VALLEY NATIONAL BANCORP AND VALLEY NATIONAL BANK, IRA ROBBINS

Proposal and Comment Information

Title: Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-weighted Assets, R-1888

Comment ID: FR-2026-0008-01-C178

Submitter Information

Organization Name: Valley National Bancorp and Valley National Bank

Organization Type: Company

Name: Ira Robbins

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Please see attachment.

June 12, 2026

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

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

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

Re: Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets; OCC Docket ID OCC-2026-0034|RIN 1557-AF49; Federal Reserve Docket No. R-1888|RIN 7100-AH21; FDIC RIN 3064-AG23
91 Fed. Reg. 15,332 (March 27, 2026)

Dear Sir or Madam:

Valley National Bancorp and Valley National Bank (together, "Valley") appreciate the opportunity to comment on the interagency Notice of Proposed Rulemaking issued on March 19, 2026, addressing revisions to the U.S. regulatory capital framework, including the Basel III Endgame, the revised Standardized Approach, and related proposals.

Valley is a regional banking organization with approximately $64 billion in assets, providing a full range of consumer, commercial, and wealth management services, through a diversified, relationship-based business model, including commercial real estate ("CRE") and commercial and industrial ("C&I") lending, supported by a network of over 200 branches and commercial banking offices.

We support the agencies' stated objectives of improving risk sensitivity, enhancing transparency, reducing unnecessary complexity, and eliminating duplicative or gold-plated requirements. Relative to the July 2023 proposals, the revised framework represents meaningful progress. However, the cumulative effects of the proposals remain uneven, as the largest institutions are generally better positioned to benefit from more risk-sensitive frameworks, while banks subject to the Standardized Approach - particularly

800.522.4100
70 Speedwell Avenue
Morristown, NJ 07960
valley.com

locally managed, community-oriented institutions with traditional CRE and C&I lending models - continue to face regulatory capital requirements that may not fully align with the underlying risk characteristics of those exposures.

Based on preliminary impact analysis across standardized-approach institutions, the revised Standardized Approach generally reduces credit risk-weighted assets ("RWAs") and results in modest improvements in Common Equity Tier 1 ("CET1") ratios, driven primarily by lower credit RWAs for residential mortgage and retail exposures. The impact on high-quality corporate and CRE exposures, however, remains significantly limited.

By contrast, adoption of the Expanded Risk-Based Approach ("ERBA") provides more significant risk-weight relief for similar exposures. However, enhanced data, systems, and governance requirements will likely limit these benefits to the nation's largest institutions, further tilting the competitive landscape in their favor. Meanwhile, the regional and community banks that play a critical role in supporting the small business economy will be left behind. This dynamic reinforces the importance of ensuring that both the Standardized Approach and ERBA are appropriately calibrated, risk-sensitive, and competitively neutral.

Banks subject to the Standardized Approach play a critical role in providing credit to small and mid-sized businesses, commercial real estate owners, and local enterprises that drive employment and regional economic resilience. Under the proposal, however, capital relief for standardized-approach banks remains concentrated in consumer, residential mortgage, and certain retail portfolios, while commercial lending portfolios—particularly CRE and C&I exposures—remain subject to near-uniform risk weights that do not meaningfully distinguish among credit quality, transaction structure, or collateral protection.

As a result, economic risk is overstated for well-underwritten, stabilized CRE exposures and relationship-based C&I loans with conservative loan-to-value ratios, strong debt service coverage, and meaningful sponsor support. In many cases, the resulting capital requirements are difficult to reconcile with supervisory risk assessments that recognize satisfactory capital adequacy relative to underlying credit risk profiles. Moreover, the preferential treatment of residential and consumer assets distorts credit allocation away from productive commercial lending, with direct implications for employment in local communities.

Although the agencies indicate that revisions to the Standardized Approach are intended to maintain consistency with ERBA, material disparities remain across key exposure classes. For corporate and C&I exposures, ERBA permits a 65 percent risk weight for investment-grade borrowers, while the Standardized Approach generally applies a 95 percent risk weight. ERBA's more granular treatment of retail exposures—including 45 percent and 75 percent risk weights—better reflects observed loss experience than the Standardized Approach's flat 90 percent risk weight. In the CRE portfolio, ERBA incorporates loan-to-value ratios, borrower characteristics, and income dependency to assign lower risk weights to

800.522.4100
70 Speedwell Avenue
Morristown, NJ 07960
valley.com

lower-risk exposures, while the Standardized Approach continues to apply largely uniform 95 to 100 percent risk weights.

While ERBA institutions are also subject to an explicit operational risk capital requirement and credit conversion factors on certain undrawn commitments, incorporating an implicit operational risk premium within Standardized Approach credit risk weights overstates risk relative to the underlying credit risk profiles of standardized-approach institutions, particularly those with traditional commercial lending portfolios. Credit risk should be calibrated based on borrower and transaction-level characteristics, rather than institutional size or operational complexity.

Valley respectfully recommends that the agencies consider a set of targeted, risk-sensitive refinements within the Standardized Approach to better align capital requirements with underlying risk while preserving safety and soundness.

From a CET1 denominator perspective, enhancing risk sensitivity in commercial portfolios would materially improve the calibration of the framework. In particular, the introduction of graduated risk weights for income-producing CRE would allow capital requirements to better differentiate among exposures based on loan-to-value ratios, cash-flow strength, and risk characteristics. This could include applying lower risk weights to stabilized properties with conservative leverage and strong debt service coverage, while providing clearer differentiation between relationship-based lending and higher-risk transactional CRE. In addition, the agencies may wish to consider explicit recognition of private mortgage insurance as a credit risk mitigant, supported by empirical evidence demonstrating reduced loss severity[1].

Similarly, expanding the availability of reduced risk weights for high-quality C&I borrowers would improve alignment between regulatory capital and actual credit risk. Broadening eligibility beyond publicly rated investment-grade corporates to include relationship-based borrowers meeting objective internal credit standards, as well as guaranteed or well-collateralized exposures, would better reflect underlying credit quality. Reconsideration of credit conversion factors for commercial commitments would also be appropriate, particularly to avoid convergence toward uniformly high credit conversion factors that inflate RWAs despite consistently low historical utilization and loss experience for certain commitment types.

In addition to these denominator refinements, targeted adjustments to capital elements would further enhance overall alignment. Greater clarity regarding the AOCI phase-in—particularly with respect to

[1] Federal Housing Finance Agency. *Private Mortgage Insurer Eligibility Requirements (PMIERs).* 2015, updated 2018. Federal Housing Finance Agency, https://www.fhfa.gov/policy/pmiers.
Federal Housing Finance Agency Office of Inspector General. *Mortgage Insurers as Enterprise Counterparties.* Federal Housing Finance Agency, 8 Mar. 2021.
Promontory Financial Group. *The Role of Private Mortgage Insurance in the U.S. Housing Finance System.* Promontory Financial Group, Jan. 2011.

ERBA opt-in timing, category transitions, and the treatment of institutions newly subject to inclusion—would improve transparency and implementation consistency. The agencies should also consider revisiting the treatment of Tier 2 subordinated debt for standardized-approach institutions. Rigid amortization schedules and restrictive disallowance or replacement expectations can create mechanical capital effects that are not tied to underlying risk, and modest flexibility for well-capitalized institutions could improve the usability of Tier 2 as a complementary loss-absorbing buffer while preserving CET1 primacy.

Finally, the continued application of the 1.25 percent limitation on the inclusion of adjusted allowance for credit losses in Tier 2 capital merits reevaluation. Developed under an incurred-loss framework, this limitation is increasingly misaligned with the forward-looking expected-loss approach established by CECL. Allowances represent a core, prudently calibrated credit-risk buffer that absorbs losses prior to capital impairment, and limiting their recognition may discourage conservative reserving. Modernizing the cap—such as by raising or recalibrating it—would better align regulatory capital with actual loss-absorbing capacity and underlying credit risk, consistent with the agencies' tailoring and safety-and-soundness objectives.

Ultimately, the revised Basel III proposals represent meaningful progress toward improving risk sensitivity, enhancing transparency, reducing unnecessary complexity, and eliminating duplicative or gold-plated requirements. However, further refinement is necessary to ensure that capital relief is not disproportionately concentrated at the largest institutions. Without additional risk sensitivity for CRE and C&I exposures under the Standardized Approach, the framework risks discouraging traditional commercial lending and undermining competitive equity across the banking system. Targeted, standardized, and transparent adjustments would better align capital requirements with underlying risk, preserve safety and soundness, and support continued credit availability for America's small and mid-sized businesses.

We appreciate the agencies' consideration of these comments and welcome continued engagement.

Respectfully submitted,

Ira Robbins
Chief Executive Officer
Valley National Bancorp and Valley National Bank

800.522.4100
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Morristown, NJ 07960
valley.com