

CPAC FOUNDATION CENTER FOR REGULATORY FREEDOM, ANDREW LANGER

Proposal and Comment Information

Title: Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL, R-1873

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Submitter Information

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Attached are comments from the CPAC Foundation Center for Regulatory Freedom.



515 KING STREET, ALEXANDRIA VA 22314

MEMORANDUM

To: Hon. Jerome Powell, Chairman, Federal Reserve
From: Andrew Langer, Director, Center for Regulatory Freedom, CPAC Foundation
Date: January 22, 2026
Re: **Comments on the Federal Reserve Notice of Proposed Rulemaking, “Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios: Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL,” Docket #FRS-2025-1886-0001, Fed. Reg. 2025-20211, Published November 18, 2025**

Below are comments of the American Conservative Union Foundation's (d/b/a. Conservative Political Action Coalition Foundation) (hereinafter “CPAC Foundation”) Center for Regulatory Freedom (hereinafter “CRF”), in response to the Federal Reserve Notice of Proposed Rulemaking, “Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios: Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL,” Docket #FRS-2025-1886-0001, Fed. Reg. 2025-20211, published November 18, 2025.

CRF is a project of the CPAC Foundation, a non-profit, non-partisan 501(c)(3) research and education foundation. Our mission is to inject a common-sense perspective into the regulatory process, to ensure that the risks and costs of regulations are fully based on sound scientific and economic evidence, and to ensure that the voices, interests, and freedoms of Americans, and especially of small businesses, are fully represented in the regulatory process and debates. Finally, we work to ensure that regulatory proposals address real problems, that the proposals serve to ameliorate those problems, and, perhaps most importantly, that those proposals do not, in fact, make public policy problems worse.

Introduction

The Center for Regulatory Freedom (CRF) appreciates the opportunity to comment on the Federal Reserve's proposal to enhance transparency and public accountability in the supervisory stress testing framework. CRF supports sound financial regulation that promotes systemic resilience while preserving credit availability, market dynamism, and long-term economic growth. Because supervisory stress testing now plays a central role in determining binding capital requirements for large financial institutions, reforms to its governance, transparency, and predictability warrant careful and disciplined consideration.

Supervisory stress tests were developed in the aftermath of the financial crisis as a prudential tool designed to assess whether large, complex financial institutions could withstand severe but plausible economic shocks. Over time, however, stress testing has evolved from a diagnostic supervisory exercise into a principal mechanism through which capital requirements are set, most notably through the stress capital buffer framework. As a result, the structure, assumptions, and implementation of stress tests now directly affect capital allocation, credit pricing, investment decisions, and the availability of financing for households and businesses throughout the economy.

When supervisory tools carry regulatory consequences of this magnitude, principles of accountability, transparency, and predictability are no longer ancillary considerations—they become essential components of sound governance. A framework that materially shapes capital requirements but relies heavily on opaque models, discretionary changes, or unexplained volatility risks undermining both market confidence and the legitimacy of the supervisory process itself. Conversely, a well-designed transparency regime can strengthen trust in supervisory outcomes while improving the quality and credibility of the underlying models.

CRF therefore welcomes the Board's recognition that enhanced disclosure, public engagement, and clearer articulation of modeling and scenario design choices can improve both accountability and effectiveness. The proposal reflects an important institutional acknowledgment that transparency is not inherently in tension with financial stability, and that external scrutiny—when appropriately structured—can serve as a safeguard against model risk, methodological drift, and unintended economic consequences.

At the same time, CRF emphasizes that transparency reforms must be calibrated carefully. Excessive or poorly designed disclosure can incentivize model arbitrage, encourage optimization to the test rather than underlying resilience, and create new vulnerabilities within the financial system. Similarly, rigid scenario design or overly mechanical modeling approaches risk amplifying procyclicality by forcing capital tightening during periods of economic stress, rather than reinforcing the banking system's capacity to support recovery.

Accordingly, CRF's comments focus on how the Board can strike an appropriate balance between transparency and supervisory integrity—one that enhances rule-of-law legitimacy, improves predictability and capital planning, and reduces unnecessary volatility and compliance burden, while preserving the core objective of ensuring that large financial institutions remain resilient under severe economic conditions. With appropriate guardrails, the proposed reforms can strengthen both the stability of the financial system and the broader economy it supports.

Executive Summary

The Center for Regulatory Freedom (CRF) supports the Federal Reserve's effort to improve the transparency and public accountability of the supervisory stress testing framework. Because supervisory stress tests now function as a binding mechanism for setting capital requirements, reforms that clarify how models and scenarios are designed, modified, and applied are essential to maintaining legitimacy, predictability, and confidence in the regulatory system. Increased transparency, if properly structured, can strengthen financial stability rather than weaken it.

At the same time, transparency is not an unqualified good. Disclosure that is poorly calibrated can incentivize model arbitrage, increase procyclicality, and undermine supervisory effectiveness. Likewise, transparency reforms should not become a pretext for expanding data collection or embedding rigid modeling assumptions that amplify volatility in capital requirements. CRF's comments therefore focus on how the Board can advance transparency while preserving supervisory integrity, market confidence, and credit availability.

CRF offers the following key observations and recommendations:

- **Supervisory stress tests now operate as de facto capital regulation.**
Because stress test outcomes directly determine binding capital requirements through the stress capital buffer, the models and scenarios used in those tests must meet higher standards of transparency, explanation, and procedural discipline consistent with rule-of-law principles.
- **Predictability is a prudential virtue, not a deregulatory concession.**
Unexplained model changes and capital requirement volatility impose real economic costs by encouraging defensive over-capitalization and constraining credit availability. Clearer model documentation and advance disclosure of material changes can improve long-term capital planning without reducing stress severity.
- **Public disclosure can improve model quality and accountability.**
Publishing comprehensive model documentation and inviting informed public comment can help identify weaknesses, challenge assumptions, and reduce model risk, while strengthening confidence in the fairness and consistency of supervisory outcomes.
- **Transparency must be designed to avoid gaming and arbitrage.**
Disclosure regimes should prioritize structure, assumptions, and rationale over mechanical detail that could enable firms to optimize narrowly to the test. Approaches such as lagged disclosure, material-change thresholds, and tiered transparency can enhance accountability without compromising resilience.
- **Scenario design reforms should mitigate, not exacerbate, procyclicality.**
Stress tests should remain severe but flexible, testing resilience rather than mechanically intensifying downturns. Scenario guides should support predictability while preserving the Board's ability to adjust severity to avoid reinforcing economic contractions.
- **Transparency should be paired with reporting restraint.**
Improved model clarity should reduce compliance uncertainty and unnecessary data collection. Eliminating obsolete reporting requirements is appropriate, and new data requests should be narrowly tailored to demonstrable supervisory need.
- **Future consideration of CECL warrants caution and discipline.**
Any move to incorporate CECL into supervisory stress testing would raise significant concerns regarding complexity, comparability, and volatility, and should be approached only through a separate, fully vetted notice-and-comment process.

In conclusion, CRF believes the Board’s proposal represents an important opportunity to strengthen the legitimacy and effectiveness of supervisory stress testing through disciplined transparency. By adopting reforms that enhance accountability while avoiding rigidity, gaming, and unnecessary burden, the Board can reinforce both the resilience of the financial system and its capacity to support economic growth.

Section I. Supervisory Stress Tests Now Function as Binding Capital Regulation and Must Meet Rule-of-Law Standards

Supervisory stress testing has evolved well beyond its original role as a diagnostic tool used to inform supervisory judgment. Through the adoption of the Stress Capital Buffer (SCB) framework, stress test outcomes now directly determine binding minimum capital requirements for large banking organizations. A firm’s lowest projected capital ratio under the supervisory stress test—combined with planned distributions—establishes a regulatory buffer that the firm must maintain on an ongoing basis. In practice, this means that the supervisory stress test is no longer merely evaluative; it is determinative.

Because the SCB is recalculated annually and varies based on supervisory modeling choices, the stress testing framework now operates as a dynamic form of capital regulation. Changes to models, assumptions, or scenario design can materially alter required capital levels even in the absence of changes to a firm’s underlying risk profile. As a result, stress testing exerts a direct influence over capital allocation, lending capacity, and balance sheet structure across the financial system. These effects are indistinguishable, in economic substance, from those produced by formal regulatory capital rules.

When supervisory tools carry regulatory consequences of this magnitude, foundational rule-of-law principles must apply. Transparency, notice, and reasoned explanation are not optional features reserved for traditional rulemaking; they are necessary safeguards whenever government action materially constrains private conduct. Firms and markets must be able to understand the standards against which they are being judged, the logic underlying those standards, and the basis for changes that affect legally binding requirements.

Absent such safeguards, supervisory discretion risks drifting into discretionary capital setting without clear or stable standards. While supervisory judgment is an essential component of financial oversight, it must operate within an intelligible and accountable framework. Opaque models, unexplained methodological changes, or shifting assumptions that materially affect capital requirements can undermine confidence in the neutrality and fairness of the supervisory process, even when well intentioned.

Legitimate supervision is distinguishable from unbounded discretion precisely because it is anchored in articulated principles, consistent methodologies, and predictable application. Supervision that relies on clear frameworks and transparent reasoning strengthens compliance incentives and market discipline. By contrast, supervision that produces binding outcomes through mechanisms that are difficult to observe, assess, or challenge risks substituting discretion for standards.

CRF emphasizes that applying rule-of-law norms to supervisory stress testing does not require weakening the severity or conservatism of the tests. Severe scenarios and conservative modeling

choices can coexist with transparency and accountability. Indeed, clear disclosure of how severity is calibrated and how models translate economic stress into capital impacts enhances the credibility of supervisory rigor rather than diminishing it.

For these reasons, CRF supports reforms that recognize the regulatory character of supervisory stress testing and align its governance accordingly. As stress tests continue to function as binding capital regulation, the Federal Reserve should ensure that their design and evolution are accompanied by meaningful transparency, advance notice of material changes, and reasoned explanations sufficient to support accountability, predictability, and confidence in the supervisory framework.

Section II. Transparency Enhances Predictability and Reduces Unnecessary Capital Volatility

A core function of prudential regulation is to provide firms with a stable and intelligible framework within which to plan, invest, and manage risk over time. When capital requirements fluctuate unpredictably due to unexplained changes in supervisory models or assumptions, that function is undermined. In the context of supervisory stress testing, opacity surrounding model changes can introduce significant uncertainty into capital planning, even for well-managed institutions with stable risk profiles.

Unexplained or insufficiently articulated model revisions create capital planning uncertainty by making it difficult for firms to anticipate future requirements or to understand the drivers of changes in stress test outcomes. Faced with this uncertainty, firms rationally respond by holding additional capital buffers beyond regulatory minima as a precaution against adverse supervisory outcomes. While this defensive over-capitalization may reduce supervisory risk, it imposes real economic costs by tying up capital that could otherwise support lending, investment, and market-making activities.

These costs are not borne solely by financial institutions. Higher capital uncertainty translates into higher costs of credit for households and businesses, reduced availability of long-term financing, and diminished capacity for banks to absorb and intermediate risk during periods of economic stress. In this way, opacity in stress testing can inadvertently weaken the very economic resilience that prudential regulation seeks to protect.

By contrast, a more transparent and predictable stress testing framework supports sound long-term decision-making. When firms have a clearer understanding of how supervisory models operate, how scenarios are constructed, and how changes are introduced, they can align capital planning more closely with underlying economic risk rather than supervisory unpredictability. This alignment improves the efficiency of capital allocation and encourages investment decisions based on fundamentals rather than regulatory guesswork.

Predictable stress testing also strengthens market discipline. Investors, counterparties, and analysts are better able to assess risk and capital adequacy when supervisory outcomes can be understood in relation to disclosed methodologies and assumptions. Transparency reduces the likelihood that stress test results will be perceived as arbitrary or idiosyncratic, thereby enhancing confidence in supervisory assessments and reinforcing their signaling value.

Moreover, reducing unnecessary volatility in capital requirements helps limit risk migration into less regulated or opaque sectors of the financial system. When capital standards within the banking system become excessively uncertain or volatile, economic activity may shift toward nonbank channels where comparable safeguards are absent. A transparent and predictable stress testing regime can help maintain a level regulatory playing field while preserving the resilience benefits of strong bank capital.

CRF emphasizes that transparency in this context is not a call for weaker standards or reduced supervisory rigor. It is a call for governance discipline. Clear explanations of model changes, scenario design choices, and their expected effects do not diminish supervisory authority; they constrain it in ways that promote consistency, accountability, and economic stability. Properly implemented, transparency enhances the effectiveness of stress testing by reducing avoidable uncertainty and focusing capital requirements on genuine risk rather than regulatory surprise.

Section III. Public Disclosure Can Improve Model Quality Through External Scrutiny

Sound supervisory modeling depends not only on technical sophistication but also on continual testing, challenge, and refinement. Models that operate largely behind closed doors, even when developed by capable and well-intentioned experts, are vulnerable to methodological drift over time. Without structured external scrutiny, assumptions can harden into defaults, limitations can be underappreciated, and incremental changes can accumulate in ways that meaningfully affect outcomes without adequate evaluation.

Informed external critique plays a valuable role in mitigating these risks. Academic researchers can assess whether modeling approaches reflect current empirical understanding and whether relationships inferred from historical data remain robust under changing economic conditions. Market analysts can evaluate whether supervisory outcomes align with observable risk signals and capital market behavior. Regulated institutions, which possess granular knowledge of portfolio composition and risk dynamics, can identify disconnects between modeled assumptions and real-world exposures. Each of these perspectives offers a different, complementary check on model design and performance.

By contrast, closed modeling frameworks risk reinforcing untested assumptions and embedding cumulative bias. When model changes occur incrementally and without public explanation, it becomes difficult to assess whether results reflect genuine risk evolution or artifacts of modeling choices. Over time, this opacity can erode confidence in supervisory outputs and reduce the credibility of stress test results as a benchmark for resilience. Even well-designed models benefit from periodic challenge, especially when they play a central role in setting binding regulatory requirements.

CRF therefore supports the Board's commitment to publishing comprehensive model documentation and to inviting public comment on material model changes. Providing transparency into model structure, assumptions, and limitations allows external stakeholders to engage constructively with the framework and to offer evidence-based critiques. Equally important is the Board's stated intention to respond to substantive comments on material changes before implementation, which helps ensure that the comment process is meaningful rather than merely procedural.

A robust public comment record also serves as an institutional safeguard against internal model inertia. Formal engagement with external critique encourages periodic reassessment of modeling choices and helps prevent reliance on legacy approaches simply because they are familiar or administratively convenient. Over time, this discipline can improve model accuracy, resilience, and legitimacy, while reinforcing confidence that supervisory stress testing reflects evolving risks rather than static assumptions.

CRF emphasizes that external scrutiny is not a substitute for supervisory judgment, nor does it require disclosure of every technical detail that could compromise supervisory effectiveness. Rather, it is a mechanism for improving model quality through accountability and intellectual rigor. When supervisory models carry regulatory consequences, structured transparency and informed external challenge should be viewed as strengths of the framework, not vulnerabilities.

Section IV. Transparency Must Be Designed to Avoid Incentivizing Model Arbitrage and Gaming

CRF recognizes that transparency in supervisory stress testing presents a genuine design challenge. While greater disclosure can enhance accountability and predictability, uncalibrated or real-time disclosure of highly granular model details could unintentionally incentivize firms to optimize narrowly to the stress test rather than to underlying economic resilience. This concern is legitimate and warrants careful consideration as the Board refines its transparency framework.

Supervisory stress tests are intended to assess a firm's ability to withstand severe but plausible economic stress, not to create a static checklist against which balance sheets are engineered. If disclosure effectively provides a mechanical playbook—revealing precise sensitivities, coefficients, or decision thresholds in advance—it may encourage firms to reallocate risk in ways that improve modeled outcomes without meaningfully reducing real-world vulnerability. Such behavior would weaken the informational value of the stress test and could create new systemic blind spots.

For this reason, CRF supports a calibrated approach to transparency. Disclosure should focus on model structure, core assumptions, conceptual frameworks, and the rationale for key design choices, rather than on providing exhaustive, real-time technical specifications that enable point optimization. Transparency should allow informed observers to understand how models function and how changes affect outcomes, without turning the stress test into a predictable formula that can be reverse-engineered.

Several disclosure design tools can help strike this balance. Lagged disclosure—publishing detailed information about prior-cycle models after they have been used—can enhance accountability and retrospective evaluation without facilitating prospective gaming. Limiting heightened disclosure obligations to material model changes ensures that attention is focused on developments that meaningfully affect capital outcomes, rather than on routine technical refinements. Tiered disclosure, calibrated to the risk profile or complexity of different firms or model components, can further align transparency with supervisory objectives.

Poorly designed disclosure regimes risk undermining both financial stability and public confidence. Excessive transparency that enables arbitrage may weaken the stress test's ability to identify genuine risk, while insufficient transparency can foster perceptions of arbitrariness or

unaccountable discretion. Either outcome would erode trust in supervisory outcomes and reduce the effectiveness of stress testing as a prudential tool.

CRF therefore encourages the Board to view transparency not as an all-or-nothing proposition, but as an exercise in institutional design. By tailoring disclosure to promote understanding and accountability while preserving supervisory flexibility, the Board can strengthen the stress testing framework in a manner that enhances both safety and credibility.

Section V. Scenario Design Reforms Should Reduce Procyclicality, Not Encode It

CRF supports efforts to improve the transparency and predictability of stress test scenario design, but cautions that these reforms must not inadvertently embed procyclicality into the supervisory framework. Stress tests are intended to assess resilience under severe conditions, not to mechanically amplify economic cycles. Scenario design that is overly rigid or excessively formulaic risks forcing capital contraction at precisely the moment when the financial system should be positioned to support households and businesses.

Overly mechanical scenario guides—particularly those that tightly link severity to recent economic conditions—can unintentionally escalate stress during periods of emerging weakness. If declining macroeconomic indicators automatically translate into sharper scenario severity, the resulting capital impacts may compel firms to pull back lending and risk-taking just as economic conditions deteriorate. This dynamic can exacerbate downturns and undermine the stabilizing role that well-capitalized banks are meant to play during periods of stress.

CRF therefore supports the Board’s stated objective of preserving flexibility in severity calibration. Transparent guides can provide useful context and predictability, but they must allow supervisory judgment to account for broader economic conditions and financial system dynamics. Flexibility is particularly important to ensure that stress tests remain severe without becoming mechanistic or reflexive in ways that reinforce cyclical pressures.

It is also important to reaffirm the purpose of supervisory stress testing. Stress tests should evaluate whether firms can maintain adequate capital and continue financial intermediation under hypothetical adverse conditions; they are not forecasts of future economic outcomes. Treating scenarios as predictive rather than diagnostic risks conflating stress testing with macroeconomic policy and can distort both supervisory and market responses.

Accordingly, CRF encourages the Board to explicitly recognize and guard against procyclical effects in scenario design. Continued emphasis on countercyclical safeguards—such as avoiding automatic escalation of severity during economic weakness and retaining discretion to moderate scenario assumptions when appropriate—can help ensure that stress tests reinforce resilience rather than amplify stress.

By maintaining this balance, the Board can enhance the transparency and predictability of scenario design while preserving the core prudential objective of stress testing: ensuring that the banking system remains a source of strength during economic downturns, not a vector of instability.

Section VI. Transparency Should Be Paired With Restraint in Data Collection and Reporting

CRF supports the Board's recognition that transparency and accountability reforms should be accompanied by a reassessment of data collection and reporting requirements associated with supervisory stress testing. The proposed revisions to the FR Y-14 reports appropriately acknowledge that some data elements and documentation requirements are no longer necessary to conduct the supervisory stress test effectively. Removing such items is a constructive step toward aligning reporting obligations with demonstrated supervisory need.

At the same time, CRF cautions against allowing transparency initiatives to become a justification for expanded or more granular data collection. Transparency should clarify how existing information is used, not create pressure to gather additional data simply because it may be useful in the future. Reporting requirements that are speculative, duplicative, or only tangentially related to supervisory objectives impose real costs without corresponding prudential benefits.

Expanded reporting also risks recreating uncertainty in a different form. When firms are required to submit increasingly detailed or overlapping data, they may engage in defensive reporting practices—overproducing documentation to guard against potential supervisory reinterpretation or future use. This dynamic undermines the goal of transparency by shifting focus from risk management to compliance volume.

Improved model clarity should instead reduce compliance guesswork. Clear disclosure of how data inputs feed into supervisory models allows firms to better understand which information is material to stress test outcomes and which is not. This understanding can support more efficient internal systems, targeted data governance, and better alignment between supervisory expectations and firm-level risk management practices.

CRF therefore encourages the Board to continue reviewing FR Y-14 requirements through the lens of necessity and proportionality. Data elements that no longer meaningfully contribute to supervisory modeling should be eliminated, and new data requests should be narrowly tailored, clearly justified, and directly linked to specific modeling improvements. Transparency should operate as a discipline on data collection, not as a rationale for its expansion.

By pairing enhanced disclosure with reporting restraint, the Board can improve the efficiency and credibility of the stress testing framework. Such an approach would reduce unnecessary compliance burdens, improve the quality of supervisory inputs, and reinforce the principle that effective regulation depends as much on what government chooses not to require as on what it demands.

Section VII. CECL Integration Raises Significant Complexity and Volatility Questions

CRF appreciates the Board's decision not to implement the Current Expected Credit Losses (CECL) framework into supervisory stress testing as part of this proposal. This restraint appropriately recognizes that CECL integration would constitute a material change to the stress testing framework with far-reaching implications for model complexity, comparability, and capital volatility. Deferring such a change pending further evaluation and public input reflects sound supervisory judgment.

Incorporating CECL into supervisory stress testing would significantly increase model complexity. CECL requires lifetime loss estimation based on forward-looking assumptions, which would

introduce additional layers of judgment, scenario sensitivity, and methodological variation into an already complex framework. Translating firm-specific CECL methodologies into standardized supervisory models could require extensive assumptions that risk obscuring, rather than clarifying, the drivers of stress test outcomes.

CECL integration would also raise serious comparability concerns. Firms employ diverse CECL models, data sets, and forecasting approaches tailored to their portfolios and business strategies. Incorporating these heterogeneous practices into a supervisory stress test could undermine the consistency and comparability that are central to the stress testing framework's credibility. A regime in which capital outcomes are influenced by accounting model differences rather than underlying economic risk would weaken the stress test's role as a neutral benchmark.

In addition, CECL could amplify volatility in supervisory outcomes. Because CECL is inherently sensitive to changes in economic outlooks and assumptions about future conditions, its integration could cause capital requirements to fluctuate more sharply in response to short-term changes in sentiment or forecasts. Such volatility could reinforce procyclical dynamics and complicate long-term capital planning, particularly during periods of economic uncertainty.

CRF therefore supports the Board's stated commitment to seek public comment before implementing any CECL-related changes to supervisory stress testing. Given the magnitude of the potential effects, any such proposal should be addressed through a separate, dedicated notice-and-comment process that fully evaluates costs, benefits, and alternatives.

Finally, CRF emphasizes that simplicity and conservatism remain legitimate and valuable supervisory principles. While modeling sophistication has its place, greater complexity does not automatically produce better outcomes. A stress testing framework that is understandable, stable, and conservative can be more effective than one that is highly intricate but opaque. Any future consideration of CECL integration should be evaluated against these principles to ensure that supervisory rigor is enhanced rather than compromised.

Conclusion

CRF supports enhanced transparency in supervisory stress testing as a matter of accountability, legitimacy, and sound governance. When supervisory frameworks exert binding effects on capital requirements and credit availability, transparency is essential to maintaining confidence in both the regulatory process and its outcomes. Clear explanation of models, scenarios, and material changes strengthens the credibility of supervision and reinforces public trust in the institutions charged with safeguarding financial stability.

At the same time, effective stress testing depends on balance. Stress tests work best when they are severe but predictable, transparent but not susceptible to gaming, and disciplined rather than discretionary. Excessive opacity undermines legitimacy and fuels uncertainty, while excessive rigidity or disclosure risks distorting incentives and weakening the test's ability to capture genuine risk. A well-calibrated transparency regime can reconcile these competing concerns by promoting understanding without creating mechanical playbooks or amplifying procyclicality.

CRF encourages the Board to finalize reforms that strengthen confidence in the financial system while preserving its capacity to support households and businesses. Predictable and well-governed

stress testing can reduce unnecessary capital volatility, improve long-term planning, and help ensure that strong bank capitalization translates into reliable credit availability throughout the economic cycle. Equally important, transparency reforms should respect the limits of supervisory authority by anchoring discretion within clearly articulated frameworks and reasoned explanations.

In closing, CRF urges the Board to adopt a final rule that balances transparency with resilience in service of long-term economic stability. By pairing enhanced disclosure with disciplined governance, calibrated flexibility, and restraint in data collection, the Board can reinforce the stress testing framework as a credible, effective, and accountable tool for promoting a stable and dynamic financial system.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew M. Langer".

Andrew M. Langer
Director
CPAC Foundation Center for Regulatory Freedom