

To: Public Comment File – Docket No. OCC–2023–0008

From: Carl Kaminski, Assistant Director, Bank Advisory, Chief Counsel’s Office

Date: April 29, 2024

Subject: Meeting with representatives from the Financial Services Forum to discuss: Notice of Proposed Rulemaking: “Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity”

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Staffs of the Office of the Comptroller of the Currency (OCC) met with representatives from the Financial Services Forum regarding the agencies’ Notice of Proposed Rulemaking on Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity (the NPR), which was published in the Federal Register on September 18, 2023 (88 FR 64028). The Financial Services Forum representatives discussed their concerns with the projected economic impact of the NPR. The Financial Services Forum representatives stated that the impact of the NPR in the U.S. would be significantly larger than the estimated impact in other jurisdictions to implement the international framework. The Financial Services Forum developed a slide deck outlining its assertions and provided it to the OCC at the meeting.

### Attendees

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OCC

Michael Hsu  
Amrit Sekhon  
Greg Coleman

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Financial Services Forum

Kevin Fromer  
Sean Campbell

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**FINANCIAL  
SERVICES  
FORUM**

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# **Basel III Endgame Comment Overview**

**Impact Assessment and Key Comments**

March 2024

- Basel III Endgame (B3E) represents the most significant capital initiative since the financial crisis – both in terms of its impact and its scope.
- The FSF has undertaken an extensive quantitative assessment of the capital impact of B3E and this analysis supports our commentary.
- In this presentation we discuss the results of our quantitative analysis as well as our most significant comments on the proposal – both general structural comments as well as specific technical comments.
- **The FSF's overall recommendation is that the Basel III Endgame proposal be re-proposed. A full re-proposal is needed to address our concerns.**
- Our comments are more extensive than can be communicated in a single presentation. The FSF is coordinating with several trades (ABA, BPI, ISDA, SFA, SIFMA) and organizing several joint presentations to further elaborate on our collective comments.

# FSF QIS Key Takeaways\*

	FSF QIS W/O-GSIB	FSF QIS W/GSIB	USNPR*	UK	EU
Increase in Required Capital (%)	24.9	29.9	19.0	3.2	5.6
Increase in RWA (%)	32.8	32.8	24.3	-	-

- Broad array of research suggests that the proposal's increase in required capital would **cost the U.S. economy over \$100BN per year\*\*.**

- Estimated capital impact significantly higher than USNPR estimate
  - FSF 24.9% vs. USNPR 19.0%
- Both FSF and USNPR indicate an impact on capital significantly higher than EU and UK implementation of Basel III. This will widen existing capital disparities between U.S and foreign GSIBs.
- FSF capital impact relative to USNPR driven by increased RWA estimate
  - FSF 32.8% vs. USNPR 24.3%

SF estimates are taken from the FSF [comment letter](#), USNPR estimates are taken from the [proposal](#), and estimates for the EU and UK are taken from the [BoE](#). USNPR estimates reflect Category I and II banks. economic impact based on 13 academic research papers that quantify the economic cost of increased capital requirements. The underlying research papers are summarized in an [FSF blog](#).



# | Conclusion

- The USNPR is expected to raise required capital for FSF members by roughly 25%; including the impact of increased GSIB surcharges raises the estimate to roughly 30%.
- The USNPR is over-calibrated and will result in significant economic costs which we have estimated to be on the order of \$100BN per year.
- The proposal does not fully consider its impact with all other requirements (e.g., GSIB) – the Agencies must consider the overall impact of prudential requirements on capital.
- The US implementation of B3E will also widen the existing capital disparity between FSF members and their foreign competitors.
- Our comment letter provides several structural as well as technical recommendations that are informed by a rigorous data analysis and are intended to improve the risk sensitivity and international consistency of the framework.
- The FSF is coordinating with other trades to follow up with several coordinated briefings to engage more deeply on key areas of concern in the USNPR.
- **A full re-proposal of the USNPR is needed to address the concerns we have raised.**