Meeting Between Staff of the Federal Reserve Board and Representatives of JPMorgan Chase August 12, 2026

Participants: Francisco Covas, Asad Kudiya, and Evan Winerman (Federal Reserve Board)

Al Moffitt and Beth Cleland (JPMorgan Chase)

Summary: Staff the Federal Reserve Board met with representatives of JPMorgan Chase regarding the agencies' Basel III notice of proposed rulemaking, the Board's GSIB surcharge proposal, and the Board's notice of proposed rulemaking to enhance the transparency and public accountability of its annual stress test. In particular, the JPMorgan Chase representatives raised implementation and transition considerations associated with the proposals.

Attachment

Summary of JPMC comment letter on GSIB and B3

The GSIB and Basel 3 (B3) Proposals made many steps in the right direction, including:

- Reduction in the significant gold-plating in credit risk RWA versus Basel that was included in the 2023 B3 proposal
- Partially addressing some of the inflationary impacts of historic economic growth on the Method 2 GSIB scores
- Automatic adjustments to the GSIB scores for future economic growth based on U.S. nominal GDP

However, a few areas of significant concern remain:

- **GSIB**: Method 2 scores remain inflated due to insufficient adjustment for historical economic growth; this is further compounded for U.S. money-center banks by the STWF methodology change
  - Historical adjustment for economic growth does not go all the way back to the inception of the GSIB rule and the measure used is inconsistent with the forward adjustment, which is based on U.S. nominal GDP
  - The STWF methodology change to remove RWA from the denominator creates significantly adverse outcomes and wide-ranging policy implications, as well as disparate impacts across GSIBs –the Fed did not provide a reasoned explanation for the change

- **B3**: The elimination of credit risk modelling introduces conservatism into the U.S. B3 framework which affords the agencies flexibility to make additional adjustments to B3 RWA to remove overlaps in the capital framework and improve the overall calibration
  - **Op Risk RWA**: Proposal creates a significant overlap with the SCB and exhibits properties of size-based penalty
    - Penalty arises when larger banks have a 50% Op Risk RWA increase (use of 18% coefficient vs.12%) solely because they have higher business volumes; this is particularly onerous for GSIBs whose capital stack requires them to hold higher capital already by virtue of being large
  - **Targeted Standalone RWA concerns**: There remain various areas where the proposed RWA should be improved to better align with actual risk
    - The practical ability to recognize collateral for term repo transactions should be retained
    - The revised definition of a “commitment” is practically unimplementable so the existing definition should be retained