnerable.

Banking Regulator's Basel III Endgame Proposal's Economic Analysis is Inadequate:

- The Basel III Endgame proposal provides shockingly little quantitative analysis of its potential economic impacts.
 - In only 17 out of a total 1087 pages, Biden's banking regulators offer no more than a brief and incomplete regulatory and economic impact analysis.
 - That paltry analysis consists of unsubstantiated conjecture on potential regulatory effects of the proposal, a skewed reading of the academic literature on the economic effects of bank capital, and cursory speculation on potential economic effects of the proposal.
 - The brief analysis offered is heavy on assertions that cannot be corroborated, given that data and models on which they are based are not provided.
- The proposal's potential impacts on the availability of affordable credit, and the competitiveness of the U.S. banking system, as well as its weak justification, necessitate more rigorous analysis.

Bottom Line: Considering these potential consequences and broad, bipartisan Congressional concerns, the Biden Administration must withdraw its Basel III Endgame proposal and replace it with one based on sound, objective analysis supported by data—not one plagued by politics.

The Subcommittee Hearing and Comment Letters Show Growing Bipartisan Opposition to the Basel III Endgame Proposal:

At the Subcommittee hearing, both Republicans and Democrats voiced significant and far-reaching concerns with the disastrous proposal from Biden's banking regulators:

- Financial Institutions and Monetary Policy Subcommittee Chairman Andy Barr (KY-06) [slammed](#) the proposed rule's lack of economic analysis, which invites mistakes that regulators will later play off as "unintended consequences."
- Congressman Brad Sherman (CA-32) [criticized](#) the proposal's potential impact on homebuyers, American competitiveness, treatment of interest rate risk, and more.
- Congressman Blaine Luetkemeyer (MO-03) [dismantled](#) the weak justification for this complete overhaul of bank capital requirements from Biden's banking regulators.
- Congressman David Scott (GA-13) [sounded the alarm](#) regarding the proposed regulation's impact on mortgage lending, specifically reducing access and increasing costs for first-time homebuyers.
- Subcommittee Vice Chair Barry Loudermilk (GA-11) [emphasized](#) the need for Biden's banking regulators to withdraw the reckless Basel III endgame proposal in light of its numerous problems.
- Congressman Sean Casten (IL-06) [raised concerns](#) regarding the proposal's potential to disincentivize financing for renewable energy projects.

In a [comment letter](#) led by Chairman Patrick McHenry (NC-10), Committee Republicans urged the regulators to withdraw the Basel III Endgame proposal due, in part, to its lack of economic analysis and weak justification.

In another [comment letter](#) led by Financial Institutions and Monetary Policy Ranking Member Bill Foster (IL-11), 23 House Democrats requested the agencies conduct more rigorous economic analysis to better understand potential unintended consequences.

Congressman Dan Meuser (PA-09) led a [letter](#) with members of the House Small Business Subcommittee on Economic Growth, Tax, and Capital Access highlighting how the Basel III Endgame proposal will harm small businesses.

In a [comment letter](#) led by Congresswoman Joyce Beatty (OH-03), Gregory W. Meeks (NY-05), Juan Vargas (CA-52), and Steven Horsford (NV-04), 59 House Democrats urged Biden's regulators to consider how the proposal will impact underserved and minority borrowers seeking small business credit and mortgages.

In a bipartisan [comment letter](#) led by Capital Markets Subcommittee Chairman Ann Wagner (MO-02) and Ranking Member Brad Sherman (CA-32), as well as Financial Institutions and Monetary Policy Subcommittee Chairman Barr and Ranking Member Foster, 15 Members of Congress raised concerns regarding the Basel III Endgame proposal's impact on American capital markets.

Chairman McHenry and Financial Institutions and Monetary Policy Subcommittee Chairman Andy Barr (KY-06) also [asked](#) the Government Accountability Office to examine the role U.S. federal banking agencies played in work at the Basel Committee on Banking Supervision to develop the recent Basel III Endgame proposal, which cedes authority over American banking regulation to opaque and unaccountable global governance bodies while putting our banking system at a competitive disadvantage.

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