



May 16, 2025

VIA ELECTRONIC SUBMISSION

Ann Misback, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551

**Re: Modifications to the Capital Plan Rule and Stress Capital Buffer Requirement (Docket R-1866 and RIN 7100-AG92)**

Dear Ms. Misback:

The Financial Services Forum, American Bankers Association, Bank Policy Institute, and Securities Industry and Financial Markets Association (together, the “Associations”) appreciate this opportunity to submit this letter to the Federal Reserve Board (the “FRB”) on its proposed rule (the “Proposal”) to amend the calculation and annual effective date of the stress capital buffer (“SCB”) requirement.<sup>1</sup> The Proposal is of significant importance to those of our member institutions that are subject to supervisory stress tests and the SCB requirement and we appreciate the FRB’s efforts to reduce volatility of SCB requirements through the Proposal.<sup>2</sup>

We are submitting this letter well in advance of the Proposal’s comment deadline to highlight the uncertainty the Proposal creates regarding SCB requirements resulting from the current stress test cycle.<sup>3</sup> We urge the FRB to publicly address this issue as soon as

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<sup>1</sup> Modifications to the Capital Plan Rule and Stress Capital Buffer Requirement, 90 Fed. Reg. 16843 (Apr. 22, 2025).

<sup>2</sup> A description of the associations is included in the Annex to this letter.

<sup>3</sup> This letter focuses on the uncertainty the Proposal introduces for the current stress testing cycle. The Associations expect to submit additional letters discussing their views on the Proposal more broadly prior to the end of the comment period.

possible (and no later than 14 calendar days before the scheduled date for the announcement of 2025 stress testing results).<sup>4</sup>

As detailed below, the end of the Proposal's comment period on June 23, 2025 is one week prior to when the FRB must notify firms of their preliminary SCB requirement (unless otherwise determined by the FRB), after which notification firms have two business days to adjust their planned capital distributions. Presumably, this preliminary SCB requirement would be based on the current rule's calculation methodology. If amendments to the SCB requirement methodology become effective after June 30, 2025, when the FRB is required to provide firms with their preliminary SCB requirement, and prior to the effective date of the upcoming SCB requirement (October 1, 2025), a firm's final SCB requirement (potentially based on a new methodology) could be materially different than its preliminary amount. A similar problem would arise if the FRB adopts a final rule with an effective date after October 1, 2025 but before October 1, 2026, as the uncertainty of a potential change in the SCB's mechanics makes it unclear whether firms' June 2025 decision-making should assume a one-year continuation of the current SCB requirement framework or should instead assume adoption of the Proposal as a final rule. Thus, the FRB cannot accurately convey a firm's SCB requirement, and a firm cannot accurately disclose its SCB requirement and reasonably adjust its capital distributions, if firms do not have certainty that they can assume the current SCB requirement methodology will remain an available methodology for the full twelve-month period beginning October 1, 2025, regardless of whether the FRB does or does not adopt the Proposal as a final rule.

To avoid introducing additional uncertainty regarding the SCB requirement, which would be inconsistent with the Proposal's stated purpose, we urge that the FRB, no later than 14 calendar days before the scheduled date for the announcement of 2025 stress testing results, publicly announce that firms will be permitted to operate under the existing SCB framework through September 30, 2026, regardless of whether the FRB adopts revised SCB mechanics in a final rule with an effective date in that window. This approach would provide the FRB with flexibility to adopt the Proposal as a final rule in an orderly manner at a future date while providing firms and investors with confidence that, at a minimum, the existing SCB methodology will remain an available methodology through September 30, 2026.

#### **I. The Proposal increases uncertainty around firms' 2025 SCBs.**

Under the current SCB rule, a firm's SCB requirement is determined based on its stress capital decline under the severely adverse scenario in the supervisory stress test for a given year and a dividend add-on component, which is comprised of four quarters of the firm's planned dividend payments (corresponding to the fourth through seventh quarters

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<sup>4</sup> This 14-calendar day period coincides with when the FRB is required to notify banking organizations prior to publicly releasing stress testing results. 12 CFR 252.46(b)(2).

of the supervisory stress test planning horizon).<sup>5</sup> The FRB is required to notify firms of its preliminary calculation of a firm's SCB requirement along with an explanation of the results of the supervisory stress test by June 30 of each year (unless otherwise determined by the FRB).<sup>6</sup>

The Proposal, which was released *after* banking organizations obtained approval from their boards of directors for and submitted to the FRB their annual capital plans,<sup>7</sup> would amend the calculation of a firm's SCB requirement beginning this year<sup>8</sup> – and comments on the Proposal are due on June 23, 2025. As such, the FRB cannot accurately communicate preliminary SCB requirements to firms by June 30, 2025, if revisions to the SCB calculation methodology would take effect at any point prior to October 1, 2026.

Moreover, within two business days of the FRB's notice, a firm must inform the FRB of adjustments it may make to its anticipated capital distributions as a result of the FRB's preliminary SCB requirement determination.<sup>9</sup> Both the preliminary SCB requirement and anticipated distributions have historically then been disclosed to investors and the general public.

A firm similarly cannot reasonably adjust its anticipated capital distributions if it is unclear how the SCB requirement will be calculated when the distributions are to be paid out. Additionally, a firm's ability to adjust its distributions would be further complicated as the Proposal would change the quarters of the supervisory stress test planning horizon informing the dividend add-on component.<sup>10</sup>

In addition to providing preliminary SCB requirements to banking organizations, the FRB is also required to publicly release results of the supervisory stress test by June 30.<sup>11</sup> Shortly after the FRB releases these results, banking organizations have historically announced their preliminary SCB requirements as well as their planned dividends.<sup>12</sup>

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<sup>5</sup> 12 CFR 225.8(f)(2).

<sup>6</sup> 12 CFR 225.8(h)(1).

<sup>7</sup> 12 CFR 225.8(e)(1).

<sup>8</sup> 90 Fed. Reg. at 16847.

<sup>9</sup> 12 CFR 225.8(h)(2)(ii).

<sup>10</sup> 90 Fed. Reg. at 16850.

<sup>11</sup> 12 CFR 252.46(b)(1).

<sup>12</sup> *E.g.*, BNY Announces Intention to Increase Quarterly Common Stock Dividend by 12 Percent to \$0.47 per Share (June 28, 2024), available [here](#); Bank of America Comments on Stress Test Results; Plans to Increase Quarterly Dividend 8% to \$0.26 Per Share (June 28, 2024), available [here](#); Citi Announces Stress Capital Buffer Requirement (June 28, 2024), available [here](#); Goldman Sachs Statement on Stress Capital Buffer (June 28, 2024), available [here](#); JPMorgan Chase Plans Dividend Increase and Has Authorized a New Common Share Repurchase Program (June 28, 2024), available [here](#); Morgan Stanley Announces 7.5 Cents Dividend Increase and Authorization of a Renewed \$20 Billion Multi-Year Common Equity Share Repurchase Program (June 28, 2024), available [here](#); State

These announcements provide transparency to investors and the general public, and, as a result of this practice, investors, analysts, and other market participants expect banking organizations to make such an announcement shortly after the FRB's release of supervisory stress test results. Because the methodology to calculate the SCB requirement and the effective date of the new SCB requirement will be uncertain at the end of June 2025, banking organizations may not be able to make these announcements with certainty, inconsistent with market expectations. Such uncertainty could drive public confusion, introduce market volatility, and restrict the flow of capital, including to support lending to the real economy.

The FRB should act as soon as possible, and no later than 14 calendar days prior to releasing this year's stress testing results, to avoid unnecessary capital planning and marketplace confusion and to provide firms and the general public with certainty that, at a minimum, the existing SCB mechanics will remain an available methodology to firms through September 30, 2026.

## II. **The FRB should act quickly to avoid creating additional uncertainty.**

To avoid unnecessary uncertainty and public confusion as to capital requirements based on the current stress testing cycle, the FRB should, prior to or contemporaneously with notifying firms 14 calendar days before the expected release of stress testing results, state publicly that for the 2025 stress testing cycle, banking organizations will be permitted to operate under the existing version of the SCB mechanics, as codified in 12 CFR 225.8(f), regardless of whether a new SCB rule is finalized with an effective date prior to October 1, 2026. This 14-day window would allow firms to prepare to respond to the FRB's notification of their preliminary SCB requirement and for the customary public statements firms make after the FRB releases stress testing results.

This approach would:

- Provide firms and the marketplace with certainty that firms will be able to calculate an SCB requirement reliably in late June 2025;
- Provide the FRB with a path to move forward expeditiously with adopting a final rule in the coming months, including flexibility to make a revised SCB methodology available to firms prior to September 30, 2026 (although firms would be permitted to continue to operate, at each firm's election, under the current SCB methodology through that date);

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Street Corporation Announces Planned 10% Dividend Increase and Preliminary Stress Capital Buffer Requirement (June 28, 2024), available [here](#); Wells Fargo Issues Statement Regarding the Federal Reserve's Stress Test Results and Intention to Raise Dividend by 14% (June 28, 2024), available [here](#).

- Permit the FRB to consider, in the normal course, comments submitted on the Proposal without an urgent requirement to solve for an upcoming timing problem in late 2025 or early 2026; and
- Extend the existing SCB calculation mechanics – adopted through a previous notice-and-comment final rulemaking – for at least one year as an available option.

The FRB may adopt this recommendation at least 14 calendar days prior to announcing stress testing results, by, for example and without limitation, making a public statement confirming that the existing mechanics in 12 CFR 225.8(f) will remain an available methodology through September 30, 2026, regardless of whether or not the FRB adopts the Proposal as a final rule with an effective date in that window. Since these mechanics are already embedded in a final rulemaking of the FRB, it may be expedient to confirm the ongoing availability of these mechanics through a future date without the need to adopt an interim final rule, for example. Under this approach, the FRB could provide firms with the option to “opt in” to revised SCB mechanics prior to October 1, 2026, if the Proposal is adopted as a final rule with an effective date in that window.

Alternatively, the FRB may adopt this recommendation by issuing an interim final rule that prospectively allows firms, after being notified of their preliminary SCB requirement, to continue to operate under the existing mechanics in 12 CFR 225.8(f) through September 30, 2026. In particular, agencies may adopt final rules without notice-and-comment “when the agency for good cause finds . . . that notice and public procedure thereon are impracticable, unnecessary, or contrary to the public interest.”<sup>13</sup> Here, it is impracticable for the FRB to wait for the end of the Proposal’s comment period to mitigate the uncertainty that will follow from communicating banking organizations’ preliminary SCB requirements without confirming that banking organizations may elect to use those to establish their 2025 SCB requirement regardless of whether the FRB adopts the Proposal. Moreover, adopting an interim final rule, rather than revising the Proposal to allow for such an election would help minimize any potential for inaccurate disclosure and near-term volatility in capital requirements. In any final rule adopting the Proposal, the FRB should then re-affirm that banking organizations have the option of calculating their SCB requirement for 2025 based solely their 2025 stress capital decline. We welcome further engagement with the FRB on these and other options to address this issue.

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<sup>13</sup> 5 U.S.C. § 553(b)(B).

Most fundamentally, and regardless of the option the FRB pursues, the FRB should not let a proposal meant to reduce uncertainty as to SCB requirements increase uncertainty in the current stress testing cycle.<sup>14</sup>

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<sup>14</sup> While not urgent to resolve in June 2025, we note that a version of this issue will arise in the future in any final rule that moves the start date of SCBs from October 1 to January 1, since firms will face questions on whether late June announcements should anticipate an October 1 or January 1 start date for revised SCBs. We encourage the FRB to address transition mechanics directly in any final rulemaking to adopt the Proposal.

We would appreciate the opportunity to provide additional input for the FRB's consideration and would welcome the opportunity to meet to discuss our recommendations further. If you have any questions, please contact Sean Campbell of the Financial Services Forum by phone at (202) 821-2574 or by email at [scampbell@fsforum.com](mailto:scampbell@fsforum.com).

Respectfully submitted,

Financial Services Forum  
American Bankers Association  
Bank Policy Institute  
Securities Industry and Financial Markets Association

### Annex

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 **American Bankers Association** is the voice of the nation's \$24.2 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2.1 million people, safeguard \$19.1 trillion in deposits and extend \$12.6 trillion in loans.

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.

**SIFMA** is the leading trade association for broker-dealers, investment banks, and asset managers operating in the U.S. and global capital markets. On behalf of our industry's nearly 1 million employees, we advocate on legislation, regulation, and business policy affecting retail and institutional investors, equity and fixed income markets, and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association.