National Bankers Association
1513 P Street NW
Washington, D.C. 20005

January 10, 2024

DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency
Docket ID OCC–2023–0008

FEDERAL RESERVE SYSTEM
Docket No. R–1813, RIN 7100–AG64

FEDERAL DEPOSIT INSURANCE CORPORATION
RIN 3064–AF29

RE: Public Comment on Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity

The National Bankers Association ("NBA" or "Association") appreciates the opportunity to submit comments to the Comptroller of the Currency ("OCC"), the Federal Deposit Insurance Corporation ("FDIC") and the Federal Reserve System ("FRS") (collectively "Agencies") in response to the joint proposed rulemaking for "Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity." While we strongly support the Agencies' objective to strengthen the safety and soundness of our banking system, we are concerned about the potential unintended impacts the proposed changes could have on the cost of banking services for American households and businesses, particularly for underserved and minority communities.

Although the Basel III proposal is geared toward banks with over $100 billion in assets, those institutions have relationships with MDIs who depend on their investment, thereby expanding the reach of the proposal throughout the banking ecosystem. For example, the nation's largest banks are an important source of financing for MDIs and CDFIs. U.S. GSIBs have invested more than $9.5 billion in MDIs and CDFIs and provide technical assistance and employee training to maximize the important reach MDIs and CDFIs have into underserved communities. The MDIs that receive investments from larger banks, which are subject to the proposed capital increases, directly support economic activity and growth in the communities that they serve. As we encourage banks to do more to address challenges in their local communities, including closing the racial wealth gap and responding adequately to climate change, it is important that prudential regulations are consistent with those policy goals.

The National Bankers Association is the leading trade association for the country's minority depository institutions (MDIs). Our members include Black, Hispanic, Asian, Pacific Islander, Native American, and women owned and operated banks across the country who sit on the front lines of helping to close the racial wealth gap by providing access to financial services, mortgages, and small business loans to low- and moderate-income (LMI), minority, and underserved communities. Many of our member institutions are also community development financial institutions (CDFIs) and have become banks of last resort for consumers and businesses underserved by mainstream financial institutions. Members of our Association sit in and serve underserved communities, trying to reduce the economic hardship faced by minority communities, which are historically the most vulnerable during good times and bad.

National Bankers Association
1513 P Street NW
Washington, D.C. 20005

We believe our banks are best positioned to help our communities recover and overcome many of the systemic issues that have placed them at an economic disadvantage.

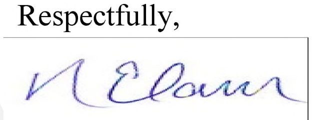
We occupy a unique space amongst our banking trade association peers as we not only advocate for our member institutions but also for the communities we serve. To that end, we take a unique view of regulatory changes that impact our ability to provide assistance to our communities. Regulators recently finalized a joint Community Reinvestment Act (CRA) rule that provides a significant potential boost to many underserved communities by expanding the areas in which financial institutions can receive credit. The history of the Act and many of our member banks both emerge out of discrimination in access to credit that the Act and our institutions seek to address. Therefore, we believe that our members' experiences in engaging with the Act as regulated entities and as the banks of choice for many residents in the LMI communities that the CRA seeks to reach, makes us unique amongst our trade association peers. The NBA advocated for this expansion, but we are now concerned that the impact of the BASEL III changes could undermine this long-sought change.

Given the important role our member institutions play in the communities they serve, we need to do more to preserve and promote them. Our obligation in this regard is not just morally justified but required by federal statute. Passed into law in 1989, Section 308 of the Financial Institutions Reform, Recovery, and Enforcement Act, or FIRREA, requires the Treasury, Federal Reserve, OCC, and FDIC to preserve and promote MDIs in a variety of ways, including preserving the number of MDIs. This statutory obligation should be considered a part of regulators' overall mission to maintain stability and public confidence in the nation's financial system.

As our first line of defense against bank failures and financial instability, robust capital is essential to a strong, resilient economy. We support the Agencies' commitment to fortifying our financial institutions, thereby ensuring safety and soundness in the financial system. As you prepare to finalize the proposal, we urge you to strike the appropriate balance between safety and soundness on the one hand, and consumer access and affordability, with particular sensitivity to the impact on marginalized communities, on the other. A proposal as broad as Basel III could have a myriad of sweeping, unintended consequences, potentially discouraging large banks' investments in minority depository institutions (MDIs) and community development financial institutions (CDFIs).

Given the vast effects of the proposal, we believe it is important that prudential regulations remain consistent with our goals of expanding the reach of MDIs and thereby better serve underserved communities. Otherwise, continued pressure may further push financial services and risk outside the banking system where there is less regulation, supervision, and oversight, making the financial system less able to address these challenges, and ultimately less safe.

Respectfully,



Nicole A. Elam, Esq.
President & CEO