



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

October 9, 2020

RANDAL K. QUARLES  
VICE CHAIR FOR SUPERVISION

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

Dear Senator:

I have received your letter of June 19, 2020, regarding the joint interim final rule issued by the federal banking regulators (agencies) on May 15, 2020, that allows certain banks to elect to exclude temporarily U.S. Treasury securities and deposits at Federal Reserve Banks from the supplementary leverage ratio.

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 acting as financial intermediaries, support the flow of credit to the economy, and continue to 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 will terminate on March 31, 2021. Furthermore, 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 as a result of the rule.

In addition, banks that elect to use the exclusion must request regulatory approval before making certain capital distributions while 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, and limitations on distributions in the existing rules applicable to the electing depository institution. The restrictions set forth in this interim final rule are in addition to, and therefore do not supersede, other existing statutory and regulatory limitations on making capital distributions.<sup>1</sup>

I hope you find this information useful.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Randal K. Quarles", written over a blue ink scribble.

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<sup>1</sup> For example, for the third quarter of this year, the Federal Reserve Board required large bank holding companies to preserve capital by suspending share repurchases, capping dividend payments, and limiting dividends based on income.