DEUTSCHE BANK AG, JAMES RIVETT, 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

Organization Name: Deutsche Bank AG

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Name: James Rivett, et. al.

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Deutsche Bank A.G. is respectfully submitting our comment letter re: Docket No. R-1887, RIN 7100-AH20

Deutsche Bank AG
1 Columbus Circle
New York, New York
Tel: (212) 250 3729

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

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

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: Notice of Proposed Rulemaking regarding (i) "Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations" (Docket No. 1887; RIN 7100-AH20); and (ii) "Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets" (Docket No. R-1888; RIN 7100-AH21)

Ladies and Gentlemen:

Deutsche Bank welcomes the opportunity to respond to the Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency System's (collectively "Agencies'") March 2026 joint proposals implementing the above-referenced Basel III capital standards.

Deutsche Bank has served the U.S. economy for more than 150 years, connecting global capital and expertise with American businesses and communities. Today, DB's approximately 8,000 employees across six states provide wealth and asset-management, financing, and advisory services to corporations, institutions, and individual clients across the country. Our U.S. operations span four businesses: the Corporate Bank's treasury and institutional client services; the Private Bank's wealth management offerings; the Investment Bank's financing, risk management, and advisory solutions; and in asset management our DWS subsidiary delivers a broad range of investment strategies.

Building on Deutsche Bank's longstanding presence and broad engagement across the U.S. financial system, we support the Agencies' stated objectives to improve the regulatory capital framework by enhancing risk sensitivity, reducing complexity, and improving transparency and consistency. A regulatory capital regime that is appropriately calibrated and articulated promotes more consistent implementation and comparability across firms, strengthens internal risk management and capital planning, and supports safety and soundness—while enabling banking organizations to continue supporting economic growth and providing credit and intermediation through a range of economic conditions.

We have contributed to, and are broadly in support of, the comments submitted by the Bank Policy Institute (BPI), American Bankers Association (ABA), International Swaps and Derivatives Association (ISDA), and Securities Industry and Financial Markets Association (SIFMA), as well as the letter from the Institute of International Bankers (IIB) in response to the Agencies' request for input. We write separately to provide further comments and emphasize six recommendations that are of particular importance to DB. Our focus areas are designed to provide greater clarity in rule making which will allow us and the industry to support economic growth in the U.S.

1. **Commitments:** Retain the existing definitions of "commitment" and "unconditionally cancelable commitment," and avoid treating certain "uncommitted" or "advised" arrangements as commitments for regulatory capital purposes — to preserve flexible liquidity support for clients without increasing financing costs to the end consumers, and avoid unnecessary operational and legal burden.

2. **Short-term bank exposures:** Include a preferential risk weight for short-term exposures to banks (original maturity ≤ 3 months) in the credit risk framework to support trade finance, short-term funding, and efficient cross-border liquidity intermediation that benefit corporates and investors operating in the U.S.

3. **Recharge Income / Transfer Pricing in Operational Risk:** Clarify and implement an exclusion (or other neutral treatment) for "recharge income" in the business indicator to avoid overstating operational risk for intermediate holding companies ("IHCs") and to prevent internal service-allocation mechanics from driving capital requirements unrelated to U.S. operational risk.

4. **Application of Credit Valuation Adjustment (CVA):** OTC derivatives that do not have CVA risk should not be counted toward the $1 trillion gross notional threshold that determines whether a banking organization is subject to CVA requirements in the first place — so that low-risk client clearing and related activity is further encouraged.

5. **Default Risk Charge (DRC):** Avoid >100% capital charge for defaulted or distressed debt positions across the combined Default Risk Charge (DRC) and the Global Market Shock (GMS) — to prevent excessive capital requirements that can impair market-making and liquidity in stressed markets.

6. **Interest Rate Risk Curvature:** Align interest rate curvature requirements with the Basel approach — to reduce implementation complexity and administrative burden without reducing prudential effectiveness.

1. Retain the Existing Definitions of "Commitments" and "Unconditionally Cancellable Commitments"

Summary of recommendation. Deutsche Bank recommends that the Agencies retain the existing definitions of "commitment" and "unconditionally cancelable commitment," and avoid expanding these terms to capture arrangements that are not economically equivalent to true commitments (including certain advised or uncommitted facilities) for regulatory capital purposes. As drafted, the proposal could reduce banks' flexibility to provide potential liquidity support to clients, increase funding costs for U.S. corporates, and impose unnecessary operational burdens without a corresponding improvement in safety and soundness.

Rationale. The proposal would revise the definition of "commitment" to include contractual arrangements under which a banking organization and an obligor have agreed on terms for potential future extensions of credit, regardless of whether the arrangement is unconditionally cancelable. It would also expressly classify "advised lines" and "uncommitted" facilities as commitments, even where they are unconditionally cancelable. In addition, under the proposed expanded risk-based approach (ERBA), firms would also be required to apply a 10% credit conversion factor (CCF) to the unused portion of unconditionally cancelable commitments, and a 40% CCF to other commitments irrespective of the facility's maturity.

These revisions would fundamentally change the current rules by removing the legal-obligation standard that today determines whether an arrangement is a commitment in the first place. Without that framework, it becomes much less clear under what circumstances a firm is deemed to have a commitment, how the relevant amount should be determined, and how firms and supervisors would apply the rule consistently across products and institutions.

Treating discretionary, non-binding arrangements as commitments would also pull into the capital framework facilities that are different from true commitments and have traditionally been treated as capital-neutral, because they impose no legally binding funding obligation on banking organizations. This concern is even greater under ERBA, because the broader definition combined with non-zero CCFs for unconditionally cancelable commitments could impose capital charges on relationship-based facilities that do not legally oblige a firm to lend.

The proposal would create unnecessary administrative and operational burden. Because the revised definitions are not easily quantifiable through a bright-line standard, implementation could require highly manual, document-by-document legal review to determine whether an arrangement falls within scope.

Recommendation. We recommend that the final rule:

- Revert to the existing commitment definitions and preserve a clear distinction between legally binding credit commitments and arrangements that are (i) informational/advisory, (ii) subject to renewed credit approval at each draw, or (iii) otherwise do not create a committed exposure equivalent.

- If the Agencies seek additional clarity to promote consistent reporting, they should do so through targeted interpretive guidance, examples, or non-exclusive safe-harbor style clarification in the rule text regarding what would not be considered a commitment, rather than by expanding the core definition in a way that captures economically distinct products.

Benefits. Retaining the existing definitions would not force banks to pass on costs to US consumers for services (unconditionally cancellable commitments) provided today. In addition, retaining the existing definition preserves the clarity and administrability of the capital framework by anchoring capital treatment to the presence (or absence) of a legal funding obligation, rather than to more subjective judgments about "material terms" and business practices.

2. Assign a Preferential Risk Weight to Short-Term Bank Exposures

Summary of recommendation. Deutsche Bank recommends that the Agencies assign preferential risk weight of 20% to short-term exposures to banks, including short-dated bank-to-bank exposures that support liquidity management and qualifying self-liquidating, trade-related contingent items arising from the movement of goods with an original maturity of three months or less. Preserving Basel's maturity-sensitive treatment would support trade finance, short-term funding, and dollar liquidity channels that are important to U.S. corporates, investors, and market functioning, while remaining consistent with the lower-risk profile of these short-dated exposures.

Rationale. The Basel framework provides a distinct, preferential risk-weight treatment for short-term bank exposures. Specifically, Section 20.19 of the Basel Committee's credit risk framework states that "exposures to banks with an original maturity of three months or less … can be assigned" the special "risk weight for short-term exposures," (usually 20%) and it provides dedicated short-term risk-weight rows for both the external ratings-based bank approach and the standardized credit risk assessment approach.

By contrast, the proposed U.S. frameworks do not carry that Basel treatment through in a clear and comprehensive way. Basel's distinction reflects a key risk consideration: very short-dated interbank exposures, particularly those related to trade finance, settlement, and day-to-day liquidity management, do not carry the same risk profile as longer-dated unsecured bank exposures. A maturity-sensitive treatment therefore enhances risk sensitivity and avoids overstating the risk of exposures that are structured to self-liquidate quickly.

For Deutsche Bank, if this change was finalized as proposed a significant amount of Corporate Bank trade-finance exposures would be assigned a materially higher risk weight. This would result in higher costs for clients where we support trade-finance, cash-management, and cross-border dollar funding channels that connect U.S. businesses and investors to foreign counterparties and markets.

Recommendation. We recommend that the final rule:

- Assign a preferential risk weight of 20% to short-term exposures to banks using an original maturity of three months or less as the operative bright-line test.

- Apply that preferential treatment at a minimum to Grade A and Grade B bank exposures that qualify as self-liquidating, trade-related contingent items arising from the movement of goods, consistent with the proposal's own recognition that such exposures warrant lower risk weights.

Benefits. A preferential risk weight for short-term bank exposures, consistent with Section 20.19 of the Basel Committee's credit risk framework, would enhance risk sensitivity by distinguishing short-dated exposures from longer-dated bank claims and by recognizing the lower-risk profile of trade-related contingent items and liquidity-management exposures that are designed to self-liquidate or be repaid quickly.

It would also promote greater consistency across the capital framework by preserving recognition of maturity in areas where the Agencies already consider it relevant, while preserving key financing and liquidity channels that support U.S. trade, cash management, and short-term market intermediation. This approach would allow banks to continue serving corporates and investors without increasing risk in the system beyond what is already reflected in the Basel framework.

3. Exclude Recharge Income from the Business Indicator "BI" Calculation

Summary of recommendation. Deutsche Bank recommends excluding (or otherwise neutralizing) "recharge income" from the business indicator ("BI") calculation. Recharge income reflects intra-group cost allocations for shared services (e.g., IT, HR), rather than third-party revenue. Including these flows can overstate the U.S. operational footprint of intermediate holding companies ("IHCs"), particularly for foreign banking organizations with centralized service models; this issue generally does not arise for U.S.-domiciled banks, whose operations are typically consolidated within a single legal entity.

Rationale. This issue is important for IHCs because internal recharge or transfer-pricing flows can inflate the BI without reflecting incremental operational risk. For IHC structures where shared service costs are centrally managed and allocated across affiliates, the resulting recharge income often reflects internal compensation for corporate or non-financial services rather than additional third-party business activity or operational risk undertaken in the United States. Based on internal estimates, including these recharge/transfer-pricing flows as proposed would increase Deutsche Bank's operational risk computation by a material amount.

The proposal itself recognizes the relevance of this issue by asking in Question 88 whether the BI should exclude income related to non-financial services provided to foreign affiliates or parent entities. If the BI is intended to measure the scale of financial activity that drives operational risk, it should not be increased by internal cost allocation flows that do not reflect incremental U.S. operational exposure.

Proposed approach. We recommend that the final rule exclude recharge income from the BI where it reflects reimbursement for non-financial or shared corporate services provided within a group, or otherwise require that such income be recognized only on a net basis so that internal cost allocations do not overstate operational risk.

Benefits. This approach would better align the BI with its intended objective of reflecting the scale of financial activities that drive operational risk. It would also reduce distortions in how firms structure shared services, supporting efficient risk management and alignment with resolution planning, while avoiding unnecessary increases in capital requirements that are not linked to operational-risk exposures.

4. Exclude OTC Derivatives Without CVA Risk From the CVA Application Threshold

Summary of recommendation. Deutsche Bank recommends that OTC derivatives that do not give rise to CVA risk be excluded from the $1 trillion gross notional threshold used to determine whether a banking organization is subject to CVA capital requirements.

Rationale. The proposal would apply CVA requirements to certain market risk banking organizations with at least $1 trillion in notional derivative exposure and seeks comment on whether an average aggregate OTC derivatives gross notional amount is an appropriate threshold. At the same time, it defines "CVA risk covered positions" to exclude cleared transactions and client-facing derivatives, reflecting that these transactions generally do not give rise to material CVA.

This creates a potential misalignment. If cleared and client-facing derivatives are included in the threshold calculation but excluded from the definition of CVA risk covered positions, a firm could become subject to the CVA framework based largely on activity that the proposal itself does not consider generating meaningful CVA risk.

This distinction is important for Deutsche Bank because the threshold is not simply a calibration input; it determines whether the CVA framework applies at all. Including transactions that do not generate CVA risk would overstate the level of relevant activity, increasing both capital requirements and implementation burden without a clear link to underlying CVA exposure.

It could also create unintended incentives to reduce or reprice client-facing and client-clearing activity in order to remain below a threshold driven by transactions that are, by definition, low-CVA-risk. Aligning the threshold with the scope of CVA-relevant exposures would better reflect the risk perimeter and help avoid unnecessary disincentives to provide these services.

Proposed approach. We recommend that the final rule:

- Define the $1 trillion threshold denominator to include only OTC derivative positions that fall within (or closely track) the population of instruments that can give rise to CVA risk, consistent with the proposal's "CVA risk covered position" framework.
- Provide clear and operational guidance on how firms should exclude categories of transactions that do not generate CVA risk, consistent with the proposal's objective of aligning the threshold with the underlying risk perimeter.

Benefits. Aligning the CVA threshold with in-scope CVA risk would better ensure that the framework applies where risk is most relevant, improving calibration and reducing the likelihood of capturing firms with limited CVA exposure.

It would also support the proposal's rationale for excluding cleared and client-facing transactions, reinforcing longstanding policy objectives around central and client clearing. By ensuring that excluded transactions do not nonetheless drive scope determinations, this approach would help avoid unintended incentives that could distort client activity.

5. Mitigate Overlap Between Default Risk Charge (DRC) for Defaulted/Distressed Debt and the Global Market Shock (GMS)

Summary of recommendation. Deutsche Bank recommends that the final framework avoid excessive capitalization (>100%) for defaulted or distressed debt positions that are already fully capitalized under the Default Risk Charge (DRC) by removing (or appropriately neutralizing) the application of Global Market Shock (GMS) stresses to those same positions.

Rationale. Under the proposal's market risk framework, the default risk capital requirement is intended to capture incremental losses associated with an immediate issuer default, i.e., jump-to-default risk, that are not captured by spread or equity shocks. It does so through prescribed loss given default (LGD) assumptions, including a 100% LGD for defaulted positions. The proposal also explicitly allows a banking organization to treat a distressed position as a defaulted for purposes of market risk capital and includes certain safeguards intended to avoid overcapitalization within FRTB.

In practice, given the calibration of the DRC already results in a full, i.e., 100%, capital treatment for defaulted or qualifying distressed debt positions. Applying an additional Global Market Shock (GMS) stress to those same positions can therefore create a cumulative requirement that exceeds the maximum potential loss of the position. This can result in negative consequences. An overly conservative combined treatment may discourage banks from making markets in distressed or defaulted instruments, particularly during periods of stress when secondary-market liquidity and price discovery are most critical.

Proposed approach. We recommend that the agencies:

1. Clarify in the final rule that where a position is treated as defaulted for DRC purposes, including cases where a firm appropriately treats a distressed position as defaulted under the proposal, the position should not be subject to additional stress shocks that would effectively re-capitalize losses already captured under the DRC.
2. Operationalize this principle by removing (or neutralizing) the GMS shocks for defaulted or distressed debt positions that are already fully capitalized under DRC, consistent with the proposal's intent to avoid capital requirements exceeding the maximum potential loss for defaulted positions.

Benefits. Removing the duplication of capital requirements would incentivize banks to continue providing these services, better serving the U.S. economy. Further, this refinement would improve the coherence and credibility of the framework by ensuring that defaulted and /distressed debt is capitalized on a risk based, non-duplicative basis, consistent with the DRC's role as a jump to default measure and with the proposal's safeguards against capital requirements from exceeding maximum potential loss.

It would also reduce unnecessary volatility and support banks' willingness to provide liquidity in stressed or dislocated markets. This is particularly important for U.S. corporates and investors, as excessive capital treatment can reduce market-making capacity, widen spreads, and increase the cost and difficulty in buying, selling, hedging, or financing these instruments when reliable market access is most critical.

6. Align Interest Rate Risk Curvature Requirements With Basel Standard

Summary of recommendation. Deutsche Bank recommends that the Agencies revise or clarify the interest rate curvature requirements to more closely align with the Basel standard and avoid unnecessary operational complexity, particularly for firms that must build and maintain consistent implementations across multiple jurisdictions.

Rationale. The proposal's sensitivities-based method includes a curvature component intended to capture non-linear price risk for instruments with optionality. The issue is not whether curvature risk should be included, but whether it is implemented in a way that introduces significant system-build and reconciliation complexity without a clear corresponding benefit to U.S. prudential outcomes.

Specifically, the proposal would require interest rate curvature to be calculated at the level of individual interest rate curves within a currency, rather than using the currency-level yield curve approach reflected in the Basel framework. While this distinction may appear technical, it has meaningful practical implications: it requires firms to develop U.S.-specific infrastructure, mapping, and aggregation processes that cannot be readily leveraged from Basel-aligned global systems.

This additional complexity does not clearly enhance risk capture, but it does increase implementation and ongoing compliance costs. These costs ultimately affect business lines that provide hedging, liquidity, and financing to end-users. As a result, a more operationally burdensome framework may increase the cost or reduce the efficiency with which banks support the risk-management and capital-markets needs of U.S. corporates and investors, without delivering a commensurate benefit to safety and soundness. Given the high correlation associated with this basis, the incremental capital generated would not be a material impact even with sizeable basis risks.

Proposed approach. We recommend that the agencies:

1. Clarify that interest rate curvature may be calculated in a manner fully consistent with the Basel curvature framework.
2. To the extent the agencies retain a curve-specific approach, provide a clear rationale, supported by illustrative examples, demonstrating how this approach improves risk capture relative to the Basel standard.

Benefits. Aligning the interest rate curvature requirement with the Basel standard, or providing Basel-consistent optionality, would reduce implementation complexity, support more consistent cross-border builds, and improve comparability for internationally active firms operating under multiple market risk regimes, without diminishing the core prudential objective of capturing non-linear optionality risk.

It would also advance the proposal's broader goals of simplicity, transparency, and consistency by reducing jurisdiction-specific operational divergence arising from differences in curvature implementation.

Conclusion

We appreciate the Agencies' efforts to modernize the U.S. capital framework and the opportunity to comment on these important proposals. The targeted refinements described above would, in our view, improve risk sensitivity while avoiding unintended outcomes for globally active banking organizations and FBO IHC structures. They would also help ensure that the final framework enables banks to continue supporting U.S. corporates, investors, trade, and market intermediation in a manner that promotes growth, reduces unnecessary burden, and preserves safety and soundness.

We welcome the opportunity to discuss these issues further. Please contact Erik Soderberg, U.S. Head of Government & Public Affairs, on 212-250-3729, with any questions.

Sincerely,

James Rivett
CFO Americas
Deutsche Bank AG

Erik Soderberg
U.S. Head of Government & Public Affairs
Deutsche Bank AG