

# SMALL BUSINESS INVESTOR ALLIANCE, BRETT PALMER

## 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-C38

## Submitter Information

**Organization Name:** Small Business Investor Alliance

**Organization Type:** Organization

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June 18, 2026

**BY ELECTRONIC TRANSMISSION**

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

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

Jennifer M. Jones, Deputy Executive Secretary  
Attention: Comments/Legal OES, Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429

RE: Regulatory Capital Rule: Proposed Revisions to the Risk-Based Capital Framework for Category I and II Banking Organizations and Modifications to the Standardized Approach for Credit Risk– Docket ID OCC-2026-0265, Federal Reserve Docket No. R-1887 and RIN 7100-AH20, and FDIC-RIN 3064-AF29

On behalf of its membership, the Small Business Investor Alliance (“SBIA”) urges all federal regulators to ensure that the final Regulatory Capital Rule does not depress, either directly or indirectly, equity exposures by regulated financial institutions to public-purpose investments through federally licensed Small Business Investment Companies (“SBICs”) and Rural Business Investment Companies (“RBICs”).

The SBIA is the national organization that represents small business funds and their investors, including SBICs, RBICs, and the many banks and capital providers that invest in them. These funds make important economic development contributions to domestic job creation, retention, and capital access, including in under-served areas.

We urge financial regulators to amend the above-referenced proposed rulemaking and delete the exclusion of a financial institution’s unconsolidated SBIC equity exposure as a “community development investment” under section 24 (Eleventh) of the National Bank Act.<sup>1</sup> SBIC investments meet this statutory standard because, as expressly designed by Congress, SBICs promote economic development and capital access for underserved small businesses. This proposed exclusion undermines the statutory intent of the SBIC program.<sup>2</sup>

Federal banking agencies have long recognized qualifying SBIC and RBIC investments as supporting community development in supervisory and CRA guidance.<sup>3</sup> Although recent CRA rulemakings have been subject to litigation and are not currently being applied, the agencies’ historical treatment of SBIC investments reflects a consistent supervisory judgment that such investments promote community development objectives. The proposed Regulatory Capital Rule, however, does not acknowledge or explain its departure from this longstanding supervisory treatment.

The proposal would categorically exclude SBIC exposures from the 100 percent community development bucket without identifying any SBIC-specific safety-and-soundness rationale for doing so. While CRA eligibility does not control §24 (Eleventh), the agencies’ longstanding determination that SBIC investments promote community development underscores the absence of any reasoned basis for excluding those same investments from the community development category for capital purposes.

In the 100 percent risk-weight category for community development investments, the proposal would cover an investment qualifying under section 24 (Eleventh) while “excluding equity exposures to an unconsolidated small business investment company and equity exposures held through a consolidated small business investment company described in section 302 of the Small Business Investment Act”.<sup>4</sup>

Once excluded from that 100 percent category, SBIC investments are pushed into the general equity hierarchy, where publicly traded equity receives a 300 percent risk weight and non-publicly traded equity receives a 400 percent risk weight. Because SBIC investments are overwhelmingly non-public equity exposures, the rule would generally increase the applicable risk weight from 100 percent under current practice to 400 percent, subject only to limited relief through the capped “non-significant equity exposure” bucket.<sup>5</sup>

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<sup>1</sup> *See* 91 Fed. Reg. 14952, 15186-15187 (March 27, 2026) (§ \_\_.141 (Simple Risk-Weight Approach (SRWA) at (b)(3)(i).

<sup>2</sup> Small Business Investment Act of 1958, Pub. L. 85-699 (Aug. 21, 1958). 15 U.S.C. 661 (“*It is declared to be ... the purpose of this (SBIC) Act to improve and stimulate the national economy in general and the small business segment thereof in particular by establishing a program to stimulate and supplement the flow of private equity capital and long-term loan funds which small business concerns need for the sound financing of their business operations and for their growth, expansion, and modernization and which are not available in adequate supply.*”)

<sup>3</sup> Interagency Questions and Answers Regarding Community Reinvestment at Sec. \_\_-12(g)(3)-1.

<sup>4</sup> *Supra* at 1.

<sup>5</sup> *See* 91 Fed. Reg. at 15007-15008 (A financial institution’s qualifying “non-significant equity exposure” equals only 10 percent or less of its total capital. The non-significant equity exposure bucket applies only

In practical terms that means only a small, non-scalable portion of SBIC investment could retain 100 percent treatment, while the balance would be subjected to materially higher capital charges.

SBICs, administered by the U.S. Small Business Administration (“SBA”), are highly regulated private funds that invest exclusively in domestic small businesses, which by statutory mission provide capital that is otherwise unavailable or in short supply to small businesses.<sup>6</sup> An investment group that seeks an SBIC license must establish a record of not only solid investment performance, but also a record of being a good actor to the small businesses they have backed. SBICs may only provide long-term capital, not short-term lending, and must do so with numerous meaningful protections for the small business that otherwise would not be provided.

An independent study prepared for the Library of Congress found that SBIC-backed small businesses created almost 3 million new jobs and supported an additional 6.5 million jobs over the 20-year period of their study.<sup>7</sup> Those outcomes demonstrate the substantial public-purpose effect of the program and illustrate why bank capital rules should not disincentivize investment in federally licensed small-business funds.

We also remind regulators that, like the SBA, the U.S. Department of Agriculture (“USDA”) licenses investment fund applicants as rural business investment companies (RBICs) to address the unmet capital needs of small enterprises primarily located in rural areas.<sup>8</sup> As your agencies recognized in the CRA context, qualifying RBIC investments also support small businesses in a manner consistent with government economic-development programs and therefore merit community development consideration.

For these reasons, the agencies should revise proposed § \_\_.141(b)(3)(i) to remove the exclusion for SBIC exposures and clarify that equity exposures to SBICs and RBICs licensed under their respective federal statutes qualify for a 100 percent risk weight. While equity exposures can carry higher volatility, SBIC investments are subject to comprehensive federal licensing, leverage constraints, and ongoing SBA oversight, which distinguish them from general private equity exposures.

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up to 10 percent of total capital, and the proposal further requires a banking organization to count SBIC exposures first when determining which exposures may receive the 100 percent risk weight within that capped bucket.

<sup>6</sup> See 13 C.F.R. Part 107 (SBIC Program)

<sup>7</sup> Paglia and Robinson, Measuring the Role of the SBIC Program in Small Business Job Creation, Report for the Library of Congress, at 4 (January 2017)

<[https://www.sba.gov/sites/default/files/articles/SBA\\_SBIC\\_Jobs\\_Report.pdf](https://www.sba.gov/sites/default/files/articles/SBA_SBIC_Jobs_Report.pdf)>.

<sup>8</sup> 7 U.S.C. 2009cc, *et seq.* The U.S. Department of Agriculture (“USDA”) operates the Rural Business Investment Program, a developmental venture capital program that includes licensing of RBICs for the purpose of promoting economic development and the creation of wealth and job opportunities in non-metropolitan areas and among residents living in those areas. Eligible Farm Credit System institutions may invest in RBICs. While allowed by statute, the RBIC program does not have current budget authorization to offer its licensees a federal guarantee on the payment of debentures issued by an RBIC like the SBIC program.



Retaining the proposed exclusion would create an unwarranted capital penalty for federally licensed, mission-driven investment vehicles that exist to expand capital access for U.S. small businesses.

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SBIA appreciates the opportunity to comment and looks forward to the opportunity to work together to ensure America's small businesses have access to the capital they need.

Sincerely,

Brett Palmer  
SBIA President