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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-C54

Submitter Information

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Organization Type: Company

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Submitted Date: 06/18/2026

Please see attached.

June 18, 2026

VIA ELECTRONIC SUBMISSION EMAIL

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: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations (Federal Reserve Docket No. R-1887, RIN 7100-AH20; FDIC RIN 3064-AF29; Docket ID OCC-2026-0265) and Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15) (Federal Reserve Docket No. R-1889, RIN 7100-AH22).

Ladies and Gentlemen:

JPMorgan Chase & Co. (JPMC or JPM) appreciates the opportunity to submit comments to the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC), and collectively, the Agencies, regarding modifications proposed by the Agencies to the capital requirements applicable to large banks¹ (the B3 Proposal). In addition, JPMC is also submitting comments on the FRB's proposed revisions to risk-based capital surcharges for Global Systemically Important Bank (GSIB) Holding Companies² (the GSIB Proposal and collectively with B3 Proposal, the Proposals).

As we did in 2023, JPMC is taking a holistic approach in responding to both the B3 and GSIB Proposals, because they – along with many other components of the capital and broader prudential framework – are inextricably linked. It is impossible to fully respond to one proposal without examining the other, since the aggregate capital increase arises not only from the restructuring of the capital stack and calibration of risk weights in the B3 Proposal, but also from how the B3 Proposal interacts with the

¹ Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations, 91 Fed. Reg. at 14952 (Mar. 27, 2026), available [here](#) [hereinafter, the "B3 Proposal"].

² Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15), 91 Fed. Reg. at 14908 (Mar. 27, 2026), available [here](#) [hereinafter, the "GSIB Proposal"].

Stress Capital Buffer (SCB), the GSIB surcharge, the Countercyclical Capital Buffer (CCyB, if activated above 0%), Total Loss Absorbing Capacity (TLAC), and Long Term Debt (LTD) requirements.

We appreciate the enhancements made in the Proposals to address several critical flaws relative to the 2023 proposals³ – they are certainly steps in the right direction. These include, on the B3 Proposal, reduction in the gold-plating in credit risk-weighted assets (RWA) versus the Basel Committee on Banking Supervision (BCBS or Basel) standard; and on the GSIB Proposal, addressing – to some degree – the inflationary impacts of economic growth on Method 2 GSIB surcharges, as well as reductions of current cliff effects by introducing smaller 10bps bucket sizes.

However, a few areas of significant concern remain with respect to the remaining gold-plating of the U.S. capital framework if the Proposals are left unchanged. Specifically, the calibration of Method 2 GSIB, and the elimination of modeling for credit risk will perpetuate over calibration of the U.S. framework relative to BCBS minimum standards and national adoptions across other major jurisdictions.

With respect to the GSIB Proposal, the FRB did not provide a reasoned explanation for the removal of RWA from the denominator in the calculation of the short-term wholesale funding (STWF) component of the GSIB surcharge. The lack of rationale is particularly concerning since this change creates significantly adverse outcomes and wide-ranging policy implications, as well as disparate impacts across GSIBs. Additionally, the GSIB Proposal's approach to adjusting for historical economic growth is not sufficiently comprehensive and does not adequately address the cumulative effects of U.S. nominal economic expansion since the adoption of the GSIB requirement in 2015.

On the B3 Proposal, while the Agencies' policy decision to eliminate internal models from credit risk RWA is likely set, it is still worth reiterating the tradeoffs between standardized versus models-based capital measures. Under a standardized approach, it is necessary to define bright line boundaries that inherently create cliff effects. For example, a standardized approach for credit cards could mandate a delineation between transactors and revolvers (as is done in the B3 Proposal) which, unlike a modeled approach, unnecessarily penalizes a high credit quality consumer for revolving for a few months to meet an unexpected or large expense. Similarly, a modeled approach for derivatives counterparty credit risk provides a more accurate representation of counterparty credit exposure than a standardized approach, given the full consideration of the risk profile of the portfolio and available collateral. Therefore, the Agencies should account for the conservatism that arises because of the elimination of credit and counterparty risk modeling as well as the meaningful remaining gold plating in Method 2 GSIB by making sensible adjustments to the Expanded Risk Based Approach (ERBA) and Method 2 GSIB.

In addition to the comments in this letter, JPMC has participated in, and is supportive of, a number of comment letters submitted by various trade associations. We highlight a subset of issues addressed in certain trade association responses that are of particular importance to JPMC in Section 8.

³ Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity, 88 Fed. Reg. at 64028 (Sept. 18, 2023), available [here](#); Regulatory Capital Rule: Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15), 88 Fed. Reg. at 60385 (Sept. 9, 2023), available [here](#).

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1. GSIB: Removal of RWA from the denominator in the calculation of the short-term wholesale funding score

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We first provide a brief description of our key concerns with the removal of RWA from the denominator in the calculation of the STWF score and summarize our recommendation in the “Overview” section below (Section 1.1). More detailed discussion on the issue will follow and cover the following topics:

- Section 1.2: Analyses that clearly demonstrate the significantly adverse outcome and wide-ranging policy implications of the STWF methodology change as well as the unwarranted disparate impacts across U.S. GSIBs.
- Section 1.3: A review of the arguments provided by the FRB in support of the methodology change, and why, in JPMC’s view, the FRB has not provided a reasoned explanation for the methodology change.

1.1 Overview

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As a reminder, the STWF component is not a feature of the Basel GSIB framework and was specifically introduced into the U.S. framework by the FRB in the 2015 U.S. GSIB Rule⁴ to replace the substitutability category in the Basel framework, as stated⁵ in the following: *“The proposed method 2 incorporated a measure of short-term wholesale funding in place of substitutability in order to address the risks presented by those funding sources”*.

The idea was to have this component of the U.S. GSIB framework capture the capital that a GSIB would be required to hold to cover the systemic risk associated with its short-term wholesale funding.

Unlike the other indicators adopted from the Basel framework which have fixed weights, the short-term wholesale funding component was purposefully designed by the FRB such that the dollars of capital required for the associated systemic risk would be solely dependent on the amount of such funding held by the GSIB. The FRB determined this calibration to be the appropriate way to size the dollars of capital a GSIB would be required to hold to readily absorb potential losses from the fire-sale risk associated with its short-term wholesale funding as shown below⁶:

“... consideration of a GSIB’s short-term wholesale funding amount as a percentage of its risk-weighted assets is an appropriate means of scaling in a firm-specific manner a firm’s use of short-term wholesale funding. This approach reflects the view that the systemic risks associated with a firm’s use of short-term wholesale funding are comparable regardless of the business model of the firm. ... Dividing short-term wholesale funding by risk-weighted assets helps ensure that two firms

⁴ Regulatory Capital Rules: Implementation of Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies, 80 Fed. Reg. at 49082 (Aug. 14, 2015) available [here](#) [hereinafter, the “2015 U.S. GSIB Rule”].

⁵ Id. at 49088.

⁶ Id. at 49100.

that use the same amount of short-term wholesale funding would be required to hold the same dollar amount of additional capital regardless of such differences in business model.”

For convenience and brevity, in the remainder of this letter we will refer to the FRB’s 2015 objective stated above as “same dollars of capital for the same STWF amount”.

The GSIB Proposal modifies the current approach, which uses a firm-specific weight with RWA in the denominator of the STWF score calculation, and replaces it with fixed weights with RWA removed from the denominator. This change departs from the FRB’s clearly stated intention to require the same dollars of capital for the same STWF amount across all U.S. GSIBs. For the rest of this document, when we refer to the GSIB Proposal’s “STWF methodology change” we are narrowly referring to the removal of RWA from the denominator of the STWF score calculation and not to other aspects of the STWF calibration.

The GSIB Proposal does not provide a reasoned explanation for why the dollars of capital that a firm has to hold for STWF should now vary with the level of a firm’s RWA and does not provide any of the required analytical evidence to support the STWF methodology change. While the GSIB Proposal identifies some issues with aspects of the current methodology, the accompanying discussion and analysis do not establish that the GSIB Proposal’s approach which removes RWA from the denominator is superior, appropriately calibrated, or consistent with the original conceptual rationale underlying the U.S. GSIB framework. On the contrary, the STWF methodology change produces adverse outcomes which we further expand on in Discussion Box 1 in Section 1.2.

Recommendations on STWF methodology change in GSIB

1. The FRB should not adopt the STWF methodology change and should retain RWA in the denominator given the adverse outcomes from the proposed change and the absence of a reasoned explanation for the change.
 - The STWF methodology change is not fundamental to the other aspects of the GSIB Proposal such as adjustments for historical and future economic growth, re-weighting of the total STWF scores to 20% of the aggregate GSIB score, use of averaging and smaller bucket sizes. As such, the FRB can retain the existing STWF framework in the final rule, while still achieving the other objectives of the GSIB Proposal to reduce the inflation of GSIB surcharges from historical economic growth and improve the measurement of systemic risk for U.S. GSIBs.

1.2 The STWF methodology change has wide-ranging policy implications

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Our analysis in this section demonstrates that the STWF methodology change produces outcomes which, in our opinion, are not good policy.

Before we delve into the analysis, Figure 1, on the next page, is a simple mathematical illustration showing how the use of a firm-specific weight with RWA in the denominator of the STWF component achieves the FRB’s previously stated goal requiring same dollars of capital for the same STWF amount across U.S. GSIBs. As shown in Figure 1, under the currently applicable 2015 U.S. GSIB Rule, for a given

amount of STWF⁷, any U.S. GSIB is required to hold capital equal⁸ to 1.75% of such amount to readily absorb the potential losses from the fire-sale risk associated with the runnability of its short-term wholesale funding.

FIGURE 1: MATHEMATICAL ILLUSTRATION OF THE STWF SCORE CALCULATION IN CURRENT GSIB RULE

The Figure illustrates how the firm-specific weight used in the current rule with RWA in the denominator, achieves the FRB's 2015 objective of requiring same dollars of capital for the same STWF amount.

$$GSIB \text{ score contribution (points)} = \frac{350}{RWA} \times STWF$$

$$GSIB \text{ surcharge contribution} = \frac{1}{2} \times \frac{1}{10,000} \times \frac{350}{RWA} \times STWF$$

$$Capital \text{ required to to be held (\$)} = \frac{1}{2} \times \frac{1}{10,000} \times \frac{350}{RWA} \times STWF \times RWA = 1.75\% \times STWF$$

JPMC's starting point in evaluating the impact of the STWF methodology change was to assess how the dollars of capital required for any two GSIB firms for the same amount of short-term wholesale funding compares to the requirement under the current rule.

In Figure 2, on the next page, we consider two stylized firms: Bank A is larger (\$2,000B RWA) while Bank B is smaller (\$500B RWA). We assume an incremental amount of STWF of \$100B is added by each firm and calculate the incremental capital that would be required to be held by each firm under the current rule and the GSIB Proposal.

In addition, since the STWF methodology change is not necessary to achieve the other objectives of the GSIB Proposal, it is also important to compare the GSIB Proposal to an alternative which incorporates all other aspects of the GSIB Proposal except for the STWF methodology change. We refer to that⁹ as the "GSIB Proposal without STWF methodology change."

⁷ What we show as STWF in the equation is the "weighted short-term wholesale funding amount" which reflects prescribed weights from the 2015 U.S. GSIB Rules applied to different short-term wholesale funding sources based on their term and the nature of any underlying collateral. Similarly, we will denote and refer to the weighted short-term wholesale funding amount in the remainder of this letter as "STWF".

⁸ For illustrative purposes and simplicity, for the analyses in this letter we ignore the effects of the time lag between the measurement date and the effective date of the GSIB surcharge, the discrete bucket sizes and differences between average RWA used in the denominator of the STWF and spot RWA used in required capital calculations.

⁹ The results for the GSIB Proposal without STWF methodology change reflect the downward recalibration of the 350 multiplier in the current rule, consistent with the GSIB Proposal such that the overall STWF scores of all GSIBs is 20% of the total score. We estimate the recalibrated multiplier would be reduced from 350 to ~200.

This simple example shows that the STWF methodology change significantly departs from the FRB's intention stated in the 2015 U.S. GSIB Rule to require the same dollars of capital for the same STWF amount across U.S. GSIBs. Specifically, this methodology change would result in scaling the dollars of capital required for a given amount of STWF by a firm's RWA¹⁰.

In the example a GSIB with higher RWA (\$2,000B RWA), such as a diversified money-center bank would be required to hold \$2.3B of capital for \$100B of short-term wholesale funding while a GSIB with less RWA (\$500B) would only be required to hold a quarter of the capital for the same amount of STWF, simply because it has less RWA.

FIGURE 2: NUMERICAL EXAMPLE ILLUSTRATING OUTCOME OF STWF METHODOLOGY CHANGE

The Figure shows the numerical example under the current GSIB rule, the GSIB Proposal without the STWF methodology change and the GSIB Proposal.

	Current Rule		GSIB Proposal <u>without</u> STWF methodology change		GSIB Proposal	
	Bank A	Bank B	Bank A	Bank B	Bank A	Bank B
1) Incremental STWF	\$100B	\$100B	\$100B	\$100B	\$100B	\$100B
2) RWA	\$2,000B	\$500B	\$2,000B	\$500B	\$2,000B	\$500B
3) STWF Weight	17.5% (350 / RWA)	70.0% (350 / RWA)	10.0% (200 / RWA)	40.0% (200 / RWA)	23.0%	23.0%
4) Score Contribution (Line 3 x 100)	17.5pts	70pts	10pts	40pts	23pts	23pts
5) Surcharge Impact (Line 4 / 2 / 10000)	8.75bps	35bps	5bps	20bps	11.5bps	11.5bps
6) CET1 \$ Required (Line 5 x Line 2)	\$1.75B	\$1.75B	\$1.0B	\$1.0B	\$2.3B	\$0.575B

A significant portion of RWA held by a diversified money-center bank arises from exposures which have nothing to do with short-term wholesale funding, for example, retail loans such as mortgages and auto loans funded by stable retail deposits. The STWF methodology change would now require a GSIB to hold more capital for its short-term wholesale funding simply because the GSIB has higher RWA, regardless of the source of that RWA, which would unnecessarily burden U.S. consumers with additional capital requirements, compared to a proposal without the STWF methodology change. Discussion Box 1, on the following page, summarizes the adverse outcomes this methodology change produces.

¹⁰ This required capital for short-term wholesale funding is separate from, and in addition to, any capital that is already being held for the firm's RWA.

DISCUSSION BOX 1: THE STWF METHODOLOGY CHANGE HAS SIGNIFICANTLY ADVERSE OUTCOMES AND WIDE-RANGING POLICY IMPLICATIONS

1. **The STWF methodology change significantly departs from the FRB’s 2015 objective** that two firms be required to hold the same dollars of capital for the same amount of short-term wholesale funding, to readily absorb the potential losses from the associated fire-sale risk.
2. **The STWF methodology change would require a firm with higher RWA to hold more dollars of capital for same amount of short-term wholesale funding compared to a firm with lower RWA.** As shown in Figure 2, under the GSIB Proposal the capital required to be held for the same amount of short-term wholesale funding would scale with the amount of a firm’s RWA. A diversified money-center GSIB with higher RWA would now be required to hold multiples of the dollars of capital for the same short-term wholesale funding amount compared to a GSIB with less RWA.
3. **Linking the dollars of capital required to be held for short-term wholesale funding to a firm’s RWA unnecessarily burdens mortgages and auto loans with additional capital requirements, even though they are typically not funded with short-term wholesale funding.**
For any loan extended by a GSIB, including loans to consumers funded by stable retail deposits, the GSIB would be required to hold more dollars of capital for short-term wholesale funding even if the amount of such funding is unchanged. This would likely increase the cost of credit provided by U.S. GSIBs to U.S. consumers and households, when compared to an alternative without this methodology change.
4. **All else equal, the STWF methodology change would incentivize a reduction in short-term wholesale funding at diversified money-center GSIBs and increase at GSIBs with lower RWA.**
There is the potential for an increase in the concentration risk related to financing and intermediation activities, as well as limited expansion capacity during stress periods to absorb any increased demand, which would impede Treasury market intermediation. This arises because of the disparate capital requirements for the same amount of short-term wholesale funding across GSIBs. Competitive dynamics and the market’s continued demand for intermediation could simply drive GSIBs with higher RWA, to reduce their short-term wholesale funding while other GSIBs with less RWA or non-GSIBs increase theirs.

In addition to the illustrative numerical example in Figure 2, we also provide estimates of firm-specific impact analysis of the STWF methodology change for JPMC and other GSIB peers based on our best understanding of the GSIB Proposal, firm-specific data where available and analyst estimates as relevant. We assess both the GSIB Proposal and an alternative without the STWF methodology change, across the following three metrics:

- Reduction in GSIB surcharges vs. current rules
- Amount of dollars of capital required for STWF expressed as a % of STWF amount
- Reduction in the required dollars of capital vs. current rules

The results of the analysis¹¹ are summarized in Discussion Box 2 and shown in Figures 3, 4 and 5 which demonstrate disparate and meaningful impacts across GSIBs due to the STWF methodology change.

DISCUSSION BOX 2: THE STWF METHODOLOGY CHANGE RESULTS IN UNWARRANTED DISPARATE IMPACTS ACROSS GSIBS

- 1. GSIB surcharges for the diversified money-center GSIBs remain inflated because the STWF methodology change materially offsets the benefit from the GSIB Proposal's adjustments for historical growth.**

See Figure 3. Using JPM as an example, based on 2025 year-end systemic indicators, our GSIB surcharge would be 5.5% effective in the first quarter of 2028 under the current rules. If the STWF methodology change had not been made in the GSIB Proposal (see the set of bars on the right), JPM's surcharge would have been reduced by ~90bps. However, because of the STWF methodology change, JPM's surcharge is only reduced by ~30bps under the GSIB Proposal. In comparison, other GSIBs would see their surcharges reduced by over 100bps under the proposal (see the set of bars on the left).

- 2. Under the GSIB Proposal, JPM would be required to hold up to 3x the dollars of capital for the same amount of incremental short-term wholesale funding, compared to some other GSIBs.**

See Figure 4 which reflects the outcome of the earlier numerical example (Figure 2) for JPM and several GSIB peers.

- 3. The STWF methodology change significantly increases the aggregate dollars of required capital compared to a proposal without this change, which is largely borne by JPM and BAC.**

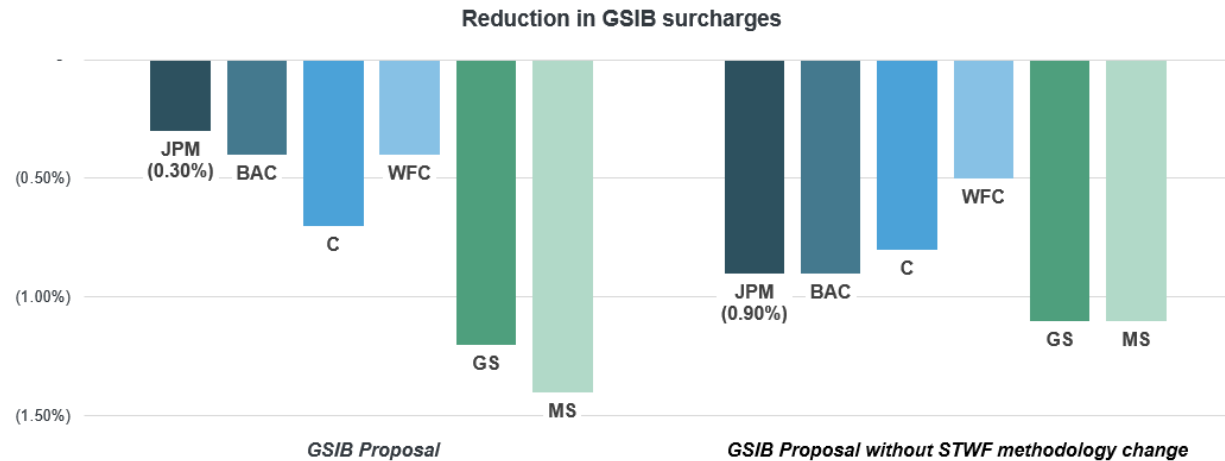
See Figure 5. The methodology change increases the aggregate capital requirement for STWF, compared to an alternative without this change, with the burden borne largely by JPM and BAC. Based on 2024 year-end systemic indicators, the increase in aggregate required capital is ~\$12B (or ~1.3%); and based on year-end 2025 indicators would be an increase of ~\$21B (or ~2.2%), compared to a proposal without the STWF methodology change.

- 4. The GSIB Proposal did not evaluate the specific impact of the STWF methodology change, which is material, and did not provide justification for the disparate impacts across GSIBs.**

¹¹ Impact estimates utilize firm-specific information reported in the FR Y-15 forms. Pro forma results are estimated based on our understanding of the GSIB Proposal and reflect 1.2x "growth adjustment factor", re-weighting of total STWF score across the GSIBs to ~20% of aggregate score, STWF methodology change, as applicable, averaging of quarterly systemic indicators as reported in FR Y-15 forms and smaller bucket sizes. Results do not include any impact of the reporting changes to the systemic indicators in the GSIB Proposal for the peer firms. There is no assumed adjustment for economic growth between 2024 and 2025 pending clarification on the forward adjustment mechanics. Assumes 4Q25 Balance Sheet for RWA measure and where pro forma RWA for peer firms under B3 Proposal are used, we utilize disclosed analyst estimates of firm-specific impacts of the B3 Proposal. Assumes average of 2024 and 2025 SCB requirements for each firm. To promote comparability between surcharges calculated under current rule, the GSIB Proposal and the alternative, the GSIB scores under current rule are mapped to surcharges using the same 10bps bucket sizes as provided in the GSIB Proposal.

FIGURE 3: ESTIMATED REDUCTION IN GSIB SURCHARGES ACROSS GSIBS

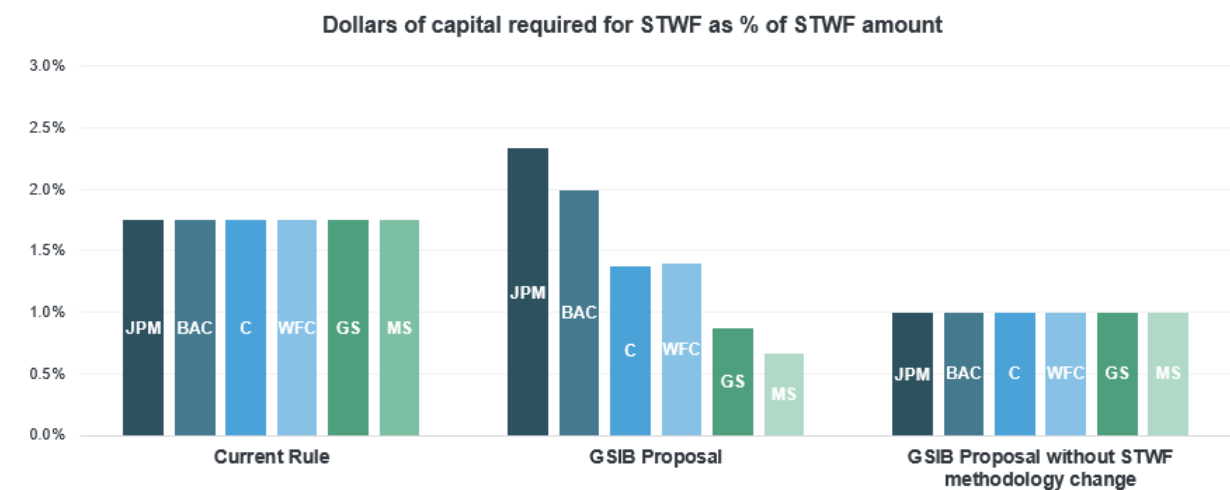
The Figure shows the estimated reduction in GSIB surcharges under the GSIB Proposal and the alternative approach without the STWF methodology change. Based on systemic indicators measured at year-end 2025.



Note: STT and BNY are excluded from the above chart as their U.S. Method 2 GSIB surcharge is floored at 1.0% under the GSIB Proposal which can distort the impact on estimated reduction in surcharges under the GSIB Proposal and/or the alternative.

FIGURE 4: DOLLARS OF CAPITAL REQUIRED TO BE HELD FOR STWF EXPRESSED AS % OF STWF AMOUNT ACROSS GSIBS

The Figure shows the dollars of capital required for STWF under the current GSIB rule, the GSIB Proposal and the alternative approach without the STWF methodology change, expressed as a % of the STWF amount.



Note: STT and BNY are excluded from the above chart as their U.S. Method 2 GSIB surcharge is floored at 1.0% under the GSIB Proposal which can distort the calculation of the change in capital required for an increase in short-term wholesale funding.

FIGURE 5: IMPACT OF STWF METHODOLOGY CHANGE ON DOLLARS OF REQUIRED CET1

The table shows the increase in \$ required CET1 from the GSIB Proposal and the alternative without the STWF methodology change, each compared to the current GSIB rule. The difference between these two shows the impact of the STWF methodology change on the \$ CET1 required. Results are based on year-end 2024 and 2025 indicators.

CET1 \$ required vs. current rules (\$B)	JPM	BAC	C	WFC	GS	MS	BNY	STT	Total	
Based on Year-End 2024 Indicators										
1 GSIB Proposal vs. current rule	(8)	(7)	(5)	(4)	(8)	(7)	(1)	(0)	(40)	
2 GSIB Proposal without STWF methodology change vs. current rule	(17)	(12)	(6)	(4)	(7)	(5)	(1)	(0)	(52)	
3 <i>Impact of STWF methodology change on CET1 \$ required</i>	8	5	1	0	(1)	(2)	(0)	0	12	~1.3% increase
Based on Year-End 2025 Indicators										
4 GSIB Proposal vs. current rule	(6)	(7)	(8)	(5)	(9)	(8)	(1)	(0)	(46)	
5 GSIB Proposal without STWF methodology change vs. current rule	(19)	(16)	(10)	(6)	(8)	(7)	(1)	(0)	(67)	
6 <i>Impact of STWF methodology change on CET1 \$ required</i>	13	9	1	1	(1)	(2)	(0)	0	21	~2.2% increase

1.3 The FRB did not provide a reasoned explanation for the STWF methodology change in the GSIB Proposal

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The FRB provides several arguments in support of the STWF methodology change; however, as we show below, these arguments do not constitute a reasoned explanation for this change or for why the current approach which requires same dollars of capital for the same STWF amount is no longer appropriate.

- A. Although the GSIB Proposal states that the STWF methodology change improves the measurement of systemic risk, the FRB does not provide analysis in support of this assertion, nor does it demonstrate how the current approach fails to adequately capture the systemic risk associated with short-term wholesale funding.**

The GSIB Proposal argues¹² that its revised approach would “improve the measurement of a banking organization’s systemic risk profile relative to the current approach” and “provide a direct measurement of the potential transmission effect of fire-sales”. While the GSIB Proposal cites several academic papers discussing wholesale funding fragility generally, none of the cited studies establish that calibrating GSIB surcharges using a fixed weight for STWF, without RWA in the denominator, is superior to the use of a firm-specific weight with RWA in the denominator.

The GSIB Proposal does not include analytical or empirical evidence that removing RWA from the denominator in the calculation of the STWF score results in a better measure of the potential losses from the fire-sale risk associated with STWF, compared to the existing approach. For example, the GSIB Proposal does not provide analytical or empirical evidence to demonstrate or justify:

¹² GSIB Proposal at 14916.

- Why a GSIB with lower RWA is required to hold much less dollars of capital for the fire-sale risk associated with the same short-term wholesale funding amount compared to a GSIB with higher RWA.
- How, or whether, the STWF methodology change better addresses resolution complexity or broader financial instability. In fact, as described in Discussion Box 1, the STWF methodology change could increase concentration risks related to financing and intermediation activities and impede Treasury market intermediation.

B. Although the GSIB Proposal states that the STWF methodology change would simplify and align the calculation with other indicators in Method 2, the GSIB Proposal does not address whether such a change is appropriate and does not assess its implications.

The GSIB Proposal states¹³ that the STWF methodology change “... *would simplify the calculation of the indicator and use the same calculation method used for the other method 2 systemic indicators*”.

While we appreciate that the other Method 2 indicators adopted from Basel use a fixed weight, this rationale glosses over the fact that the STWF component is, in fact, different from the other Method 2 indicators in the U.S. GSIB framework. As described earlier in Section 1.1, unlike the other Method 2 indicators, this component is not a feature of the Basel GSIB framework and was introduced into the U.S. framework by the FRB and purposefully designed differently from the other indicators. Specifically, it was designed using a firm-specific weight with RWA in the denominator to require the same dollars of capital for the same STWF amount across U.S. GSIBs. This approach was deemed a more appropriate way to measure and capitalize for the potential losses from the fire-sale risks associated with short-term wholesale funding.

The GSIB Proposal does not demonstrate why abandoning this clearly articulated objective of the FRB from 2015 and treating the STWF indicator like the other Basel indicators is an appropriate approach for addressing this risk.

C. The GSIB Proposal states that the STWF methodology change better aligns with how STWF is used in the regulatory tailoring framework without weighing the perceived benefit of any such alignment with the significantly adverse outcomes of this change.

The GSIB Proposal states¹⁴ that the STWF methodology change “... *would align with the calculation methodology for the weighted short-term wholesale funding risk-based indicator in the regulatory tailoring framework*”. With respect to this statement, the GSIB Proposal references footnote #46 which states that “*The weighted short-term wholesale funding indicator in the regulatory tailoring framework uses a banking organization’s weighted short-term wholesale funding amount reported on the FR Y-15, without dividing by average risk-weighted assets*”.

¹³ GSIB Proposal at 14915.

¹⁴ Ibid.

For easy reference for the reader, Figure 6 below provides the metrics used to define the banking categories in the tailoring framework¹⁵ which shows that the short-term wholesale funding amount is referenced without dividing by RWA in establishing the threshold for Category III. However, it is completely unclear why this very narrow description of “alignment” is considered appropriate justification for the STWF methodology change. Under the current GSIB rule the dollars of capital required for short-term wholesale funding depends directly on the short-term wholesale funding amount, so the alignment already exists between the dollars of capital required and the short-term wholesale funding amount. This rationale is simply not adequate justification for abandoning the current methodology, especially considering the adverse outcomes as summarized in Discussion Box 1 in Section 1.2.

FIGURE 6: CATEGORY DEFINITIONS UNDER TAILORING FRAMEWORK

Category I	Category II	Category III	Category IV	Other firms
U.S. GSIBs	≥ \$700B Total Assets or ≥ \$75B in Cross-Jurisdictional Activity	≥ \$250B Total Assets or ≥ \$75B in non-bank assets, weighted STWF , or Off-balance sheet exposure	Other firms with \$100B to \$250B Total Assets	\$50B to \$100B Total Assets

- D. The GSIB Proposal asserts that the current approach may result in outcomes that are not aligned with measuring systemic risk; however, by abandoning the FRB’s 2015 objective of same dollars of capital for the same STWF amount, the GSIB Proposal can increase concentration risks related to financing and intermediation activities and impede Treasury market intermediation.**

The GSIB Proposal describes certain features of the current framework as not aligned with systemic risk and states¹⁶ that:

“... use of risk-weighted assets in the denominator of the current approach can result in outcomes that may not align with measuring systemic risk. Under the current approach, a banking organization with higher risk-weighted assets than a firm with lower risk-weighted assets and a similar amount of short-term wholesale funding is assigned a lower short-term wholesale funding indicator score. This outcome may not appropriately reflect the size and systemic importance of the two firms’ respective funding profiles.

Further, if a banking organization’s risk-weighted assets increase, its short-term wholesale funding score can correspondingly decrease, even though its volume of short-term wholesale funding

¹⁵ Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements, 84 Fed. Reg. at 59230 (Nov. 1, 2019) available [here](#); the FRB’s “tailoring rule visual” (Oct. 10, 2019) available [here](#).

¹⁶ GSIB Proposal at 14916.

remains unchanged. Conversely, if a banking organization's risk-weighted assets decrease, its short-term wholesale funding score can increase. The proposed approach would prevent these outcomes in the method 2 framework going forward".

The above reasoning provided in the GSIB Proposal is based on how the STWF score changes as a firm's RWA changes. However, what ultimately matters for the resilience of the financial system is whether the dollars of capital a GSIB is required to hold to readily absorb the potential losses from the fire-sale risk associated with its short-term wholesale funding is appropriate. While the GSIB Proposal's observation of how the GSIB score changes as a firm's RWA changes is correct, these changes are exactly consistent with the FRB's 2015 intention to require same dollars of capital for the same STWF amount. The above observations from the GSIB Proposal are simply not an adequate justification for the STWF methodology change, especially considering its adverse outcomes, including potential for increasing concentration risks related to financing and intermediation activities and impeding Treasury market intermediation. The GSIB Proposal does not contain any meaningful impact analysis on the potential for such outcomes.

Furthermore, the GSIB Proposal did not consider or evaluate other less disruptive alternatives to address these observations.

2. GSIB: Other considerations

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2.1 Adjustments for historical and future economic growth

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Historical economic growth

We welcome the steps taken in the GSIB Proposal to address a self-identified and widely acknowledged shortcoming¹⁷ in the initial calibration of the 2015 U.S. GSIB Rule, by updating the calculation's coefficients to adjust for the effects of historical and future economic growth.

The GSIB Proposal provides a 20% growth adjustment factor determined based on the difference in the growth since 2019 between Method 2 and Method 1 GSIB scores across the eight U.S. GSIBs. However, the GSIB Proposal's approach to adjusting for historical economic growth is not sufficiently comprehensive and does not adequately address the cumulative effects of U.S. nominal economic expansion since the adoption of the 2015 U.S. GSIB Rule. Specifically, the GSIB Proposal does not go back far enough in the historical period used to estimate the growth adjustment. Furthermore, the measure used to determine the adjustment seems arbitrary in that it appears designed to target a particular numerical outcome, rather than to appropriately right-size the U.S. GSIB surcharges to remove the unnecessary inflationary effects of economic growth.

¹⁷ 2015 U.S. GSIB Rule at 49088 ("While the final rule's method 2 score has the advantages set forth above, the Board acknowledges that over time, a bank holding company's method 2 score may be affected by economic growth that does not represent an increase in systemic risk. To ensure changes in economic growth do not unduly affect firms' systemic risk scores, the Board will periodically review the coefficients and make adjustments as appropriate").

Given the FRB's own view that economic growth creates distortions in the GSIB framework, the GSIB Proposal should make adjustments to address the full period over which those distortions accumulated, and as such the GSIB Proposal's adjustment must go all the way back to the 2015 adoption of the GSIB requirement.

The GSIB surcharge is intended to measure the systemic risk associated with the distress or failure of large banking organizations relative to the broader economy and financial system. As the nominal size of the economy expands, larger nominal balance sheets and transaction volumes are necessary simply to intermediate a proportionally similar share of economic activity. The GSIB Proposal applies only a limited and partial adjustment to address the impact of historical economic growth even though the U.S. GSIB framework has operated against a backdrop of substantial cumulative nominal economic growth since adoption. The U.S. nominal Gross Domestic Product (GDP) has increased by 62% since 2015, which is significantly higher than the GSIB Proposal's 20% growth adjustment. The FRB does not provide a reasoned explanation for the 20% adjustment in comparison to the impact of economic growth on the GSIB surcharges.

An inconsistency in the GSIB Proposal is its use of U.S. nominal GDP to adjust for future economic growth but not for historical growth. In fact, the GSIB Proposal does not even include adjustments based on U.S. nominal GDP as one of the several alternatives considered for historical adjustments.

The alternatives provided in the GSIB Proposal show potential historical growth adjustments ranging up to 40%, which is much higher than the GSIB Proposal's 20% adjustment (see Figure 7). The FRB did not provide adequate explanation as to why its chosen approach better accounts for economic growth than these alternatives. In light of the lack of explanation, the GSIB Proposal's 20% growth adjustment seems arbitrary, rather than designed to appropriately right-size the U.S. GSIB surcharges to remove the unnecessary inflationary effects of economic growth. As a result, U.S. GSIB surcharges would remain inflated and unrepresentative of the actual systemic risk posed by U.S. GSIBs. This is further compounded for diversified money-center GSIBs with higher RWA, when viewed together with the STWF methodology change, which burdens these banks with additional required capital.

Future economic growth

The GSIB Proposal's automatic adjustment for future economic growth based on U.S. nominal GDP will future proof the U.S. GSIB framework. To ensure this change operates as intended, the FRB should clarify the mechanics of the automatic future adjustments to address a potential gap between when the adjustments for historical growth end, and when the adjustments for future growth begin. Given 2024 is the end of the historical period used to determine the adjustment for historical growth, adjustments for future growth should begin from 2024 onwards. Consistent with the GSIB Proposal, the adjustments for future growth should begin with the average U.S. nominal GDP over the 3-year period ending in 2024. As an example, the growth adjustment scalar published in 2028 and applicable to the calculation of surcharges measured as of December 31, 2027, should be based on the ratio of (i) the 3-year average U.S. nominal GDP ending in 2027 and (ii) the 3-year average U.S. nominal GDP ending in 2024.

FIGURE 7: ALTERNATIVE APPROACHES FOR HISTORICAL GROWTH ADJUSTMENTS

The Figure shows historical growth adjustments for several approaches including the GSIB Proposal, the three alternatives provided in the GSIB Proposal and an additional alternative based on U.S. nominal GDP.

Approach	Historical growth adjustment measure	Historical time period	Historical growth Adjustment Factor ¹⁸	Future growth Adjustment measure
GSIB Proposal	Difference in cumulative growth between Method 2 and Method 1 scores of U.S. GSIBs	2019 - 2024	20%	Nominal GDP
Proposal's Alternative #1: "Inflation Indexing"	Cumulative growth in CPI-W ¹⁹	2015-2024	34%	CPI-W
Proposal's Alternative #2: "Global Denominators"	Cumulative growth in the Basel global denominators	Effectively, since inception of 2015 U.S. GSIB rules	< 20%	Not specified in GSIB Proposal
Proposal's Alternative #3: "Reference Bank"	Difference in cumulative growth between Method 2 and Method 1 scores of the "Reference Bank"	2015-2024	40%	Not specified in GSIB Proposal
Another alternative based on Nominal GDP	Cumulative growth in nominal GDP	2015-2024	62%	Nominal GDP

Recommendations on economic growth recalibration in GSIB

1. The FRB should adjust for the impact of historical economic growth all the way back to the 2015 adoption of the GSIB requirement, instead of only back to 2019 as done in the GSIB Proposal. Additionally, the adjustment for historical and future growth should be made consistent and based on growth in U.S. nominal GDP rather than the GSIB Proposal's use of different measures for adjusting historical and future growth. Inconsistency between the forward- and backward-looking adjustments reduces the coherence of the GSIB Proposal.
2. To address a potential gap in the mechanics of how the forward adjustments for economic growth will operate, the FRB should clarify the mechanics such that the adjustments effectively apply from 2024 (which is the end of the period used for the historical growth adjustment).

¹⁸ Historical growth adjustment factors shown for the alternatives in the proposal are as provided in the GSIB Proposal at 14935.

¹⁹ CPI-W is the Consumer Price Index for Urban Wage Earners and Clerical Workers.

2.2 Changes to Method 1 scores as applied to U.S. GSIBs

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Use of averaging in Method 1 scores

Introduction of averaging into the Method 1 scores for U.S. GSIBs prior to its adoption in the BCBS framework creates a disconnect between the indicators used for U.S. GSIBs and the global denominators which would remain based on year-end calculations. Given average values for certain systemic indicators are typically higher than year-end values due to seasonal trends and market dynamics, the use of average values for a firm's indicators in the numerator while the global denominators remain based on year-end values will overstate a U.S. GSIB's market share and hence its Method 1 score. This would burden U.S. banks with unnecessarily higher capital requirements in the interim which is especially important given the use of Method 1 surcharges in the recent final rule²⁰ to recalibrate several leverage-based ratios for U.S. GSIBs and their subsidiary depository institutions, as well as their use in the TLAC risk-based requirements for U.S. GSIBs.

Reducing cliff effects in Method 1 scores

As described above, the Method 1 surcharge is used in establishing several key capital requirements for U.S. GSIBs. Consistent with the use of smaller buckets in the Method 2 surcharge in the GSIB Proposal to *"increase the sensitivity of a firm's surcharge to its systemic risk profile and reduce cliff effects around changing score bands"*, the FRB should also consider the use of smaller buckets in the application of Method 1 surcharges to U.S. GSIBs. Furthermore, because U.S. GSIBs are assessed against a globally coordinated standard, the FRB should also recommend that the BCBS adopt the GSIB Proposal's approach of using smaller buckets in the BCBS GSIB framework.

Recommendations on changes to Method 1 scores

1. Delay the use of averaging in the Method 1 surcharge for U.S. GSIBs until it is finalized and adopted by the BCBS.
2. Reduce Method 1 cliff effects through the use of smaller buckets, consistent with the GSIB Proposal's approach for Method 2, and recommend that BCBS adopt a comparable approach in the BCBS GSIB framework.

3. Operational risk and other overlaps within the proposed capital framework

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There are multiple "overlaps" throughout the current capital framework, with an "overlap" being where either of the following leads to capital requirements that are inappropriately calibrated:

²⁰ Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies, 90 Fed. Reg. at 55248 (Dec. 1, 2025), available [here](#).

- The same risk is capitalized through multiple capital requirements (e.g. RWA and the SCB); or,
- There are size based penalties within aspects of the capital framework that compound and result in a multiplicative size-based penalty for the relevant risk.

However, the Proposals do not resolve any of the existing overlaps and, importantly, introduce new overlaps with respect to operational risk and credit valuation adjustments (CVA). This is clearly evident in the Agencies' own estimate of the impact of the B3, GSIB and Stress Test Transparency²¹ Proposals, which show a 14% and 96% increase in Common Equity Tier 1 (CET1) capital requirements of Category I and Category II banks for operational risk and CVA, respectively.²²

Under the current U.S. capital framework, the standardized approach (which is generally binding) does not include standalone operational risk or CVA RWA while the SCB accounts for both. The B3 Proposal would introduce a standalone RWA charge for both operational risk and CVA to which the SCB requirement would be applied, resulting in a duplicative capital charge between RWA and the operational and CVA losses that are already included in the SCB.

We continue to believe that the proposed framework for operational risk RWA is deeply flawed given its use of size, and specifically business volume, as a proxy for operational risk. However, as it relates to overlaps, the inclusion of Business Indicator Component (BIC) coefficients that step up as business volume increases creates a large-bank surcharge effect in the calculation of operational risk RWA itself. This size-based RWA charge then proceeds to factor into the dollars of capital required by the GSIB surcharge, which is itself size-based, thereby creating a multiplicative size-based penalty which does not exist today.

We are also concerned with the treatment of operating leases, such as auto leases, in operational risk RWA. While interest and expenses on loans are included in the interest, lease, and dividend component (ILDC) of operational risk RWA, due to nuances in operating lease accounting, auto and other operating leases are currently categorized as part of the non-interest component. The proposal is also unclear on the ability to net depreciation expense on the associated vehicle or other asset that is directly related to the provision of an operating lease, potentially overstating business volume and therefore operational risk RWA for such activity. Additionally, given that operating leases are, in substance, a financing activity with earnings driven by interest margin, we believe that net operating lease revenue should be included in the ILDC component of the BIC rather than the non-interest component.

The result of these overlaps and other methodological flaws is an over-calibration of the capital requirements across the U.S. capital framework for both operational risk and CVA that should be eliminated in the final rule. As noted in the BPI/FSF/ABA/USCC/CBA joint trade association response²³, based on data collected by ORX²⁴, total operational risk capital requirements under the Proposals will be

²¹ Board, Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL, 90 FR 51856 (Nov. 18, 2025), available [here](#) [hereinafter, the "Stress Test Transparency Proposal"].

²² B3 Proposal at 14972.

²³ See response submitted on the B3E Proposal by the Bank Policy Institute (BPI), Financial Services Forum (FSF), the American Bankers Association (ABA), the US Chamber of Commerce (USCC) and the Consumer Bankers Association (CBA).

²⁴ Operational Risk Data Exchange.

notably higher than the highest annual operational risk losses associated with the Global Financial Crisis (GFC), when measured as a percentage of revenue.

Recommendations on operational risk RWA and other overlaps in the capital framework

1. With respect to operational risk RWA, at a minimum the Agencies should:
 - Set the BIC coefficient to a flat 12% regardless of the quantum of a bank's business volume to remove the multiplicative effect of the size-based penalty inherent in operational risk RWA; and,
 - Explicitly allow netting of operating lease revenue and the associated depreciation expense and include both components within the ILDC component of the BIC, given the financing nature of this activity.
2. Explore if the BIC coefficient should be reduced below 12% to fully eliminate the overlap between operational risk RWA and the SCB, based on the final calibration of the FRB's stress test models.
3. With respect to CVA RWA, at a minimum the Agencies should:
 - Permit banking organizations to use internal risk management risk factor shifts to calculate Standardized Approach CVA (SA-CVA) sensitivities and not limit the permissible shift sizes to those prescribed in the B3 Proposal. This will enable more frequent calculation of SA-CVA and allow banks to leverage the same controls applied for risk management, greatly increasing efficiency and operational robustness. This is also consistent with alternate sensitivities requirements under the proposed standardized market risk framework;
 - Permit banks to apply a conservative add-on instead of requiring generation of SA-CVA sensitivities that are demonstrably immaterial but computationally heavy to produce, subject to an ongoing internal governance and review process; and,
 - Revise the risk buckets for the CVA RWA to be more granular, distinguishing between regulated and unregulated financial counterparties.
4. The Agencies provide limited direct support for the estimated 96% increase in CET1 capital requirements due to CVA, noting only that it *"represent[s] a small share of total risk-based capital requirements compared with credit and operational risk"* and *"the share of capital requirements for CVA risk would remain similar to its share under the advanced approaches"*. Accordingly, we encourage the Agencies to revisit the overall calibration of CVA capital requirements and amend CVA RWA to fully eliminate the overlap with the SCB, based on the final calibration of the stress test models.

4. Commitments definition

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The Agencies are proposing fundamental changes to the definition of a "commitment" and the definition of "unconditionally cancelable" (collectively the "Definitions"), most importantly the removal of the "legally binding" threshold for the recognition of a commitment. As drafted, the proposed Definitions are vague and open to interpretation, exposing banking institutions to heightened legal risk in the form of enforcement or other supervisory actions.

JPMC disagrees with making the proposed changes to the Definitions as part of finalizing the B3 Proposal. We are also supportive of the detailed comments on this matter set out in the BPI/FSF/ABA/USCC/CBA joint trade association response. There is insufficient transparency provided on what is driving the need for the change and the resulting ambiguity means that firms are unable to assess the impact of the proposed changes on capital requirements or any knock-on implications on the availability of credit. More specifically:

1. The Agencies have stated that they are proposing to make this change to the Definitions on the basis that they *"have observed an inconsistent application of the current definition of commitment"*.²⁵ However, the proposal does not provide any detail on the nature or impact of the observed inconsistencies, which leaves banks unable to make their own assessment of the impact of those inconsistencies or any resulting changes to the Definitions that may be necessary.
2. The removal of the specific legal anchor of the legally binding threshold would create significant ambiguity in the application of the definition of a commitment as there is no clear basis on which to assess whether a "contractual arrangement" exists under which "terms applicable to one or more future extensions of credit" have been agreed to. Far from improving consistency of application, the ambiguity would actually make application of the Definitions used across firms, portfolios, and supervisory examiners significantly more inconsistent.
3. The ambiguity of the proposed definition also makes it impossible for banks to accurately estimate the potential impact on capital requirements. This, along with the fact that the quantitative impact analysis set out in the proposal draws on data reported under existing definitions and templates, is a strong indicator that the Agencies have also not been able to accurately estimate or fully consider the impact of the proposed change. This is supported by the limited discussion of the impact of this proposed change on capital requirements or the availability of credit, depriving firms of an opportunity to consider the underlying analysis when providing comments.

²⁵ B3 Proposal at 14972.

Recommendations on commitments definition

1. The final rule should retain the current definitions of commitment and unconditionally cancelable to facilitate timely finalization of the B3 Proposal.
2. The Agencies should engage with industry participants to provide transparency on the inconsistencies identified and determine what, if any, changes should be made to the Definitions to resolve those inconsistencies. Any required changes should be subject to a separate rulemaking that would provide banks the appropriate opportunity to comment meaningfully.
3. The Agencies should acknowledge that any subsequent rulemaking that broadens the definition of a commitment will increase capital requirements, and consider that increase in the impact assessment when finalizing the B3 Proposal.

5. Retail exposures

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5.1 Credit cards

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As discussed in Section 4 above, the current definitions of “commitment” and “unconditionally cancelable” should be retained. With respect to credit card exposures specifically, while we appreciate the B3 Proposal’s recognition that transactors are less risky relative to revolving, both the proposed risk-weight and Credit Conversion Factor (CCF) for this low-risk cohort remain over-calibrated.

As discussed on page 2, we understand that the Agencies have made a decision to eliminate modeling for credit risk and in doing so replace risk-sensitive measures with simplified risk weights. However, as a reference point, Figure 8 details the effective Advanced Approach (AA) risk weights – which include an imbedded CCF calculation – of Chase’s credit card portfolio. The AA risk weights are based on drawn and undrawn balances, and the number of months a credit card exposure’s drawn balance has been paid in full. While these values are models-based, the models themselves are highly scrutinized and subject to robust supervisory and internal oversight.

As shown in Figure 8 on the next page, the risk effective AA risk weight for the B3 Proposal’s definition of a transactor – e.g. a customer who has repaid their outstanding balance at each scheduled repayment date for the previous 12 months – is 24%. The B3 Proposal, however, requires a 45% risk weight for these exposures plus a new 10% CCF of 10%.

FIGURE 8: EFFECTIVE AA RISK WEIGHTS FOR CHASE CREDIT CARD EXPOSURES

# of months borrower paid in full in the past 12 months	Effective Risk Weight*
12	24%
11	33%
10	30%
9	38%
8	41%
7	47%

*Effective Risk Weight = Advanced RWA / Drawn Balance

To reflect the fact that the B3 Proposal’s risk weight for transactor exposures is nearly two times that required by the AA even before a 10% CCF is applied, the Agencies should reduce the applicable CCF to 0% and expand the definition of transactor to include credit card exposures with up to 4 months of revolving balances due to situations common to transactors including (i) episodic increases in spending (e.g., holiday shopping, unexpected medical, car or home repair expenses, etc.), (ii) missed payments due to human error, and (iii) de minimis balances.

As Figure 8 indicates, a 0% CCF and expansion of the definition of transactor to include borrowers who revolve up to 4 times a year would better align the B3 Proposal’s 45% risk weight with effective AA risk-weights which already include an embedded CCF calculation.

With respect to the CCF, while we appreciate that the 10% CCF was included in BCBS’ final 2017 framework, a 10% CCF for both revolving and transactor exposures – but especially transactor exposures – ignores salient differences between the U.S. credit card market and that of Europe and the United Kingdom. The U.S. has a much larger proportion of transactor exposures than those other jurisdictions, with industry data showing 43%²⁶ of transactors across U.S. GSIBs credit card issuers compared to less than 15% for UK issuers and an even lower percentage among EU banks.²⁷ We therefore recommend that the final rule reduce the CCF applicable to credit card transactor exposures to better align with observed transactor borrowing behavior, and reflect specific characteristics of the U.S. credit card market where transactors are substantially more prevalent.

Additionally, aggregate industry data on customer drawdowns during the GFC shows only a modest increase in credit line utilization for transactors of 4.2%,²⁸ and even lower for JPMC. While aggregate

²⁶ Consumer Financial Protection Bureau, The Consumer Credit Card Market Report to Congress (December 2025), available [here](#) (“In 2024, 43 percent of cardholders repaid their account balances in full each month”).

²⁷ Bank of England, Prudential Regulation Authority, CP12/25: Pillar 2A Review – Phase 1 (May 22, 2025), available [here](#) (indicating the proportion of transactor exposures to all retail unconditionally cancelable commitments at UK banks “may be as low as 14%”); European Banking Authority, Policy Advice on the Basel III Reforms: Credit Risk (Aug. 2, 2019), available [here](#) (indicating transactor exposures made up only 4% of EU retail exposures based on the limited data received).

²⁸ See response submitted on the B3 Proposal by BPI, FSF, ABA, USCC and CBA.

data does reflect modest drawdowns, the remaining over calibration of the transactor risk weight – even after the definition of transactor is expanded – supports setting the CCF for transactors at 0%.

Should the CCF remain at 10% for transactor exposures and banks begin holding capital against the undrawn portion of these lines, it is likely to have significant adverse impact on access to credit for U.S. consumers as they face rising inflation and affordability concerns in today's economic environment. Further, these capital increases will likely incentivize affected banks to close infrequently used credit card accounts and reduce credit card lines as a whole. The effect of line reductions and resulting increased utilization rates, all else equal, will negatively affect consumers' FICO scores, reducing access to and/or increasing the pricing of those consumers' mortgages and auto loans.

Recommendations on credit cards

1. JPMC recommends that the CCF applicable to transactor credit card exposures is reduced to 0% to reduce the aggregate capital required across drawn and undrawn balances for transactor credit card exposures.
2. The definition of transactor should be revised to include credit card exposures with certain characteristics that do not increase the underlying risk of the exposure, i.e. exposures with de minimis balances, skipped payments due to grace periods or promotions, a missed payment due to error, and at least three months of deliberate revolving balances for larger spend.
3. If the B3 Proposal's definition of transactor is retained, the CCF for transactors and revolvers should be reduced to 0% and 5% respectively, and the risk weight for transactors should also be reduced. Absent an expansion of the transactor definition, these changes are warranted to reflect the fact that higher credit quality borrowers would be classified as revolvers instead of transactors under the new, standardized-only framework.

5.2 Mortgage servicing assets

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Mortgage servicing assets (MSAs) are currently subject to a 250% risk weight, with balances above 10% of CET1 capital subject to a full deduction from regulatory capital (equivalent to a 1,250% risk weight assuming an 8% capital requirement). The Agencies have proposed eliminating the deduction – a change JPMC supports – and seek input on whether a 250% risk weight is appropriately calibrated for MSAs.²⁹

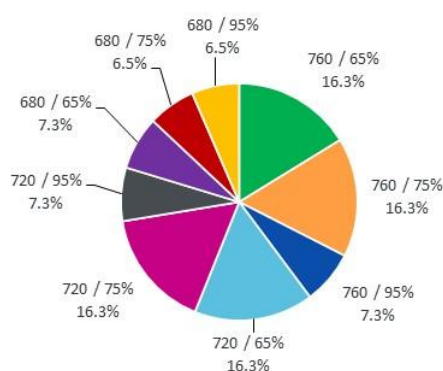
JPMC believes that effectively hedged MSAs warrant reduced risk weights calibrated based on the credit quality of the underlying mortgages. Revising the risk weight applicable to effectively hedged MSAs would be a positive step in addressing the substantial decline in mortgage servicing activity among banks resulting from the imposition of a 250% risk weight for MSAs in 2013.³⁰

²⁹ B3 Proposal at 14955.

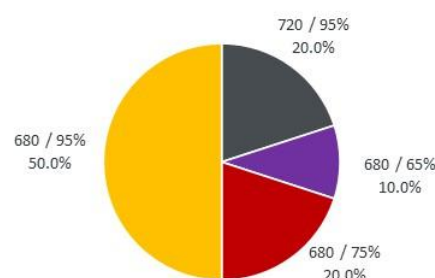
³⁰ U.S. Government Accountability Office, Nonbank Mortgage Companies: Ginnie Mae and FHFA Could Enhance Financial Monitoring (Feb. 2026), available [here](#) (the share of loans in Agency mortgage-backed securities serviced by nonbanks rose from 27% in 2014 to 66% in 2024);

At a very simplified level, there are two primary variables that determine the riskiness of MSAs: interest rate movements and the credit quality of the underlying mortgages. To demonstrate how these variables contribute to the risk of MSAs, JPMC conducted an analysis on two hypothetical mortgage servicing portfolios with the below characteristics.

PORTFOLIO A
BANK SERVICER
BLENDED, HIGHER CREDIT QUALITY PORTFOLIO



PORTFOLIO B
NON-BANK SERVICER
EXCLUSIVELY LOWER CREDIT QUALITY PORTFOLIO



Note: Values indicate credit score / LTV % of underlying loans

The analysis stressed credit metrics, prepayment rates, and Home Price Indices over a 3-year period, applying multiple interest rate scenarios (+/- 300bps). Assuming an 8% capital requirement, Portfolio A warrants a ~25% risk weight, with Portfolio B warranting ~200%. Importantly, while these portfolios are intended to serve as illustrative examples, Portfolio A is representative of JPMC's MSA portfolio, and Portfolio B reflects a highly concentrated, risky portfolio to demonstrate that even in these cases, the current 250% risk weight is over calibrated.

JPMC therefore believes that MSAs where interest rate movements are effectively hedged should receive reduced risk weights based on the loan-to-value (LTV) at origination, on a loan-by-loan basis, of the underlying mortgages as detailed in the table below.

	LTV < 90% ³¹	LTV ≥ 90%
Effectively hedged	75% risk weight	150% risk weight
Not effectively hedged	250% risk weight	

While there are other metrics such as credit scores that would more granularly capture underlying credit risk, the B3 Proposal has moved U.S. banks to a standardized-only credit risk framework which by definition mandates a simplified approach. LTV is already leveraged in the B3 Proposal to determine the

Hamdi, et al., The Rise of Nonbanks in Servicing Household Debt (Rev Mar. 21, 2026), available [here](#) (recent academic research has also established a causal link between the change in MSA risk-based capital charges and the increased share of servicing at nonbanks).

³¹ Based on an analysis of 60 days past due delinquency rates for GSE and GNMA securities between 2000 and 2025, loans with LTV ≥ 90% exhibited materially higher credit stress relative to loans with LTV < 90% (average 4.13% vs. 1.24%).

risk weights applicable to mortgages and could also be applied to MSAs to serve as a “bright line” test for assessing underlying credit quality.

With respect to hedging, banks should be able to use any of the three effectiveness assessment methodologies set out in 12CFR 217.52.(c)(2), namely the dollar-offset method, the variability-reduction method or the regression method. The portion of the MSA that is effectively hedged (i.e. the exposure amount/carrying value of the MSA multiplied by the effectiveness ratio) should be subject to a 75% or 150% risk weight with remainder subject to a 250% risk weight.

Recommendations on mortgage servicing assets

1. Reduce the risk weight for effectively hedged MSAs to:
 - 75% when the underlying mortgage loans have an LTV less than 90%; and,
 - 150% when the underlying mortgage loans have an LTV greater than or equal to 90%.
2. Effective hedging should be defined based on any of the three effectiveness assessment methodologies set out in 12CFR 217.52.(c)(2). The portion of the MSA that is effectively hedged should be subject to a 75% / 150% risk weight, with remainder subject to a 250% risk weight.

5.3 Small business

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The B3 Proposal defines a Small or Medium-Sized Entity (SME) as an entity in which the reported annual revenues or sales for the consolidated group of which the entity is a part are less than or equal to \$50 million. The proposed definition would require a small business to provide the bank with its revenues or sales annually to allow the bank to apply a reduced risk weight to its exposure to the small business.

As a general matter, banks typically only collect information on revenues or sales at loan origination or when re-underwriting. In addition, requiring reaffirmation of this defined threshold adds the possibility that these entities move between different exposure categories from year to year (e.g., if sales went above or below the \$50 million threshold in a particular year) which would introduce volatility and uncertainty for small businesses’ cost of credit.

Finally, the requirement that the aggregate amount of exposures to a small business and its affiliates not exceed \$1 million mitigates the concern that a small business could unknowingly far exceed the \$50 million revenue threshold following origination. We therefore believe that the final rule should require a small business to provide revenue or sales information only at origination or when a bank re-underwrites the exposure to ensure the cost of credit for small businesses does not unnecessarily rise.

Recommendations on small business

1. The final rule should revise the definition of SME to depend on the SME's revenues at the time of origination or re-underwriting to (i) align risk weight criteria with the information firms use to make underwriting decisions and (ii) minimize burden on small businesses.

6. Term repo style transactions

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Under the current U.S. capital framework, banking organizations may include non-financial (i.e. non-investment grade) collateral in the counterparty credit risk exposure measure for term repo-style transactions where they have elected to calculate a market risk capital charge for such transactions. Many banks avail themselves of this election and capture the interest rate risk of term repo-style transactions in the value-at-risk measure based on the “all-in” term-repo curve, which incorporates a benchmark interest rate curve and a collateral dependent spread, and is aligned with banks’ valuation and risk management of such positions.

The preamble to the B3 Proposal preamble states that it “*would retain the treatment of term repo-style transactions in the current capital rule*”.³² However, the B3 Proposal’s rule text includes a conflicting requirement, whereby if a bank elects to calculate a market risk capital charge on term repo-style transactions it must capture both of the following elements under the revised market risk capital framework in the B3 Proposal:

- The risk factor sensitivities of the term repo to general interest rate risk under the sensitivities-based method or the models-based non-default capital requirement; and,
- A separate charge for the default risk capital (DRC) requirement to “*capture losses on the underlying reference exposure*”³³ (which we understand to mean the collateral underlying the term repo style transaction) in the event of issuer default.

JPMC supports the position in the preamble to the B3 Proposal that the treatment of the term-repo style transactions under the current rule should be retained, and disagrees with the conflicting requirement in the B3 Proposal’s rule text for multiple reasons, including:

1. There is no basis to capture default risk to the collateral underlying a term repo style transaction in the market risk capital charge given that:
 - a. In a term reverse repo transaction, the bank does not have direct default risk exposure to the securities collateral received given that the transaction is subject to margining and there is recourse to the reverse repo counterparty, i.e. the bank only has exposure to the credit risk of the collateral in the event that counterparty defaults. Additionally, the indirect exposure to issuer default risk is already captured as part of the

³² B3 Proposal at 15076.

³³ Ibid.

counterparty credit risk capital charge via the supervisory haircuts applied to the collateral in the collateral haircut approach.

- b. In a term repo transaction, the posting of securities collateral to a third party does not create additional exposure to that collateral. Direct exposure to the issuer default risk for any on-balance sheet securities is already captured in either general credit risk for securities posted out as collateral that are non-covered positions or in the market risk DRC charge for those that are covered positions.
2. The proposed rule text is not entirely clear on how the DRC charge should be calculated but indicates that it should be based on the counterparty credit risk exposure for the term repo transaction, as calculated under collateral haircut approach. This calculation methodology is not aligned to the stated objective of capturing default risk on the underlying reference exposure, and there is no basis to capture the counterparty credit risk exposure of the term repo for a second time.
3. The requirement to calculate a DRC capital requirement as well as incorporating general market risk when a bank makes an election to calculate a market risk capital charge for such transactions makes the election practically inoperable given the need to recognize significant additional RWA under the DRC charge that is not aligned to underlying risk exposure. This, in turn, would mean that banks would be practically precluded from recognizing the benefit of non-financial collateral in the counterparty credit risk exposure measure for term repo-style transactions, which would have a severely detrimental impact on the term repo market.

Recommendations on term repo style transactions

1. In line with the current capital rule and the underlying risk exposure, where banks elect to calculate a market risk capital charge for term-repo style transactions they should only be required to capture the interest rate risk within general market risk and should not be required to calculate an additional DRC charge.

7. Implementation timeline and considering the impact of innovation and changes in legislation

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As a general matter we encourage finalization of the Proposals as expeditiously as possible in order to bring certainty to bank capital requirements. However, we would highlight two practical points to which the Agencies should give consideration as they finalize the Proposals.

7.1 Implementation timeline

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The calibration of the B3, GSIB and the Stress Test Transparency Proposals was considered jointly, and therefore implementation timelines of these Proposals should be such that the corresponding finalized rules take effect in a coherent manner. With six of the eight GSIBs expecting to see an increase in their

GSIB surcharges effective in the first quarter of 2028 under the current GSIB rule, it is particularly important that the FRB allows for a sensible transition from the existing to the new GSIB framework as the final B3 rule comes into effect.

Therefore, we believe that the implementation timelines adopted by the Agencies follow these basic principles:

- Banks should be given adequate time between rule finalization and required implementation dates to adopt the revised requirements in a well-controlled manner;
- The final rules should take effect without leading to unnecessary short-term increases in overall capital requirements; and,
- The implementation timeline across the final rules should be as simple as possible.

Recommendations on implementation timeline

1. Assuming that the B3 rule is finalized in the fourth quarter of 2026, implementation of the new rule should not be mandated before the first quarter of 2028.
2. The SCB applicable in the first quarter of 2028 following B3 implementation should be scaled based on the ratio of RWA calculated under current rules to a bank calculated proforma estimate of RWA calculated under the finalized B3 rule, based on the December 31, 2027 balance sheet date.
3. Firms' GSIB requirements should be capped at the surcharge in effect when the GSIB rule is finalized. Increases or decreases relative to the capped surcharge resulting from the application of the finalized GSIB rule (and associated revisions to FR Y-15 instructions) should take effect based on the timelines within the new rule (i.e. after one year for decreases and two years for increases).

7.2 Considering the impact of innovation and changes in legislation

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The Agencies should acknowledge that innovation and changes in legislation can lead to significant changes to financial products or the markets in which they are transacted, which may necessitate future targeted changes to capital requirements.

One example is the Inflation Reduction Act of 2022, which introduced the ability for taxpayers to make a one-time transfer of certain energy-related federal income tax credits to other corporate taxpayers for cash. Since then, a robust transfer market with observable pricing has developed. This change means deferred tax assets (DTAs) arising from carryforwards of transferable credits can be monetized through the transfer market, an outcome not captured by the current U.S. capital framework, which assumes such DTAs may be unusable in stress and, therefore, should be fully deducted from CET1.

Similarly, the markets for various digital assets will be materially impacted by the Guiding and Establishing National Innovation for U.S. Stablecoins Act and, if enacted, the Digital Asset Market Clarity

Act. Accordingly, we encourage the Agencies to reassess the capital treatment of DTAs that arise from transferable tax credits and digital assets as these markets continue to develop.

8. Key concerns raised in trade association responses

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In addition to JPMC's comments set out in this letter, JPMC has participated in, and is supportive of a number of response letters submitted by various trade associations. We highlight below a subset of issues that are of particular importance to JPMC and are addressed in the responses submitted by those trade associations.

GSIB Surcharge, in the FSF/BPI Letter³⁴

- I. The changes recommended to the proposed periodic averaging requirements for the various indicators should be adopted. *(see section III)*
- II. The definition of "financial institution" used in the interconnectedness indicators should not be expanded to include exchange traded funds. *(see Annex: Technical Recommendations section I)*
- III. Derivative exposures should not be included in the systemic indicators for cross-jurisdictional claims and cross-jurisdictional liabilities. *(see Annex: Technical Recommendations section I)*
- IV. The final rule should correct the overstatement of short-term wholesale funding in the STWF indicator for the treatment of margin loan short sale proceeds and securities financing transactions. *(see Annex: Technical Recommendations section I)*

Operational Risk, in the BPI/FSF/ABA/USCC/CBA Letter³⁵

- I. Accounting restatements and corrections should not be treated as operational loss events. *(see section III.A)*
- II. The sources for the data inputs for the proposed standardized approach for operational risk RWA should be specified in final B3 rule and the forthcoming revised reporting instructions. *(see section III.C)*

Counterparty Credit Risk, in the ISDA/SIFMA/IIF Letter³⁶

- I. The proposed amendments to the standardized approach to counterparty credit risk (SA-CCR) should be revised to more accurately reflect the risk of cross-product margined portfolios of derivatives & securities financing transactions, including repos. *(see recommendations section I)*
- II. The 1.0 Alpha factor for commercial end users should be retained in SA-CCR. *(see response to Question 40)*

³⁴ See response submitted on the GSIB Proposal by FSF and BPI.

³⁵ See response submitted on the B3 Proposal by BPI, FSF, ABA, USCC and CBA.

³⁶ See response submitted on the B3 Proposal by the International Securities and Derivatives Association (ISDA), the Securities Industry and Financial Markets Association (SIFMA) and the Institute of International Finance (IIF).

- III. The “Investment Grade” definition should not refer narrowly to “a loan or security” as it could exclude exposure through other types of transactions, including derivatives and repo-style transactions. *(see clarifications section V.A)*

Securitization, in the SFA Letter³⁷

- I. The proposed revision to the securitization definition to “depends solely upon the performance of underlying exposures” should not be adopted. *(see section I)*
- II. Loans that are guaranteed by the Federal Housing Association, Veterans’ Association and the United States Department of Agriculture should be excluded from the W parameter within the securitization RWA formula. *(see section VII.C)*
- III. The use of fair value versus principal balance should be clarified across several components of the securitization capital framework. *(see sections V, VI, and VII.A)*
- IV. Senior re-securitizations should not be subject to a punitive 100% risk weight floor. *(see section III)*
- V. The ability for banks originating synthetic re-securitizations to disregard purchased protection and risk weight the underlying exposures as if the re-securitization did not occur should be retained. *(see section IV)*
- VI. The ability for banks to rely on the BCC 13-2³⁸ interpretive framework for paragraph (8) of the traditional securitization definition should be clarified. *(see section II)*

Market Risk, in the ISDA/SIFMA/IIF Letter

- I. Transition provisions should be adopted such that capital outcomes are not distorted by delays in supervisory review of firms’ Fundamental Review of the Trading Book (FRTB) Internal Models Approach (IMA) models. *(see recommendations section III.B)*
- II. Type A Non-Modellable Risk Factors (NMRFs) should be capitalized using solely the Expected Shortfall (ES) methodology. *(see recommendations section III.A)*
- III. The Stressed Expected Shortfall (SES) stress window should be aligned with the stress window used for the purposes of the ES calculation. *(see clarifications section III.A)*
- IV. For determining the twelve-month stress window in the ES methodology, the definition for “largest loss” that is used should be the maximum 10-day, fully diversified ES measure. *(see response to Question 158)*
- V. The proposed FRTB-DRC requirements for correlation trading positions should be revised to simplify the conditions for applying decomposition treatment and more accurately reflect the economics of hedging activities. *(see recommendations section II.C)*

³⁷ See response submitted on the B3 Proposal and the separate proposal entitled Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets by the Structured Finance Association (SFA).

³⁸ Basel Coordination Committee (BCC), Bulletin 13-2 Excluding Exposures to Investment Firms from the Definition of “Traditional Securitization”, issued by the Board of Governors of the Federal Reserve System (Mar. 21, 2023), available [here](#).

- VI. The FRTB-DRC risk weights for specified non-U.S. sovereign exposures should be reduced, or subject to exclusions, to improve consistency with other parts of the capital rules. *(see recommendations section II.D)*
- VII. The scope of the Residual Risk Add-On (RRAO) should be clarified and should permit alternative calculations. *(see clarifications section II.A)*
- VIII. The market risk covered position definition as applied to structured notes should be broadened and clarified. *(see recommendations section IV.A)*
- IX. The frequency of FRTB Standardized Approach (SA) calculations should be reduced and the aggregation of FRTB-SA and FRTB-IMA should be clarified. *(see clarifications section IV.A)*
- X. The proposed capital re-designation requirements should not apply to asset-liability management activities carried out on an arm's length basis or to transactions in high quality liquid assets. *(see response to Question 100)*

JPMC appreciates the opportunity to provide these comments. We would be pleased to provide any further information or respond to any questions.

Respectfully submitted,

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