



The Asset Management Industry  
SERVING INDIVIDUAL INVESTORS

## Letter from Investment Company Institute

August 26, 2025

*By Electronic Transmission*

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

Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, D.C. 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, D.C. 20219  
Attention: Chief Counsel's Office, Comment Processing

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

Ladies and Gentlemen:

The Investment Company Institute<sup>1</sup> appreciates the opportunity to comment on the proposed rulemaking by the Board of Governors of the Federal Reserve System (FRB), the Federal

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<sup>1</sup> The [Investment Company Institute](https://www.ici.org) (ICI) is the leading association representing the asset management industry in service of individual investors. ICI's members include mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and UCITS and similar funds offered to investors in other jurisdictions. Its members manage \$40.5 trillion invested in funds registered under the US Investment Company Act of 1940, serving more than 120 million investors. Members manage an additional \$9.5 trillion in regulated fund assets managed outside the United States. ICI also represents its members in their capacity as

Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (collectively, the Agencies) to modify the enhanced supplementary leverage ratio (eSLR) standards for US bank holding companies identified as global systemically important bank holding companies (GSIBs) and their depository institution subsidiaries (Proposal).<sup>2</sup> ICI welcomes the Agencies' consideration of ways to recalibrate the eSLR standards, which are needed to improve intermediation in the US Treasury market.

ICI members are among the largest "buy side" participants in US and international financial markets engaging in transactions on behalf of millions of investors, including more than 120 million Americans who save for their important life goals through regulated funds and CITs offered in retirement plans.<sup>3</sup> ICI members invest across all major financial asset classes.<sup>4</sup> The availability of liquidity for various asset classes is a critical element of maintaining efficient and resilient markets, which regulated funds and CITs must have to provide investors with the benefits of investment diversification.

Banking organizations are key providers of liquidity, promoting orderly market functioning through the commitment of capital to facilitate market making. Important markets—such as those for US Treasuries and fixed income securities more broadly—continue to operate in a dealer-to-client fashion. In recent years, economic and regulatory changes have led banking organizations to hold fewer types of assets in inventory and engage in the markets in an agency, rather than principal, capacity. This has presented regulated funds, CITs, and other market participants with growing challenges to obtaining adequate liquidity at times. It thus has required them to devote greater resources and efforts than before to sourcing available liquidity and anticipating changes to liquidity conditions.

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investment advisers to collective investment trusts (CITs) and retail separately managed accounts (SMAs). ICI has offices in Washington DC, Brussels, and London.

<sup>2</sup> [Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for US Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for US Global Systemically Important Bank Holding Companies](#), 90 Fed. Reg. 30780 (July 10, 2025). This comment letter discusses only the proposed recalibration to eSLR standards. We are not commenting on the proposed revisions to the total loss absorbing capacity and long-term debt frameworks or any other aspect of the Proposal.

<sup>3</sup> We use the term "regulated fund" to refer collectively to US registered investment companies, business development companies, and similar funds organized outside the United States.

<sup>4</sup> See, e.g., [2025 Investment Company Fact Book](#), Figure 2.4, page 27.

Most prominently, we saw these kinds of effects play out in March 2020, as the dash for cash associated with the start of the COVID-19 pandemic roiled global financial markets.<sup>5</sup> One of many actions taken by the FRB to counter market dislocations was to temporarily modify the parameters of the supplementary leverage ratio (SLR) requirements for all banking organizations, a new component of regulatory capital standards introduced in 2013. In so doing, the FRB explicitly acknowledged that the SLR had added to stresses in the Treasury market.<sup>6</sup> This temporary relief expired in 2021.

ICI applauds the Agencies' decision to advance this Proposal and put into place a permanent solution. We have repeatedly expressed concern about the SLR having a constraining effect on bank capacity for market making activity.<sup>7</sup> Former FRB governors and, more recently, Treasury Secretary Scott Bessent similarly have suggested that the Agencies should consider recalibrating the SLR to improve functioning in the US Treasury market.<sup>8</sup> As the Proposal

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<sup>5</sup> For further explanation, see, e.g., ICI, [“The Impact of COVID-19 on Economies and Financial Markets,”](#) Report of the Covid-19 Market Impact Working Group (Oct. 2020).

<sup>6</sup> See [“Federal Reserve Board announces temporary change to its supplementary leverage ratio rule to ease strains in the Treasury market resulting from the coronavirus and increase banking organizations' ability to provide credit to households and businesses,”](#) April 1, 2020 (“Liquidity conditions in Treasury markets have deteriorated rapidly, and financial institutions are receiving significant inflows of customer deposits along with increased reserve levels. The regulatory restrictions that accompany this balance sheet growth may constrain the firms' ability to continue to serve as financial intermediaries and to provide credit to households and businesses. The change to the supplementary leverage ratio will mitigate the effects of those restrictions and better enable firms to support the economy.”).

<sup>7</sup> See ICI Chief Economist Rochelle Shelly Antoniewicz, [Supporting a Change to the Supplementary Leverage Ratio for Banks](#), LinkedIn, June 24, 2025; [Letter from Eric J. Pan, President & CEO, and Sean Collins, Chief Economist, ICI](#) (Jan. 16, 2024) (discussing potential market impacts from the Basel III endgame proposal) (Basel III Market Impacts Letter); ICI President & CEO Eric Pan, [Liquidity strains in markets need structural fixes](#), Financial Times, Op-Ed (5 July 2022).

<sup>8</sup> See, e.g., Randal K. Quarles, [“Between the Hither and the Farther Shore: Thoughts on Unfinished Business,”](#) speech at American Enterprise Institute, Dec. 2, 2021 (“While a leverage ratio is an important backstop, it can result in perverse incentives if it becomes the primary constraint on a bank's investment decisions. Because a leverage ratio is not sensitive to risk, a firm that is 'bound' by such a ratio has an incentive to avoid adding safe assets to its portfolio. During times of stress in the financial system, when it is most important for banks to be able to continue serving businesses and households, or intermediating transactions, a binding leverage constraint—or even one that threatens to become binding—may discourage banks from engaging in safe activities, such as those involving U.S. Treasury securities ... During the onset of the COVID event, regulators took emergency action to exclude U.S. Treasury securities and deposits at Federal Reserve Banks from the supplementary leverage ratio to provide banks with additional flexibility to act as financial intermediaries in that period of financial stress. That exclusion expired as scheduled on March 31, 2021. I supported that expiration, *with the commitment that the Fed develop a longer-term solution to the perverse implications of the current calibration of the SLR.*”) (emphasis added); Daniel K. Tarullo, [“Capital Regulation and the Treasury Market,”](#) Brookings Institution, March 2023 (“The Biden administration, policy groups, and academics have all included changes in capital regulations in menus of possible reforms to improve the functioning of the Treasury market. Specifically, changes have been proposed to the Enhanced Supplementary Leverage Ratio (eSLR) and G-SIB (Global Systemically

acknowledges, these suggestions align generally with the academic literature.<sup>9</sup>

According to the preamble, the Proposal would recalibrate the eSLR standards for GSIBs so that such standards would serve as a backstop to risk-based capital requirements rather than as a regularly binding constraint. The Agencies believe that recalibration “would reduce disincentives for GSIBs and their depository institution subsidiaries to participate in low risk, low return businesses, such as US Treasury market intermediation conducted by broker-dealer subsidiaries of GSIBs.”<sup>10</sup>

The Agencies have indicated they will pursue a targeted adjustment to the eSLR only, limiting the proposed recalibration to GSIBs and not extending it to banking organizations more broadly. This decision appears to reflect the fact that the dealer subsidiaries for GSIBs are the largest intermediaries in the Treasury market.<sup>11</sup> We endorse the Agencies’ decision to move forward now with the Proposal as well as consider broader potential reforms to the SLR and to regulatory capital standards more generally.<sup>12</sup> By doing so, the Agencies are addressing a known problem with Treasury market intermediation before any future episode of market stress or dislocation. That said, ICI remains concerned that inappropriate or too-high capital standards have degraded market-making and market liquidity. While the Proposal is a welcome step in addressing these concerns, we recommend that, through future rulemakings, the Agencies adopt more comprehensive reforms to the capital framework to promote more efficient, well-functioning markets.<sup>13</sup>

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Important Bank) capital surcharge.”); Scott Bessent, “[Treasury Secretary Scott Bessent Remarks at the Economic Club of New York](#),” (March 6, 2025).

<sup>9</sup> Proposal at 30791-93.

<sup>10</sup> *Id.* at 30782.

<sup>11</sup> *Id.* at 30791–92.

<sup>12</sup> Michelle W. Bowman, “[Unintended Policy Shifts and Unexpected Consequences](#),” June 23, 2025 (“While we know well the issues created by the eSLR, there are many potential improvements that could address other issues within the capital framework. . . . As I have noted previously, a broader set of reforms could include amending not only the leverage capital ratio, but also G-SIB surcharge requirements. We should also reconsider capital requirements for a wider range of banks, including the SLR’s application to banks with more than \$250 billion in assets, Tier 1 leverage requirements, and the calibration of the community bank leverage ratio.”).

<sup>13</sup> In this respect, we encourage the Agencies to review the recommendations set forth in the two letters we submitted on the Agencies’ Basel III proposal. [Letter from Eric J. Pan, Susan M. Olson and Rachel H. Graham](#), ICI (Jan. 16, 2024); Basel III Market Impacts Letter, *supra* note 7.

ICI appreciates the opportunity to comment on this important proposal. If you have any questions, please contact Paul G. Cellupica, General Counsel, at [REDACTED], or Rachel H. Graham, Associate General Counsel & Corporate Secretary, at [REDACTED].

Sincerely,

/s/ Eric J. Pan

Eric J. Pan

President & CEO