December 22, 2023

VIA ELECTRONIC SUBMISSION

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551
Docket No. R—1813; RIN 7100—AG64

James P. Sheesley, Assistant Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429
Attention: Comments/Legal OES (RIN 3064—AF29)

Chief Counsel's Office
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, D.C. 20219
Attention: Comment Processing, Docket ID OCC—2023—0008

Re: Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity

Ladies and Gentlemen:

The Financial Services Forum (the "Forum"), the American Bankers Association, the Bank Policy Institute, and the Securities Industry and Financial Markets Association (the "Associations")[1] are writing this letter to the Board of Governors of the Federal Reserve System ("FRB"), the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency (collectively, the "Agencies") in regard to the Agencies' proposed rulemaking that would substantially revise the capital requirements applicable to large banking organizations (the "Proposal"),[2] and in particular to the Proposal's Impact and Economic Analysis. The Proposal would apply to the U.S. global systemically important bank holding companies ("U.S. GSIBs") and would also generally apply to banks with $100 billion or more in total

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1 *See* Appendix for more information on the Associations.

2 88 Fed. Reg. 64028 (Sept. 18, 2023).

assets. We believe the Agencies have materially underestimated the Proposal's impact on the banking sector and the businesses and customers they serve. As detailed below, an analysis by the Forum shows that the Proposal would increase capital requirements for U.S. GSIBs by more than 30 percent, while increasing risk-weighted assets by more than 33 percent, dramatically more than the Agencies' estimates described in the preamble to the Proposal. As we have emphasized from the beginning, increasing bank capital will have widespread economic effects, but stakeholders cannot effectively comment on, and regulators cannot control for, these outcomes if the rule's basic assumptions are flawed.

The Agencies estimate that binding common equity tier 1 capital requirements for Category I and II bank holding companies would increase by 19 percent under the Proposal, and risk-weighted assets would increase by 24 percent from the current U.S. standardized approach for the largest banking organizations.[3] As we have previously noted,[4] the Agencies' estimates that led to this projection were based on: (1) submissions to the Basel Committee on Banking Supervision ("BCBS") prior to the Proposal, which were based on the significantly lower requirements of the BCBS standard and not on the Proposal itself;[5] and (2) outdated balance sheets from banking organizations, dated as of year-end 2021, which also did not account for potential changes in firms' structure, behavior or market conditions since that date.[6] As a result, the Agencies' estimates are inaccurate and incomplete. The Agencies' estimates in the Proposal are further deficient, because they do not reflect that: (1) capital surcharges for some U.S GSIBs are set to increase in 2024; and (2) the FRB GSIB surcharge proposal[7] indicates that the proposed changes are expected to increase GSIB surcharges by an additional 13 basis points, on average.[8]

The final rule, and any assessment of the Proposal's impact on capital, must be informed by up-to-date data pertaining to the Proposal itself, and we believe it must also take into account all components of the Agencies' regulatory capital framework. In this regard, the Forum has conducted a more extensive, data-based assessment of the Proposal's effect on U.S. GSIB capital requirements, including by taking into account potential increases in applicable GSIB surcharges and more recent balance sheet data as of the second quarter of 2023. The Forum's analysis shows that the Proposal, inclusive of expected changes to the GSIB surcharge, would increase capital requirements for U.S. GSIBs by more than 30 percent while increasing risk-weighted assets by more than 33 percent. Even excluding expected changes to the

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3 Proposal at 64169.

4 *See* Letter of Oct. 13, 2023 from the Bank Policy Institute et. al. to the FRB et al (the "October 13 letter").

5 Proposal at 64168.

6 *Id.*

7 88 Fed. Reg. 60385 (Sept. 1, 2023).

8 *Id.* at 60397.

GSIB surcharge, the Forum's analysis demonstrates that the Proposal would increase required capital by over 25 percent.

These capital and risk-weighted asset increases are markedly higher than those provided in the Proposal, demonstrating that the Agencies have materially underestimated the Proposal's impact on industry participants and their customers and counterparties.[9] A more detailed and extensive analysis of relevant data and the expected impacts, including recommendations for changes the Agencies could make to mitigate those impacts, will be included in our forthcoming comment letters on the Proposal on or before the comment deadline.

Based on several inadequacies with the data supporting the Proposal, the Agencies have announced a new and separate data collection to support the rulemaking process. As noted in the October 13 letter, we believe the Agencies should rescind the Proposal immediately and complete, analyze, and make public the results of the Agencies' new quantitative impact study. Only then can the infirmities of the Proposal be addressed through re-proposal in full.

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[9] We understand that the population of bank holding companies considered in the Proposal's estimate of a 19 percent increase in required capital includes one additional Category II bank holding company, but the Forum's analysis indicates that any difference in required capital and risk-weighted asset estimates resulting from compositional differences is negligible.

Thank you for considering these comments.

Respectfully Submitted,

Kevin Fromer
President and CEO
Financial Services Forum

Greg Baer
President and CEO
Bank Policy Institute

Rob Nichols
President and CEO
American Bankers Association

Kenneth E. Bentsen, Jr.
President and CEO
Securities Industry and Financial Markets Association

cc: Mark Van Der Weide
(General Counsel, Board of Governors of the Federal Reserve System)

Harrel Pettway
(General Counsel, Federal Deposit Insurance Corporation)

Benjamin McDonough
(Chief Counsel, Office of the Comptroller of the Currency)

Appendix

The **Financial Services Forum** is an economic policy and advocacy organization whose members are the chief executive officers of 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, financial inclusion, deep and liquid capital markets, a competitive global marketplace, and a sound financial system. Visit our website, fsforum.com.

The **American Bankers Association** is the voice of the nation's $23.5 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2.1 million people, safeguard $18.6 trillion in deposits and extend $12.3 trillion in loans.

The **Bank Policy Institute** is a nonpartisan public policy, research and advocacy group, representing the nation's leading banks and their customers. Our members include universal banks, regional banks and the major foreign banks doing business in the United States. Collectively, they employ almost 2 million Americans, make nearly half of the nation's small business loans, and are an engine for financial innovation and economic growth.

The **Securities Industry and Financial Markets Association** 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 one 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 (GFMA). For more information, visit http://www.sifma.org.