

ANONYMOUS

Proposal and Comment Information

Title: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations with Significant Trading Activity, and Optional Adoption for Other Banking Organizations, R-1887

Comment ID: FR-2026-0007-01-C07

Subject

Regulatory Capital Rules: Category I and II Banking Organizations, Banking Organizations with Significant Trading Activity, and Optional Adoption for Other Banking Organizations and Regulatory Capital and Standardized Approach for Risk-weighted Assets,"

Submitter Information

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Submitted Date: 03/22/2026

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As a 40 year employee of the largest OCC regulated institutions in the US I would like to share some observations of the downstream regulatory effects of overregulation AND underregulation.

I spent my entire career in asset based lending. A business eschewed and admired by regulators given its tolerance for speculative grade credits, but with much lower LGDs given the culture and expertise within this line of business. It was a critical countercyclical business which was functionally made obsolete by Leveraged Lending guidelines in 2013, excess capital attribution, and opened the path for Private Credit, and depriving the regulated institutions with valuable insight of activities in the larger private markets.

By and large most institutions are well managed and well staffed from a credit granting perspective to small, medium and large sized businesses.

The requirements of sound capital cushions and risk weighted asset methodology is not at issue, what does become problematic from a systemic standpoint is that excess capital requirements imposes an unfair weighting on these at risk activities to the point where institutions make the logical choice of avoiding important lending functions in the economy. The result is underutilized credit capacity and economic growth.

Finally, intrusion into the natural consolidation of commercial banks from woefully excessive numbers of institutions in the 1980s to a more balanced profile by the late 90's to the fateful emergence of woefully underdeveloped competitors in the 2000's mostly in vertical functions ie Investment and S&Ls and asset managers, which directly led to the financial crisis. We could see it real time. But nothing was done despite complaints.

Finally, the regulated Commercial Banks should be the backbone of the capital markets in the USA. No other segment adheres to the regulations, practices rational competition, and supports economic growth better. It is truly a public private partnership honed over centuries of culture in taking prudent risk, surviving political winds and improving the standard of living for all.

It is counterproductive to not have Bank shareholders earn a prudent return on capital by requiring excessive levels of capital for assets that do not have the risk profile that certain politicians think they "may" exhibit. I can tell you as a citizen the last person I want to be making capital allocations for society is a politician.

Thank You

Sent from my iPad