INTERNATIONAL BANCSHARES CORPORATION, DENNIS NIXON

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-C17

Submitter Information

Organization Name: International Bancshares Corporation

Organization Type: Company

Name: Dennis Nixon

Submitted Date: 06/09/2026

International Bancshares
Corporation

June 9, 2026

Via Electronic Delivery to Agency Rulemaking Website Docket

Mr. Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Chief Counsel's Office
Comment Processing
Office of the Comptroller of the Currency
400 7th St, SW, Suite 3E-218
Washington, DC 20219

Hon. Scott Bessent
Secretary of the Treasury
U.S. Department of the Treasury
1500 Pennsylvania Avenue
Washington, DC 20220

Ms. Jennifer M. Jones
Deputy Executive Secretary
Attention: Comments—RIN 3064–AG23 and RIN 3064–AF29
Federal Deposit Insurance Corporation
550 17th Street NW,
Washington, DC 20429

Re: Comments of International Bancshares Corporation on Docket No. 1889 and RIN 7100–AH22; Docket No. R–1887, and RIN 7100–AH20; Docket No. R–1888, and RIN 7100–AH21; OCC-2026-0265; OCC–2026–0034; RIN 3064–AG23; RIN 3064–AF29; Regulatory Capital Rule (Regulation Q): Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y–15); Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations; Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets.

Introduction and Summary of Comment

International Bancshares Corporation ("IBC") welcomes this opportunity to comment on the above-captioned proposal (the "Proposal") to amend the capital requirements applicable to banking organizations. IBC is a $16.6 billion multi-bank financial holding company headquartered in Laredo, Texas. IBC is the parent company of five wholly owned banking subsidiaries (International Bank of Commerce, located in Laredo, Texas; Commerce Bank, located in Laredo, Texas; International Bank of Commerce, located in Brownsville, Texas; International Bank of Commerce, located in Zapata, Texas; and International Bank of Commerce, located in Oklahoma City, Oklahoma) with a total of 166 facilities and 247 ATMs serving 75 communities in Texas and Oklahoma. IBC

Bank's slogan "We Do More" reflects the bank's dedication to the growth and success of the customers and the communities it has been serving since 1966.

On March 19, 2026, the Board of Governors of the Federal Reserve System (the "Board"), together with the U.S. Treasury Department's ("Treasury's") Office of the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation ("FDIC") proposed a series of rule amendments to simplify and reduce the capital burdens on banks and bank holding companies and to better align surcharges with risk.[1] Among other burdens, the Board's rules applicable to financial holding companies ("FHCs") currently impose a penalty capital surcharge on "merchant banking" investments held for more than the standard maximum Regulation Y holding period of 10 years.[2]

IBC respectfully suggests that this regulatory surcharge be ameliorated by extending the Regulation Y standard maximum holding period to 15 years through an amendment to 12 CFR 225.172(b)(1). This can be accomplished by changing "10 years" to "15 years" in that subparagraph. Such an amendment would have the twofold effect of (1) eliminating the requirement that an FHC seek Board approval before retaining a merchant banking investment beyond 10 years for up to 15 years and (2) removing the current capital penalty for an FHC that retains a merchant banking investment during the period of 10 to 15 years after the investment was initially made. The rule imposing limitations on merchant banking investment holding periods is inextricably intertwined with their capital treatment, was amended in 2013 as part of implementation of the Basel III capital requirements and expressly incorporates the capital rules that are the subject of the Proposal. As a result, the merchant banking holding period should appropriately be amended as part of the capital rules amendments that comprise the Proposal.

As discussed immediately below, inclusion of an amendment to the holding period in 12 CFR 225.172(b) as part of the final rules is consistent with both the Proposal's goal of reducing capital burdens and regulatory complexity and with the statutory and regulatory framework within which the Proposal would modify the capital treatment of various investments. In its current form, the Proposal partially addresses the capital burdens associated with merchant banking investments under 12 CFR 217,[3] but does not fully address the burdens associated with holding those investments beyond the current 10-year pre-approved hold period by amending the related provisions of 12 CFR 225.172(b).

As discussed further below, the proposed extension of the merchant banking holding period from 10 to 15 years is justified by market changes since the holding period was

---

[1] 91 Fed. Reg. 14952 (Mar. 27, 2026); 91 Fed. Reg. 14908 (Mar. 27, 2026); 91 Fed. Reg. 15,332 (Mar. 27, 2026).
[2] 12 CFR 225.172(b)(6). A "merchant banking investment" refers to the acquisition or control of shares, assets or ownership interests of a company or other entity that is engaged in any activity not otherwise authorized for the financial holding company under section 4 of the Bank Holding Company Act. 12 C.F.R. § 225.170(a).
[3] *See* 91 Fed. Reg. at 15106, 15,113.

adopted in 2001 that have lengthened "average" portfolio holding periods, and by the fact that the original 10-year limit was always too short to address certain categories of merchant banking investments with long average hold periods (infrastructure, real estate, venture capital) and was based on the average holding period of more standard PE-type merchant banking investments without considering the fact that the right tail of investment holding periods of a portfolio of merchant banking investments follow a Poisson distribution and hence include a portion of portfolio investments with holding periods much longer than the portfolio average hold period.

The current 10-year hold period creates administrative burden and uncertainty for both the Board and FHCs by requiring an administrative approval process for individual orders to extend the hold period of individual merchant banking investments from 10 years to longer periods, and imposes a capital penalty on FHCs that obtain orders to hold a merchant banking portfolio investment beyond 10 years. A 10-year hold period limits the availability of patient equity for the sorts of projects that take longer periods to complete and become mature and ready for more traditional public debt and equity financing or sale. These include single family or multi-family residential real estate developments, energy production and infrastructure, and emerging technologies. Limited availability of patient capital means fewer of these projects get launched than are needed to meet the needs of the American public. Ten years may be long enough for short-term private equity investments of the buy-and-flip variety and those following buy-out and roll-up strategies, but is not sufficient to finance businesses with long-term projects that contribute to economic growth, create jobs, provide housing and help keep down energy costs.

The Proposal should be modified to remove the punitive capital treatment currently applicable to merchant banking investments held beyond 10 years by extending the pre-approved holding period to 15 years.

In 1999, as part of the Gramm-Leach-Bliley Act, Congress authorized FHCs to own "merchant banking" investments. It was hoped that allowing these types of "patient capital" investments would allow FHCs to help unlock economic opportunities with equity investments in private equity, venture capital, infrastructure and other long-term non-traditional investments. Congress delegated to the Board and Treasury the details of such investments, including defining by rule permissible holding periods and capital treatment of these investments.

Under the merchant banking rules in Regulation Y, any merchant banking investments held by an FHC beyond 10 years (and 15 years for qualifying private equity funds) incur a capital surcharge. Regulation Y at 12 CFR 225.172(b)(1) provides that "[e]xcept as provided in this section or § 225.173, a financial holding company may not, directly or indirectly, own, control or hold any share, asset or ownership interest pursuant to this subpart for a period that exceeds 10 years." The rule allows an FHC to obtain an extension of the holding period for a particular investment by seeking and obtaining an individual Board order for that investment. However, the rule requires that as a condition to such an order, the Board impose a capital charge on the adjusted carrying value of the merchant banking investment during the extension period that is "[h]igher than the maximum marginal Tier 1 capital charge applicable under part 217 to merchant banking investments held by that financial holding company" ... and "[i]n no event less than 25 percent of the adjusted carrying value of the investment." [4]

This punitive capital treatment was amended as part of the 2013 Basel III capital rule amendments.[5] Banks are expected to treat merchant banking investments as equity exposures for purposes of assigning the appropriate risk-weights.

Additionally, an FHC may not, without Board approval, directly or indirectly acquire merchant banking investments that exceed: (1) 30 percent of the Tier 1 capital of the FHC; or (2) after excluding interests in private equity funds, 20 percent of the Tier 1 capital of the FHC.

FHCs are expected to calculate the risk weights for merchant bank investments under the Board's capital rules using the framework for equity exposures. Under the Board's current standardized approach (applies to all banks but the larger Category I and II banking organizations), merchant banking investments and certain other types of equity exposures must be assigned a 100 percent risk weight to the extent that the aggregate carrying value of the equity exposures does not exceed 10 percent of the Board-regulated institution's total capital.[6]

The Proposal would, among other things, revise the risk-based capital treatment of certain exposure categories under the standardized approach, focusing on improving the calibration and risk sensitivity of risk weights that are particularly material to covered banking organizations' lending activities.

The proposal for the larger banks (Category I and Category II) references exposures to merchant bank investments (albeit in a limited fashion) in terms of identifying it as a type of banking activity that is included in the risk-weight calculation under the proposed Expanded Risk-Based Framework for determining operational risk-weighted assets due to their income. That notice requests suggestions for other changes to more fully

---

[4] 12 CFR § 225.172(b)(6).
[5] OCC, FDIC, Board, *Final Rule, Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk- weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule,* 78 Fed. Reg. 62018, 62291 (Oct. 11, 2013); Board, Final Rule, *Regulatory Capital Rules; Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations*, 80 Fed. Reg. 70671 (Nov. 16, 2015).
[6] 12 CFR § 217.52(b)(3).

implement the goals of the Proposal.[7] The second proposal, which would apply to all banks that follow the standardized approach, does not specifically mention merchant banking investments, but includes questions and solicits comments related to calculation for risk-weights of equity exposures.[8] IBC believes our suggested change to 12 CFR 225.172(b)(1) is within the scope of the request for comments on risk-weighting of capital exposures.

Amend 12 CFR 225.172(b)(1) to increase holding period for merchant banking investments to 15 years from current 10-year limit.

Section 4(k)(4) of the Bank Holding Company Act ("BHC Act") does not set a maximum holding period for "merchant banking" investments by FHCs. Instead that detail was delegated by Congress to the Board and Treasury to set by a joint rulemaking (together, the "agencies").[9] After surveying the private equity industry, in 2000 ("Interim Rule")[10] and 2001 ("Final Rule"),[11] the Board and Treasury jointly set that limit at ten years, with the possibility of brief extensions by individual Board order.[12] The rule also allows investments in qualifying private equity funds to be owned for up to 15 years.[13]

In their 2000 industry survey, the agencies determined that "merchant banking investments are rarely held beyond these periods and, in fact, are typically sold within 3 to 5 years after the investment is made" and, in the final rule, set a ten-year limit "[to] allow some flexibility for FHCs to adjust their investment exit strategies to account for fluctuations in market conditions."[14] The survey found that the "investment period for direct investments ranged from less than one year to somewhat longer than 10 years, with investments most often held for an average of 5 years under current conditions."[15]
We live in a different world. Now, 26 years on, the rule's maximum holding period for direct investments is too short and should be lengthened to 15 years, because:

---

[7] *See,* 91 Fed. Reg. at 14929, 14,930.
[8] 91 Fed. Reg. at 15,005-15,008, 15026.
[9] 12 USC 1843(k)(4) & (k)(7).
[10] Bank Holding Companies and Change in Bank Control, 65 Fed. Reg. 16460 (Mar. 28, 2000) (Interim Rule).
[11] Bank Holding Companies and Change in Bank Control, 66 Fed. Reg. 8466 (Jan. 31, 2001) (Final Rule).
[12] 12 C.F.R. § 225.172.
[13] 12 C.F.R. § 225.173. Investments in private equity funds are separately limited by the Volcker Rule, which prohibits investments in "covered funds" (including private equity funds) by banking institutions over $10 billion in total consolidated assets. 12 C.F.R. § 248.10(a); 12 C.F.R. § 248.2(r).
[14] Testimony of Governor Meyer to Congress in 2001 on Merchant Banking (Apr. 4, 2001), https://www.federalreserve.gov/boarddocs/testimony/2001/20010404/default.htm.
[15] Bank Holding Companies and Change in Bank Control, 65 Fed. Reg. 16460 (Mar. 28, 2000) (Interim Rule). Before the Final Rule was enacted, some industry participants expressed concern that a holding period maximum of 10 years was too short and would pressure firms to exit investments prematurely and at a price below true value. The Securities Industry and Financial Markets Association ("SIFMA," then the Securities Industry Association) noted that, while it was unusual in 2000 for an FHC to hold an investment for more than 10 years, it was a reality in certain circumstances, and that a limit of 15 years should instead be chosen to provide adequate flexibility, if a firm limit was to be imposed at all. Securities Industry Association, Comment Letter: Merchant Banking and Capital Requirement Rules, Docket Nos. R-1065, R-1067 (May 22, 2000).

- The original survey was focused on holding periods for private equity investments with less attention to other authorized merchant banking investments such as venture capital, real estate and infrastructure investments, which typically have longer average ownership periods;

- The rulemaking gave undue attention to average holding periods and insufficient attention to the whole distribution of holding periods for a portfolio of merchant banking investments which necessarily include some that take longer to reach a liquidity event; and

- Market conditions have changed: average holding periods for private investments are now significantly longer than they were in 2000 and 2001, and the percentage of investments held over 10 years has increased significantly.

Trouble With the Curve

The ten-year holding period was always too short to address the right tail of the distribution of holding periods, even with the possibility of obtaining relief by individual order. Holding periods for private investments are not all at the average. Rather, they resemble a bell curve, with the peak of the curve representing the average, the left side of the curve representing shorter-than-average holding periods and the right side of the curve representing longer-than-average holding periods. Several factors compress the left-side of the curve. The curve necessarily is bounded at zero years because there cannot be a negative holding period, and high transaction costs and limited liquidity of private investments can prevent investments from being sold in fewer than one or two years, at best. These factors, together with the interest of investors exiting investments as soon as practicable, result in the left side of the curve being dense, with a large number of exits compressed between 1-2 years and the peak (average) of the curve.

In contrast, the right side of the curve has a much longer tail, with some investments taking many more years than average to sell at a profit. The distribution of liquidations of private investments approximates a Poisson distribution rather than a normal distribution. This phenomenon was illustrated in 2017 in connection with the multi-year time extensions that banking organizations needed to conform to Volcker Rule divestment dates on their ownership interests in "illiquid funds" invested in private investments made many years prior to enactment of the Dodd-Frank Act.[16] By focusing

---

[16] 12 U.S.C. §§ 1851(c)(3), 1851(h)(7); Federal Reserve Board, Press Release: Federal Reserve Board formalizes previously announced one-year conformance period extension for certain Volcker rule legacy fund investments (July 7, 2016), https://www.federalreserve.gov/newsevents/pressreleases/bcreg20160707a.htm; Federal Reserve Board, Press Release: Federal Reserve Board announces additional details regarding how banking entities may seek extension to conform their investments in a narrow class of funds that qualify as "illiquid funds" to the requirements of the Volcker Rule (Dec. 12, 2016), https://www.federalreserve.gov/newsevents/pressreleases/bcreg20161212b.htm.

on the average, rather than the right tail of the curve, the rule sets a holding period that pressures FHCs to sell aging merchant banking investments to whomever will buy at whatever price they are willing to offer as that ten-year limit approaches. Buyers take advantage of this dynamic, further driving down returns to FHCs on those slower-to-exit investments.

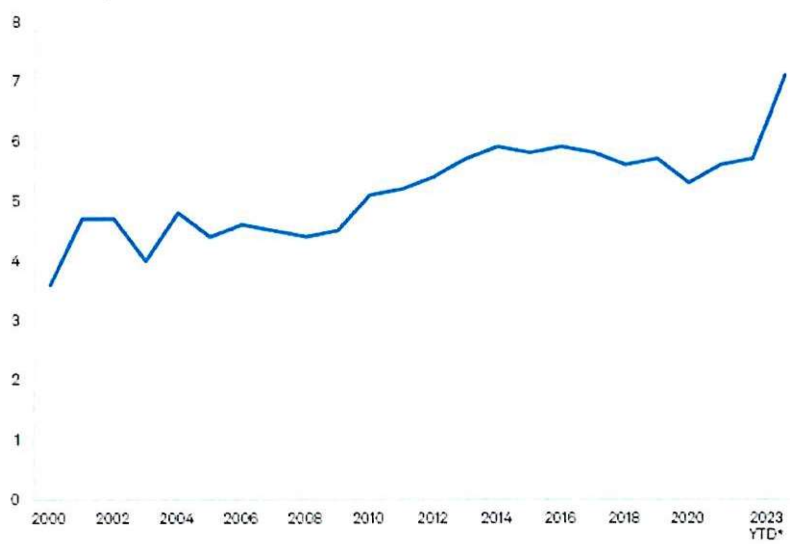
More, the focus of the agencies' 2000 survey was on average holding periods of traditional private equity buyout strategies. But other categories of investments authorized by the merchant banking rule—such as venture capital, real estate and infrastructure investments—have longer average hold periods and a wider distribution (shortest to longest holdings) around that average than do private equity. A ten-year hold period was never calibrated for the full range of permissible merchant banking investments.

Market Conditions Have Changed; Longer Holding Periods Are Now the Norm

Market changes have made the situation even more untenable. The limit no longer reflects current market conditions and now imposes a far greater regulatory burden than it did at the time of its implementation. According to publicly available data, the average holding period for private equity investments has lengthened by over 80% since 2000.[17] While data aggregators differ on where to pin the average holding period in 2000 (ranging between three and five years), they consistently indicate a near doubling in the past 25 years.[18] This lengthening has occurred throughout a variety of sectors. For example, the private equity and venture capital average holding periods for business

Average buyout holding period of US and Canada private equity buyout funds, 2000-2023

Number of years



Data compiled Nov. 15, 2023.
* Year to date through Nov. 15, 2023.
Analysis includes average holding period of US and Canada buyout funds that exited between 2000 and 2023.
Source: Preqin Pro.
© 2023 S&P Global.

---

[17] *See, e.g.*, Karl Angelo Vidal and Annie Sabater, Private equity buyout funds show longest holding periods in 2 decades, S&P Global (Nov. 22, 2025), https://www.spglobal.com/market-intelligence/en/news-insights/articles/2023/11/private-equity-buyout-funds-show-longest-holding-periods-in-2-decades-79033309; Andy Jones, Holding Periods continue to grow, but could peak in 2025, Private Equity Info (Feb. 19, 2025), https://privateequityinfo.com/blog/holding-periods-continue-to-grow-but-could-peak-in-2025;

[18] *Id.*

services investments have risen to 6.2 years, healthcare has risen to 6.4 years, real estate has risen to 7.1 years, and so on.[19] Commentators have identified a variety of potential causes for this widespread lengthening, such as economic instability (including the residual economic impact of the COVID-19 pandemic), increased competition within private equity markets, and elevated interest rates.[20] However, the effect has been clear: firms hold private investments for significantly longer than they did in 2000. When the average holding period increases, the right tail of the distribution of holding periods increases even more.

As economic pressure for firms to lengthen holding periods is increasing, regulatory friction likewise is increasing at the margins. Aging investments with lengthy holding periods have become far more common as part of the overall distribution of private investments.[21] Each investment that cannot be sold off in 10 years forces either an early exit (which is financially disruptive) or requires a bank to seek relief by individual order (which is administratively disruptive, must be repeated annually, is not guaranteed, and results in capital penalties).[22] The lengthening within the outer quartile of holding periods has caused the regulatory burden imposed by the 10-year limit to increase substantially.

An early exit by a banking organization from investments in companies with long-term projects can force a curtailment of the projects and hobble the continued success of the companies involved. The risk and uncertainty to keeping patient financing in place through the full development and maturity of these projects is disruptive to the companies and their workers who create and operate these projects.

Safety and Soundness, Separation of Banking and Commerce, Not Harmed by Lengthening the Maximum Holding Period in the Rule

---

[19] Karl Angelo Vidal, Valuation mismatch prolongs private equity buyout holding periods, S&P Global (June 26, 2025), https://www.spglobal.com/market-intelligence/en/news-insights/articles/2025/6/valuation-mismatch-prolongs-private-equity-buyout-holding-periods-90848130.

[20] *See id.* (identifying rising interest rates as a factor in lengthening holding periods); Juha Joenväärä, Juho Mäkiaho, and Sami Torstila, *Prolonged Private Equity Holding Periods: Six Years Is the New Normal*, 25(1) The Journal of Alternative Investments 65 (Summer 2022) (noting economic disruption and competition as a potential factor for increased lengthening holding periods); Andy Jones, Holding Periods continue to grow, but could peak in 2025, Private Equity Info (Feb. 19, 2025), https://privateequityinfo.com/blog/holding-periods-continue-to-grow-but-could-peak-in-2025 (highlighting residual effects of the COVID-19 pandemic as a potential cause of lengthening holding periods).

[21] *See* Atlas Resolution Partners, The Rise of Tail-End Funds (Oct. 8, 2025), https://atlas-resolution.com/wp-content/uploads/2025/10/Atlas-Whitepaper-The-Rise-of-Tail-End-Funds.pdf (noting that "[t]he recent softness in private equity exit activity has contributed to a shift in the composition of private markets unrealized [net asset value] toward older fund vintages. Since 2018, the weighted average age of unrealized [net asset value] has increased from 5.6 to 6.5 years, and nearly 60% of private markets unrealized [net asset value] was concentrated in funds aged 6 years or more as of December 2024.")

[22] 12 C.F.R. § 225.172(b)(6).

Increasing the holding period limit for merchant banking investments to 15 years is unlikely to negatively affect the safety and soundness of the U.S. financial system or individual banks, or jeopardize the historical separation between banking and commerce. The Board and Treasury noted in their 2001 rulemaking that the financial risks from merchant banking activities are best addressed not by holding period limits, but by appropriate capital levels and strong risk management policies and practices.[23] The Board already imposes capital requirements specific to merchant banking investments, including a general requirement that banking organizations hold adequate capital for merchant banking activities appropriate to their size, complexity, and financial condition, as well as a capital penalty for merchant banking investments held for longer than the preapproved time limit in 12 CFR 225.172(b) (currently 10 years).[24] The Board's restrictions on affiliate transactions related to merchant banking investments further address potential safety and soundness issues associated with merchant banking investments.[25] Moreover, separation of banking and commerce issues associated with merchant banking activities are addressed by other regulations, such as the Board's prohibition on FHCs being routinely involved in the day-to-day operations of a portfolio company (including prohibitions on joint marketing or other joint operations).[26]

Unduly short holding period limits may instead undercut the purpose of the merchant banking authority and its contribution to FHC profitability and ability to serve as a source of financial strength for subsidiary banks: namely, restrictive holding periods pressure banks to dispose of investments before their full value can be realized. Strangely, the merchant banking rule holding period of ten years (where the purpose is expressly to achieve capital appreciation) is the same as the maximum holding period for collateral received by a bank or bank holding company from a debtor on foreclosed loans ("DPC" assets) where the purpose is loss recovery and capital appreciation objectives are specifically prohibited.[27]

For these reasons, adjusting the holding period limit to 15 years would not negatively impact safety and soundness, but instead would recalibrate the capital requirements and regulatory burden of merchant banking portfolio investments to current market conditions, and in fact protect the safety and soundness of the banking organization by allowing the investment to mature and be liquidated at the best price.

Conclusion

---

[23] Bank Holding Companies and Change in Bank Control, 66 Fed. Reg. 8466, 8477-78 (Jan. 31, 2001) ("The Board and the Secretary also believe that the financial risks from merchant banking activities are best addressed by appropriate capital levels and by strong risk management policies and practices.").

[24] 12 C.F.R. § 225.172(b)(6); Federal Reserve Supervisory Letter on Supervisory Guidance on Equity Investment and Merchant Banking Activities, SL 00-9 (revised Feb. 26, 2021).

[25] 12 U.S.C. § 371c; 12 C.F.R. § 225.176(b).

[26] 12 C.F.R. § 225.171(f).

[27] 12 U.S.C. §§ 29, 1843(c)(2); 12 C.F.R. §§ 1.7, 225.22(d).

Under the Board's and Treasury's rules, the capital rules that are the subject of the Proposal are inextricably intertwined with the time limits on FHC ownership of merchant banking investments. Amending the pre-approved hold period of 12 CFR 225.172(b) to 15 years from the current 10-year limit would be an appropriate refinement of the Proposal to more fully achieve the objectives of the current rulemaking. This change to a 15-year holding period will provide more patient capital for companies in key areas such as energy production, transportation, distribution and other infrastructure as well as single- and multi-family real estate development projects, emerging technology, small and mid-sized businesses and other key economic sectors where investment periods often extend beyond ten years. We therefore respectfully suggest that the Proposal be modified to include an amendment of 12 CFR 225.172(b)(1) to replace "10 years" with "15 years".

Respectfully submitted,

Dennis E. Nixon
President & CEO