BlackRock.

August 26, 2025

By Electronic Transmission

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Attention: Ann E. Misback, Secretary

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Attention: Jennifer M. Jones, Deputy Executive Secretary, Comments/Legal OES

Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E–218
Washington, DC 20219
Attention: Chief Counsel's Office, Comment Processing

Re: Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies; Docket No. R–1867, RIN 7100–AG96 (Federal Reserve); RIN 3064–AG11 (FDIC); Docket ID OCC–2025–0006, RIN1557-AF31 (OCC)

BlackRock, Inc. (together with its affiliates, "BlackRock")[1] submits these comments to the Board of Governors of the Federal Reserve System (the "Federal Reserve" or "Board"), the Federal Deposit Insurance Corporation (the "FDIC"), and the Office of the Comptroller of the Currency (the "OCC," together with the Federal Reserve and FDIC, the "Agencies") in response to the Agencies' proposal to modify the enhanced supplementary leverage ratio framework (eSLR) applicable to U.S. bank holding companies identified as global systemically important bank holding companies (GSIBs) and their depository institution subsidiaries, including associated changes ("Proposal").[2]

[1]BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

[2] Federal Reserve System, FDIC, OCC, *Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies*, 90 Fed. Reg. 30,780 (Jul. 10, 2025) ("Proposal").

BlackRock and others rely on banking organizations, including GSIBs, as a critical source of liquidity for financial markets—including the U.S. Treasury market—that facilitates the purchase and sale of products aligned with our clients' investment objectives. Ensuring that they are financially sound is paramount to our ability to fulfill our fiduciary responsibilities to our clients and to the continued success of the U.S. capital markets. Accordingly, we support the proposed revisions to the eSLR framework, including the replacement of the current 2 percent and 3 percent leverage buffers, applicable to bank holding companies and their insured depository institutions, respectively, with a buffer equal to 50 percent of the GSIB's method 1 surcharge.[3] We believe that recalibrating the eSLR standards as proposed will promote a more efficient bank capital regulatory framework without negatively impacting the financial soundness of our bank counterparties. Importantly, we also agree with the Agencies that this recalibration would help to improve the resilience of the Treasury market.

In our view, greater Treasury market resilience can be achieved by enhancing the ability of GSIBs to provide liquidity, which requires substantial balance sheet capacity to intermediate between buyers and sellers and manage inventory. While we support many of the post-Global Financial Crisis (GFC) reforms that to date have helped to strengthen the banking system overall and address systemic risk, some of these reforms have also overly constrained the capacity of bank dealers to intermediate in the Treasury market. These constraints, and their effects on market participants, have been more pronounced during periods of market stress.

Bank intermediation remains critically important to the overall functioning of the Treasury market, but its capacity has not kept pace with structural changes of the market in recent years. Over the last decade, the size of the Treasury market has increased more than twofold without a commensurate increase in dealer balance sheet capacity to support intermediation in the dealer-to-customer segment through varying market conditions. Moreover, much of the interdealer trading activity that facilitates such intermediation has shifted to non-dealer market participants such as principal trading firms. These firms do not utilize balance sheets in the same manner as banks with respect to liquidity provision and, consequently, the liquidity they provide tends to be less durable and less resilient in times of market stress.[4]

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[3] We also write to express our general support of many of the points raised in letters submitted by the Investment Company Institute (ICI), Securities Industry and Financial Markets Association (SIFMA), International Swaps and Derivatives Association (ISDA), Futures Industry Association (FIA), and Committee on Capital Markets Regulation (CCMR) regarding the Proposal.

[4] Principal trading firms (PTFs) are high-volume liquidity providers that trade Treasuries on their own account and typically minimize capital consumption by ending the day flat. Given that these firms generally do not hold positions overnight, their liquidity tends to be less durable than that of a bank, which utilizes balance sheet capacity to wait out market movements. In periods of market stress, banks may widen their bid-ask spreads. In contrast, PTFs may sharply reduce their activity in the market. *See, e.g.,* Fleming, M., Liu, H., Podjasek, R., & Schurmeier, J., *See, e.g.*, *The Federal Reserve's Market Functioning Purchases* at 220 (June 2022), *available at* https://www.newyorkfed.org/medialibrary/media/research/epr/2022/EPR_2022_MFP_fleming.pdf; Barclays, *Increased Market Fragility* at 11 (Apr. 30, 2024), *available at* https://www.ib.barclays/content/dam/barclaysmicrosites/ibpublic/documents/Barclays_Market_function_Increased_market_fragility_PUBLIC%20(1).pdf.

While we believe that the Treasury market continues to function well under normal market conditions, episodes of volatility have posed persistent concerns about its overall resilience. These episodes, which range from the 2014 "flash rally" to the March 2020 COVID crisis, as well as this past April's market volatility and sell-off of longer-dated Treasuries, have been marked by a rapid deterioration in market liquidity with heightened price volatility and ensuing distortions in related markets. In these instances, policymakers have identified balance sheet constraints as an underlying issue and have resorted to extraordinary measures to address these issues and concerns. These actions have included the unprecedented market purchases of U.S. Treasuries by the Federal Reserve in March 2020,[5] temporary extended relief from the SLR requirement,[6] and the adoption of a broad Treasury clearing mandate.[7] Notwithstanding these measures, we continue to share others' concerns that impaired functioning of the Treasury market could occur more frequently, and with more severe consequences, if existing levels of intermediation capacity do not increase.[8]

We believe that recalibrating the eSLR as proposed would provide important benefits to maintaining orderly markets while not degrading the safety and soundness of banks. As the Agencies note, recalibration would help to avoid incentivizing GSIBs to decrease their participation in low-risk and low-return market activities, including Treasury market intermediation.[9] Further, the Proposal's more direct approach to enhancing intermediation capacity could mitigate the need for policymaker intervention on an intermittent basis. In addition, the Proposal would move the U.S. toward a more consistent bank capital framework with the Basel Committee on Banking Supervision and other jurisdictions, which would mitigate unnecessary regulatory fragmentation and obviate potential arbitrage among liquidity providers.

The Proposal is an important step towards enhancing U.S. Treasury market intermediation, and we support policymakers' stated commitment to evaluating additional changes to the post-GFC bank regulatory framework.[10] To further improve Treasury market

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[5] In response to some of these substantial market imbalances, the Federal Reserve implemented a series of emergency measures to stabilize the market, including purchases of U.S. Treasuries and other securities totaling nearly $2 trillion to reduce the volume of Treasuries pressuring dealer balance sheet. Golay, E. C., Dunn, M., Fleming, M. J., Johansson, P., Krogh, I., Shachar, O., & Younger, J., *The Fed's Treasury purchase prices during the pandemic*. Federal Reserve Bank of New York (July 8, 2025), https://libertystreeteconomics.newyorkfed.org/2025/07/the-feds-treasury-purchase-prices-during-the-pandemic/.

[6] Federal Reserve System, FDIC, OCC, *Regulatory Capital Rule: Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio for Depository Institutions*, 85 Fed. Reg. 32,980 (June 1, 2020).

[7] SEC, *Standards for Covered Clearing Agencies for U.S. Treasury Securities and Application of the Broker-Dealer Customer Protection Rule with Respect to U.S. Treasury Securities*, 89 Fed. Reg. 2,714 (Jan. 16, 2024).

[8] G30 Working Group on Treasury Market Liquidity. *U.S. Treasury Markets: Steps Toward Increased Resilience* (2021), *available at* https://group30.org/publications/detail/4950.

[9] Proposal at 30,787 (stating that the proposed eSLR recalibration is intended to prevent it from becoming a binding capital constraint that creates disincentives to engage in low-risk activities essential to market functioning).

[10] *See, e.g.*, Federal Reserve Vice Chair for Supervision Michelle W. Bowman, *Statement on Enhanced Supplementary Leverage Ratio Proposal* (June 25, 2025), https://www.federalreserve.gov/

intermediation, we would support potential adjustments to the Tier 1 leverage ratio, which we previously identified as an impediment in March 2020.[11] We would also support the Agencies' consideration of any other refinements that could better support banks' ability to facilitate liquid and efficient markets for different investment products and enable their use for effective risk and liquidity management strategies. Such increased support, in turn, would enhance the investment choices available to market participants and investors seeking to achieve their financial goals.

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We thank the Agencies for providing BlackRock the opportunity to comment on the Proposal. Please contact the undersigned if you have any questions or comments regarding our views or if we can provide any other assistance.

Sincerely,

Jenny Xiao
Global Head of Rates and Systematic Trading, BlackRock

Benjamin A. Tecmire
Head of U.S. Regulatory Affairs, BlackRock

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newsevents/pressreleases/bowman-statement-20250625.htm; U.S. Treasury Secretary Scott Bessent, *Remarks at the Federal Reserve Capital Conference* (July 21, 2025), https://home.treasury.gov/news/press-releases/sb0202.

[11] BlackRock, ViewPoint - Lessons from COVID-19: Operational Risk and Resilience at 11 (Nov. 2020). The Proposal also references that the Tier 1 leverage ratio "would continue to exceed the risk-based requirement" in respect of "about half of depository institution subsidiaries of GSIBs." Proposal at 30,785 n.29.