PNC FINANCIAL SERVICES GROUP, INC., DAVID KAHN, ET. AL.

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

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Submitter Information

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Organization Type: Company

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Please find PNC's comment letter attached.

June 18, 2026

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551
Attention: Benjamin W. McDonough, Secretary
Docket Numbers: 1887, R-1888
RINs 7100-AH20, 7100-AH21

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, D.C. 20429
Attention: Jennifer M. Jones, Deputy Executive Secretary
RINs 3064-AF29, 3064-AG23

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
Docket IDs OCC-2026-0265, OCC-2026-0034
RINs 1557-AF52, 1557-AF49

Re: 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

Ladies and Gentlemen:

The PNC Financial Services Group, Inc. ("PNC") appreciates the opportunity to provide comments on the proposed Basel III regulatory capital rules (the "proposals") issued by the Board of Governors of the Federal Reserve System ("Federal Reserve"), the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC") (collectively, the "Agencies").[1]

PNC is a financial services holding company headquartered in Pittsburgh, Pennsylvania, and one of the largest diversified financial institutions in the United States. PNC's business lines include retail banking, corporate and institutional banking, and asset management. We are organized around our customers and communities, with a focus on strong relationships and local delivery of banking and lending products. As of March 31, 2026, PNC's consolidated total assets were $603 billion.

[1] 91 Fed. Reg. 14952 (March 27, 2026); 91 Fed. Reg. 15332 (March 27, 2026).

PNC strongly supports the Agencies' efforts to modernize and enhance the risk sensitivity of the current capital rules. Overall, we believe the changes that the Agencies have proposed are thoughtful and we appreciate that the Agencies have carefully considered and addressed a number of comments that we raised directly or through our trade associations on prior proposals.[2] This letter provides comments on issues that uniquely impact our firm and is intended to supplement the points raised in the comment letters of our trade associations.[3]

I. Design of the capital rules and interaction with other parts of the framework

As a general matter, the proposals would (i) revise the current Standardized Approach for risk-based capital ratios that apply to PNC (the "Standardized Approach proposal") and (ii) create a new expanded risk-based approach, required for Category I and II firms and optional for other firms (the "ERBA proposal"). Under these proposals, each firm would be subject to a single set of risk-based capital requirements, and the requirement for Category I and Category II firms to calculate risk-weighted assets under the parallel advanced approaches framework would be eliminated. We support this design as it would greatly reduce the complexity of the overall capital framework and remove the unnecessary burden of the advanced approaches. PNC also supports the additional risk sensitivity under both the Standardized Approach and ERBA, which would allow firms to hold capital more closely aligned with the risk of the underlying exposures. PNC appreciates the Agencies' efforts to incentivize mortgage-related activities in the banking sector by removing the requirement to deduct mortgage servicing assets above certain thresholds from regulatory capital.

The Agencies requested comments on the interaction of the proposals with other current rules or outstanding notices of proposed rulemakings. As the Agencies move forward with finalizing the proposals, PNC urges the Agencies to consider thoughtfully the final calibration of the capital requirements and the tailoring of the capital requirements that take into account firms' business profiles. For example, under ERBA, firms would be required to hold a minimum amount of capital for operational risk. As the Federal Reserve is working on revising its stress testing framework,[4] the Agencies should consider any final capital requirements in a comprehensive manner and ensure that the Basel III and stress testing requirements are complementary and do not result in excessive or potentially duplicative capital requirements. In addition, we urge the Agencies to carry forward the tailoring and simplifications principles into final capital requirements, consistent with the Agencies' prior rulemakings to simplify capital rules and reduce unnecessary burden, as well as the congressional mandate to tailor regulations based on firms' riskiness, complexity, and financial activities, as applicable.[5]

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[2] *See* Capital One Financial Corporation, The PNC Financial Services Group, Truist Financial Corporation and U.S. Bancorp, Letter re: Proposed Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity (Jan. 16, 2024), *available at* https://www.fdic.gov/system/files/2024-06/2023-regulatory-capital-rule-large-banking-organizations-3064-af29-c-248.pdf; *see also* Letter re: Regulatory Publication and Review Under the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (Oct. 23, 2025) *available at* https://www.fdic.gov/federal-register-publications/capital-one-financial-corporation-and-3-other-organizations-rin-3064.

[3] *See, e.g.,* the comment letters on the proposals submitted by the Bank Policy Institute, American Bankers' Association, and the International Swaps and Derivatives Association.

[4] 90 Fed. Reg. 51856 (November 18, 2025).

[5] 84 Fed. Reg. 59032 (November 1, 2019); 84 Fed. Reg. 35234 (July 22, 2019).

II. Timing, implementation, and tailoring

Final Rules' Compliance Dates

The proposals seek comments on the effective date of the final rules and the time necessary for firms to implement the new requirements. We believe that the Agencies should adopt a uniform compliance date for all firms. This approach would provide clarity and transparency for the banking industry and the market, ensure a consistent implementation timeline, and promote parity and competitive fairness. The selected uniform compliance date should provide sufficient time for banks to prepare internal data and systems for the new capital requirements, which are more granular under the proposals. Further, and importantly, sufficient time will be needed to implement internal controls to help ensure accurate calculations and reporting. In addition, to support this implementation timeframe, the Agencies should propose the relevant revised reporting forms and instructions as soon as possible. The Agencies should provide at least a year between publication of the final rules and the compliance date of the final rules, as well as at least two quarters between the publication of the final reporting instructions and the effective date of such reporting requirements. This timeframe and the certainty of the regulatory reporting requirements would facilitate more efficient and cost-effective implementation of the proposals for all firms.

Optional Adoption of ERBA

PNC strongly supports the optionality for all banking organizations to adopt ERBA, given the additional risk sensitivity of the proposed requirements. To help maintain competitiveness and effective and uniform implementation, firms should be allowed to notify their primary federal supervisor of their election to opt-in to ERBA prior to the compliance date of the final rule, so that they are able to start applying ERBA on the same date as the firms that are mandatorily subject to it (i.e., Category I and II firms), if they are ready to do so. Absent such a provision, a firm planning to promptly adopt ERBA could be forced to implement the revised Standardized Approach for only a short period of time and then transition to ERBA once the supervisory advance-notice period has expired, which would be operationally burdensome, confusing to the market, and unnecessary.

The ERBA proposal states that a firm would need to provide a written notice to its primary federal supervisor 12 months prior to voluntarily opting into ERBA.[6] The Agencies should clarify the process and the supervisory expectations for firms that are considering adopting ERBA. Additional details and clarity on this process would help firms make more cost-efficient decisions and be prepared with any necessary documentation and data that supervisors would expect. Further, the Agencies should consider a shorter advance notice period and allow a timeframe of less than 12 months for firms that are ready to adopt ERBA.

Finally, a non-Category I or II firm should not lose the simplified framework for deducting temporary difference deferred tax assets and investments in unconsolidated financial institutions from capital, and for including minority interest in capital, that currently apply to such firms[7] merely because it chooses to adopt the more risk-sensitive ERBA for determining

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[6] 91 Fed. Reg. 14952 at 14957 (March 27, 2026).

[7] 12 C.F.R. §§ 217.22(d)(1), 217.22(c)(4), 217.21(a) (Federal Reserve); 12 C.F.R. §§ 3.22(d)(1), 3.22(c)(4), 3.21(a) (OCC).

risk-weighted assets. The Agencies adopted a simplified framework in 2019 for non-Category I and II firms to meaningfully reduce the burden on such firms, while still protecting safety and soundness of the banking system. Nothing has changed since 2019 that warrants altering the simplified deduction framework currently applicable to non-Category I or II firms. Rather, maintaining this simplified framework for non-Category I and II firms that elect to apply ERBA is consistent with Congress' directive that the Agencies tailor the capital rules to reflect differences in the size, risk profile, complexity and activities of covered firms.[8]

AOCI Transition

The ERBA proposal provides that if a firm chooses to adopt ERBA, the firm must reflect most elements of AOCI in common equity tier 1 capital ("CET1"). The AOCI inclusion for firms voluntarily opting into ERBA would be subject to a five-year transition period from the effective date of the final rule. These transition provisions would mirror the AOCI transition period for Category III and IV firms under the Standardized Approach proposal, which would separately require Category III and IV firms to include most elements of AOCI in CET1.[9] We support this five-year transition period for all firms that would be newly subject to this AOCI requirement, either as a result of the revised Standardized Approach or because of the firm's decision to adopt ERBA. This transition period promotes a gradual impact to capital, allows for planning through transition, and avoids unnecessary cliff effects.

Further, we believe that if a Category III or IV firm becomes a Category I or II firm during the designated five-year transition period, such firm should be allowed to complete the AOCI phase-in based on the original five-year schedule. If, alternatively, such a firm was required to abandon the longer AOCI phase-in period and fully recognize AOCI in regulatory capital within six months of becoming a Category I or II firm, this would introduce unnecessary cliff effects and volatility in the capital planning process. In addition, cutting short the AOCI transition period for a Category III or IV firm that crosses the Category I or II thresholds during the five-year transition period could provide such a firm with a materially shorter AOCI transition period than the four-year AOCI phase-in provided to all Category I and II firms when the Basel III capital rules and the AOCI inclusion provisions were first implemented in 2014.[10]

III. Comments on specific exposures

Commitments

For both ERBA and the Standardized Approach, the Agencies proposed to replace the definition of a "commitment", which currently is based on a *legally binding* arrangement that obligates a firm to extend credit, with a much more expansive definition, which would include any *contractual arrangement* under which the parties agree to terms applicable to one or more future extensions of credit.[11] The Agencies indicated that the proposed change was intended to address inconsistencies in the application of the current definition of a commitment across firms.

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[8] Economic Growth, Regulatory Relief, and Consumer Protection Act, Pub. L. No. 115-174 (2018), § 401 *codified at* 12 U.S.C. § 5365(a)(2)(A).

[9] 91 Fed. Reg. 14952 at 14957 (March 27, 2026).

[10] 78 Fed. Reg. 62018 at 62078 (October 11, 2013) (phase-out of AOCI, Table 11).

[11] *Compare* 12 C.F.R. § 217.2 (Federal Reserve) and 12 C.F.R. § 3.2 (OCC) to proposed § _.2.

However, the proposed definition is more ambiguous than the current definition and, in fact, would create *more* uncertainty and variation regarding what constitutes a "commitment." As a result, it would foster additional inconsistency across firms, rather than promote consistency in application. The current definition turns on whether a legally binding obligation to extend credit exists, which is a robust, appropriate and enforceable standard. We believe the current definition is sufficiently clear and, to the extent additional consistency in application is desired, such consistency can be promoted with specific examples that help firms identify when a legally binding commitment exists.

In addition, the proposed definition would potentially capture broad umbrella agreements and preliminary or conditional arrangements where a firm retains the discretion whether or not to extend credit, and there may be a number of additional requirements that the parties must fulfill or key terms that remain to be negotiated before the arrangement becomes a legal obligation to extend credit. As a result, the proposed definition would create substantial ambiguity as to when, during the course of negotiating a potential extension of credit, the discussions between a bank and a customer cross the threshold to constitute a "commitment" under the proposed definition.

Holding capital based on the proposed definition would also force firms to set aside capital prematurely. Commercial negotiations can often extend for lengthy periods of time. For example, it can take up to a year to negotiate the terms of a potential extension of credit before a legally enforceable exposure crystallizes under specific contractual terms. Some negotiations may ultimately fail and no legal obligation to provide credit is ever consummated. Accordingly, the proposed definition has the potential to force banks to set aside capital for an extension of credit well before any legal obligation to provide credit exists and even for *potential* extensions of credit that never come to fruition in the form of a legally binding obligation. This would limit the willingness of banks to negotiate loan terms with customers, reducing flexibility for borrowers that may need specialized loan terms that may require longer periods to negotiate.

Treatment of HELOCs under ERBA

PNC urges the Agencies to maintain the current treatment (i.e., zero percent credit conversion factor) for the unused portions of home equity lines of credit ("HELOCs") due to the unique nature of the product in the U.S. home ownership market. The proposed 10 percent credit conversion factor for unconditionally cancellable commitments under ERBA[12] would negatively impact the HELOC market because it would curtail the availability of this credit and make it more expensive for banks that must, or elect to, adopt ERBA. The proposed treatment would require banks to hold capital, for the first time, for the unused portion of HELOCs under both the risk-based capital rules and the supplementary leverage ratio, as applicable.

HELOCs are an important feature of homeownership and provide an invaluable lifeline for homeowners. For example, homeowners may draw funds under a HELOC for unexpected expenses like medical expenses, repairs, income disruptions or to refinance higher cost debt. They may use HELOCs to smooth cash flows over time to pay for tuition, taxes, insurance, or seasonal expenses. HELOCs are important sources of credit for the self-employed and commission-based borrowers, as well as retirees. HELOCs also help customers invest in their

[12] Proposed § _.112(b)(1).

homes and maintain property values. Finally, these products offer lower costs for borrowers than unsecured credit cards or personal loans.

In addition, the U.S. HELOC market is governed by a robust set of statutory and regulatory requirements, state laws and consumer protection laws, which ensures proper oversight of these products. The Agencies should maintain the current treatment of the unused portion of HELOCs for banks of all sizes, given the plethora of applicable regulations and the invaluable benefits provided to homeowners.

Definition of "Transactor" under ERBA

The ERBA proposal introduces a concept of a "transactor" for retail facilities where the customer pays off the balance in full over the previous twelve months.[13] Such facilities would be risk-weighted at 45 percent, in contrast to the 75 percent risk weight that would apply to other regulatory retail exposures.[14] PNC supports a lower risk weight for "transactor" exposures given the demonstrably lower credit risk of these exposures but believes that the scope of what constitutes a "transactor" should be further refined. The requirement that balances be repaid in full at each scheduled date for the previous twelve months does not adequately account for a grace period that a bank may provide or an occasional missed payment (e.g., due to a vacation or a missed statement) by a customer that regularly pays their outstanding balance.

To better align capital requirements with underlying risk, we recommend shortening the lookback period to six months or introducing a *de minimis* threshold for small residual balances or inadvertent overdrafts. A six-month period is sufficient to capture sustained payment behavior while avoiding undue penalization of otherwise creditworthy customers and volatility of the associated capital requirements.

Commercial Real Estate Exposures under ERBA

The ERBA proposal introduces a new definition of a regulatory commercial real estate exposure that would need to meet several prudential requirements to qualify for a risk-sensitive treatment based on the loan-to-value ratio.[15] One of the requirements is that the loan must not have been modified or restructured. If this requirement is not met, the loan would receive a default risk weight of 150 percent. The Agencies requested comment on the proposed approach.

The Agencies should limit the proposed requirement only to modifications or restructurings related to deteriorating credit or the borrower's ability to repay, as opposed to other modifications, including ones that may be commercially beneficial to the bank and are not in response to a distressed borrower. In practice, commercial real estate loans are frequently modified in the normal course of business of managing a loan. For example, a bank may want to re-price the loan as part of a marketing and loan retention strategy or extend the loan based on non-credit-related considerations, including operational delays. Such loans should not be treated as defaulted. In contrast, modifications due to credit deterioration or loans reported as deteriorating under the applicable accounting standards should receive a 150 percent risk weight.

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[13] Proposed § _.101.
[14] Proposed § _.111(g)(1).
[15] Proposed § _.101.

Absent this clarification, a number of prudently underwritten loans would be disqualified from the proposed risk-sensitive treatment, including loans in which the bank has a first priority security interest and for which the bank assessed the ability of the obligor to repay in a timely manner.

Investment Grade Corporate Exposures under ERBA

The ERBA proposal would assign a 65 percent risk weight for corporate exposures that are deemed investment grade; however, this determination is based at the obligor level and does not take into account facility features under the relevant loan agreement, including the pledge of collateral, guarantees, or other structural features that help mitigate risk.

We recommend that the Agencies permit firms to consider structural features of the facilities when determining whether a corporate exposure is investment grade, rather than focusing solely on the obligor. The facility features are important in assessing the overall credit risk of the exposure and are already incorporated into firms' internal credit risk ratings, underwriting practices, and quantitative frameworks. As a result, incorporating these features into the investment grade determination would not introduce novel concepts, but rather align the framework for investment grade corporate exposures with well-established risk management practices. It would also better reflect the true economic risk of exposures by recognizing the risk-reducing effects of credit risk mitigants and transaction structures. This recommended approach would not be difficult to implement because firms that are subject to ERBA, or large firms that choose to adopt ERBA, already have the processes to determine loss given default. In addition, such an approach would support prudent use of credit risk mitigation and encourage a "look-through" analysis that is aligned with supervisory expectations and sound risk management.

IV. Conclusion

To conclude, PNC supports the Agencies' objectives of streamlining and modernizing the capital rules. We believe that the clarifications and suggestions provided in this letter would help advance the Agencies' goals and promote the agility, competitiveness and safety and soundness of the banking sector. If you have any questions regarding this letter, or would like additional information on the matters discussed, please do not hesitate to contact David Kahn, Treasurer (david.kahn@pnc.com) or Ursula C. Pfeil, Deputy General Counsel, Legal Regulatory Affairs and Policy (ursula.pfeil@pnc.com).

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