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Vice Chairman Quarles Re-Affirms the Fed's Commitment to International Cooperation

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In a little noticed, but important, [speech](#), the Federal Reserve's Vice Chairman for Supervision, Randal K. Quarles, reaffirmed late last month that the Fed remains committed to continued collaboration with international financial regulators.

International cooperation through, for example, the Basel Committee and the Financial Stability Board (FSB), has been a key pillar of post-financial crisis prudential regulation. The value of such cooperation was [vocally](#) and [strongly](#) defended by former Fed Governor Daniel K. Tarullo, who served as the Fed's previous point person on regulatory matters.

Shortly before Governor Tarullo announced his resignation in February of last year, however, the Fed's track record of international cooperation became a target of Congressional criticism. The Vice Chairman of the House Financial Services Committee, Patrick McHenry (R-NC), wrote a [letter](#) to the Fed stating that its participation in "international forums on financial regulation" was "unacceptable" and inconsistent with "the clear message delivered by President Donald Trump [on] prioritizing America's interest[s]."

While Fed Chairman Yellen publicly rejected the premise of Representative McHenry's letter, the letter nevertheless led to speculation that the Fed, under new Trump administration appointees, might in the coming years reduce its engagement with international fora.

Vice Chairman Quarles' speech is thus notable as a robust rejection of the view that U.S. interests would benefit from the Fed turning away from its international partners.

Speaking before a group of leaders from mostly smaller banks at the Utah Bankers Association 110th Annual Convention, Vice Chairman Quarles emphasized that "America's active participation in the FSB is important to our nation." Vice Chairman Quarles pointed to several examples of how even small banks benefitted from the Fed's participation in the FSB, which Quarles described as serving in part as a forum for ensuring that other countries adopt similar high regulatory standards to the U.S.

Vice Chairman Quarles' speech, which was in the tradition of earlier pro-cooperation speeches by Governor Tarullo, should calm any lingering concerns that the Fed's new leaders — Chairman Jerome Powell and Vice Chairman Quarles — intend to take a fundamentally different approach to participation in international cooperative bodies from the approach the Fed adopted in the first decade after the financial crisis.

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Article By [Covington & Burling LLP](#)
[Nikhil V. GoreCov Financial Services](#)

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