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The Hon. Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System

The Hon. Martin Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation

The Hon. Thomas J. Curry, Comptroller
Office of the Comptroller of the Currency

Re. Regulatory Capital Rules RIN 3064-AD95; RIN 3064-AD96; RIN 3064-AD97

As "advisor" to the Systemic Risk Council, I am aware of, and generally supportive of, their letter to you of October 4. I write simply to emphasize one key point - the importance of an adequate leverage ratio for banking organizations. By "adequate" I mean a figure well above what I understand to be the current "Basel III" thinking of 2 to 3 percent, and also above the present FDIC 5 percent.

After talking with the U.K. Parliamentary Commission on Banking Standards in London last week, as well as informally with a few past and present European officials with regulatory experience, I sense there is sympathy, at least in the U.K., for a more adequate ratio ranging up to the 8 percent figure proposed by the Systemic Risk Council.

I know that reaching a consensus on capital standards both within the United States, and equally important internationally, has been a laborious and difficult process. Moreover, experience shows that risk-based standards alone suffer from growing complexity, potentially uneven application, and continuing efforts to "politicize" the regulatory process. I can only add that the relative simplicity and effectiveness of a really adequate leverage ratio at a meaningful level is critically important.

Sincerely,

Paul Volcker