



June 18, 2026

Via Electronic Mail

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20th Street and Constitution Avenue NW
Washington, D.C. 20551
Attention: Benjamin W. McDonough, Secretary

Federal Deposit Insurance Corporation
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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
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Attention: Chief Counsel's Office, Comment Processing

Re: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations (Federal Reserve Docket No. R-1887, RIN 7100-AH20; FDIC RIN 3064-AF29; Docket ID OCC-2026-0265)

Ladies and Gentlemen:

The Bank Policy Institute, the American Bankers Association, the Financial Services Forum, the U.S. Chamber of Commerce, and the Consumer Bankers Association submit this letter in response to the joint notice of proposed rulemaking issued by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency that would amend the capital requirements mandatorily applicable to Category I and II firms and revise the market risk capital framework applicable to firms with significant trading activity.¹

We appreciate the agencies' intent to calibrate the proposal considering the interplay with other aspects of the capital framework. As described in the proposal, the agencies considered the calibration of the entire capital framework, particularly the relationship between the proposed capital rules and stress

¹ OCC, Federal Reserve, and FDIC, *Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations*, 91 Fed. Reg. 14,952 (Mar. 27, 2026) (hereinafter, "Basel III NPR").

testing framework, in assessing the impact of the proposal.² However, the agencies' calibration approach does not fully eliminate the overlap between certain aspects of the capital framework, which results in over-capitalization for operational, market, and credit valuation adjustment ("CVA") risks. The agencies should make further revisions to properly calibrate all aspects of the capital framework. This letter contains some recommendations for how to do so, and our February 20, 2026 letter in response to the Federal Reserve's October 2025 stress testing transparency and accountability proposal (the "Stress Test Letter") does as well.³

We also support the agencies' goals of improving the risk sensitivity and consistency of the capital framework and simplifying its design.⁴ This letter contains recommendations aimed at further improving the calibration and risk sensitivity of the proposed expanded risk-based approach, as well as recommendations for how the proposal could be revised to reduce unnecessary operational burden on firms. In general, we appreciate the detailed explanations and impact analysis provided in the proposal, which has enabled us to more effectively evaluate the proposal and provide the recommendations in this letter. However, this letter also discusses issues arising from the proposed revisions to the definitions of "commitment," "unconditionally cancelable," "traditional securitization," and "synthetic securitization," which we urge the agencies not to finalize in light of the ambiguity these proposed changes would create and the unassessed—and unassessable—effect they would have on firms' capital requirements. Apart from these changes, we encourage the agencies to finalize the proposal expeditiously, so firms and the broader economy can benefit from the improved risk sensitivity in the expanded risk-based approach.

The first section of this letter provides recommendations regarding the interaction of the proposal with other aspects of the capital framework. The second and third sections provide comments on the proposed expanded risk-based approach with respect to credit risk and operational risk, respectively. The fourth section provides comments on the proposed changes to the credit risk mitigation framework. The fifth section provides comments related to other aspects of the proposal. The sixth section of this letter provides several technical comments and responses to certain questions asked in the proposal. The final section of this letter reports the estimated impact of the agencies' capital proposals on aggregate common equity tier 1 ("CET1") capital requirements for U.S. GSIBs based on a quantitative impact study conducted based on data provided by the eight Category I firms (the "Category I Member QIS"). The results show that the aggregate reduction in required capital from the proposals is likely less than estimated by the agencies,

² *Id.* at 14,960 ("[T]his proposal is projected to increase the minimum requirements for operational risk and market risk, while the stress test proposal's analysis of the proposed model changes estimated a decrease in related requirements for these risks, as they inform the stress capital buffer requirement. The Board expects both sets of revisions to improve risk sensitivity and coherence of the capital framework, while the revisions in this proposal would contribute to international consistency. The capital impact of these revisions would largely offset each other, and the Board considers that the combined calibration of these risks would be appropriate . . .").

³ See ABA, BPI, FSF, Securities Industry and Financial Markets Association ("SIFMA"), International Swaps and Derivatives Association ("ISDA"), and U.S. Chamber of Commerce, Letter re Notice of Proposed Rulemaking regarding Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL (Docket No. R-1873; RIN 7100-AH05) (Feb. 20, 2026), available at <https://bpi.com/wp-content/uploads/2026/02/Stress-Test-NPR-2.20.26-Comment-Letter.pdf>.

⁴ Basel III NPR at 14,955.

and that capital required under the U.S. capital framework will remain meaningfully higher than that provided by the Basel framework. Throughout this letter, we provide recommendations that would reduce this over-calibration and, where available, have included data based on the Category I Member QIS demonstrating the extent to which our recommendations would reduce the over-calibration.

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I. Comments Related to the Interaction with Other Aspects of the Capital Framework

A. The final rule should mitigate the overlap between firms’ stress capital buffers (“SCB”) and the proposal with respect to operational risk by applying a uniform 12% business indicator coefficient.

As discussed in the Stress Test Letter, the agencies must consider and account for the interplay between the risk-weighted assets (“RWA”) framework and stress testing framework to avoid an over calibration of capital requirements.⁵ In the United States, stress testing is used to set the SCB, a component of binding capital requirements.⁶ The current standardized approach, which is generally the binding approach for capital requirements, does not include an operational risk charge. The proposal would introduce a separate operational risk charge on top of which the SCB would apply. However, the Federal Reserve’s supervisory stress test and the SCB already take into account the potential impact to

⁵ See Stress Test Letter at 24–25.

⁶ See 12 C.F.R. §§ 225.8(f); 217.11(a); 238.170(f).

capital from operational losses.⁷ The preamble of the proposal explains that the agencies evaluated the impact of the proposal together with the impact from the Federal Reserve’s recently proposed changes to stress testing.⁸ Based on this assessment, “[t]aking both the Basel III and the proposed stress test changes together, the requirement for operational risk would increase by about 14.9 percent.”⁹ The agencies add that “operational risk requirements would be substantially lower than those that currently result from banking organizations’ internal models under the advanced approaches.”¹⁰ That may be true, but as the agencies’ own impact analysis shows, advanced approaches capital requirements are generally not binding.¹¹ Notwithstanding the approximately 14.9% increase and the express incorporation of an operational risk capital charge into RWA calculations for the binding capital stack to which the SCB applies, the agencies assert that the increase resulting from the proposal and the decrease from the proposed operational risk changes in the supervisory stress test “would largely offset each other, and the [Federal Reserve] considers that the combined calibration of these risks would be appropriate.”¹²

To assess this calibration against historical losses, we computed the aggregate operational risk capital that banks would be required to maintain under both the proposed expanded risk-based approach and the Federal Reserve’s stress tests. We then compared this to the year with the highest operational risk losses, 2008, using data collected by ORX.¹³ In both cases, figures reflect aggregates for eight of the nine Category I and II firms that would be mandatorily subject to the expanded risk-based approach (as one firm did not historically provide data to ORX) and are scaled by total revenues.

As illustrated in Figure 1 below, operational losses as a share of bank revenues in 2008 amounted to 15.5%. ORX reports operational risk losses based on the event date (*i.e.*, it consolidates all individual operational losses relating to a single event and reports them in the period in which the underlying event occurred). However, these losses were recognized in earnings more evenly through time, making the

⁷ See, e.g., Federal Reserve, *Notice of Proposed Rulemaking regarding Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL*, 90 Fed. Reg. 51,856, 51,863 (Nov. 18, 2025) (“Pre-provision net revenue is defined as net interest income (interest income minus interest expense) plus noninterest income minus noninterest expense. Consistent with U.S. GAAP, these projections include projected losses due to operational risk events and expenses related to the disposition of other real estate owned.”).

⁸ Basel III NPR at 14,955.

⁹ *Id.* at 15,104.

¹⁰ *Id.*

¹¹ *Id.* at 15,105 (“In most cases, capital requirements under the standardized approach exceed those under the advanced approaches[.]”).

¹² *Id.* at 14,960.

¹³ ORX is the largest operational risk management association in financial services, owned and driven by member institutions, which include some of the largest global banks. ORX has the largest and most comprehensive dataset on operational risk losses dating back to the early 2000s.

number upwardly biased.¹⁴ The required capital for operational risk under the proposed expanded risk-based approach and the stress test is estimated to be 20.9% of total revenues. Estimates of the application of the expanded risk-based approach, which use year-end 2025 data, produce a ratio of operational risk capital requirements equal to 15.9% of total revenues.¹⁵ The additional capital required for operational risk from the 2025 stress test is estimated to be 5.0% of revenue.¹⁶ Therefore, the combined calibration still exceeds the operational risk losses in 2008.

Figure 1: Capitalization of Operational Risk Losses



Although we appreciate the agencies’ consideration of the calibration of the overall capital framework, this approach does not fully eliminate the overlap between the stress testing framework and the RWA framework with respect to operational risk, as each framework would impose a capital charge on firms to withstand operational losses. Eliminating the overlap entirely would improve the coherence and design of the capital framework.

¹⁴ Specifically, there were numerous large legal losses (considered operational losses for regulatory purposes) related to the 2007-2009 financial crisis that were reserved for and settled over time that are treated by ORX as occurring in 2008. The actual impact on earnings was recognized over time.

¹⁵ The expanded risk-based approach component equals each firm’s operational risk RWAs under the proposal multiplied by the applicable minimum risk-based capital requirement.

¹⁶ The stress test component follows the attribution methodology the agencies use in Section VII.4 of the proposal. For firms with stress capital buffers at the 2.5% floor, operational risk capital is allocated as 2.5% multiplied by the firm’s operational risk RWAs under the proposed expanded risk-based approach. For firms above the floor, the allocation is the operational risk contribution to the projected stress test capital decline multiplied by total RWAs. Its contribution was estimated by allocating the portion of the stress test component attributable to firms with stress capital buffers above the 2.5% floor in proportion to total RWAs. The contribution of the excluded firm was then removed from the aggregate.

However, if the agencies intend to rely on an overall calibration approach, to reduce the overestimation of operational risk resulting from the overlap between the SCB and the proposal (demonstrated above), the coefficient to generate the business indicator component should, at the least, remain at 12%. As proposed, the coefficients multiplied by the business indicator to determine the business indicator component would increase with the size of the business indicator (12% for \$0 to \$1 billion, 15% for \$1 billion to \$30 billion, and 18% for above \$30 billion).¹⁷ Applying a uniform 12% coefficient would help reduce the over-calibration for operational risk capital requirements under the expanded risk-based approach and mitigate the continued overlapping capitalization from the calculation of RWAs and the SCB. According to the Category I Member QIS, applying a uniform 12% business indicator coefficient, irrespective of the size of a firm's business volume, to more appropriately calibrate the operational risk component of the RWA framework would reduce operational risk RWAs by \$272 billion or 3.47% compared to total RWAs. This reduction in operational risk RWAs would partially correct the over-calibration of operational risk capital, but the agencies should also explore whether the business indicator coefficient should be reduced below 12% in order to fully eliminate the overlap between operational risk RWA and the SCB, based on the final calibration of the revised stress test models.

Several aspects of the U.S. capital framework make this approach to the business indicator coefficient, which diverges from the international Basel standards, appropriate. First, other jurisdictions, such as the EU and UK, continue to allow firms to use their own internal models for credit risk modeling.¹⁸ As reflected in the agencies' impact analysis, Basel models-based RWA calculations generally result in materially lower credit RWAs and overall lower RWAs.¹⁹ However, the proposal would no longer permit firms subject to the U.S. capital framework to use their internal models to calculate risk-based capital requirements for credit risk, as they were able to under the advanced approaches framework.²⁰ As shown by the agencies' impact analysis for holding companies, which are subject to the SCB, RWAs under the expanded risk-based approach would be higher than under the current advanced approaches,²¹ demonstrating that capital requirements under a standardized approach like the expanded risk-based approach generally tend to be higher than under an internal models-based approach, which can capture more individualized firm characteristics. Further, in contrast to the U.S. capital framework, where a firm's breach of its SCB results in restrictions on distributions, stress testing outcomes merely inform Pillar 2

¹⁷ Proposed §§ 3.150(b)(1)–(3) (OCC); 217.150(b)(1)–(3) (Federal Reserve); 324.150(b)(1)–(3) (FDIC).

¹⁸ See generally European Central Bank, *ECB Guide to Internal Models* (July 2025), available at https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.supervisory_guide202507.en.pdf?4460c67ecb5d677bacabc2e19942912f; Bank of England, Prudential Regulation Authority, *Credit Risk Internal Ratings Based Approach, Supervisory Statement SS4/24* (Jan. 2026), available at <https://www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/supervisory-statement/2026/ss424-january-2026-update.pdf>.

¹⁹ See Basel III NPR at 15,127 (Table VIII.2: Aggregate GSIB Risk-Weighted Assets under the Reasonable Alternatives, showing the amount of credit RWAs under the Basel models-based approach and the change in RWAs compared to the current standardized approach).

²⁰ *Id.* at 14,958.

²¹ See *id.* at 15,099 (Table VII.2: Category I and II Banking Organization Risk-weight Assets Under the Proposal by Risk Category).

guidance in the UK and EU.²² Because the EU and UK stress testing results are regulatory guidance, rather than a component in the calculation of required buffers, duplicative risk capture in stress tests and RWA calculations do not have a direct effect on binding capital requirements in these jurisdictions (unlike in the United States).

In addition, the proposal justifies the use of the range of business indicator coefficients because “banking organizations with higher overall business volume are larger and more complex, which is likely to result in more operational risk exposure.”²³ However, the GSIB surcharge component of the capital framework is designed to capture the risks associated with increased firm size and complexity, which makes the size- and complexity-based scaling of the operational risk charge duplicative. In addition, the increasing coefficients appear to reflect 2014 and 2016 data analyses by the Basel Committee, which the proposal did not revalidate, indicating a correlation between firm size and operational risk.²⁴ The Basel Committee data relied upon in the design of the coefficients may no longer accurately reflect the operational risk exposure of larger firms due to, among other things, ongoing changes in larger firms’ operational risk profiles following implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act and other regulatory reforms, as well as larger firms’ significant investments in a broad range of operational risk controls, including cyber defense.

B. The agencies should revise the market risk and CVA frameworks to resolve the over-calibration for these risks resulting from the overlap between the supervisory stress test and the proposal.

We support the recommendations provided in the letter on the proposal submitted by the ISDA, SIFMA, and the Institute of International Finance (“IIF”), which if adopted would improve the overall calibration of market risk and CVA risk capital requirements. Our recommendations below would further

²² See European Central Bank, *Pillar 2 Guidance*, available at <https://www.bankingsupervision.europa.eu/activities/srep/html/p2g.en.html> (last visited June 16, 2026) (“The level of the Pillar 2 guidance for each bank is based on how it performs in the regular EU-wide stress tests, which examine the impact of an economic shock on banks’ capital ratios (i.e. their level of capital relative to their risk-weighted assets).”); Bank of England, *The Bank of England’s approach to stress testing the UK banking system* (Nov. 29, 2024), available at <https://www.bankofengland.co.uk/stress-testing/2024/boes-approach-to-stress-testing-the-uk-banking-system> (“The FPC and the PRA will consider a range of factors in calibrating capital buffers so the stress-test results inform, rather than determine mechanically, the setting of buffers.”).

²³ Basel III NPR at 15,009.

²⁴ *Id.* at 15,014, n.231 (citing Basel Committee on Banking Supervision, *Operational risk – Revisions to the simpler approaches* (Oct. 6, 2014), available at <https://www.bis.org/publ/bcbs291.htm> (hereinafter, “Basel Committee 2014 Analysis”); Basel Committee on Banking Supervision, *Standardized Measurement Approach for operational risk* (Mar. 4, 2016), available at <https://www.bis.org/bcbs/publ/d355.htm> (hereinafter, “Basel Committee 2016 Analysis”)); Basel Committee 2014 Analysis at 2 (“During the course of the analytical work carried out over the past two years, it became apparent that: . . . the size of a bank was a dominant factor in operational risk exposure”); Basel Committee 2016 Analysis at 3 (“The analysis undertaken by the Committee demonstrates that operational loss exposure increases more than proportionally with the BI, and thus the proposed calibration includes progressively increasing marginal coefficients for the BI.”).

improve the overall calibration of market risk capital requirements by mitigating the overlap between the stress testing and RWA calculation frameworks.

In general, each of the Fundamental Review of the Trading Book market risk standard, upon which the proposal's market risk framework is based, and the Global Market Shock ("GMS") component of stress testing was designed broadly to capture market risks arising from market illiquidity and tail events.²⁵ The GMS component of the supervisory stress test evaluates firms' capital levels following a significant market shock. The proposed standardized and models-based measures in the market risk framework would likewise measure market risk using an "expected shortfall-based measure that better accounts for extreme losses."²⁶ This measure represents "the average of all potential losses exceeding the [value at risk] at a given confidence level and over a specified horizon."²⁷ Thus, both the GMS and the proposed market risk framework would measure market risk under extreme market conditions and evaluate the effects of market losses on capital positions under these circumstances.

The proposal notes that "[c]umulative market risk capital requirements are projected to decline by approximately 5.8 percent" because the increase as a result of the proposal "would be more than offset by" the recent proposed changes to the GMS.²⁸ The Federal Reserve "considers that the combined calibration of these risks would be appropriate."²⁹ The Federal Reserve has not fully and finally resolved the over-calibration for market risk, notwithstanding its view that the calibration would be "appropriate."

To help resolve the over-calibration, the Federal Reserve should establish and disclose guardrails for the selection of and adjustments to the GMS scenarios, consistent with our comments in the Stress Test Letter.³⁰ The guardrails recommended in the Stress Test Letter are especially important given that the agencies have proposed to resolve the overlap between the proposed market risk capital requirement and the stress tests through an evaluation of the aggregate calibration. The guardrails should be designed to limit unwarranted volatility or sharp increases in GMS-related capital requirements, ensuring that the interaction between the proposed market risk framework and the revised GMS framework does not produce unintended or excessive capital outcomes over time. In particular, for any given product, the combination of the GMS and revised market risk framework should not result in a capital requirement that exceeds a firm's actual economic exposure.

²⁵ See Basel Committee on Banking Supervision, *Explanatory Note on the Minimum Capital Requirements for Market Risk*, at 3–4 (Jan. 2019), available at https://www.bis.org/bcbs/publ/d457_note.pdf (addressing the perceived weaknesses in Basel 2.5, including 10-day liquidity horizons, exclusions of tail risks, and extensive diversification benefits).

²⁶ Basel III NPR at 15,016.

²⁷ Proposed § __.202(b). According to the agencies, "[t]he risk weights within the standardized measure were calibrated based on the expected shortfall-based measure in the models-based measure for market risk." Basel III NPR at 15,104, n.242.

²⁸ Basel III NPR at 15,104.

²⁹ *Id.* at 14,960.

³⁰ Stress Test Letter at 96.

Like market risk, CVA risk's over-capitalization is exacerbated by the interaction between the SCB and the RWA framework. The Federal Reserve evaluates whether firms with substantial trading or custodial operations have sufficient capital to withstand CVA risk in the stress scenario of the GMS. The proposal would include a separate capital charge for CVA risk,³¹ to which the SCB would then be applied. The agencies acknowledge that "CVA capital requirements would increase substantially because CVA risk-weighted assets would be included in the single risk-based capital requirement applicable to Category I and II banking organizations."³² Incorporating CVA risk through both the SCB and RWAs substantially increases the over-calibration of capital requirements for CVA risk. The recommendations in the ISDA/SIFMA/IIF comment letter would improve the calibration of CVA risk-weighted assets, which, in turn, would partially mitigate this over-calibration.

C. The mandatory implementation date of the final rule should be no earlier than January 1, 2028, with the ability for firms to immediately early adopt, and the Federal Reserve should implement a mechanism to adjust firms' SCBs to reflect changes in RWAs under the expanded risk-based approach.

The proposal does not include an indication of the contemplated effective date of the proposal or the period between adoption of a final rule and the initial effective date and does not consider how its effective date interacts with the stress test proposal.³³

The final rule's required implementation date should be no earlier than January 1, 2028,³⁴ which, assuming the final rule is adopted in 2026, would allow sufficient time for firms to implement the rule's requirements subject to appropriate transition provisions for market risk and CVA models.³⁵ In addition, the agencies should follow the same approach taken in the recent eSLR final rule and allow firms to early adopt the final rule as soon as it is finalized.³⁶ The proposal would generally increase risk sensitivity compared to the current standardized approach. It would also eliminate calculation of capital requirements under the advanced approaches and resolve issues associated with the advanced

³¹ See Basel III NPR at 15,078.

³² *Id.* at 15,104.

³³ The agencies have requested feedback on "an appropriate amount of time between the publication of any final rule and its effective date." *Id.* at 14,957 (Question 2).

³⁴ Reporting instructions should be finalized at least six months in advance of the first quarter for which the firm would be required to report RWAs under the expanded risk-based approach to allow firms sufficient time to implement revised reporting requirements. For example, with a January 1, 2028 required implementation date, the final instructions should be published by the end of June 2027.

³⁵ We support the recommendations in the ISDA/SIFMA/IIF letter regarding incorporating transition provisions to facilitate applying models-based approaches for market risk and CVA risk capital requirements.

³⁶ See OCC, Federal Reserve, and FDIC, *Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies*, 90 Fed. Reg. 55,248, 55,248 (Dec. 1, 2025).

approaches in the capital framework.³⁷ Accordingly, firms should be able to adopt the proposed expanded risk-based approach early if they are operationally ready to do so.

The Federal Reserve should also implement a mechanism to adjust firms' SCBs until their SCBs are based on RWAs calculated under the final rule to avoid a conceptual mismatch and temporary fluctuations in capital requirements as a result of the implementation of the proposal. The mechanism should resolve two issues. First, it should avoid the application of an SCB, calculated using current standardized RWAs in stress test projections, to ratio requirements applied to RWAs calculated using the expanded risk-based approach. Second, it should avoid changes in capital ratios in stress test projections due to methodological changes for RWA calculations during the projection horizon, as contemplated by the Federal Reserve's Stress Testing Policy Statement. Without a mechanism to resolve this issue, the application of the Policy Statement could result in a larger decrease between the jump-off point CET1 ratio and projected CET1 ratios than would otherwise be the case, solely because of the implementation of the expanded risk-based approach.

The agencies have attempted to arrive at an appropriately calibrated capital framework by considering the proposal together with the recently proposed stress testing changes, as the proposal generally would increase firms' capital requirements and the proposed stress testing changes generally would lower firms' capital requirements.³⁸ Without taking into account the transition across the stress testing framework and SCB calculations, this intention would be unrealized.

II. Comments Related to Credit Risk

The proposal would generally improve the risk sensitivity and calibration of the calculation of credit risk RWAs. In particular, the approach to investment grade corporate exposures and the proposed risk weights for regulatory retail exposures and residential real estate exposures would more appropriately reflect the risk posed by these exposures. Nevertheless, there are several areas in which the proposal should be revised to improve consistency and risk sensitivity and simplify the credit risk RWA framework.

A. The final rule should retain the current definitions of "commitment" and "unconditionally cancelable."

The proposal would revise the definition of "commitment" to mean "a contractual arrangement, under which a [banking organization] and an obligor agree to terms applicable to one or more future extensions of credit, purchases of assets, or issuances of credit substitutes by the [banking organization], whether or not such arrangement is unconditionally cancelable."³⁹ The proposals would also provide that "[a] commitment is unconditionally cancelable if, by its terms, it either: (a) provides that a [banking organization] is not obligated to extend credit, purchase assets, or issue credit substitutes; or (b) permits a

³⁷ Basel III NPR at 14,958-59.

³⁸ See *id.* at 14,955 ("A central element of the proposal's effort to reduce redundancy is better integration with the Board's stress testing framework, which is achieved by considering jointly the calibrations of this proposal and the proposed stress test model changes that would inform stress capital buffer requirements.").

³⁹ Proposed §§ 3.2 (OCC); 217.2 (Federal Reserve); 324.2 (FDIC).

[banking organization], at any time, with or without cause, to refuse to extend credit, purchase assets, or issue credit substitutes under the arrangement (to the extent permitted under applicable law).”⁴⁰

These revisions would be fundamental changes to the definitions of “commitment” and “unconditionally cancelable,” but the preamble inaccurately describes the proposed changes as clarifications. The proposed revisions would substantively revise the definition of “commitment”—notably by removing the words “legally binding” and “obligates” as compared to the current definition, which provides that a commitment is a “legally binding arrangement that obligates a [banking organization] to extend credit or to purchase assets.”⁴¹

The proposal would also substantively revise the term “unconditionally cancelable” by providing an entirely new description of what those words mean in the context of the capital rule. Under the proposal, a commitment would be unconditionally cancelable if, by its terms, it either: “(a) provides that a [banking organization] is not obligated to extend credit, purchase assets, or issue credit substitutes; or (b) permits a [banking organization], at any time, with or without cause, to refuse to extend credit, purchase assets, or issue credit substitutes under the arrangement (to the extent permitted under applicable law).”⁴² Clause (b) aligns with the current rule; clause (a), however, would contradict the current definitions of “unconditionally cancelable” and “commitment.”

The capital rule currently expressly provides that an “unconditionally cancelable” commitment is a type of “commitment”—that is, a type of legally binding arrangement obligating a banking organization to extend credit or purchase assets. This is reflected in the syntax of the term. Under the current capital rule, “[u]nconditionally cancelable means *with respect to a commitment*, that a [banking organization] may, at any time, with or without cause, refuse to extend credit under the commitment (to the extent permitted under applicable law).”⁴³ The words “with respect to” make clear that the term “unconditionally cancelable” is describing a subset of “commitments,” specifically, legally binding arrangements obligating a banking organization to extend credit or purchase assets that are subject to cancellation by the banking organization.

Accordingly, as reflected in the plain, unambiguous meaning of the current rules text: (i) an arrangement that is not legally binding on a banking organization and does not obligate the banking organization to extend credit or purchase assets is not a “commitment” for purposes of the capital rule, (ii) an “unconditionally cancelable” commitment is a type of “commitment,” and (iii) if an arrangement is not a “commitment,” by definition, it is not an “unconditionally cancelable” commitment within the meaning of the capital rule. The preamble, therefore, inaccurately asserts that the proposed revision “clarifies that a contractual arrangement to extend credit, purchase assets, or issue credit substitutes, but

⁴⁰ *Id.*

⁴¹ 12 C.F.R. §§ 3.2 (OCC); 217.2 (Federal Reserve); 324.2 (FDIC).

⁴² Proposed §§ 3.2 (OCC); 217.2 (Federal Reserve); 324.2 (FDIC).

⁴³ 12 C.F.R. §§ 3.2 (OCC); 217.2 (Federal Reserve); 324.2 (FDIC) (emphasis added).

which does not obligate the banking organization to do so, *is also considered a commitment* that is unconditionally cancelable.”⁴⁴ This is a contradiction to the current definitions, not a clarification.

1. The proposed definition is ambiguous and would introduce significant additional uncertainty into the capital framework.

The capital rule should retain the existing definitions of “commitment” and “unconditionally cancelable.” The current definition of “commitment” is anchored to the existence of a legally binding obligation to fund, which provides a clear standard for determining what is a “commitment.” The proposal would depart from this objective, legally grounded standard clearly delineating when there is a “commitment” under the capital rule and when there is not. This change introduces substantial ambiguity and increases the likelihood of inconsistent application across firms as compared to the current definitions.

The agencies indicated that the proposed definition is intended to capture “an arrangement where the banking organization *could expect* to purchase assets or to extend credit to an obligor.”⁴⁵ To implement this construct, the proposed definition would extend to any contractual arrangement that sets forth terms under which future extensions of credit *may* occur, even where the firm retains full discretion to decline funding at any point, given it is under no obligation to lend. Absent a legal obligation to fund, it is unclear: (i) under what circumstances a firm is deemed to have an exposure; (ii) how firms should determine whether potential funding creates a capital requirement; and (iii) how supervisors would consistently evaluate compliance across institutions. This lack of a clear legal anchor creates significant ambiguity and the prospect of increased inconsistency in application across firms, portfolios, and supervisory examinations. We see no prudential rationale—and the agencies offer none in the proposals—for adopting a broader, ambiguous definition that is based on highly subjective concepts such as an expectation of funding and that conflates legally and economically distinct arrangements.

The proposal would create unclear expectations around non-binding arrangements. By decoupling commitments from legally enforceable funding obligations, the proposed definition leaves ambiguous the standard a firm should use to determine whether a commitment exists. For example, the proposed revised definition does not specify which “terms” must be agreed to for a “contractual arrangement” to become a “commitment.” The commentary in the preamble refers to a banking organization and a potential borrower having agreed to “the material terms on which such lending would take place.”⁴⁶ The reference to “material” terms contributes to further uncertainty because it is unclear in this context which terms constitute “material” terms and which do not, or what the basis for “materiality” assessments would be. A firm would have to rely on its subjective view of the arrangement, which is inherently difficult to define, measure, or apply consistently and therefore is not suited for determining regulatory capital requirements. In practice, a firm may have any number of arrangements that outline potential future transactions without any obligation to proceed. The need to determine when such arrangements rise to the level of a

⁴⁴ Basel III NPR at 14,977. The same commentary appears in the standardized approach proposal. OCC, Federal Reserve, and FDIC, *Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets*, 91 Fed. Reg. 15,332, 15,342 (Mar. 27, 2026) (hereinafter, “Standardized Approach NPR”).

⁴⁵ *Id.* (emphasis added).

⁴⁶ *Id.* at 14,978.

“commitment” for capital purposes—without a clearly defined standard—would introduce substantial uncertainty that is incompatible with a rules-based capital framework imposing binding quantitative capital requirements.

The proposed definitional changes also create uncertainty in determining the amount of a “commitment.” For example, there are certain arrangements in which a firm may not agree to or even disclose potential amounts of any future extensions of credit, let alone include figures in signed documentation. Such an arrangement would seem to be in scope of the proposed definition, but it would be difficult to determine the commitment amount. Although the proposal provides a methodology to determine this amount in the retail context,⁴⁷ it is unclear how a firm would determine the amount in non-retail contexts or in situations where the arrangement never comes to fruition and no lending (or purchase) ever occurs. Firms may use different methodologies to determine this amount (*e.g.*, their internal records or methodologies for measuring hypothetical usage), which would result in inconsistent treatment among firms.

In addition, the proposal would create inconsistency with other aspects of the banking regulatory framework, introducing confusing variations into the broader framework. For example, the agencies’ liquidity coverage ratio and net stable funding ratio rules define a credit facility as “a *legally binding agreement* to extend funds if requested at a future date, including a general working capital facility such as a revolving credit facility for general corporate or working capital purposes.”⁴⁸ The proposed definition would also create undue complexity in the overall prudential framework given the single-counterparty credit limits framework. That framework expressly excludes uncommitted lines of credit from the definition of “credit transaction.”⁴⁹ In addition, under the single-counterparty credit limits framework, for committed credit lines and revolving credit facilities, a covered company is permitted to reduce gross credit exposure by the unused portion where the firm has no legal obligation to advance additional funds, and the used portion is fully secured by eligible collateral.⁵⁰ Further, it is not clear whether the proposed changes would affect reporting requirements. As discussed in more detail below, there has been a long-standing lack of clarity from the agencies as to whether reporting requirements are aligned with the capital rule’s definitions in this area.⁵¹

Compounding the lack of clarity, the proposal also would deviate from U.S. GAAP. Under U.S. GAAP, commitments are recognized only when there is a legally enforceable obligation.⁵² This alignment of accounting recognition and regulatory capital treatment has historically promoted clarity, consistency,

⁴⁷ See *id.* at 14,979 (describing the process for determining the exposure amount for commitments that are retail exposures without a pre-set limit).

⁴⁸ 12 C.F.R. §§ 50.3 (OCC); 249.3 (Federal Reserve); 329.3 (FDIC).

⁴⁹ 12 C.F.R. §§ 252.71(h)(1); 252.171(i)(1).

⁵⁰ 12 C.F.R. §§ 252.74(f)(1); 252.174(f)(1).

⁵¹ See *infra* Section II.A.3 and notes 68, 69, and 70.

⁵² FASB, Accounting Standards Codification 326-20-20 Financial Instruments – Credit Losses (“Loan commitments are legally binding commitments to extend credit to a counterparty under certain prespecified terms and conditions. They have fixed expiration dates and may either be fixed-rate or variable-rate.”).

and operational efficiency. Departing from the U.S. GAAP definition of a commitment would: (i) require firms to maintain parallel, non-aligned regulatory and accounting taxonomies; (ii) increase operational complexity and compliance burden; and (iii) heighten the risk of inconsistent interpretation across firms and regulators. In addition, inconsistency between FR Y-9C reports and annual and quarterly reports filed with the SEC could cause confusion for users of a firm's financial statements.

2. The proposed revisions would result in an increase in capital requirements, which is unquantifiable and not analyzed by the agencies.

The proposed revisions would expand the scope of what is an unconditionally cancelable commitment but do not set clear parameters for what qualifies. Under the current definitions of "commitment" and "unconditionally cancelable," a banking organization follows a clear two-step process to determine whether the arrangement is within the scope of the definition. First, there must be a *legal obligation* to lend, thereby creating a "commitment." As discussed in Section II.A.1 above, anchoring the first step in an objective legal standard creates clarity and promotes consistency. Second, if the banking organization is under an obligation to lend but is able to cancel the commitment at any time with or without cause (to the extent permitted by law), the commitment is unconditionally cancelable. If the banking organization is not under any legal obligation to fund in the initial instance, there is no commitment. These steps create a clear delineation between arrangements that create commitments but are classified as unconditionally cancelable and arrangements that are not commitments in the first place.

The proposal's revised definition would scope in a broader group of arrangements without creating clear bounds for that scope. The proposal refers to an intent to capture "advised credit lines" as commitments.⁵³ But "advised credit lines" is not a defined regulatory capital term. The proposal would give rise to questions about the "commitment" status of arrangements that are structured and documented such that the firm is not under any legal obligation to extend credit or purchase assets in the initial instance. These arrangements are non-binding and therefore are outside the scope of the current definition. They merely establish a framework for potential future transactions that would only arise upon the discretionary decision of the banking organization to actually become obligated to extend credit or purchase assets. In each and every instance, the banking organization must take an affirmative step to lend to the customer. These facilities therefore differ legally and economically from true unconditionally cancelable commitments, such as credit cards, where a banking organization must take an affirmative step to *stop* lending to a customer.

The impact of the proposed revisions is particularly significant in the context of the proposed expanded risk-based approach, which would provide a 10% credit conversion factor ("CCF") for unconditionally cancelable commitments,⁵⁴ as compared to the 0% CCF under the current standardized approach.⁵⁵ In addition, off-balance sheet securitization exposures and certain uncommitted arrangements relating to securitizations would be subject to a securitization risk weighting applied to 100% of the undrawn committed amount. The impact of the revised definitions would therefore be even more

⁵³ Basel III NPR at 14,977.

⁵⁴ Proposed §§ 3.112(b)(1) (OCC); 217.112(b)(1) (Federal Reserve); 324.112(b)(1) (FDIC).

⁵⁵ 12 C.F.R. §§ 3.33(b)(1) (OCC); 217.33(b)(1) (Federal Reserve); 324.33(b)(1) (FDIC).

significant for these exposures. As a result, the proposed definitional change would require firms to hold risk-based capital against arrangements that do not legally obligate a firm to lend. The revised definitions would also affect the calculation of the supplementary leverage ratio (“SLR”) for firms subject to the SLR by increasing total leverage exposure, which in turn could also increase GSIB scores and result in higher associated capital surcharges, as applicable. As discussed further below, we are unable to even estimate this additional capital because the proposed definitions do not clearly delineate which arrangements would be considered commitments and which would not.

Overall, the proposed revisions to the definitions would cause the credit risk framework to be unaligned with underlying risk, resulting in over-calibration for credit risk and undermining the overall goal of increasing risk sensitivity. This over-calibration, though wide-ranging in scope, is also unquantified and unacknowledged in the proposals, as discussed below. Such a broad and unquantified change would also disrupt the joint calibration of the revised capital framework and the recent stress testing changes. The agencies have determined the overall calibration across both frameworks is “appropriate.”⁵⁶ Yet if they finalized the proposed changes to the definition of “commitment” and “unconditionally cancelable,” they would be making a wide-ranging change to the capital framework, the impact of which is unknown.

3. The agencies’ proposal to revise the definitions is not sufficient under the Administrative Procedure Act (“APA”).

The agencies’ proposed revisions to the definitions of “commitment” and “unconditionally cancelable” would substantively revise, not merely clarify, the current definitions. The agencies have proposed these revisions without providing adequate explanation or an analysis of the substantive change in policy and effects of the revised definitions (which, as described above, are unknown but significant).

The APA, as interpreted by courts, imposes certain obligations on agencies wishing to revise their regulations. An agency must “examine the relevant data and articulate a satisfactory explanation for its action[,]” and a rule promulgated after the agency “entirely failed to consider an important aspect of the problem” generally fails to meet APA requirements.⁵⁷ An agency “fail[s] to consider an important aspect of the problem” when it does not “consider[] the costs and benefits associated with the regulation.”⁵⁸ An agency also must disclose the “critical factual material” it considered during its deliberation to take the proposed action.⁵⁹ If an agency does not disclose such information, it must provide the public “further opportunity for comment.”⁶⁰ Moreover, when an agency departs from precedent or its current practices, it must “offer a reason to distinguish them’ or ‘explain its apparent rejection of their approach.’”⁶¹ The

⁵⁶ Basel III NPR at 14,960.

⁵⁷ *Motor Vehicle Mfrs. Ass’n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983).

⁵⁸ *Mexican Gulf Fishing Co. v. U.S. Dep’t of Com.*, 60 F.4th 956, 973 (5th Cir. 2023) (citing *State Farm*, 463 U.S. at 43; *Michigan v. EPA*, 576 U.S. 743, 751 (2015)).

⁵⁹ *Chamber of Com. v. SEC*, 443 F.3d 890, 900 (D.C. Cir. 2006).

⁶⁰ *Id.* at 900–01.

⁶¹ *Southwest Airlines Co. v. FERC*, 926 F.3d 851, 856 (D.C. Cir. 2019) (quoting *Tennessee Gas Pipeline Co. v. FERC*, 867 F.2d 688, 692 (D.C. Cir. 1989)).

agency must justify this departure by “show[ing] that ‘the new policy is permissible . . . , that there are good reasons for it, and that [they] believe[] it to be better’ than the previous policy.”⁶²

With respect to the proposed definitional changes, the agencies have not met these obligations. The agencies provide no explanation for why arrangements that impose no legally binding funding obligations on banking organizations, which are legally and economically distinct from unconditionally cancelable commitments such as credit cards, should be treated the same for capital purposes. The agencies justify the revised definition as a “clarification;” however, agencies cannot subvert APA requirements by merely stating that a substantive change is an “interpretation,” or, in this case, a clarification.⁶³ As explained above, the revisions to the definitions of “commitment” and “unconditionally cancelable commitment” are not clarifications. The agencies’ lack of explanation for the reasons for this substantive change indicates they have “entirely failed to consider an important aspect of the problem”⁶⁴ and have also failed to justify their departure from the unambiguous meaning of the current definition, which dates back to 1989.⁶⁵ Moreover, the delineation between not having a commitment and having an unconditionally cancelable commitment has also been a part of the SLR total leverage exposure determinations for more than a decade.⁶⁶ While “[a]gencies are free to change their existing policies[,] in explaining its changed position, an agency must be cognizant that longstanding policies may have ‘engendered serious reliance interests that must be taken into account’” and provide an explanation for

⁶² *Am. Fed’n of Gov’t Emps. v. FLRA*, 25 F.4th 1, 5 (D.C. Cir. 2022) (quoting *FCC v. Fox Television Stations, Inc.*, 556 U.S. 502, 515 (2009)).

⁶³ *Appalachian Power Co. v. EPA*, 208 F.3d 1015, 1024 (D.C. Cir. 2000) (“It is well-established that an agency may not escape the notice and comment requirements . . . by labeling a major substantive legal addition to a rule a mere interpretation.”) (quoting *Paralyzed Veterans of America v. D.C. Arena L.P.*, 117 F.3d 579, 588 (D.C. Cir. 1997)). An interpretation must “spell[] out a duty fairly encompassed within the regulation that the interpretation purports to construe” rather than expand the scope of the rule. *Id.*

⁶⁴ *State Farm*, 463 U.S. at 43.

⁶⁵ Federal Reserve, *Capital; Risk-Based Capital Guidelines*, 54 Fed. Reg. 4,186, 4,204–05 (Jan. 27, 1989) (“Commitments are defined as any legally binding arrangements that obligate a bank to extend credit in the form of loans or leases; to purchase loans, securities, or other assets; or to participate in loans and leases. . . Facilities that are unconditionally cancellable (without cause) at any time by the bank are not deemed to be commitments, provided the bank makes a separate credit decision before each drawing under the facility.”); OCC, *Risk-Based Capital Guidelines*, 54 Fed. Reg. 4,168, 4,177–78 (Jan. 27, 1989) (adopting the original definitions of “commitment” and “unconditionally cancelable”); FDIC, *Capital Maintenance; Final Statement of Policy on Risk-Based Capital*, 54 Fed. Reg. 11,500, 11,514–15 (March 21, 1989) (adopting the original definitions of “commitment” and “unconditionally cancelable,” codified at 12 C.F.R. pt. 325).

⁶⁶ Federal Reserve, OCC, *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule*, 78 Fed. Reg. 62,018, 62,090–91 (Oct. 11, 2013); FDIC, *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule*, 78 Fed. Reg. 55,340 (Sept. 10, 2013).

the change.⁶⁷ Yet the proposal completely fails to acknowledge that the revised definition is a substantive change that does not align with most firms' current practices.

Prior letters explain the prevailing industry practice for the classification of certain facilities under which a banking organization is not obligated to fund under the current capital rule,⁶⁸ which also makes clear for the agencies that the proposed definitional change is not a "clarification." It is generally industry practice to exclude those facilities from reporting as "unused commitments."⁶⁹ As prior letters have explained, this position is consistent with the plain, unambiguous meaning of the current definition of "commitment" in the capital rule.⁷⁰ The agencies state they "have observed an inconsistent application of the current definition of commitment," but they have neither responded to these prior comments—either in the proposals or elsewhere⁷¹—nor have they analyzed which application aligns with the plain, unambiguous meaning of the current definition and which applications do not. The agencies have also not provided any detail on the applications they have observed or the questions they have received, which limits the ability of commenters to provide meaningful feedback on the proposal and the key data and other factual information the agencies relied on in constructing it.

⁶⁷ *Encino Motorcars, LLC v. Navarro*, 579 U.S. 211, 221–22 (2016) (quoting *Fox*, 556 U.S. at 515–16).

⁶⁸ See BPI, Letter re Streamlining the Call Report (OCC Docket ID: OCC-2025-0471; Federal Reserve Docket No. OP-1872; FDIC RIN: 3064-ZA51) (Jan. 30, 2026), available at <https://bpi.com/wp-content/uploads/2026/01/BPI-Comment-Letter-Call-Report-RFI-1.30.26.pdf>; BPI, Reporting of Certain Credit Facilities in the FR Y-9C (Jan. 5, 2026), available at <https://www.federalreserve.gov/apps/proposals/comments/FR-0000-0145-01-C02>; BPI and IIB, Capital Assessments and Stress Testing Reports, FR Y-14 A/Q/M Revisions (OMB Control Number: 7100-034) (August 20, 2024), available at <https://bpi.com/wp-content/uploads/2024/09/BPI-FR-Y-14-Proposal-Comment-Letter-Final.pdf>; BPI, Comments on Federal Reserve Implementation of Capital Assessments and Stress Testing Reports (FR Y-14A/Q/M; OMB No. 7100-0341) (May 2, 2022), available at <https://bpi.com/wp-content/uploads/2022/05/BPI-Comments-on-Federal-Reserve-Implementation-of-Capital-Assessments-and-Stress-Testing-Reports.pdf>; BPI, Reporting of Certain Credit Facilities in the FR Y-9C (March 27, 2020), available at <https://www.federalreserve.gov/apps/proposals/comments/FR-0000-0145-01-C02> (attached as Appendix A).

⁶⁹ See BPI, Reporting of Certain Credit Facilities in the FR Y-9C, at 2 (Jan. 5, 2026), available at <https://www.federalreserve.gov/apps/proposals/comments/FR-0000-0145-01-C02>.

⁷⁰ See BPI, Comments on Federal Reserve Implementation of Capital Assessments and Stress Testing Reports, at 3 (May 2, 2022), available at <https://bpi.com/wp-content/uploads/2022/05/BPI-Comments-on-Federal-Reserve-Implementation-of-Capital-Assessments-and-Stress-Testing-Reports.pdf> ("Under the U.S. capital rules, a 'commitment' is defined as any 'legally binding arrangement that obligates a banking organization to extend credit or to purchase assets.' The key factor for determining whether a credit arrangement is a commitment and therefore subject to a capital assessment is whether the lender in such an arrangement is legally obligated to extend credit. The U.S. capital rules require that risk-weighted assets and leverage exposure amounts be calculated in respect of off-balance sheet exposures, including commitments. Therefore, this proposed revision that would require Defined Facilities to be reported as commitments, would result in an inconsistency in the scope of the arrangements reported in Schedule H and those commitments that attract RWA within the capital framework.").

⁷¹ *Cf. Reytblatt v. Nuc. Regul. Comm'n*, 105 F.3d 715, 722 (D.C. Cir. 1997) ("An agency need not address every comment, but it must respond in a reasoned manner to those that raise significant problems.").

In addition, the agencies “entirely failed to consider an important aspect of the problem”⁷² because the proposals do not provide any analysis of the wide-ranging and potentially significant effects of the expanded scope of the definitions on capital requirements. Given that the proposed definitions do not clearly delineate which arrangements would be considered commitments and which would not, we are unable to estimate the additional capital that would be required. The agencies are not able to estimate the impact either. The agencies’ estimation of the change in CET1 capital requirements for Category I and II firms under the combined expanded risk-based approach proposal, GSIB surcharge proposal, and stress testing proposals utilizes data from the special data collection, FR Y-9C, and FR Y-14 forms as of June 30, 2025.⁷³ Because firms submitted this data using the current definition, the impact analysis inherently does not reflect the effects of the proposed definition changes. There is currently no way to conduct such an analysis given that firms have not submitted data using the proposed definitions and, even if they were requested to, the ambiguity of the proposed definitions would present substantial challenges.

The agencies cannot proceed with the proposed changes to the existing definitions of “commitment” and “unconditionally cancelable commitment” unless and until they propose the revisions together with a reasoned analysis as to why the departure from the current definition is appropriate, as well as an analysis and explanation of the impact of the changes on capital requirements. Accordingly, the existing definitions should be retained, with the proposed revisions removed from the final rule. If the agencies choose to revise the definitions, they must do so through an APA-compliant notice-and-comment rulemaking. Any such rulemaking can and should be conducted separately from expeditiously finalizing the rest of the proposal.

Any subsequent rulemaking that the agencies undertake would, if finalized, ultimately result in a broader definition of a commitment that would, in turn, increase capital requirements. Because the agencies took an overall calibration approach to assessing the effects of the proposal and other pending changes to the capital framework, they must consider the broad calibration implications of any such potential future increase and be cognizant of those implications in any impact analysis provided in a final rule.

B. The final rule should reduce the risk weight for appropriately hedged mortgage servicing assets (“MSAs”) from 250% to 100%.

MSAs are currently subject to a 250% risk weight, with balances above 10% of CET1 capital subject to a full deduction from regulatory capital for Category I and II firms (equivalent to a 1,250% risk weight assuming an 8% capital requirement). The agencies have proposed eliminating the deduction while maintaining the 250% risk weight,⁷⁴ consistent with the risk weight in the current capital rule for MSAs that do not exceed the deduction threshold.⁷⁵ The proposal also seeks comment on whether the current capital treatment of MSAs continues to appropriately reflect the asset’s risk profile. We strongly support

⁷² *State Farm*, 463 U.S. at 43.

⁷³ Basel III NPR at 15,108, n.549, 552, 554, 556.

⁷⁴ *Id.* at 14,955.

⁷⁵ 12 C.F.R. §§ 3.32(l)(4) (OCC); 217.32(l)(4) (Federal Reserve); 324.32(l)(4) (FDIC); 3.131(e)(3)(vi) (OCC); 217.131(e)(3)(vi) (Federal Reserve); 324.131(e)(3)(vi) (FDIC).

the elimination of the deduction threshold and provide below further recommendations to achieve the objectives of the revised treatment of MSAs.

The imposition of a 250% risk weight for MSAs in 2013 contributed to a substantial decline in the share of mortgage servicing activity by banking organizations.⁷⁶ The Financial Stability Oversight Council has noted this development and raised concerns about systemic risk posed by the U.S. housing finance system's reliance on nonbank servicers.⁷⁷ As discussed below, a reduction in the applicable risk weight for appropriately hedged MSAs to 100% would improve alignment between risk and capital and encourage a greater share of mortgage servicing activity to be conducted by institutions subject to comprehensive prudential federal oversight.⁷⁸

MSA valuations represent the present value of the expected net income associated with servicing the underlying loans. The expected net income is dependent on servicing costs, which increase based on the share of non-performing mortgages, and borrower prepayment behavior, which accelerates when mortgage interest rates fall below those on the current loans. The present value calculation also depends on the discount rate applied to the expected cash flows.

The increased risk weight for MSAs implemented as part of changes to the capital rule adopted in 2013 primarily reflected the fallout from the U.S. housing market collapse, which included extraordinary valuation volatility, limited confidence in valuation models, and uneven governance practices for managing distressed mortgages. Since that time, the mortgage servicing environment has materially evolved, including the exit from high-risk lending, the establishment of national servicing standards, and the implementation of standardized loss-mitigation frameworks. Indeed, the COVID-19 pandemic demonstrated how these structural reforms improved the performance of mortgage servicing platforms under extreme operational stress.

MSA values are quite sensitive to interest rate movements—principally through prepayment dynamics. However, the attendant interest rate risk is well understood and managed through various hedging techniques. Moreover, the capital framework does not quantify interest rate risk exposure or create specific RWA charges for interest rate risk; rather, as has long been the case, interest rate risk is largely assessed through supervisory processes instead of binding capital charges. Thus, the current capital

⁷⁶ According to the U.S. Government Accountability Office, the share of loans in Agency mortgage-backed securities serviced by nonbanks rose from 27% in 2014 to 66% in 2024. See GAO, "Nonbank Mortgage Companies: Ginnie Mae and FHFA Could Enhance Financial Monitoring" (Feb. 2026), available at <https://www.gao.gov/assets/gao-26-107436.pdf>. Recent academic research has also established a causal link between the change in MSA risk-based capital charges and the increased share of servicing at nonbanks. See Naser Hamdi et al., "The Rise of Nonbanks in Servicing Household Debt" (2026), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4550175.

⁷⁷ U.S. Financial Stability Oversight Council, "Report on Nonbank Mortgage Servicing" (2024), available at <https://home.treasury.gov/system/files/261/FSOC-2024-Nonbank-Mortgage-Servicing-Report.pdf>.

⁷⁸ To determine whether MSAs are appropriately hedged, the agencies could require firms to demonstrate that they have clearly defined hedging strategies or could allow firms to use any of the three effectiveness assessment methodologies set out in 12 C.F.R. § __.52(c)(2), namely the dollar-offset method, the variability-reduction method or the regression method.

treatment for MSAs is inconsistent with that for other interest rate-sensitive balance sheet assets.⁷⁹ Relatedly, throughout the capital framework, exposures whose cash flows and value are economically linked to an underlying asset are assigned capital requirements that reflect the credit risk of that underlying exposure. This principle applies consistently even where the linked interest may exhibit greater valuation sensitivity than the underlying asset.⁸⁰

Federal Reserve staff recently published a note exploring the value of MSAs under stress, using the models and scenarios from the 2024 stress test.⁸¹ The severely adverse scenario featured an increase in the unemployment rate from 3.7% to 10% over two years, a decline in the mortgage rate from 7.3% to 3.1%, and a 36% decline in house prices. Long-run projections from the stress test model and scenario were then translated to conditional default and prepayment rates that were applied to confidential supervisory data for MSAs. Under the “base” stress scenario examined in the note, the loss in MSA value was 4.8%, increasing to 6% when applied to the most conservative portfolio composition reported (*i.e.*, the composition most sensitive to changes in conditional default rates)—in both cases below the 8% capital requirement associated with a 100% risk-weight for these exposures.⁸² Moreover, these figures were produced using the stress testing framework, which is intended to produce buffer capital requirements beyond those determined by standardized risk-weights.

The credit risk associated with holding MSAs today is substantially less than during the 2007-2009 financial crisis and the attendant interest rate risk is well managed and subject to supervisory scrutiny. Notably, the Federal Reserve’s analysis found that MSA value declines under a severely adverse stress scenario remained below the capital requirement associated with a 100% risk weight, even though the stress testing framework is itself designed to generate additional capital requirements beyond standardized risk weights. These findings suggest that the current capital treatment may be overly conservative and support a recalibration of the applicable risk weight for appropriately hedged MSAs. As a result, we believe that a risk weight of 100% is warranted for appropriately hedged MSAs.

⁷⁹ For example, the value of residential mortgages, from which MSAs are derived, is similarly affected by interest rate movements, but capital requirements for exposures to residential mortgages are exclusively set based on default risk.

⁸⁰ Examples include: (1) accrued interest receivables, which are risk-weighted in accordance with the underlying exposure; (2) securitization exposures, where residual interests and cash-flow entitlements are capitalized based on the credit risk of the underlying asset pool rather than their standalone volatility; and (3) equity investments in funds, where standardized look-through approaches align capital treatment with underlying holdings.

⁸¹ Ronel Elul, Karen Pence, Ben Ranish, and Michael Suher, “Mortgage Servicing Right Valuation Under Stress,” FEDS Notes (June 4, 2026), available at <https://www.federalreserve.gov/econres/notes/feds-notes/mortgage-servicing-right-valuations-under-stress-20260604.html>.

⁸² Two other scenarios were explored in the analysis that yielded higher loss rates: (i) assuming away all the COVID-era house price appreciation; and (ii) assuming that bank servicing portfolios were indicative of the broader market and hence included a much larger share of riskier Ginnie Mae servicing.

C. The final rule should revise the definition of “small or medium-sized entity” (“SME”).

The proposal would define a SME as an entity the reported annual revenues or sales for the consolidated group of which the entity is a part are less than or equal to \$50 million.⁸³ This definition creates a new data collection burden on firms, as firms generally only collect information on revenues or sales for the consolidated group of which the entity is a part at loan origination or subject to re-underwriting, and therefore would need to begin collecting this data annually to determine whether the exposure qualifies for SME treatment. This burden would also extend to the SMEs, who would now be required to provide revenue information much more frequently to their lenders outside of the origination process in order to keep their borrowing costs down.

The final rule should revise the definition to depend on the entity’s revenues or sales at the time of the exposure’s origination or subject to re-underwriting, which is data firms would already collect in order to determine whether to underwrite the loan, to avoid increasing the cost of lending to small businesses and minimize burden on small businesses seeking access to credit. In addition, adding the possibility that these entities move between different exposure categories from year to year (*e.g.*, if sales went above or below the \$50 million threshold in a particular year) would also introduce unnecessary volatility into the capital framework and uncertainty for firms in capital planning. To reduce volatility and associated uncertainty and avoid the new data collection burden, the definition of SME should depend on the data collected at origination or latest re-underwriting.

D. The \$50 million threshold in the definition of SME and the \$1 million threshold in the definition of regulatory retail exposure should be recalibrated to account for inflation and economic growth since the first introduction of these thresholds.

The proposal would provide for the periodic indexing of certain thresholds in the proposed rule for inflation, including the \$50 million threshold for SMEs and the \$1 million threshold for regulatory retail exposures.⁸⁴ However, these thresholds appear to have originated in the June 2004 Basel II standards, and therefore are already outdated given the level of economic growth and inflation since 2004.⁸⁵ In particular, \$50 million is no longer an appropriate threshold to determine what constitutes a SME, as many entities with annual revenues or sales greater than \$50 million have characteristics of a SME. We support the agencies’ proposal to provide for indexing of these thresholds for inflation going forward and urge them to consider doing so retrospectively for changes in economic growth and inflation since 2004.⁸⁶

⁸³ Proposed § __.101(b) (“*Small or medium-sized entity (SME)* means an entity in which the reported annual revenues or sales for the consolidated group of which the entity is a part are less than or equal to \$50 million, as adjusted pursuant to § __.4, for the most recent fiscal year.”).

⁸⁴ Proposed §§ 3.4(a), (c)(3) (OCC); 217.4(a), (c)(3) (Federal Reserve); 324.4(a), (c)(3) (FDIC).

⁸⁵ Basel Committee on Banking Supervision, *International Convergence of Capital Measurement and Capital Standards: A Revised Framework*, at 196 (June 10, 2004), available at <https://www.federalreserve.gov/boarddocs/press/bcreg/2004/20040626/attachment.pdf>.

⁸⁶ These thresholds should be indexed based on nominal GDP rather than CPI-W. See *infra* Section VI.

E. The final rule should provide a lower CCF for credit card transactor exposures that are unconditionally cancelable commitments and revise the definition of transactor exposure.

As discussed in Section II.A above, the current definitions of “commitment” and “unconditionally cancelable” should be retained. Our recommendations in this section are *in addition* to that fundamental point.

CCFs are used to incorporate off-balance sheet activities into RWAs by scaling them to reflect the potential on-balance sheet exposure amount. The proposal would introduce a 10% CCF for unconditionally cancelable commitments,⁸⁷ which would result in outsized capital requirements for certain of these exposures. The agencies explain that this change is to reflect that, although these commitments are unconditionally cancelable, “in practice, risk management practices of the banking organization may constrain the organization’s willingness to cancel such commitments,” and “banking organizations may extend credit or provide funding to support the viability of obligors to which the banking organization has significant ongoing exposure, even when obligors are under economic stress.”⁸⁸

These concerns are substantially less applicable—both conceptually and empirically—to credit card transactor exposures. Transactors in the United States primarily use credit cards for payments and liquidity management, not revolving credit. Thus, it is very unlikely that transactors’ unused commitments will become drawn balances under stress. As shown in Table 1 below, during the 2007-2009 financial crisis, customer draw-down data shows only a modest increase in credit line utilization for transactors (approximately 4.2%), with an even smaller increase observed during the COVID-19 pandemic, both strongly suggesting that a 10% CCF assumption is overly conservative for this segment; only a modest increase in utilization was observed for revolvers as well.

Table 1: Credit Card Utilization During Financial Crisis—Transactors⁸⁹

Global Financial Crisis			
	12/31/2008	12/31/2011	Δ
Drawn (\$BN)	24	30	6
Undrawn (\$BN)	718	374	(344)
Utilization %	3.3%	7.4%	4.2%

COVID-19 Pandemic			

⁸⁷ Proposed § __.112(b)(1).

⁸⁸ Basel III NPR at 14,978.

⁸⁹ Table 1 presents credit card utilization for transactors during the two most recent stress periods. For each period, we capture the drawn and undrawn credit line balances at both the start and end dates. Utilization is calculated as drawn amount divided by total credit line (drawn plus undrawn). The “Δ” column reflects the change from the start to the end of each period. Data is sourced from four universal banks that are members of the FSF.

	12/31/2019	12/31/2022	Δ
Drawn (\$BN)	62	68	6
Undrawn (\$BN)	738	649	(89)
Utilization %	7.8%	9.5%	1.7%

We appreciate that the 10% CCF for unconditionally cancelable commitments was included in the 2017 Basel framework; however, a 10% CCF for both revolving and transactor exposures—but especially transactor exposures—ignores salient differences between the U.S. credit card market and that of the EU and UK. The United States has a much larger proportion of transactor exposures than those other jurisdictions, with industry data showing 43% of credit card exposures at U.S. GSIB credit card issuers are transactors, compared to less than 15% for UK issuers (based on certain data) and potentially an even lower percentage among EU firms.⁹⁰ We therefore recommend that the final rule reduce the CCF applicable to credit card transactor exposures to better align with observed transactor borrowing behavior, and reflect specific characteristics of the U.S. credit card market. According to the Category I Member QIS, assigning a 5% CCF for all transactor exposures would reduce credit risk RWAs by approximately \$51 billion or 1.15%.⁹¹ This would partially mitigate the over-calibration of credit risk capital.

If the CCF remains at 10% for these exposures, the resulting capital increases will likely incentivize affected firms to close infrequently used card accounts and reduce credit card lines as a whole. The effect of line reductions and resulting increased utilization rates (all else equal) will negatively affect consumers' FICO scores, reducing access to and/or increasing the pricing of those consumers' mortgages and auto loans.

Finally, while we appreciate the proposal's recognition that lower-risk transactor exposures should receive a more risk-sensitive risk weight, we strongly recommend that the final rule expand the definition of "transactor" to better reflect the real-world behavior of this low-risk population. Under the proposed rule, the "transactor" risk-weighting applies only to credit cards that have been fully repaid at each scheduled repayment date over a trailing 12-month period.⁹² The agencies should consider providing exceptions for credit card accounts with de minimis balances, skipped payments due to grace periods or bank promotions, missing a payment due date as a result of a simple mistake/human error, and one-to-

⁹⁰ See Bank of England, Prudential Regulation Authority, *CP12/25: Pillar 2A Review – Phase 1* (May 2025), available at <https://www.bankofengland.co.uk/prudential-regulation/publication/2025/may/pillar-2a-review-phase-1-consultation-paper> (indicating the proportion of transactor exposures to all retail unconditionally cancelable commitments at UK banks could be as low as 14%); European Banking Authority, *Policy Advice on the Basel III Reforms: Credit Risk* (Aug. 2, 2019), https://www.eba.europa.eu/sites/default/files/document_library/881123/Policy%20Advice%20on%20Basel%20III%20Reforms%20-Credit%20Risk.pdf (indicating transactor exposures made up only 4% of EU retail exposures based on the limited data received).

⁹¹ Although we are recommending a 5% CCF for transactors, this impact is overstated as it includes the impact on reported RWAs of implementing a 5% CCF for both transactors and certain low utilization revolvers.

⁹² Proposed § __.101(b).

three months of revolving balances due to occasional increased spending (e.g., around the holidays)—behaviors and situations that are common among transactors.

F. The final rule should simplify the framework for exposures to depository institutions, foreign banks, and credit unions.

The proposed three-tier risk weight framework for exposures to depository institutions, foreign banks, and credit unions is operationally complex and can be simplified while preserving the framework’s risk sensitivity. The proposal would establish a three-tier risk-weight framework for exposures to depository institutions, foreign banks, and credit unions: Grade A, Grade B, and Grade C.⁹³ These classifications depend on a combination of investment grade determination, minimum capital ratios, and additional thresholds.⁹⁴ For example, the proposal would provide that an exposure is not a Grade A bank exposure or a Grade B bank exposure if the external auditor of the bank has issued an adverse audit opinion or has expressed substantial doubt about the ability of the bank to continue as a going concern within the previous 12 months.⁹⁵ In addition, the proposal would provide that a Grade A bank exposure would receive a lower 30% risk weight if the bank has a CET1 ratio of at least 14% and a SLR of at least 5% (or Tier 1 leverage ratio of at least 5% if the bank is not subject to the SLR).⁹⁶

Instead of using this operationally complex approach, the agencies should simplify the framework by eliminating the separate criteria for the 30% risk weight for Grade A bank exposures, applying the 30% risk weight to all Grade A bank exposures, and eliminating the requirement that Grade A and Grade B bank exposures rely on reviews of audit opinions.

A 30% risk weight is appropriate for all Grade A exposures in light of the reduced risk they pose. This risk weight is already higher than the 20% risk weight most bank exposures are subject to under the current standardized approach and 30% would align with the risk weight assigned to AAA-A banks under the Basel external ratings-based approach.⁹⁷ Many banks, including many U.S. banks, have credit ratings in the AAA–A range. As a result, non-U.S. firms would be subject to lower capital requirements than U.S. firms for exposures to such highly rated banks. In addition, the requirements for the lower risk weight for certain Grade A bank exposures pose several issues. First, for domestic banks and certain foreign banks, the 14% threshold is double the regulatory requirement, inclusive of applicable buffer requirements, and, in the case of domestic banks, more than double the threshold for well-capitalized status. The proposed 14% threshold would disadvantage a large number of well-capitalized firms as potential counterparties and creates substantial cliff effects that distort lending incentives. That is, a one basis point drop in a counterparty bank’s CET1 below the proposed qualifying threshold would trigger a 33% increase in

⁹³ See proposed § __.111(d).

⁹⁴ See proposed § __.101(b).

⁹⁵ *Id.*

⁹⁶ Proposed § __.111(d)(2).

⁹⁷ 12 C.F.R. §§ 3.32(d) (OCC); 217.32(d) (Federal Reserve); 324.32(d) (FDIC); Basel Committee on Banking Supervision, *Basel Framework, Calculation of RWA for Credit Risk*, CRE 20.18 (June 10, 2025), available at https://www.bis.org/basel_framework/chapter/CRE/20.htm (hereinafter, “Basel Framework”).

required capital for the exposure, despite no meaningful change in the counterparty's actual creditworthiness or systemic risk profile. Second, the 14% threshold is static and, for institutions subject to variable CET1 ratio requirements, would not reflect the extent to which the bank exceeds the requirements applicable to it. Third, the proposed SLR criterion appears based on the former SLR requirement. The agencies' recent rulemaking revised the eSLR such that the eSLR requirement for GSIBs is no longer 5%, but instead the 3% minimum applicable to non-GSIBs plus half of the Method 1 GSIB surcharge.⁹⁸

Aside from the separate criteria for the 30% risk weight, the proposed requirement that a Grade A or Grade B bank exposure not have an adverse audit opinion within the previous 12 months is not operationally practicable and should be eliminated. Audited bank-level financial statements are not always publicly available, so a firm may not have insight into whether there is or is not an adverse audit opinion. Publicly available bank regulatory reports, such as the Call Report, are not audited. In the event that adverse audit opinions are publicly available, that result is likely to be evident in other components of the bank grading framework.

In addition, the final rule should apply a lower risk weight to any bank exposure that has an original or residual maturity of six months or less to reduce ambiguity and promote liquidity. Under the proposal, an exposure to a foreign bank that is a Grade A or Grade B bank exposure and is a "self-liquidating, trade-related contingent item that arises from the movement of goods and that has a maturity of three months or less" may be assigned a risk weight that is lower than the risk weight applicable to other exposures to the same foreign bank.⁹⁹ Short-dated bank-to-bank exposures are also key to providing intra-bank liquidity. The advanced approaches embed recognition of maturity in the risk weight determination, and the current standardized approach generally provides lower risk weights for bank exposures than the proposed expanded risk-based approach. As a consequence, the proposal would excessively increase the capital charges for these short-term exposures, impairing a key source of liquidity for the financial markets. According to the Category I Member QIS, aligning the scope of short-term bank exposures eligible for the lower risk weight to those eligible under the Basel framework would reduce credit risk RWAs by \$13 billion, or 0.28%.^{100,101} This would partially mitigate the over-calibration of credit risk RWAs.

⁹⁸ OCC, Federal Reserve, and FDIC, *Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies*, 90 Fed. Reg. 55,248, 55,251 (Dec. 1, 2025).

⁹⁹ Proposed § __.111(d).

¹⁰⁰ The scope of short-term exposures under the Basel framework does not precisely align with our recommended scope, so this impact would likely be higher for our recommended change.

¹⁰¹ This would further reduce RWAs for counterparty credit risk exposures by \$17 billion.

G. The final rule should extend bank exposure treatment to certain qualifying securities firms and other financial institutions.

The proposal would not treat any exposures to non-depository institution financial institutions as bank exposures and instead would generally treat them as corporate exposures.¹⁰² The agencies should apply the risk weights applicable to bank exposures to exposures to (i) eligible U.S. broker-dealer subsidiaries of U.S. bank holding companies or U.S. intermediate holding companies (“IHCs”) subject to Regulation YY, which are consolidated for the purposes of the parent company-level bank regulatory capital requirements, and (ii) certain foreign securities firm subsidiaries of U.S. bank holding companies or foreign holding companies.¹⁰³ For foreign securities firms, this treatment should be available so long as the securities firm is subject to bank-equivalent regulatory and supervisory requirements either at the (i) parent level or (ii) securities firm level. In particular, UK or EU investment firms subject to the UK or EU bank capital and liquidity requirements should be treated as bank exposures, with their risk weight determined based on the same criteria.

According to the Category I Member QIS, applying the risk weights applicable to bank exposures to exposures to eligible (i) U.S. broker-dealer subsidiaries of U.S. bank holding companies or U.S. intermediate holding companies subject to Regulation YY, which are indirectly subject to parent company-level bank regulatory capital requirements, and (ii) foreign securities firm subsidiaries of U.S. bank holding companies or foreign holding companies would reduce credit risk RWAs by \$16 billion or 0.36%.^{104, 105} This would partially mitigate the over-calibration of credit risk capital. In addition, treating these exposures as bank exposures would improve the risk sensitivity of the U.S. capital framework by recognizing that these financial institutions pose less credit risk than general corporate exposures as a result of compliance with prudential standards and the supervision to which they are subject. This change would also achieve greater alignment with international standards.¹⁰⁶

III. Comments Related to Operational Risk

The agencies’ proposed design of the operational risk framework reflects improvements compared to the operational risk framework proposed in July 2023.¹⁰⁷ While we support certain design changes as compared to the 2023 proposal, particularly with respect to the exclusion of the internal loss multiplier,

¹⁰² Basel III NPR at 14,965, n.70.

¹⁰³ The agencies requested comment on the advantages of treating an exposure to a non-bank financial institution, such as a foreign holding company or broker-dealer subsidiary, as a foreign bank exposure when that foreign jurisdiction has determined that the financial institution is regulated and supervised in a manner equivalent to a bank. *Id.* at 14,967 (Question 14).

¹⁰⁴ The data used to arrive at these figures may include exposures to foreign securities firms that do not meet the criteria outlined above.

¹⁰⁵ This would further reduce RWAs for counterparty credit risk exposures by \$16 billion.

¹⁰⁶ See Basel Framework, CRE 20.40.

¹⁰⁷ OCC, Federal Reserve, and FDIC, *Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity*, 88 Fed. Reg. 64,028 (Sept. 18, 2023).

the netting of certain noninterest income and noninterest expense items, and the recognition of the lower operational risk posed by investment management, investment services, and non-lending treasury services, the overall methodology remains flawed and significant revisions are necessary to achieve an appropriate calibration. The below sections provide recommendations for ways to further improve the calibration of the operational risk framework and reduce burden on firms from aspects of the data collection requirements that are not commensurate with the resulting benefit.

As discussed in Section I.A, we urge the agencies to apply a uniform 12% business indicator coefficient, irrespective of the size of a firm's business volume. This would remove the size-based penalty resulting from the proposed coefficients that increase with business volume that compounds with other aspects of the capital requirements. It would also more appropriately calibrate the operational risk component of the RWA framework, especially in light of the over-calibration for operational risk caused by the overlap between the RWA framework and the stress testing framework. We reiterate the view that because the 2014 and 2016 Basel Committee data used to justify that larger firms necessarily have higher operational risk exposure does not reflect over a decade of change and improvement in operational risk management, it cannot be relied on to reflect the operational risk exposure of larger firms.¹⁰⁸

A. The final rule should not consider accounting restatements or corrections to be operational loss events.

The proposal's definition of "operational loss event" would include "restatements or corrections of financial statements that result in a reduction of capital relative to amounts previously reported."¹⁰⁹

An accounting restatement or correction is not an operational loss in any meaningful economic sense. In addition, the proposal does not clearly define the boundary of what constitutes a "restatement or correction." Firms may revise their historical financial statements due to items such as retrospective application of a change in accounting principles; retrospective reclassification due to a discontinued operation; or restatement as a result of an acquisition or business combination of entities under common control. These restatements do not result from any failure of a firm's internal controls that could be an indicator that the firm is exposed to more serious operational risk but rather are a result of subsequent events that merit a reframing of the firm's financial statements. They are in no way related to operational risk, yet the proposal does not expressly exclude them. The proposal also would subject accounting restatements or corrections to the same \$20,000 threshold as other operational loss events. This threshold would generally not be aligned with a firm's "error threshold" for making accounting adjustments. The error threshold is set by a firm's auditors based on the materiality of the change to the firm's financial statements. Accounting restatements or corrections below the error threshold do not provide any meaningful information about the operational risk faced by the firm. The requirement also results in double counting of certain losses. For example, losses due to fraud would be taken into account in the operational risk calculation as an operational loss event, but the correction of an error in financial

¹⁰⁸ Basel III NPR at 15,014, n.231 (citing Basel Committee on Banking Supervision, *Operational risk – Revisions to the simpler approaches* (Oct. 6, 2014), available at <https://www.bis.org/publ/bcbs291.htm>; Basel Committee on Banking Supervision, *Standardized Measurement Approach for operational risk* (Mar. 4, 2016), available at <https://www.bis.org/bcbs/publ/d355.htm>).

¹⁰⁹ Proposed §§ 3.101 (OCC); 217.101 (Federal Reserve); 324.101 (FDIC).

statements related to the fraud would also be required to be taken into account. Thus, a firm would be required to double count the losses from a single event.

Without a clear materiality threshold and precise scoping criteria, this requirement would require firms to collect data on and incorporate into the operational risk calculation accounting adjustments that are immaterial and have no bearing on operational risk. Therefore, the definition of operational loss event should not include accounting restatements or corrections.

B. The agencies should revise the operational loss event data requirements to provide firms time to align their processes with these requirements.

The proposal would require firms to have processes to collect operational loss event data without specifying how far back this data need go.¹¹⁰ The proposal would require collection of operational loss event data for entities acquired or merged with the firm for the past ten years, including pre-merger or acquisition.¹¹¹ It is not clear whether these requirements would apply only prospectively, including for firms that opt into the expanded risk-based approach or become Category I or II firms after the effective date of a final rule. The operational loss event data collection requirements should apply only prospectively so firms have time to align their data collection with the requirements of the final rule.

The proposal would also require operational loss data for three full years, including any period prior to the merger or acquisition, for entities acquired by or merged with a firm to be included in the business indicator.¹¹² The proposal does not provide a method for incorporating such entities into the calculation if data for the full period required is not available. The final rule should provide that pre-acquisition data for acquired entities need only be incorporated to the extent available, and that the operational loss event data collection requirements only apply after the merger or acquisition is completed.

When a firm acquires a non-banking entity or a firm not subject to the expanded risk-based approach, collecting data for the calculation of the business indicator could present significant challenges. Non-banking entities are not subject to the agencies' regulatory reporting requirements and therefore may have incomplete data. The same is true for a smaller firm that is not subject to the expanded risk-based approach. Collecting this data would impose a significant burden on firms, as the firm would need to reconstruct historical operational loss data. As a result, pre-merger and acquisition entities would create substantial operational burden, without commensurate risk sensitivity benefits, given data availability, quality, and governance limitations. Firms should be permitted sufficient time to align systems, controls, and processes with the rule's requirements.

¹¹⁰ Proposed §§ 3.150(d)(2) (OCC); 217.150(d)(2) (Federal Reserve); 324.150(d)(2) (FDIC).

¹¹¹ Proposed §§ 3.150(d)(2)(i)(B) (OCC); 217.150(d)(2)(i)(B) (Federal Reserve); 324.150(d)(2)(i)(B) (FDIC).

¹¹² Proposed §§ 3.150(c)(4) (OCC); 217.150(c)(4) (Federal Reserve); 324.150(c)(4) (FDIC); *see also* Basel III NPR at 15,011 ("The proposal would include interest income and expenses in the interest component and noninterest income and certain noninterest expenses in the noninterest component. Income and expenses relating to operating leases are typically characterized as noninterest income and noninterest expenses, respectively, in regulatory reports.").

In addition, the proposal does not indicate whether the collection of operational loss event data is required when a firm purchases a portfolio, rather than an entity. Collecting such data may not be possible. For example, if a firm purchased a card portfolio from another firm, it is unlikely that the firm would be able to obtain operational loss event data related to that newly acquired portfolio. The final rule should specify that operational loss event data need not be collected for an acquired portfolio.

C. The final rule should specify the inputs to the operational risk calculation.

The proposed rule provides that the business indicator used in the operational risk calculation equals the sum of the interest, lease, and dividend component and the noninterest component.¹¹³ Both components would net income and expenses.¹¹⁴ As part of the noninterest component, noninterest income would be netted with “noninterest expense for BI,” which would be defined as “other noninterest expense, based on the consolidated financial statements of the [BANKING ORGANIZATION], excluding expenses that relate to non-financial services received by the [BANKING ORGANIZATION] and operational losses. Noninterest expense for the business indicator does not include salaries and employee benefits, expenses of premises and fixed assets, goodwill impairment losses, or amortization expense and impairment losses for other intangible assets.”¹¹⁵

The final rule should expressly provide that “noninterest expense for BI” includes expenses that are directly correlated with financial services activities and that such expenses are eligible for netting against the related income. In particular, the final rule should expressly provide that netting is permitted for market- or volume-driven costs, including brokerage clearing and exchange fees, transaction taxes, license expenses, accounting revenue-recognition gross-ups, regulatory assessment fees, and other expenses directly associated with the provision of specific financial services activities. These expenses should include, without limitation, marketing and business development costs, financial advisor production compensation, consulting costs, legal expenses, and information technology costs, where such expenses are directly tied to income-generating financial services activities. Explicit confirmation that these categories are included within noninterest expense for BI and may be netted would avoid inconsistent application across firms and improve the accuracy of the business indicator by ensuring that it more appropriately reflects the economics of providing financial services, as these expenses represent costs incurred in generating the corresponding income.

Additionally, it is not clear where the various data elements required to calculate the operational risk charge are sourced from, particularly those components that are not sourced from the FR Y-9C or Call Report, such as the noninterest expense for BI component. It is important that the final rule includes clear instructions and sources for the business indicator inputs to avoid inconsistent interpretation across firms. Similarly, the proposal does not indicate how to determine the noninterest income and expenses from investment management, investment services, and non-lending treasury services that is reduced by

¹¹³ Proposed §§ 3.150(c)(1)(i)–(ii) (OCC); 217.150(c)(1)(i)–(ii) (Federal Reserve); 324.150(c)(1)(i)–(ii) (FDIC).

¹¹⁴ See *id.* (providing the formulas to calculate the interest, lease, and dividend component and the noninterest component using income and expenses as inputs).

¹¹⁵ Proposed § __.101(b).

70%.¹¹⁶ The agencies recognized this gap in the preamble, which states that “[a]head of the implementation of any final rule, the agencies plan to issue an update to the FFIEC 101 report, which would include reporting instructions for all items relevant to the calculation of risk-weighted assets for operational risk.”¹¹⁷ The final rule and the forthcoming revised reporting instructions should specify the line items that would be reduced by 70%, as well as the sources for the other data inputs into the proposed standardized approach to operational risk.

IV. Comments Related to Credit Risk Mitigation

The proposal would make important revisions to improve the recognition of credit risk mitigants in capital requirements. For example, the proposal would permit recognition of credit-linked notes as credit risk mitigants and would revise the requirements to recognize financial collateral under the simple approach to better align with firm’s ability to exercise remedies with respect to this collateral. Below we provide suggestions for additional revisions to further improve the recognition of credit risk mitigants and technical suggestions to improve the final rule.

A. The outstanding investment grade debt security requirement in the definition of “eligible guarantor” should be eliminated and replaced with a requirement that the guarantor be investment grade.

To recognize the credit risk mitigation benefits of an eligible guarantee or eligible credit derivative, the proposal would allow substitution of the hedged exposure’s risk weight with the risk weight applicable to an eligible guarantor (not any other counterparty).¹¹⁸ The definition of “eligible guarantor” would not be revised.¹¹⁹ As a result, it would continue to require that an “eligible guarantor” have issued and outstanding an unsecured debt security without credit enhancement that is investment grade and would continue to not include credit insurers as eligible guarantors.¹²⁰

The eligible guarantor requirement should be eliminated. Guarantees and credit derivatives provided by persons or entities other than those that meet the definition of “eligible guarantor” still provide credit risk mitigation benefits. Limiting eligible guarantees to those provided by eligible guarantors would fail to recognize those benefits. The current standardized approach requires an eligible guarantee or eligible credit derivative to be made by an eligible guarantor. Unlike the current standardized approach, however, the expanded risk-based approach would provide different risk weights for guarantors that are

¹¹⁶ Proposed §§ 3.150(c)(1)(ii) (OCC); 217.150(c)(1)(ii) (Federal Reserve); 324.150(c)(1)(ii) (FDIC).

¹¹⁷ Basel III NPR at 15,011, n.223.

¹¹⁸ Proposed §§ 3.120(c)(1) (OCC); 217.120(c)(1) (Federal Reserve); 324.120(c)(1) (FDIC).

¹¹⁹ Basel III NPR at 14,989.

¹²⁰ 12 C.F.R. §§ 3.2 (OCC); 217.2 (Federal Reserve); 324.2 (FDIC); Basel III NPR at 14,989. In Question 51, the agencies seek comment on the investment grade unsecured debt security requirement. Basel III NPR at 14,989 (“Question 51: The agencies seek comment on the requirement that the entity has issued and outstanding an unsecured debt security without credit enhancement that is investment grade to meet the definition of an eligible guarantor. What, if any, alternatives to this requirement should the agencies consider to help to ensure that eligible guarantors can be expected to perform on guarantees and what would the pros and cons of those alternatives be?”).

not eligible guarantors. This variation in risk weights allows for appropriate risk sensitivity without unnecessarily limiting the recognition of credit risk mitigation benefits. According to the Category I Member QIS, removing the “eligible guarantor” requirement to recognize an eligible guarantee would reduce credit risk RWAs by \$10 billion or 0.22%.¹²¹ This would partially mitigate the over-calibration of credit risk capital.

However, if the agencies retain the eligible guarantor requirement, the requirement to have an outstanding unsecured debt security should be eliminated and eligible guarantor status should be aligned with investment grade status. The outstanding unsecured debt security requirement is unnecessarily limiting. The agencies’ objectives with those requirements could be satisfied by requiring an eligible guarantor to be investment grade. The investment grade standard is used elsewhere in the proposed rule and is easily operationalized. Using the existing investment grade standard would simplify the capital framework by harmonizing various aspects of it.

In addition, the definition of “eligible guarantor” requires that the guarantor’s creditworthiness not be positively correlated with the credit risk of the exposures for which it has provided guarantees.¹²² This prohibition on positive credit risk correlation reduces the utility of parent company guarantees when parent companies and guaranteed subsidiaries have similar risk profiles. The requirement that the guarantor’s creditworthiness is not positively correlated with the credit risk of the exposures thus disqualifies most parent guarantees, which are a fundamental credit risk management tool. This requirement misapplies the wrong-way risk concept in the context of parent guarantees, where the relevant credit support is provided by the parent entity.

B. The definition of eligible prepaid credit protection arrangement should be revised in line with the legal relationship underlying these arrangements.

The proposal would recognize prepaid credit protection arrangements, such as fully funded credit-linked notes.¹²³ Paragraph (5) of the definition of eligible prepaid credit protection arrangement requires that the arrangement “[p]rovide[] that entry of the protection provider into receivership, insolvency, liquidation, conservatorship, or similar proceeding does not change the amounts or timing of payments due to be paid by the protection purchaser under the arrangement.”¹²⁴ This provision appears to reflect issues that are relevant in the context of executory contracts, such as collateralized guarantees or credit derivatives, where the protection provider has continuing obligations that could be affected by insolvency proceedings, but those concerns are not relevant to prepaid credit protection arrangements. In a fully funded arrangement such as a credit-linked note, the protection provider fully performs at inception by making a cash payment and thereafter holds only a contractual claim under the note, with no further obligations to the protection purchaser.

¹²¹ This quantification excludes impacts on trading book (FRTB), CVA, derivatives, and securities financing transactions.

¹²² 12 C.F.R. §§ 3.2 (OCC); 217.2 (Federal Reserve); 324.2 (FDIC).

¹²³ Proposed §§ 3.121(c) (OCC); 217.121(c) (Federal Reserve); 324.121(c) (FDIC).

¹²⁴ Proposed §§ 3.2 (OCC); 217.2 (Federal Reserve); 324.2 (FDIC).

When credit events occur on the underlying reference portfolio—as reflected in paragraph (7) of the definition¹²⁵—the prepaid credit protection operates in accordance with its terms to reduce the principal amount owed by the protection purchaser without any further performance by the protection provider. In the capital markets, it is common for notes to have provisions—such as maturity and redemption provisions, conversion provisions, or variable principal amounts—that operate in accordance with their terms independent of and without any involvement of the noteholder. These terms are not remedies against the holder or its property, but rather a term or characteristic of the property (*i.e.*, the claim) itself. Insolvency-related risk with respect to the noteholder is not viewed as a potential impediment to whether the note can operate in accordance with its terms.^{126, 127}

Paragraph (5) of the definition should be revised to *prohibit* any term in a prepaid credit protection arrangement that would change the amounts or timing of payments due to be paid by the protection purchaser under the arrangement due to the entry of the protection provider into receivership, insolvency, liquidation, conservatorship, or similar proceeding. A prohibition, instead of an affirmative requirement as drafted in the proposal, would avoid potential undue constraints on the markets for prepaid credit protection arrangements or disproportionate burdens on firms when using prepaid credit protection arrangements.

In addition, paragraph (6) should be revised to read, “[i]s legally valid and enforceable under *the law governing the arrangement*” to avoid implicating jurisdictions other than those whose law governs the agreement. This is the only relevant law because the protection provider need not take any further action after the purchase price has been paid as long as the terms of the arrangement are enforceable. If

¹²⁵ Paragraph (7) provides that an eligible prepaid credit protection arrangement, “[u]pon a failure by the obligor on the one or more reference exposures to make a contractually required payment, or the occurrence of other credit events as described in the arrangement, allows the protection purchaser promptly to reduce the outstanding balance of the initial principal amount due to the protection provider by the loss of the protection purchaser on the reference exposures without input from the protection provider.” Proposed §§ 3.2 (OCC); 217.2 (Federal Reserve); 324.2 (FDIC).

¹²⁶ The proposed rule acknowledges that insolvency-related risk is not an impediment by requiring a 0% risk weight on the covered/protected portion of an eligible prepaid credit protection arrangement. See proposed § __.120(c); Basel III NPR at 14,992 (“Under the proposal, if the protection amount of the eligible prepaid credit protection arrangement is greater than or equal to the exposure amount of the reference exposure, a banking organization would be allowed to assign a zero percent risk weight to the exposure.”). In contrast, for other types of credit risk mitigants, firms would be required to apply the risk weight of the protection provider. Proposed § __.120(a)(1).

¹²⁷ In contrast, with respect to a collateralized guarantee or derivative, the protection provider posts collateral to the protection purchaser, but the collateral remains property of the protection provider. The protection provider has an ongoing obligation to make credit protection payments, secured by the property that it has provided as collateral. When credit events occur with respect to the underlying reference portfolio, the protection purchaser is entitled either (i) to receive a payment from the protection provider or (ii) to realize upon the collateral pledged by the protection provider to it. In either case, the credit risk mitigant reflects an ongoing obligation of the protection provider, and the collateral remains property of the protection provider unless and until the protection purchaser exercises remedies against it. This is an essential and distinguishing characteristic of a prepaid credit protection arrangement, reflecting the different legal form. And because the legal form is different, the relevant legal issues are different as well.

paragraph (5) is retained as an affirmative requirement, it could be read together with paragraph (6) to require banking organizations to undertake wide-ranging insolvency-law analyses with respect to potential noteholders that would serve no purpose given the legal form of a prepaid credit protection arrangement. Moreover, if a credit-linked note is issued through a clearing agency, such as DTC, the ultimate beneficial owner of the note is not in privity of contract with the issuing banking organization, and an insolvency law analysis with respect to a beneficial owner not in privity of contract with the banking organization would not serve a useful purpose.

C. The final rule should confirm that firms may continue to apply their reservations of authority that permit credit-linked notes to be treated as synthetic securitizations.

The proposal would recognize “eligible prepaid credit protection arrangements” as a credit risk mitigant.¹²⁸ According to the proposal, fully funded credit-linked notes are a common example of a prepaid credit protection arrangement.¹²⁹ Many firms have received reservations of authority permitting credit-linked notes to be treated as synthetic securitizations, but it is unclear what the effect of the proposal would be on these reservations of authority.

The agencies should confirm that firms (1) may continue to issue credit-linked notes pursuant to the existing reservations of authority (in addition to issuing credit-linked notes in accordance with the provisions of the final rule on prepaid credit protection arrangements), and (2) may continue to recognize credit-linked notes issued under existing reservations of authority as credit risk mitigants.

V. Comments Related to Other Aspects of the Proposal

We support certain other aspects of the proposal, including the retention of the non-significant equity exposures risk weight and the removal of the requirement to deduct MSAs over the relevant threshold from regulatory capital. Below we provide suggestions for additional improvements to aspects of the proposal and capital framework not covered by the sections above.

In addition, although this letter generally does not discuss the market risk and CVA risk frameworks and the securitization framework, we support the recommendations from ISDA/SIFMA/IIF and the Structured Finance Association (“SFA”) provided in their separate comment letters on these frameworks and urge the agencies to implement our recommendations and those in the ISDA/SIFMA/IIF and SFA letters. In particular, we support the recommendations with respect to the proposed changes to the securitization definition provided by the SFA in their letter on the proposal.

¹²⁸ Proposed §§ 3.121(c) (OCC); 217.121(c) (Federal Reserve); 324.121(c) (FDIC).

¹²⁹ Basel III NPR at 14,992.

A. The final rule should preserve the accumulated other comprehensive income (“AOCI”) phase-in period if a Category III or IV firm becomes a Category I or II firm during the phase-in period.

The proposal would provide a five-year phase-in for the inclusion of most components of AOCI in regulatory capital for a firm that elects to become subject to the expanded risk-based approach.¹³⁰ The standardized approach proposal would provide the same phase-in for Category III and IV firms.¹³¹ Under the proposed rules, however, it seems that a Category III or IV firm, or a firm with less than \$100 billion in assets that elects to apply the expanded risk-based approach, that becomes a Category I or II firm during the transition period would cease to benefit from the transition period upon becoming a Category I or II firm.

The agencies should provide that previously applicable AOCI transition arrangements continue uninterrupted following a firm’s change in category, and that firms do not forfeit any remaining AOCI transition relief solely as a result of becoming a Category I or II firm. There are potential cliff effects for firms that cross into the Category I or II threshold during the AOCI transition period, which would be mitigated by permitting the firms to continue using the phase-in. When the requirement to include most components of AOCI in regulatory capital was first established for Category I and II firms, those firms benefitted from a four-year phase-in period.¹³² Firms not currently required to include most elements of AOCI in capital should likewise benefit from a full phase-in period.

Further, the final rule should specify that the AOCI transition applies to the calculations of RWAs¹³³ and the denominator of the Tier 1 leverage and SLR ratios. Aligning the treatment across these various calculations would ensure consistency between the numerator and denominator across regulatory capital ratios.

B. The final rule should provide a separate 20% risk weight for affiliated bank exposures.

There is no risk weight particular to the exposure of an IHC to its foreign bank affiliates; such an exposure would be treated like any other bank exposure, and therefore would receive a risk weight in the range from 30% to 150% (assuming it is not a short-term exposure).¹³⁴ IHCs have significant exposures to their foreign affiliates due to intra-group management of risk, as well as the intermediary role IHCs often

¹³⁰ See proposed §§ 3.300 (OCC); 217.300 (Federal Reserve); 324.300 (FDIC).

¹³¹ OCC, Federal Reserve, and FDIC, *Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets*, 91 Fed. Reg. 15,332, 15,335, n.12 (March 27, 2026).

¹³² OCC, *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule*, 78. Fed. Reg. 62,018, 62,078 (Oct. 11, 2013).

¹³³ See 12 C.F.R. §§ 3.2 (OCC); 217.2 (Federal Reserve); 324.2 (FDIC) (defining “exposure amount” of an available-for-sale or held-to-maturity security to exclude net unrealized gains and losses if the firm has made an AOCI opt-out election).

¹³⁴ See Basel III NPR at 14,966 (Table 1 – Proposed Risk Weights for Bank Exposures).

play, facilitating access to the U.S. financial markets. The final rule should provide for a 20% risk weight for an IHC's exposures to its foreign bank affiliates to avoid imposing unduly high capital requirements on IHCs.

C. The business indicator should exclude recharge income.

The proposal would not exclude income relating to non-financial activities provided by a firm to foreign affiliates or parents (recharge income) from the business indicator.¹³⁵ As the agencies contemplated in their specific requests for comment on this issue,¹³⁶ the business indicator should exclude recharge income. Inclusion of recharge income results in excessive operational risk capital requirements for the IHCs of foreign banks, which would have to include income received from affiliates in connection with corporate or shared services, such as those relating to information technology or human resources (non-financial activity). Further, inclusion of recharge income materially overstates operational risk for firms—particularly foreign banking organizations—without reflecting genuine risk. Including such intra-group cost allocations inflates the business indicator and operational risk RWAs despite the fact that the underlying operational risks are already managed, controlled, and often capitalized at the group level.

VI. Technical Comments

In addition to the recommendations set forth above and in response to certain questions asked by the agencies in the proposal, we also recommend the following technical revisions in the final rule.

- **Indexing to nominal GDP:** The agencies requested feedback on the use of CPI-W to index certain thresholds in the proposed rule.¹³⁷ We reiterate our recommendations set forth in BPI and ABA's June 2026 letter submitted on tailoring, which details the importance of indexing based on GDP growth, rather than inflation, as captured by the CPI-W.¹³⁸ CPI-W only captures the prices of consumer goods and services, and therefore excludes key parts of U.S. economic growth, including the price of investment goods and technology (which banks directly finance), which are captured in nominal GDP growth.¹³⁹ Adjusting the thresholds based on nominal GDP would more accurately classify firms based on their

¹³⁵ See proposed §§ 3.150(c)(1) (OCC); 217.150(c)(1) (Federal Reserve); 324.150(c)(1) (FDIC); Basel III NPR at 15,013.

¹³⁶ Basel III NPR at 15,013 ("Question 88: Under what circumstances, if any, would it be appropriate for the business indicator to also exclude income relating to non-financial activities provided by a banking organization, such as an exclusion for income relating to non-financial activities provided to foreign affiliates or parents (recharge income)? What are the advantages and disadvantages of such exclusion, and what distinguishes such potentially excluded income from other income relating to non-financial activities? Please provide any data that would be useful to consider on this issue, including data that would allow the agencies to estimate the impact of such exclusion.").

¹³⁷ *Id.* at 14,961 (Question 8).

¹³⁸ See ABA, BPI, Letter re Regulatory Tailoring Thresholds and Framework (June 3, 2026), available at <https://bpi.com/wp-content/uploads/2026/06/Tailoring-Rule-BPI-ABA-Comment-Letter-6.3.26.pdf>.

¹³⁹ Federal Reserve, Joint Press Release, Statement on Bank Capital Proposals by Governor Christopher J. Waller (March 19, 2026), available at <https://www.federalreserve.gov/newsevents/pressreleases/waller-statement-20260319.htm>.

systemic importance, which would result in a better match between firms' capital requirements and relative importance in the U.S. economy.

- **Adjustments for private mortgage insurance:** The agencies requested feedback on the pros and cons of explicitly recognizing private mortgage insurance in the loan-to-value ratio calculation for purposes of determining the risk weights for regulatory retail exposures.¹⁴⁰ The final rule should recognize adjustments for private mortgage insurance because doing so would further the proposal's objective to formulate more risk-sensitive capital requirements as such adjustments would better reflect actual loss exposure.
- **Exposure amount for retail commitments with no pre-set limit:** To reduce operational burden, the final rule should clarify that the highest total drawn amount used to calculate the committed but undrawn amount may be based on month-end amounts, or end-of-billing-cycle amounts where the billing cycle does not align with month-end, rather than daily balances.¹⁴¹ Firms generally do not maintain 24 months of daily drawn amount data, making a daily calculation impracticable, while month-end or billing-cycle amounts provide a reasonable proxy. Firms should be permitted to elect either methodology, and change that election only with approval from the appropriate federal banking agency.
- **Operating lease revenue in the business indicator component:** The agencies requested feedback regarding the treatment of operating lease income and expenses under the business indicator component.¹⁴² The proposal would not include operating lease (such as auto lease) revenue and expenses in the interest, lease, and dividend component of the business indicator since the income and expenses related to operating leases are characterized as noninterest income and expenses under GAAP and in regulatory reports.¹⁴³ Operating lease (such as auto lease) revenue and associated depreciation expenses should be included in the interest, lease, and dividend component of the business indicator. Their inclusion would align the treatment of auto leases with that of auto loans in the business indicator. Because the operating lease income generated by auto leases is calculated on the basis of a benchmark index plus a spread, and as a result increases or decreases in line with fluctuations in interest rates, the interest, lease, and dividend component is more appropriate than the noninterest component for this revenue stream.

VII. Impact Assessment

Based on the Category I Member QIS, Table 2 below reports the estimated impact of the agencies' capital proposals on aggregate CET1 capital requirements for U.S. GSIBs. The results show that the aggregate reduction in required capital from the proposals is likely less than estimated by the agencies,

¹⁴⁰ Basel III NPR at 14,971 (Question 21).

¹⁴¹ Proposed §§ 3.112(a)(5) (OCC); 217.112(a)(5) (Federal Reserve); and 324.112(a)(5) (FDIC).

¹⁴² Basel III NPR at 15,011 (Question 85).

¹⁴³ Proposed §§ 3.150(c)(1) (OCC); 217.150(c)(1) (Federal Reserve); 324.150(c)(1) (FDIC).

and that capital required under the U.S. capital framework will remain meaningfully higher than that provided by the Basel framework.

Table 2: Impact of Proposed Capital Requirements

	Regulator Proposals				Basel
	Current	ERBA	ERBA + GSIB	ERBA + GSIB + ST	
Required CET1 (\$BN)	808	832	804	786	619
Change (\$BN)	N/A	24	(4)	(22)	(189)
Change (%)	N/A	2.9	(0.5)	(2.7)	(23.4)

The first column, labeled “Current,” reports the current capital requirement based on exposure data from the fourth quarter of 2025 and the regulatory capital rules that were in effect as of January 1, 2026. As shown in Table 2, the current or pre-proposal level of required capital is \$808 billion. The rows labeled “Change (\$BN)” and “Change (%)” show the change in required capital relative to the amount in the first column labeled “Current” in dollars and as a percentage change, respectively.

The next column, labeled “ERBA,” shows the estimated level of capital required under the proposal. Under the proposal, we estimate that U.S. GSIB capital will increase by \$24 billion to \$832 billion, an increase of 2.9%. We note that the estimated impact provided in Table 2 is higher than the estimated 1.4% increase reported in the proposal.¹⁴⁴ Critically, however, the estimate reported in Table 2 does not include an estimate of the impact of the proposed change to the definition of “commitment.” We have not been able to provide a quantitative estimate of the impact of the proposed change because, as further discussed in Section II.A above, the proposed change creates a high level of uncertainty with respect to the exact set of banking relationships that would need to be re-classified as a “commitment” under the proposal. Accordingly, it must be noted that the estimated increase of \$24 billion represents a lower bound on the proposal’s impact on CET1 capital requirements.

The next column, labeled “ERBA + GSIB,” shows the estimated level of required capital from the combined impact of the proposal and the Federal Reserve’s GSIB surcharge proposal.¹⁴⁵ The combined impact of these two proposals is estimated to result in a decrease in required capital for U.S. GSIBs, relative to the current level of required capital, of \$4 billion or 0.5%. The next column, labeled “ERBA + GSIB + ST,”

¹⁴⁴ Basel III NPR at 15,101 (Table VII.3: Cumulative Impact of Proposals on Capital Requirements of Category I and II Bank Holding Companies) (“[T]he estimated changes in risk-weighted assets are extrapolated from the Federal Reserve’s Basel III Endgame Special Data Collection. This data collection details exposures as of Q2 2023 under the agencies’ 2023 Basel III proposal. Adjustments . . . are applied to these data to reflect the current proposal, and the resulting estimates are then extrapolated to data as of Q2 2025.”).

¹⁴⁵ Federal Reserve, *Regulatory Capital Rule (Regulation Q): Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15)*, 91 Fed. Reg. 14,908 (Mar. 27, 2026).

shows the combined capital impact of the proposal, the GSIB surcharge proposal, and the Federal Reserve’s stress test proposal.¹⁴⁶ The combined impact of these three proposals is estimated to result in a decrease in required capital for U.S. GSIBs, relative to Current, of \$22 billion or 2.7%.

The final column, labeled “Basel,” shows the amount of capital required under the Basel framework and provides important context for evaluating the impact of the capital proposals. Under the Basel framework, U.S. GSIBs would be required to maintain \$619 billion in CET1 capital, which is significantly less than under both the current rule and the proposals. This comparison demonstrates that U.S. GSIBs, under the current rule and the proposals, are subject to significantly more stringent capital requirements than contemplated by international standards, potentially resulting in competitive inequity between U.S. firms and firms in other jurisdictions.

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¹⁴⁶ Federal Reserve, *Notice of Proposed Rulemaking regarding Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL*, 90 Fed. Reg. 51,856 (Nov. 18, 2025). In the case of the impact of the changes to the stress testing framework on capital, the capital estimate uses the change in required capital from the stress test changes that is reported in Table VII.3 of the proposal. Basel III NPR at 15,101 (Table VII.3: Cumulative Impact of Proposals on Capital Requirements of Category I and II Bank Holding Companies).

The Associations appreciate the opportunity to comment on the proposal. If you have any questions, please contact the undersigned at sarah.flowers@bpi.com, HBenton@aba.com, scampbell@fsforum.com, MFlood@USChamber.com, and rross@consumerbankers.com, respectively.

Respectfully submitted,

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The Bank Policy Institute is a nonpartisan public policy, research and advocacy group that represents universal banks, regional banks, and the major foreign banks doing business in the United States. The Institute produces academic research and analysis on regulatory and monetary policy topics, analyzes and comments on proposed regulations, and represents the financial services industry with respect to cybersecurity, fraud, and other information security issues.

The American Bankers Association is the voice of the nation's \$26.1 trillion banking industry, which is composed of small, regional and large banks that together employ over 2 million people, safeguard \$20.5 trillion in deposits and extend \$13.7 trillion in loans.

The Financial Services Forum is an economic policy and advocacy organization whose members are the eight largest and most diversified financial institutions headquartered in the United States. Forum member institutions are a leading source of lending and investment in the United States and serve millions of consumers, businesses, investors and communities throughout the country. The Forum promotes policies that support savings and investment, deep and liquid capital markets, a competitive global marketplace and a sound financial system.

The U.S. Chamber of Commerce is the world's largest business federation. It represents approximately 300,000 direct members and indirectly represents the interests of more than three million businesses and professional organizations of every size, in every industry sector, and from every region of the country.

The Consumer Bankers Association is a member-driven trade association, and the only national financial trade group focused exclusively on retail banking—banking services geared toward consumers and small businesses. As the recognized voice on retail banking issues, CBA provides leadership, education, research, and federal representation for its members. CBA members operate in all 50 states. They include the nation's largest bank holding companies as well as regional and super-community banks. The vast majority of CBA's members are financial institutions holding more than \$10 billion in assets.