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## United States Senate

COMMITTEE ON BANKING, HOUSING, AND  
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

April 8, 2025

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

Dear Governor Bowman:

Congratulations on your nomination to serve as the Federal Reserve Board's Vice Chair for Supervision. In the decades prior to the 2008 financial crisis, the Federal Reserve Board effectively abdicated its statutory role as a financial regulator and supervisor.<sup>1</sup> Longtime Fed Chairman Alan Greenspan thought Wall Street should regulate itself because "the self-interests of organizations, specifically banks and others, were such as that they were best capable of protecting their own shareholders and their equity in the firms."<sup>2</sup> As a result, the agency was asleep at the wheel as dangerous risks built up in the financial system, especially in the subprime mortgage market. Households, small businesses, and the broader economy suffered the consequences of this negligence. Congress established the Vice Chair for Supervision position after the financial crisis to ensure that a member of the Board was responsible for leading the agency's financial regulation and supervision function, so this role never again fell through the cracks.<sup>3</sup>

I am deeply concerned about your nomination. During your six and a half-year tenure on the Federal Reserve Board, you have prioritized the interests of Wall Street ahead of the needs of the nation's hardworking families and small businesses. Time and again, you have been proven wrong when dismissing the risks to consumers and the financial system of your deregulatory worldview. Pursuing Wall Street deregulation at a time of broad economic turmoil caused by President Trump's clumsy approach to tariffs would be especially dangerous. President Trump is fanning the flames of disaster with his mismanagement of the nation's economy. And I am concerned that instead of showing up with the fire department, you will bring a can of gasoline.

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<sup>1</sup> National Commission on the Causes of the Financial and Economic Crisis in the United States. The Financial Crisis Inquiry Report. January 2011, [https://fcic-static.law.stanford.edu/cdn\\_media/fcic-reports/fcic\\_final\\_report\\_full.pdf](https://fcic-static.law.stanford.edu/cdn_media/fcic-reports/fcic_final_report_full.pdf). ("Yet the Federal Reserve neglected its mission "to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers.")

<sup>2</sup> The New York Times, "Greenspan concedes error on regulation," Michael Grynbaum, October 23, 2008, <https://www.nytimes.com/2008/10/23/business/worldbusiness/23iht-24greenspan.17202367.html>.

<sup>3</sup> Pub. L. 111-203, title XI, § 1108(a)(1), July 21, 2010, 124 Stat. 2126.

During the first Trump administration, you voted to reduce megabanks' loss absorbing capital requirements and undermine the stress testing framework, allowing Wall Street to juice dividends and buybacks, while leaving the economy exposed to another crash. You also voted to allow banks to gamble with people's deposits in financial markets, and put the federal safety net at risk by allowing banks to increase investments in and entanglements with hedge funds and private equity funds. In addition, you approved several harmful bank mergers, including Morgan Stanley's acquisition of E\*TRADE, and voted to approve every bank merger presented to you. But perhaps the clearest example of your poor judgment was your vote to roll back rules on massive banks with \$100 billion - \$250 billion in assets, which ultimately caused the 2nd, 3rd, and 4th largest bank failures in U.S. history just a few years later when First Republic, Silicon Valley Bank, and Signature Bank failed.

After these collapses, instead of acknowledging your mistakes and working with Biden administration appointees to clean up the mess, you voted against sensible reforms. You even voted against modest improvements to the Community Reinvestment Act framework that would have driven increased investment into communities of color, rural and native communities, and other low-and moderate-income areas.

To address my concerns about your confirmation, as Ranking Member of the Senate Banking Committee, I have attached a series of questions below. I request that you review these questions and arrive prepared to answer them at your hearing, and that you provide detailed written responses prior to any Committee vote on your nomination. Your timely responses will help me and other members of the Senate assess your credentials and determine if you are the right person to lead the Federal Reserve's supervision and regulation function.

### **Supervision & Regulation**

You have served on the Federal Reserve Board since 2018, and during that time you have served on the Committee on Supervision and Regulation and have voted on a range of supervisory and regulatory matters. Your voting record is troubling. You have supported many deregulatory actions that tilt the scales in favor of Too-Big-To-Fail banks on Wall Street, undermining community banks and putting the entire economy at risk. You have opposed common sense rules that ensure our financial system meets the needs of small businesses and households. I am concerned that you will loosen rules on Wall Street banks, ease up on supervision, let banks off the hook when they break the law, and rubber stamp big bank mergers.

1. What impact do you believe President Trump's tariffs will have on the stability of the banking system? Do you have any concerns that this economic chaos could impair the normal functioning of the financial system?
2. In February, Chair Powell suggested that the existence of the Vice Chair for Supervision role "can lead to some volatility ... and that's not great for the institutions we want to

regulate.”<sup>4</sup> Why did Congress establish this role after the financial crisis, and do you think it should exist?

3. In 2019, the Federal Reserve Board rolled back capital and liquidity rules, stress testing, resolution planning, and other safeguards for banks with \$100 billion - \$700 billion in assets.<sup>5</sup> The level of deregulation in this rule went beyond what was mandated by Congress in the Economic Growth, Regulatory Relief, and Consumer Protection Act. You voted for this rulemaking and praised it repeatedly. SVB, Signature Bank, and First Republic Bank, which failed in Spring 2023, were all in this size category.
  - a. Do you believe that material stress at, or the failure of, banks with \$100 billion - \$700 billion in assets can threaten the stability of the U.S. financial system?
    - i. If not, why did you vote for the Systemic Risk Exception when SVB and Signature Bank failed?
  - b. Do you believe that the 2019 rule played *any* role in the failure of these three banks and the broader instability in the banking system in Spring 2023?
  - c. You previously stated that “it seems apparent that these failures were caused primarily by poor risk management and deficient supervision, not by a lack of capital.”<sup>6</sup> Do you believe that SVB depositors ran because they thought the bank was insolvent, meaning it did not have enough capital?
    - i. If the run was not due to a lack of capital, like substantially all runs in the history of banking, why do you believe depositors ran?
  - d. Under the Economic Growth, Regulatory Relief, and Consumer Protection Act, the Fed retained the authority to apply enhanced standards for banks with \$100 billion - \$250 billion in assets. Why did you not apply such standards to SVB, Signature Bank, and First Republic Bank, among others?
4. You have served as Chair of the Fed’s Committee on Consumer and Community Affairs, which is responsible for overseeing consumer protection for small banks exempt from the CFPB’s supervision and enforcement jurisdiction. During that time, you touted the benefits of fintech partnerships with banks and cautioned against adding regulatory burden to these relationships.<sup>7</sup> Evolve Bank & Trust was under your purview and the Fed failed to prevent the disastrous blow-up of its partnership with the fintech Synapse Financial, leaving consumers without access to their funds for months. Nearly \$100 million in consumer funds are still missing.<sup>8</sup>

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<sup>4</sup> The ABA Banking Journal, “Powell: Creation of Fed vice chair for supervision led to ‘volatility,’” February 12, 2025, <https://bankingjournal.aba.com/2025/02/powell-creation-of-fed-vice-chair-of-supervision-led-to-regulatory-volatility/>.

<sup>5</sup> Office of the Comptroller of the Currency, Federal Reserve System, and Federal Deposit Insurance Corporation, Federal Register Notice, “Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements,” November 1, 2019, <https://www.federalregister.gov/documents/2019/11/01/2019-23800/changes-to-applicability-thresholds-for-regulatory-capital-and-liquidity-requirements>.

<sup>6</sup> “Statement by Governor Michelle W. Bowman,” July 27, 2023, <https://www.federalreserve.gov/newsevents/pressreleases/bowman-statement-20230727.htm>.

<sup>7</sup> Governor Michelle W. Bowman, “Community Banking in the Age of Innovation,” April 11, 2019, <https://www.federalreserve.gov/newsevents/speech/bowman20190411a.htm>.

<sup>8</sup> The Wall Street Journal, “Synapse Executive Alerted Accountants Before \$100 Million Missing Funds Scandal,” February 20, 2025, <https://www.wsj.com/finance/banking/synapse-missing-fund-scandal-grand-jury-investigation-e8afc1a9>.

- a. Why did you fail to take proactive steps to prevent the Evolve-Synapse partnership from harming consumers?
  - b. Were you concerned that cracking down on this partnership would have been unduly burdensome to the bank and its fintech partner?
  - c. Will you commission an independent review of the Fed’s consumer compliance failures?
  - d. How many other Evolve Bank fintech partners were subject to CFPB or state-level consumer protection-related lawsuits?
  - e. What steps will you take to make sure you do not miss another potential disaster for consumers?
  - f. Should Congress strip the Fed of its consumer compliance oversight for small banks that touch a large number of consumers through fintech partnerships, and instead provide that authority to the CFPB?
5. You have advocated for the Fed to publicly disclose all of its internal stress testing models and assumptions. This approach would give big banks the answers to the tests in advance, rendering the stress tests toothless and even counterproductive.
- a. What is your understanding of why the stress tests administered to Fannie Mae and Freddie Mac failed spectacularly before the 2008 financial crisis? Did it have anything to do with regulatory disclosure of the underlying stress testing models?
  - b. Do you intend to increase big banks’ static capital requirements to offset any decrease in capital requirements caused by this disclosure?
  - c. Are you concerned that banks will use the same models the Fed discloses, increasing correlations across the banking system and creating more fragility?
6. In 2023, the banking agencies proposed revisions to the risk-weighted capital framework to address glaring deficiencies in the existing rules, especially with respect to risky trading activities and the losses banks face due to operational failures.<sup>9</sup> The rule was generally aligned with the international Basel III “Endgame” agreement.<sup>10</sup>
- a. Do you intend to finalize this rule?
  - b. Do you believe the Basel Committee on Banking Supervision plays a useful role in preventing a global race to the bottom on capital rules?
  - c. Do you believe that financial crises in other countries can spill over to the U.S. banking system? Has that happened previously in U.S. history?
  - d. Do you believe banks are currently undercapitalized against significant trading risks in their capital markets activities?
  - e. What is the total volume of operational risk losses banks have had in the past 10 years? What part of the capital framework is intended to capture such losses?
  - f. Do you believe GSIB risk-weighted capital requirements are too low, too high, or just right?

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<sup>9</sup> Office of the Comptroller of the Currency, Federal Reserve System, and Federal Deposit Insurance Corporation, Federal Register Notice, “Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity,” September 18, 2023, <https://www.federalregister.gov/documents/2023/09/18/2023-19200/regulatory-capital-rule-large-banking-organizations-and-banking-organizations-with-significant>.

<sup>10</sup> Bank for International Settlements, “Governors and Heads of Supervision finalise Basel III reforms,” press release, December 7, 2017, <https://www.bis.org/press/p171207.htm>.

- g. Do you believe the pandemic demonstrated that big banks had adequate capital, or do you think their resilience was primarily bolstered by unprecedented monetary and fiscal support from the government?
7. In 2018, the Fed and OCC proposed to weaken the enhanced supplementary leverage ratio (eSLR), one of the most important post-financial crisis improvements to capital requirements for the eight largest Wall Street banks.<sup>11</sup> The proposal was never finalized and would have reduced loss-absorbing buffers at Wall Street banks by an astounding \$121 billion.<sup>12</sup> Wall Street banks could have increased dividends and buybacks, operated with more debt, and become far more vulnerable to failure. You have previously signaled your support for weakening this rule.
- a. Do you believe the eSLR has improved the safety and soundness of the eight Wall Street banks?
  - b. Did the 2008 financial crisis and the complete failure of the risk-weighted capital regime demonstrate that leverage capital requirements are an important safeguard to ensure the stability of the banking system?
  - c. If leverage ratios are binding, could that be a sign that risk-weighted capital requirements are not appropriately calibrated and should be increased?
  - d. You have argued that because leverage capital requirements are binding for some banks, those requirements should be reduced.<sup>13</sup> Please provide the cost-benefit analysis that you developed to conclude that reducing leverage ratios is a better way to address this situation than increasing risk-weighted capital requirements.
  - e. Do banks' investments in Treasury securities carry any liquidity, operational, or market risk? If Treasury securities were exempted from the leverage ratio, which part of the capital framework would provide a buffer against losses on Treasury securities? Do you oppose exempting Treasuries and other assets from the leverage ratio?
  - f. Are there any policy options available that could improve the functioning of the Treasury market without reducing the loss absorbing capital buffers at the largest banks in the country?
  - g. In 2020, the Fed published an interim final rule to temporarily exempt Treasury securities and central bank reserves from the denominator of the Supplementary Leverage Ratio (SLR) during the pandemic.<sup>14</sup> This type of emergency flexibility was contemplated when the agencies finalized the SLR in 2014. Did that approach work? If so, why would a permanent change be necessary?

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<sup>11</sup> Office of the Comptroller of the Currency and the Federal Reserve System, Federal Register Notice, "Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Certain of Their Subsidiary Insured Depository Institutions; Total Loss-Absorbing Capacity Requirements for U.S. Global Systemically Important Bank Holding Companies," April 19, 2018, <https://www.federalregister.gov/documents/2018/04/19/2018-08066/regulatory-capital-rules-regulatory-capital-enhanced-supplementary-leverage-ratio-standards-for-us>.

<sup>12</sup> *Id.*

<sup>13</sup> Governor Michelle W. Bowman, Bank Regulation in 2025 and Beyond," February 5, 2025, <https://www.federalreserve.gov/newsevents/speech/bowman20250205a.htm>.

<sup>14</sup> Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks From the Supplementary Leverage Ratio, 85 Fed. Reg. 20578, (April 14, 2020), <https://www.federalregister.gov/documents/2020/04/14/2020-07345/temporary-exclusion-of-us-treasury-securities-and-deposits-at-federal-reserve-banks-from-the>.

8. In 2019, you voted to weaken the Volcker Rule framework, which had been put in place after the 2008 financial crisis to prevent banks from gambling in financial markets.<sup>15</sup> In 2020, you then voted to further weaken the Volcker Rule framework by eroding prohibitions on bank investments in hedge funds and private equity funds.<sup>16</sup>
- Do you believe the economic analysis conducted to justify these two rulemakings was thorough? If so, please quote from the analyses to support your response.
  - Do you believe rulemakings that strengthen banking safeguards and rulemakings that weaken banking safeguards should meet the same analytic standards?
  - Do you believe that it is prudent for banks to monitor hedging transactions on an ongoing basis or solely at the point of execution?
  - Is it possible for banks to engage in proprietary trading strategies using securities classified as available-for-sale or derivatives accounted at fair value, but not listed in the trading book?
  - In the past, have banks ever manipulated the accounting treatment of securities and derivatives with respect to assigning them to the trading account, available-for-sale, and hold-to-maturity categories?
  - Did bank investments in, and relationships with, hedge funds and private equity funds contribute to banking sector stress in the 2008 financial crisis?
  - Do you believe bank investments in, and relationships with, hedge funds and private equity funds pose safety and soundness risks?
9. The banking agencies have begun rolling back safeguards meant to prevent volatility in the crypto asset markets from causing stress within the core banking system.<sup>17</sup>
- Do you still believe that “the extreme volatility of these [crypto] assets creates significant challenges for banks”?<sup>18</sup>
  - You previously stated, “Until clear statutory and regulatory parameters exist to govern these types of assets and the exchanges on which they are traded, I think some of the uncertainties about how the banking system can engage in crypto activities will remain unsettled.” Do you believe the banking agencies should refrain from permitting banks to engage in additional crypto-related activities until the legislative and regulatory framework for crypto exchanges is clarified?

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<sup>15</sup> Federal Reserve System, “Agencies finalize changes to simplify Volcker rule,” press release, October 8, 2019, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20191008a.htm>.

<sup>16</sup> Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, Commodity Futures Trading Commission, and Securities and Exchange Commission, Federal Register Notice, “Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Funds and Private Equity Funds,” July 31, 2020, <https://www.federalregister.gov/documents/2020/07/31/2020-15525/prohibitions-and-restrictions-on-proprietary-trading-and-certain-interests-in-and-relationships-with>.

<sup>17</sup> Office of the Comptroller of the Currency, “OCC Clarifies Bank Authority to Engage in Certain Cryptocurrency Activities,” press release, March 7, 2025, <https://www.occ.treas.gov/news-issuances/news-releases/2025/nr-occ-2025-16.html>; Federal Deposit Insurance Corporation, “FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities,” press release, March 28, 2025, <https://www.fdic.gov/news/press-releases/2025/fdic-clarifies-process-banks-engage-crypto-related-activities>.

<sup>18</sup> Governor Michelle W. Bowman, “The Innovation Imperative: Modernizing Traditional Banking,” March 14, 2023, <https://www.federalreserve.gov/newsevents/speech/bowman20230314a.htm>.



- c. What safeguards are necessary to ensure that stress in the crypto asset market does not infect the core banking system?
  - d. Do you believe it's appropriate to apply heightened liquidity requirements to deposits placed at banks by a stablecoin issuer? Do you believe there should be concentration limits placed on a bank's ability to accept deposits from entities or industries that are themselves vulnerable to runs?
  - e. Is it possible for a bank to hold crypto assets on its balance sheet, as principal, in a safe and sound manner?
  - f. Do you believe that crypto asset custody activities pose greater risk than custodizing traditional real or financial assets?
  - g. Does the complexity of the ByBit hack pose any concerns about permitting banks to custody crypto assets?
  - h. How can banks ensure that nodes, validators, and other network participants on the distributed ledgers on which they are participating are not terrorist organizations, cartels, or sanctioned countries like Russia or Iran?
10. Community banks have raised concerns that stablecoins could disintermediate them, raising costs and reducing availability of credit for households and small businesses.<sup>19</sup> You've previously cautioned against digital payments evolutions that could "disrupt and disintermediate the banking system, potentially harming consumers and contributing to broader financial stability risks."<sup>20</sup> Do you share concerns that stablecoin legislation could help facilitate harmful community bank disintermediation?
11. You previously raised concerns that a central bank digital currency could "lead to the politicization of the payments system and at its heart, how money is used."<sup>21</sup> Do you have any concerns that the President of the United States issuing his own stablecoin, USD1, could politicize the payments system?
12. One of the causes of the 2008 financial crisis was exorbitant executive compensation packages that incentivized wild risk-taking.<sup>22</sup> If the bets paid off, executives would rake in tens of millions of dollars. If the bets went bust, the rest of the economy would suffer the consequences and taxpayers would be required to clean it up. Section 956 of the Dodd-Frank Act mandated regulators, including the Fed, to jointly prescribe rules prohibiting risky bonus arrangements.<sup>23</sup> After proposals in 2011, 2016, and 2024, the rule remains unfinished.
- a. Do you believe regulators must finalize Congressionally-mandated rules?
  - b. Do you commit to finalizing a strong executive compensation rule?

<sup>19</sup> Independent Community Bankers of America, "Community Bank Statement for STABLE Act Markup," April 2, 2025, [https://www.icba.org/docs/default-source/icba/advocacy-documents/testimony/icba-statement-for-stable-act-markup.pdf?sfvrsn=1c30e017\\_4](https://www.icba.org/docs/default-source/icba/advocacy-documents/testimony/icba-statement-for-stable-act-markup.pdf?sfvrsn=1c30e017_4).

<sup>20</sup> Governor Michelle W. Bowman, "Responsible Innovation in Money and Payments," October 17, 2023, <https://www.federalreserve.gov/newsevents/speech/bowman20231017a.htm>.

<sup>21</sup> Governor Michelle W. Bowman, "Considerations for a Central Bank Digital Currency," April 18, 2023, <https://www.federalreserve.gov/newsevents/speech/bowman20230418a.htm>.

<sup>22</sup> ECGI, "The Wages of Failure: Executive Compensation at Bear Stearns and Lehman 2000-2008," Lucian A. Bebchuk, Alma Cohen, and Holger Spamann, November 26, 2009, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1513522](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1513522).

<sup>23</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203, Section 956.

- c. Did you oppose the 2024 proposed rule?
  - d. Do you believe the banking agencies' 2010 executive compensation guidance, completed one month before the Dodd-Frank Act was passed, satisfies the legal requirement to prescribe rules or guidelines under Section 956? Is a guideline a distinct legal term from guidance under the federal banking laws?
  - e. Do you believe executive compensation packages played a role in the failure of SVB?
  - f. As a general matter, do you believe compensation arrangements influence behavior of bank executives?
13. Prior to the 2008 financial crisis, large banks did not adequately plan for their orderly failure, instead assuming that taxpayers would step in to bail them out or otherwise pick up the pieces. The Dodd-Frank Act required large banks, and systemically important nonbanks, to develop "living wills" that outline how they could be resolved under the bankruptcy code without relying on taxpayer support or placing significant costs on the broader economy through a disorderly failure. The Federal Reserve Board and FDIC are responsible for reviewing the living wills. If the plans do not meet the statutory standard, regulators ultimately have the authority to shrink and simplify the firm so that it is no longer Too-Big-To-Fail.
- a. Do you believe all eight of the global systemically important banks (GSIBs) could be resolved safely under the bankruptcy code?
    - i. If so, do you believe the Too-Big-To-Fail (TBTF) problem has been solved? Do GSIBs not benefit from an implicit government guarantee and enjoy an unfair funding advantage over community banks?
  - b. What type of private entity has the capacity to provide debtor-in-possession financing to a GSIB in bankruptcy?
  - c. Do you believe that a GSIB that files for bankruptcy would experience runs at its broker dealer, insured depository, and other subsidiaries that rely on short term funding?
  - d. Why did you refuse to fail Citigroup's 2023 living will given the ample evidence the firm lacked the internal controls and data capabilities to project its capital and liquidity needs during a period of stress?<sup>24</sup>
  - e. If not through the resolution planning process, what tools would you use to finally address the TBTF problem?
14. Distinct from its rulemaking authority, the Fed supervises state chartered banks that are members of the Federal Reserve System, bank holding companies, and other financial firms, for compliance with relevant laws and regulations. Supervisors can spot issues before they fester into bigger problems that threaten the safety and soundness of the firm.
- a. What is your philosophy for bank supervision? Do you think supervisors should engage in box-checking exercises or should they make substantive judgments as to the prudence of banks' risk-related decisionmaking?
  - b. Should supervisors be empowered to quickly escalate issues to bank management and boards?

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<sup>24</sup> Chairman Martin J. Gruenberg, "Title 1 Resolution Plan Feedback Letters for 8 U.S. GSIBs," June 21, 2024, <https://www.fdic.gov/news/speeches/2024/title-1-resolution-plan-feedback-letters-8-us-gsibs>.



- c. Do you believe supervisors should use formal and informal supervisory communications, such as matters requiring attention, or should supervisors exclusively utilize formal enforcement actions against banks?
  - d. What do you see as the key supervisory failures that contributed to SVB’s collapse? Do you agree that certain supervisory changes implemented by former Federal Reserve Vice Chair Quarles tied supervisors’ hands and prevented them from timely addressing risks?
  - e. How would your approach to supervision differ from Vice Chair Quarles’s approach?
15. Climate change clearly poses material financial risks to the financial system. More frequent and severe weather events, and chronic changes to the climate, threaten physical collateral, undermine cash flows backing a variety of loan types, and could increase losses on bank balance sheets.<sup>25</sup> In addition, the shift to a low-carbon economy could undermine the value of loans and bonds tied to carbon-intensive industries.<sup>26</sup> In 2023, the Fed jointly finalized supervisory principles to ensure banks have appropriate risk management frameworks to identify and mitigate climate-related financial risks.<sup>27</sup>
- a. Do you believe that climate change poses material risks to banks?
  - b. Do you believe banks should account for climate-related financial risks when underwriting loans or investing in other debt obligations? For example, should banks consider sea-level rise and severe storms when underwriting commercial real-estate loans in coastal regions? Is it appropriate for banks to factor energy price assumptions into business loans to oil and natural gas companies?
  - c. Do climate-related disruptions in the availability and affordability of property insurance have any knock-on effects for banks?
  - d. In voting against the 2023 Principles for Climate-Related Financial Risk Management for Large Financial Institutions, you stated that the guidance would “result in increased compliance cost and burden without a commensurate improvement to the safety and soundness of financial institutions or to the financial stability of the United States.”<sup>28</sup> Please provide the cost-benefit analysis that led you to this conclusion.
16. In 2021, the OCC tried and failed to finalize its Fair Access Rule just days before President Biden was sworn-in.<sup>29</sup> The rule would have effectively forced large national banks to lend to politically favored industries, such as oil and gas companies or gun

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<sup>25</sup> Department of the Treasury, Financial Stability Oversight Council, “Report on Climate-Related Financial Risk,” October 2021, <https://home.treasury.gov/system/files/261/FSOC-Climate-Report.pdf>.

<sup>26</sup> *Id.*

<sup>27</sup> Office of the Comptroller of the Currency, Federal Reserve System, and Federal Deposit Insurance Corporation, Federal Register Notice, “Principles for Climate-Related Financial Risk Management for Large Financial Institutions,” October 30, 2023, <https://www.federalregister.gov/documents/2023/10/30/2023-23844/principles-for-climate-related-financial-risk-management-for-large-financial-institutions>.

<sup>28</sup> “Statement by Governor Michelle W. Bowman on Principles for Climate-Related Financial Risk Management for Large Financial Institutions,” October 24, 2023, <https://www.federalreserve.gov/newsevents/pressreleases/bowman-statement-20231024b.htm>.

<sup>29</sup> Office of the Comptroller of the Currency, “OCC Finalizes Rule Requiring Large Banks to Provide Fair Access to Bank Services, Capital, and Credit,” press release, January 14, 2021, <https://occ.gov/news-issuances/news-releases/2021/nr-occ-2021-8.html>.

manufacturers, even if providing such services was counter to prudent risk management.<sup>30</sup> You previously stated that you “share the widely held view that the appropriate role of the Federal Reserve is not to make credit allocation decisions for banks.”<sup>31</sup> Did you oppose the OCC’s 2021 Fair Access rule?

17. In an effort to justify a lighter regulatory and supervisory touch, you argued that “Banks are unique individual businesses, not public utilities.”<sup>32</sup> Could you please provide a list of private businesses that receive government insurance and have access to central bank deposit accounts, government-provided loans, government-protected barriers to entry (charters), are permitted to issue currency and have a statutory obligation to meet the needs of their entire communities?
18. In the wake of the Spring 2023 bank failures, the FDIC published a report outlining potential options for deposit insurance reform.<sup>33</sup>
  - a. Do you believe small businesses should have a completely safe place to keep their money for payroll, operating expenses, and other transactions?
  - b. Do you think it is appropriate that large businesses with uninsured deposits at SVB and Signature Bank were protected by the government, while small businesses with accounts at local community banks sometimes lose their uninsured deposits when the bank fails?
  - c. Would you support bipartisan efforts to increase deposit insurance limits for small business transaction accounts?
19. Do you believe that the deterioration of a bank’s reputation could result in negative financial consequences for the bank? Are you concerned that the FDIC’s and OCC’s recent decisions to no longer examine banks for reputational risk will make it more likely that a Credit Suisse-style reputational failure takes down a large U.S. bank?
20. You previously stated, “The rulemaking process benefits when policymakers have the full scope of information needed to inform our discussions and debate.”<sup>34</sup> Did you oppose the publication of the banking agencies’ recent press releases, in which decisions related

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<sup>30</sup> Letter from Public Citizen to Acting Comptroller Brooks, January 4, 2020, <https://www.citizen.org/wp-content/uploads/Public-Citizen-Final-Fair-Access-Rule-Comment-OCC-2020-0042.pdf>.

<sup>31</sup> Governor Michelle W. Bowman, “Essay for Starling Insights,” February 13, 2024, <https://www.federalreserve.gov/newsevents/bowman-starling-insights-20240213.htm>.

<sup>32</sup> Governor Michelle W. Bowman, “Approaching Policymaking Pragmatically,” November 20, 2024, <https://www.federalreserve.gov/newsevents/speech/bowman20241120a.htm>.

<sup>33</sup> Federal Deposit Insurance Corporation, “Options for Deposit Insurance Reform,” <https://www.fdic.gov/analysis/options-deposit-insurance-reforms/report/options-deposit-insurance-reform-full.pdf>.

<sup>34</sup> Governor Michelle W. Bowman, “Brief Remarks on the Economy and Insights from Past Bank Regulatory Reform Efforts,” October 7, 2023, <https://www.federalreserve.gov/newsevents/speech/bowman20231007a.htm>.

to stress testing<sup>35</sup> and the Community Reinvestment Act<sup>36</sup> were both announced prior to publishing a proposal and receiving public comment?

21. What current or emerging risks constitute your top concerns for the safety and soundness of the financial system?

### **Enforcement**

Many Wall Street banks under the Fed’s jurisdiction have engaged in egregious law violations in recent years. Several of the banks are notorious repeat offenders that have broken the law multiple times in the last decade. Slap on the wrist fines have become a simple line item on a bank’s income statement—just another cost of doing business. Wells Fargo, JPMorgan Chase, Citibank, and TD Bank are some of the large banks that have been subjected to Fed enforcement actions in recent years for a variety of legal violations, including sanctions compliance deficiencies, risk management failures, and trading misconduct.<sup>37</sup> Too often, the Fed has taken a lax approach to enforcement. Banks and their executives must face real accountability if we are going to break this cycle of repeated law breaking. Personal fines, industry bans, and criminal referrals to the Department of Justice, along with asset caps, divestitures, and other structural remedies are vital.

1. You’ve previously said that enforcement actions for lawbreaking should be used to “promote safe, sound, and fair practices and not simply as punishment.”<sup>38</sup> Are you concerned that regulators have been too harsh on Wall Street banks when they’ve violated the law?

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<sup>35</sup> Federal Reserve Board, “Due to evolving legal landscape & changes in the framework of administrative law, Federal Reserve Board will soon seek public comment on significant changes to improve transparency of bank stress tests & reduce volatility of resulting capital requirements,” press release, December 23, 2024, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20241223a.htm>.

<sup>36</sup> Federal Reserve Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, “Agencies announce intent to rescind 2023 Community Reinvestment Act final rule,” March 28, 2025, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20250328a.htm>.

<sup>37</sup> “Federal Reserve Board issues enforcement action against JPMorgan Chase & Co. and fines the firm approximately \$98.2 million for an inadequate program to monitor firm and client trading activities for market misconduct,” press release, March 14, 2024, <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20240314a.htm>; “Federal Reserve Board fines Wells Fargo \$67.8 million for inadequate oversight of sanctions risk at its subsidiary bank,” press release, March 30, 2023, <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20230330a.htm>; “Federal Reserve Board fines Citigroup \$60.6 million for violating the Board’s 2020 enforcement action,” press release, July 10, 2024, <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20240710a.htm>; “Federal Reserve Board fines Toronto-Dominion Bank \$123.5 million for violations related to anti-money laundering laws,” press release, October 10, 2024, <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20241010a.htm>.

<sup>38</sup> Governor Michelle W. Bowman, “My Perspective on Bank Regulation and Supervision,” February 16, 2021, <https://www.federalreserve.gov/newsevents/speech/bowman20210216a.htm>.

2. The Fed and OCC found that TD Bank had violated anti-money laundering laws.<sup>39</sup> The OCC imposed a growth cap on the bank that would require the bank to shrink if it did not fix its anti-money laundering deficiencies. Why did the Fed not impose any structural remedies, like an asset cap, on TD Bank’s U.S. parent company? Did you oppose a stiffer penalty?
3. In 2024, the Fed found that Citigroup violated the Fed’s 2020 enforcement action. Why did the Fed not impose any structural remedies on the company, including asset caps, divestitures, or activity limitations? Did you oppose a stiffer penalty?
4. Despite continuing to violate the law in recent years, it was reported that the Fed is considering lifting the asset cap on Wells Fargo.<sup>40</sup> Do you commit to keeping the asset cap in place until the bank can at least go several years without breaking the law?
5. Why do you think Wall Street banks have not been deterred by past enforcement actions and continue to break the law?
6. Are you willing to fine executives directly, use the Fed’s authority under 12 U.S.C. 1818(e) to remove executives from their roles and ban them from the banking industry, and make criminal referrals to the Department of Justice, where appropriate?
7. When do you think it is appropriate to move beyond fines and impose structural remedies on banks, including asset caps, divestitures, and activity limitations?
8. Do you believe the Fed has evenly administered penalties to large and small banks?

### **Bank Merger Review**

During your tenure, the Fed has approved more than 800 bank merger and acquisition applications.<sup>41</sup> It has denied zero. You have supported all applications brought before you for a vote. In fact, it appears that your two most significant concerns with the bank merger framework are that the approvals take too long and that the review should actually be even more permissive, amending certain calculations to account for nonbanks so the market share statistics look even more favorable for a quick approval.<sup>42</sup>

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<sup>39</sup> “OCC Issues Cease and Desist Order, Assesses \$450 Million Civil Money Penalty, and Imposes Growth Restriction Upon TD Bank, N.A. for BSA/AML Deficiencies,” press release, October 10, 2024, <https://www.occ.treas.gov/news-issuances/news-releases/2024/nr-occ-2024-116.html>; “Federal Reserve Board fines Toronto-Dominion Bank \$123.5 million for violations related to anti-money laundering laws,” press release, October 10, 2024, <https://www.federalreserve.gov/newsevents/pressreleases/enforcement20241010a.htm>.

<sup>40</sup> Reuters, “Wells Fargo asset cap likely to be lifted next year, sources say,” Nupur Anand, November 26, 2024, <https://www.reuters.com/business/finance/wells-fargo-asset-cap-likely-be-lifted-next-year-sources-say-2024-11-26/>.

<sup>41</sup> Federal Reserve Board, “Semiannual Reports on Banking Applications Activity,” <https://www.federalreserve.gov/publications/semiannual-report-on-banking-applications-activity.htm>. (See statistics for 2019-present); Federal Reserve Board, “Board Votes,” <https://www.federalreserve.gov/aboutthefed/boardvotes.htm>. (Governor Bowman has issued no dissents on bank merger approval orders.)

1. You referred to the Biden administration’s approach to bank mergers as “concerning.”<sup>43</sup> Do you believe consumers and small businesses have been well-served by the substantial increase in consolidation of the banking sector over the last four decades?
2. How do you approach the convenience and needs of the community when reviewing a bank merger application? Do you believe public engagement in the merger review process is important?
3. How do you approach the competitive effects analysis when reviewing a bank merger application?
4. Please review the Department of Justice’s 2023 Merger Guidelines and its 2024 Banking Addendum. Do you agree with the DOJ’s approach to analyzing the competitive effects of bank merger transactions?
5. Congress added the financial stability factor to the Bank Merger Act in 2010.
  - a. Why do you believe Congress added this statutory factor in the wake of the 2008 financial crisis?
  - b. What type of transaction would fail to satisfy the financial stability factor?
  - c. Do you agree with the OCC’s 2023 merger approval order in the J.P. Morgan-First Republic transaction<sup>44</sup> that invoked the financial stability factor to justify a Wall Street bank growing larger and more interconnected?
6. Do you believe it is inappropriate for the Fed to ever deny a merger application? When was the Fed’s last bank merger denial order?
7. You have previously noted that the lack of bank merger denials does not mean applications are rubber stamped and that sometimes applications are withdrawn. Do you think the public and future applicants would benefit from the enhanced transparency provided by public denial orders, instead of allowing banks to withdraw behind closed doors?
8. Do you commit to conducting retrospective analyses of approved mergers to evaluate how the competitive landscape and community were impacted following the transaction?

### **Community Reinvestment Act**

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<sup>42</sup> Governor Michelle W. Bowman, “Bank Mergers and Acquisitions, and De Novo Bank Formation: Implications for the Future of the Banking System,” April 2, 2024, <https://www.federalreserve.gov/newsevents/speech/bowman20240402a.htm>; Governor Michelle W. Bowman, “The New Landscape for Banking Competition,” September 28, 2022, <https://www.federalreserve.gov/newsevents/speech/bowman20220928a.htm>.

<sup>43</sup> *Id.* “Bank Mergers and Acquisitions, and De Novo Bank Formation: Implications for the Future of the Banking System.”

<sup>44</sup> Letter from Office of the Comptroller of the Currency to J.P.Morgan Chase, May 1, 2023, <https://www.occ.gov/topics/charters-and-licensing/app-by-jp-morgan-chase-bank.pdf>.

The Community Reinvestment Act (CRA) is a critical civil rights statute that was enacted to combat “redlining,” a practice in which banks would accept deposits from communities of color and low- and moderate-income communities but refuse to lend in those communities. This practice drained resources from these communities over many decades. The CRA reaffirmed that banks are publicly chartered institutions that have an obligation to meet the needs of all communities.

The Biden administration strengthened the CRA framework to tackle grade inflation and adapt the framework to the evolution of the banking system, as the rules hadn’t been updated since 1995. You voted against the rule. You stated, “The approach in the final rule assumes that the low number of banks with a ‘Needs to Improve’ rating is a sign of shortcomings in the rule, ignoring that banks have a deep commitment to supporting their communities and are already meeting the letter and spirit of the existing CRA statute.”<sup>45</sup> You denied the existence of CRA grade inflation and argued that banks were already doing plenty in their communities. You also essentially invited the banking industry to sue to block the rule, stating that the banking agencies “exceeded the authority granted by the CRA statute.”<sup>46</sup> The banking industry then sued and the Fed has stated it intends to rescind the rule instead of defending it in court against the industry’s baseless attacks.<sup>47</sup>

1. Do you believe decades of redlining inflicted severe harm on communities of color and low- and moderate-income communities?
2. Do you believe redlining and other discriminatory lending practices are still a problem in the banking system?
3. Did you play any role in the Fed’s March 28, 2025 press release announcing the banking agencies’ intent to rescind the rule in the face of the banking industry’s legal attacks?
4. Do you believe that 98%+ of banks<sup>48</sup> actually do enough in their communities to justify a passing CRA grade or do the exams suffer from grade inflation?
5. You argued that the CRA rulemaking process was “rushed and overzealous.”<sup>49</sup> For every significant rulemaking you undertake, do you commit to first publishing an Advanced Notice of Proposed Rulemaking (ANPR) and completing such rulemaking no sooner than three years after publishing the ANPR, as was done in the “overzealous and rushed” CRA process?

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<sup>45</sup> “Statement on the Community Reinvestment Act Final Rule By Governor Michelle W. Bowman,” October 24, 2023, <https://www.federalreserve.gov/newsevents/pressreleases/bowman-statement-20231024.htm>.

<sup>46</sup> *Id.*

<sup>47</sup> Supra note 36. “Agencies announce intent to rescind 2023 Community Reinvestment Act final rule.”

<sup>48</sup> National Community Reinvestment Coalition, “Do CRA Ratings Reflect Differences in Performance: An Examination Using Federal Reserve Data,” Josh Silver and Jason Richardson, May 27, 2020, <https://ncrc.org/do-cra-ratings-reflect-differences-in-performance-an-examination-using-federal-reserve-data/>.

<sup>49</sup> “Statement of Michelle W. Bowman on the Interim Final Rule and Final Rule Amending the Community Reinvestment Act Regulations,” March 21, 2024, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20240321a1.htm>.



6. Do you believe that all changes to CRA regulations should be done jointly with the FDIC and OCC?

### **DOGE & Independence**

Co-Presidents Donald Trump and Elon Musk are taking a chainsaw to the financial regulators. Musk and his DOGE crew are demanding severe staffing and budget cuts at the agencies and President Trump issued an executive order that purports to strip financial regulators of their statutory independence.<sup>50</sup> Elon Musk has his eyes on the Fed. He recently posted on X that the Fed is “absurdly overstaffed.”<sup>51</sup>

1. You previously stated that, “In accordance with the law, the Federal Reserve, both in its monetary policy function and in the execution of its bank regulatory and supervisory responsibilities, is meant to operate independently and apolitically.”<sup>52</sup> Do you intend to send all significant regulatory actions to the White House Office of Management and Budget for review and approval, in accordance with President Trump’s executive order?
2. Is there any legal distinction in the Federal Reserve Act between the independence afforded to the Federal Reserve in the conduct of monetary policy compared to the conduct of its bank regulation and supervision functions?
3. If Elon Musk, DOGE, or other Administration officials direct you to fire staff at the Federal Reserve, including within the Division of Supervision and Regulation, will you execute that directive?
4. Do you believe that the Federal Reserve is “absurdly overstaffed”?
5. Do you believe the president has the authority to fire you without cause?
6. You previously stated that “central banks have a responsibility to be leaders in addressing diversity and inclusion, not only for our own institutions, but also because of our influence on the profession as a whole.”<sup>53</sup> Did you oppose the Federal Reserve Board’s decision to scrub diversity and inclusion materials from its website, suspend employee resource groups, and lay off DEI staff in response to President Trump’s DEI executive order? Do you agree with President Trump that diversity, equity, and inclusion programs constitute “illegal and immoral discrimination.”<sup>54</sup>

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<sup>50</sup> Executive Order 14215, Ensuring Accountability for All Agencies, February 18, 2025, <https://www.whitehouse.gov/presidential-actions/2025/02/ensuring-accountability-for-all-agencies/>.

<sup>51</sup> BloombergLaw, “Musk Repeats Claim That the Fed Is ‘Absurdly Overstaffed’” Amara Omeokwe, March 3, 2025, <https://news.bloomberglaw.com/banking-law/musk-repeats-claim-that-fed-is-absurdly-overstaffed>.

<sup>52</sup> Governor Michelle W. Bowman, “Tailoring, Fidelity to the Rule of Law, and Unintended Consequences,” March 5, 2024, <https://www.federalreserve.gov/newsevents/speech/bowman20240305a.htm>.

<sup>53</sup> Governor Michelle W. Bowman, “Closing Remarks: Gender and Career Progression,” October 21, 2019, <https://www.federalreserve.gov/newsevents/speech/bowman20191021a.htm>.

<sup>54</sup> Executive Order 14151, Ending Radical and Wasteful Government DEI Programs and Preferencing, January 20, 2025, <https://www.whitehouse.gov/presidential-actions/2025/01/ending-radical-and-wasteful-government-dei-programs-and-preferencing/>.

7. You previously stated that “Minority depository institutions, or MDIs, play an important role in our financial system. MDIs often provide credit and financial services to low and moderate income and minority communities.”<sup>55</sup> Do you believe Federal Reserve programs designed to convene and assist MDIs are “DEI” programs subject to the President’s executive order?

Sincerely,



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Elizabeth Warren  
Ranking Member  
Committee on Banking,  
Housing, and Urban Affairs

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<sup>55</sup> Governor Michelle W. Bowman, “The Innovation Imperative: Modernizing Traditional Banking,” March 14, 2023, <https://www.federalreserve.gov/newsevents/speech/bowman20230314a.htm>.