VANCE GINN

Proposal and Comment Information

Title: GSIB-Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15), R-1889

Comment ID: FR-2026-0009-01-C37

Submitter Information

Name: Vance Ginn

Submitted Date: 06/18/2026

To the Board of Governors of the Federal Reserve System:

I appreciate the opportunity to submit this comment on the Federal Reserve's proposed revisions to the GSIB surcharge framework and related capital reporting requirements.

The key issue is not whether banks should hold capital. They should. A resilient banking system requires institutions that can absorb losses, serve depositors, and maintain confidence during periods of stress. The better question is how much capital regulation is appropriate before the costs exceed the benefits.

As I have written previously on the Basel III capital proposal, capital requirements are not free. When regulators require banks to hold more capital than actual risk justifies, those costs can show up as tighter credit, higher borrowing costs, fewer financial products, and less lending to families, entrepreneurs, and small businesses. The burden does not remain on bank balance sheets. It reaches Main Street.
That tradeoff should be central to any capital rule.

Compared with the broader Basel III framework advanced in 2023, this proposal appears to move in a more disciplined direction. The earlier approach risked layering broad capital increases onto an already complex regulatory framework without sufficient attention to cumulative costs, credit availability, and unintended consequences. This proposal better recognizes that regulation itself can create risks when it becomes too blunt or too burdensome.

One useful feature is the effort to better align surcharges with actual systemic risk. The Federal Reserve notes that the proposal would modify the Method 2 surcharge calculation to reflect changes in the economy and financial system, including annual adjustments for real economic growth and inflation. A firm should not appear more systemically risky simply because nominal GDP, inflation, or the overall economy has grown. If capital surcharges rise mechanically without a corresponding increase in true risk, the rule becomes less about safety and more about regulatory drag.

Indexing Method 2 coefficients to economic growth and inflation is a practical improvement. It helps distinguish between genuine growth in systemic risk and ordinary changes in the economy's scale. That distinction matters because bad measurement leads to bad regulation.

The proposal's attention to cliff effects is also important. When small changes in measured scores cause large jumps in capital requirements, firms have incentives to manage around regulatory thresholds instead of focusing on customers, credit allocation, and prudent risk management. Narrower surcharge bands may reduce these distortions and make the framework more predictable.
Using averaging for certain systemic indicators is another reasonable step. Point-in-time measurements can encourage year-end window dressing and temporary balance-sheet shifts. A better framework should measure risk over time rather than reward short-term regulatory management.
Still, the broader concern remains. The United States has built a banking regulatory system that is increasingly complex, cumulative, and government-directed. Each rule may be defended as prudent in isolation, but the combined effect of capital rules, liquidity rules, stress tests, surcharges, reporting mandates, supervision, and enforcement risk can become much larger than policymakers acknowledge.
This matters because credit is not just a banking issue. It is how families buy homes, entrepreneurs start businesses, farmers finance operations, and employers expand payrolls. When the government makes credit more expensive or harder to access, Americans have fewer opportunities.

It also matters for stability. If regulations make traditional lending uneconomic, demand for credit will not disappear. It will migrate into less transparent markets. Regulators should be careful not to mistake risk migration for risk reduction.

The Board should keep three principles at the center of any final rule: capital requirements should be tied closely to actual risk; regulators should evaluate the total burden of the capital stack; and the framework should be simple, transparent, and predictable.

The banking system does not need more government micromanagement. It needs clear rules, sound money, market discipline, and prudent risk management. Any final rule should protect taxpayers, preserve access to credit, allow competition, and avoid imposing unnecessary burdens on borrowers, businesses, and communities.

Respectfully submitted,

Vance Ginn, Ph.D.
President, Ginn Economic Consulting
Former Chief Economist, White House Office of Management and Budget
Round Rock, Texas
vanceginn.com

Comment on Regulatory Capital Rule (Regulation Q): Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15) Docket No. 1889; RIN 7100-AH22

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