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Committee on Financial Services  
2129 Rayburn House Office Building  
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June 7, 2007

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551


The Honorable John C. Dugan  
Comptroller of the Currency  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

The Honorable Sheila C. Bair  
Chairman  
Federal Deposit Insurance Corporation  
550 17th Street, NW  
Washington, DC 20429

The Honorable John M. Reich  
Director  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552

Dear Chairman Bernanke, Comptroller Dugan, Chairman Bair, and Director Reich:

I very much appreciate the effort all of the regulators have put into trying to arrive at a Basel II agreement that meets the wide variety of not always entirely congruent goals that are involved. From the time that some of us in Congress first raised concerns several years ago, the regulators have been very responsive to legitimate issues that were raised, and I am pleased to know that we are now close to a final agreement. I do recognize that it is important that we reach that agreement and I do not write you now with any intention of slowing things down. But I do want to reemphasize the one remaining concern that has been brought to my attention by some responsible participants in this process – namely, the question of eliminating the ten percent floor for aggregate minimum risk-based capital. Obviously, this is a decision that has major implications both for safety and soundness, and for competitive issues within the U.S. And so while as I said I do not at this point want to further delay a process that has taken a long time and should reach a conclusion, I do want again to raise the concern that people have about the impact of abolishing this requirement, and to repeat my hope that very serious consideration is being given to what those implications will be and whether or not there is any alternative to this.

  
BARNEY FRANK  
Chairman