

Proposal: 1813 (AG64) Reg H, Q, LL & YY-Regulatory Capital Rule: Amendments to LBOs and Banking Organizations

Description:

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From: Jeremy Seidlitz

Proposal: 1813 (AG64) Reg H, Q, LL & YY-Regulatory Capital Rule: Amendments to LBOs and Banking Organizations

Subject: R-1813 Regulatory Capital Rule: Amendments Applicable to Large Banking Organizations and to Banking

Comments:

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The agricultural industry has always been a central part of Montana's economy, and the resilience of our farmers and ranchers has been a driving force in sustaining this vital sector. However, I am concerned that the proposed increase in capital requirements would create additional hurdles for these hardworking individuals by hindering their ability to sustain and grow their operations.

The proposal could hurt farmers, ranchers, and other agricultural businesses in a multitude of ways. For instance, the proposed regulations will have a direct impact on the availability of credit for lending. The potential implementation of such measures poses a threat to small businesses, as it would lead to heightened interest rates and a diminished array of borrowing opportunities. This would raise the cost of credit for Montana farmers and ranchers, who heavily rely on accessible and affordable credit for essential activities like purchasing seed, meeting operational expenses, acquiring equipment, and securing land.

Furthermore, the proposed capital hike lacks rationale, given that the U.S. banking system is already adequately capitalized and consistently exhibits resilience. Every hypothesized loss the proposal aims to address has materialized in the form of real-life stress tests, such as the pandemic, and the largest U.S. banks have continued to support the economy despite this under current capital requirements.

Of course, our banks have not acted alone in navigating the economic volatility of the last few years. The Federal Reserve has successfully steered the U.S. economy away from a recession while fighting inflation, which is no small feat. As the Board members continue this important work, I urge them to meaningfully assess the significant costs associated with the proposal. If the livelihoods of farmers and ranchers are jeopardized, consumers across the country risk facing consequences as well.

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