ALLY FINANCIAL INC., RUSSELL HUTCHINSON

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-C33

Submitter Information

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Organization Type: Company

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By Electronic Submission

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551
Attention: Benjamin W. McDonough, Secretary

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429
Attention: Jennifer M. Jones, Deputy Executive Secretary; Comments/Legal OES (RIN 3064–AF29)

Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, D.C. 20219
Attention: Chief Counsel's Office, Comment Processing

Re: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations (Federal Reserve Docket No. R-1887, RIN 7100-AH20; FDIC RIN 3064-AF29; Docket ID OCC-2026-0265)

Ladies and Gentlemen:

Ally Financial Inc. ("Ally," "we," "our," or "us") appreciates the opportunity to comment on the Notice of Proposed Rulemaking[1] (the "Proposal") issued by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), the Office of the Comptroller of the Currency

[1] Federal Reserve, OCC, FDIC, Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations, 91 Fed. Reg. 14952 (March 27, 2026).

(the "OCC") and the Federal Deposit Insurance Corporation (the "FDIC"), which would modernize the capital requirements applicable to Category I and II depository institution holding companies and depository institutions and revise the market risk capital framework for banking organizations with significant trading activity.

Ally supports the agencies' objectives of improving the regulatory capital framework for covered banking organizations by enhancing its risk sensitivity and consistency and by simplifying core components of its design while supporting the safety and soundness of covered banking organizations and U.S. financial stability.

Whereas Ally submitted a comment letter in 2024 in respect of the agencies' prior proposal in which we voiced a number of overarching concerns, including unintended negative consequences to consumers and small businesses, we have no such concerns in respect of the Proposal, which we believe succeeds in achieving a more streamlined framework that better aligns the underlying risk of the business to capital requirements. We commend the agencies' efforts on the Proposal, and are grateful for the opportunity to submit comments that we believe support and align with the agencies' objectives.

This letter specifically addresses Question 85 of the Proposal regarding the treatment of income and certain expenses relating to operating leases in the context of the Business Indicator calculation for Operational Risk under (and as defined in) the Proposal.[2]

Ally is well suited to respond to Question 85 given its long-standing expertise in consumer automotive lending and leasing and the accounting and economics of operating lease assets, including lease income, depreciation, and impairment expenses.

For the reasons discussed in this letter, we recommend the banking agencies clarify that, for purposes of the Business Indicator calculation, the Interest, Lease and Dividend Component should include both (a) total interest income plus any operating lease revenue included as a component of other noninterest income in the Call Report or FR Y-9C, and (b) total interest expense plus any operating lease depreciation and impairments included as a component of other noninterest expense in the Call Report or FR Y-9C, in each case as further specified in our comments below.

[2] Question 85 reads in full: "The proposal would include interest income and expenses in the interest component and noninterest income and certain noninterest expenses in the noninterest component. Income and expenses relating to operating leases are typically characterized as noninterest income and noninterest expenses, respectively, in regulatory reports. However, income and certain expenses relating to operating leases are included in the interest component under the Basel standards. What would be the advantages and disadvantages of including (1) income from operating leases and (2) depreciation and impairments relating to operating leased assets in the interest component rather than the noninterest component?"

Recommendations

The Interest, Lease and Dividend Component of the Business Indicator calculation should include total interest income plus any operating lease revenue and total interest expense plus any operating lease depreciation and impairments

Question 85 notes that income and expenses relating to operating leases are typically characterized as noninterest income and noninterest expenses, respectively, in regulatory reports, and asks "What would be the advantages and disadvantages of including (1) income from operating leases and (2) depreciation and impairments relating to operating leased assets in the interest component rather than the noninterest component?"

In the original Basel framework, income and expenses from operating leases are included in the interest component, reflecting a substance over form view that leasing is fundamentally a financing activity with embedded credit exposure, regardless of accounting classification. By contrast, U.S. regulatory reports typically classify these items as noninterest income and expense.

Income and expenses from operating leases – particularly lease income and related depreciation or impairments – are economically akin to interest on a loan and should be classified as such. Including them in the interest component would better align the operational risk framework with the underlying risk profile, as leasing activities share characteristics with other interest-bearing exposures rather than with activities captured in noninterest income.

Classifying these items as noninterest solely based on current U.S. reporting conventions mischaracterizes leasing as a nonfinancial activity and may overstate noninterest operational risk measures intended to capture different types of business activity.

For example, consumer automobile leases are economically similar to amortizing secured loans: payments compensate for time value of money, credit risk, and asset depreciation; the leased asset serves as collateral; and the bank assumes residual value risk comparable to certain credit exposures. In practice, auto leases and loans are often originated, underwritten, and serviced through similar channels and platforms. Treating lease-related income and expense as interest would therefore promote consistent risk capture and neutrality across functionally equivalent products, avoiding distortions in capital treatment that are unrelated to underlying risk.

Moreover, both the Proposal and the agencies' "Revised Standardized Approach" proposal[3] already reflect a recognition that retail automobile loans and leases present substantially similar underlying credit risk, as evidenced by their identical risk weight treatment

[3] Federal Reserve System, Department of the Treasury – Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets, 91 FR 15332 (March 27, 2026).

of these exposures. This parity in treatment establishes a precedent within the proposed framework for evaluating lending products based on their economic substance rather than their legal or accounting form. Recognizing this existing consistency supports the broader principle that leasing activities should be treated as financing arrangements for regulatory purposes, including in the classification of associated income and expenses within the operational risk framework. This recommendation also promotes consistent outcomes across firms by measuring similar financing activity consistently, rather than allowing accounting presentation or product structure to drive differences in operational risk capital.

In recognition that operating leases are financial assets, the banking agencies should clarify that, for purposes of the Business Indicator calculation, the Interest, Lease and Dividend Component will include total interest income plus any operating lease revenue included as a component of other noninterest income in item 5.l on FR Y-9C Schedule HI and Call Report Schedule RI.

The banking agencies should similarly clarify that, for purposes of the Business Indicator calculation, the Interest, Lease and Dividend Component will include total interest expense plus any operating lease depreciation and impairments included as a component of other noninterest expense in item 7.d on FR Y-9C Schedule HI and Call Report Schedule RI.

Attached as Appendix A are excerpts from the Proposal with suggested edits (added in redline format) that we believe would achieve this outcome. We submit these for the agencies' consideration and for reference purposes as they assess these comments.

Conclusion

For the reasons discussed above, we recommend the banking agencies clarify that, for purposes of the Business Indicator calculation, the Interest, Lease and Dividend Component should include both (a) total interest income plus any operating lease revenue included as a component of other noninterest income in the Call Report or FR Y-9C, and (b) total interest expense plus any operating lease depreciation and impairments included as a component of other noninterest expense in the Call Report or FR Y-9C, as described above.

We appreciate the agencies' consideration of our comments on the Proposal. If you have any questions, please contact me at russ.hutchinson@ally.com.

Respectfully submitted,

Russell Hutchinson
Chief Financial Officer

Appendix A

Suggested Edits Showing In Redline Format:

(c) *Business indicator*.

(1) A [BANKING ORGANIZATION]'s business indicator equals the sum of the interest, lease, and dividend component and the noninterest component.

(i) The interest, lease, and dividend component is calculated using the following formula:

Interest, lease, and dividend component = min(Avg3y(Abs(total interest income – total interest expense)), 0.0225*Avg3y(interest earning assets)) + Avg3y(dividend income)

where Avg3y refers to the three-year average of the expression in parenthesis; Abs refers the absolute value of the expression in parenthesis; and total interest income, total interest expense, interest earning assets, and dividend income are the amounts determined in accordance with paragraph (c)(2) of this section.

(ii) The noninterest component is calculated using the following formula:

Noninterest component = Avg3y(Abs(total noninterest income + realized gains (losses) on held-to-maturity securities + realized gains (losses) on available-for-sale debt securities – noninterest expense for BI – 0.7*(total noninterest income from investment management, investment services, and non-lending treasury services – noninterest expense for BI from investment management, investment services, and non-lending treasury services)) + total operational losses)

where Avg3y refers to the three-year average of the expression in parenthesis; Abs refers to the absolute value of the expression in parenthesis; and total noninterest income, realized gains (losses) on held-to-maturity securities, realized gains (losses) on available-for-sale debt securities, noninterest expense for BI, total noninterest income from investment management, investment services, and non-lending treasury services, noninterest expense for BI from investment management, investment services, and non-lending treasury services, and total operational losses are the amounts determined in accordance with paragraph (c)(2) of this section.

(2) For purposes of paragraph (c)(1) of this section, to calculate the three-year average of the Abs(total interest income – total interest expense), dividend income, Abs(total noninterest income + realized gains (losses) on held-to-maturity securities + realized gains (losses) on available-for-sale debt securities – noninterest expense for BI – 0.7*(total noninterest income

from investment management, investment services, and non-lending treasury services – noninterest expense for BI from investment management, investment services, and non-lending treasury services)), and total operational losses, a [BANKING ORGANIZATION] must calculate the average of the values of each of these items for each of the three most recent preceding four-calendar-quarter periods. The total operational losses for a four-calendar quarter period equals the sum of all operational losses for each quarter in that period. To calculate the three-year average of interest-earning assets, a [BANKING ORGANIZATION] must divide by 12 the sum of the quarter-end values of interest-earning assets over each of the previous 12 quarters. For purposes of the calculations in this paragraph~~,~~:

(i) subject to clauses (ii) and (iii) of this paragraph (c)(2) the amounts used must be based on the consolidated financial statements of the [BANKING ORGANIZATION~~].~~];

(ii) total interest income shall include any operating lease revenue reported as a component of other noninterest income on Schedule RI of the Call Report or Schedule HI of the FR Y-9C (as applicable) of such consolidated financial statements (and total noninterest income shall exclude any such amount); and

(iii) total interest expense shall include any operating lease depreciation and impairments reported as a component of other noninterest expense on Schedule RI of the Call Report or Schedule HI of the FR Y-9C (as applicable) of such consolidated financial statements (and total noninterest expense shall exclude any such amount).

(3) For purposes of paragraph (c)(1) of this section, a [BANKING ORGANIZATION] must exclude loss provisions and reversals of provisions, except for those relating to operational loss events, from the calculation of the business indicator.

(4) For purposes of paragraph (c)(1) of this section, a [BANKING ORGANIZATION] must reflect three full years of data for entities that were acquired by or merged with the [BANKING ORGANIZATION], including for any period prior to the acquisition or merger, in the [BANKING ORGANIZATION]'s business indicator.

(5) With the prior approval of the [AGENCY], a [BANKING ORGANIZATION] may exclude from the calculation of its business indicator any interest income, interest expense, dividend income, interest-earning assets, noninterest income, realized gains (losses) on held-to-maturity securities, realized gains (losses) on available-for-sale debt securities, noninterest expense for BI, noninterest income from investment management, investment services, and non-lending treasury services, noninterest expense for BI from investment management, investment services, and non-lending treasury services, and operational losses associated with an activity if the [BANKING

ORGANIZATION] has ceased to directly or indirectly conduct the activity. Approval by the [AGENCY] requires a demonstration that the activity does not carry legacy legal exposure.

Noninterest expense for BI means other noninterest expense, based on the consolidated financial statements of the [BANKING ORGANIZATION], excluding: (a) expenses that relate to non-financial services received by the [BANKING ORGANIZATION] and operational losses~~.~~; and (b) any amounts excluded pursuant to § __.150(c)(iii). Noninterest expense for BI does not include salaries and employee benefits, expenses of premises and fixed assets, goodwill impairment losses, or amortization expense and impairment losses for other intangible assets.