TENNESSEE BANKERS ASSOCIATION, COLIN BARRETT

Proposal and Comment Information

Title: Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Bank Holding Companies (Reg O and Y), R-1896

Comment ID: FR-2026-0028-01-C12

Submitter Information

Organization Name: Tennessee Bankers Association

Organization Type: Organization

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TENNESSEE BANKERS ASSOCIATION Service Since 1890 ™

August 4, 2026

Board of Governors of the Federal Reserve System

Re: Proposed Rule – Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders)

To the Members of the Board:

On behalf of the Tennessee Bankers Association (TBA), which represents commercial banks of all sizes across Tennessee, I appreciate the opportunity to comment on the Federal Reserve's proposed amendments to Regulation O.

We strongly support the Board's efforts to modernize a regulation that has remained largely unchanged for decades. While the core principles underlying Regulation O—preventing insider abuse and preserving public confidence in the banking system—remain as important today as when the rule was adopted, many of its operational requirements no longer reflect the realities of modern banking.

The proposal appropriately updates outdated dollar thresholds, indexes those thresholds for inflation going forward, and provides greater clarity regarding investment funds whose ownership structures have evolved significantly over the past several decades. These changes represent a thoughtful modernization that maintains strong safeguards while reducing unnecessary regulatory burden.

Community banks depend on experienced local business leaders to serve on their boards of directors. These individuals often own businesses, farms, or professional practices that maintain legitimate borrowing relationships with their local bank.

Overly restrictive or outdated insider lending rules can unintentionally discourage qualified individuals from serving as directors or executive officers. The proposed revisions help address this concern by creating clearer and more practical standards while preserving the longstanding requirement that insider loans be made on substantially the same terms and subject to the same underwriting standards as loans to non-insiders.

The proposal therefore supports both sound governance and the continued ability of community banks to attract highly qualified directors.

We particularly support replacing static dollar thresholds with amounts that are indexed over time. Fixed thresholds inevitably become outdated as inflation and economic growth

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reduce their practical significance. Automatic indexing will allow the regulation to remain current without requiring periodic rulemakings solely to adjust dollar amounts.
This approach provides greater regulatory certainty for banks while allowing supervisory resources to remain focused on transactions that present meaningful safety and soundness concerns.

We also support the proposal to exempt certain investment funds that meet objective criteria demonstrating they lack the ability to influence a bank's lending decisions.

Institutional ownership of publicly traded banks has changed dramatically over the past several decades. Applying Regulation O to passive investment funds solely because they exceed ownership thresholds can produce results that do little to advance the rule's purpose.

The proposed exemption appropriately focuses supervisory attention on situations where actual influence or conflicts of interest may exist rather than passive ownership alone.

As the Board finalizes the proposal, we encourage it to ensure that the final rule provides clear, objective standards that banks can readily apply without extensive legal analysis. Banks should be able to determine with confidence whether an entity qualifies for an exemption and what documentation is expected for supervisory purposes.

Clear implementation guidance, including examples where appropriate, would promote consistent application across institutions and examination teams.

We also encourage the federal banking agencies to continue coordinating their interpretations of Regulation O so that banks supervised by different agencies receive consistent expectations. The agencies' recent coordinated approach regarding complex-controlled portfolio companies has been helpful, and similar coordination as this proposal is implemented would benefit both banks and supervisors.

TBA appreciates the Federal Reserve's willingness to revisit a regulation that has become increasingly outdated. The proposal preserves important protections against insider abuse while recognizing changes in banking, corporate ownership, and inflation that have occurred over the past half century.

We commend the Board for advancing a balanced proposal that will reduce unnecessary burden, improve regulatory clarity, and assist community banks in attracting qualified directors and executives without compromising safety and soundness.

Thank you for considering TBA's views. We appreciate the opportunity to comment and welcome the opportunity to discuss these recommendations further.

Sincerely,

Colin Barrett
President and Chief Executive Officer
Tennessee Bankers Association