“This afternoon marks the culmination of the Supervisory Capital Assessment Program. Three independent federal banking supervisory agencies—the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation—have worked closely and collaboratively since late February to simultaneously assess the financial conditions of the 19 largest bank holding companies in the United States. These institutions play a vital role in our economy, holding among them two-thirds of the assets and more than one-half of the loans in the U.S. banking system. More than 150 examiners, economists, accountants, and other specialists conducted a rigorous and comprehensive review of these firms, one unprecedented in scale and scope.

These examinations were not tests of solvency; we knew already that all these institutions meet regulatory capital standards. Rather, the assessment program was a forward-looking, “what-if” exercise intended to help supervisors gauge the extent of the additional capital buffer necessary to keep these institutions strongly capitalized and lending, even if the economy performs worse than expected between now and the end of next year.

The results released today should provide considerable comfort to investors and the public. The examiners found that nearly all the banks that were evaluated have enough Tier 1 capital to absorb the higher losses envisioned under the hypothetical adverse scenario. Roughly half the firms, though, need to enhance their capital structure to put greater emphasis on common equity, which provides institutions the best protection during periods of stress. Many of the institutions have already taken actions to bolster their capital buffers and are well-positioned to raise capital from private sources over the next six months. However, our government, through the Treasury Department, stands ready to provide whatever additional capital may be necessary to ensure that our banking system is able to navigate a challenging economic downturn.

The capital assessment results we are reporting today are just one important element of the government’s broader and ongoing efforts to strengthen the financial system
and the economy. The current crisis has been one of the most challenging financial and economic episodes in modern history, but we face no problems that cannot be overcome with insight, patience, and persistence. The Federal Reserve, through its independent actions and in collaboration with the other agencies represented here, will certainly do its part in our common effort to restore stability and prosperity.”

Statement by Chairman Ben S. Bernanke
May 7, 2009