Meeting Between Staff of the Federal Reserve Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and Representatives of Large Banking Organizations and Trade Associations
July 20, 2026

Participants: Mark Van Der Weide, Reena Sahni, Asad Kudiya, Jay Schwarz, Francisco Covas, David Cook, Anna Lee Hewko, Doriana Ruffino, David Lynch, Lars Arnesen, Mark Buresh, Brian Chernoff, Isabel Echarte, Connie Horsley, Jasmin Keskinen, Jonah Kind, Harley Moyer, Ryan Rossner, and Nadya Zeltser (Federal Reserve Board)

Venus Fan, Carl Kaminski, Margot Schwadron, and Benjamin Pegg (Office of the Comptroller of the Currency)

Benedetto Bosco, Ryan Billingsley, Brian Cox, Alexander LePore, Michael Overmyer, and Matthew Reed (Federal Deposit Insurance Corporation)

Sarah Flowers, Scott Frame, Brett Waxman, and Daniel Grodzicki (Bank Policy Institute)

Sean Campbell and Emma Tong (Financial Services Forum)

Hu Benton, Tyler Mondres, and Warren Hrung (American Bankers Association)

Benjamin Weiner and Leanne Van Allen (Sullivan & Cromwell LLP)

Matthew Viani (HSBC Holdings plc); Bengt Redlinger, Garrett Ahitow, and Jonathan Blum (Bank of America Corporation); Beth Cleland and Melissa Hunter (JPMorgan Chase & Co.); Timothy Becker and Lane Teller (Wells Fargo & Company); Joseph Hwang and C. Kyle Russ (The Goldman Sachs Group, Inc.); Andrew Nash and Denise Pieck (Morgan Stanley); Amy Beck (The Bank of New York Mellon Corporation); Kipp Kranbuhl and Jonathan Silverstone (Citigroup Inc.); Kelly Dibble and Peter Glassman (Northern Trust Corporation); Michael Carlson (BNP Paribas); Laura Swanson (Bank of Montreal); Jason Fincke and Ryan Thompson (U.S. Bancorp); Elliott Kahan (Ally Financial Inc.); Sviatlana Phelan (The PNC Financial Services Group, Inc.); Christopher Krummel (Truist Financial Corporation); Mona Thong (Royal Bank of Canada); Carlo-ZA Raymundo and Michael Cronin (UBS Group AG) (together, representatives of large banking organizations)

Summary: Staff of the Federal Reserve Board, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation met with representatives of large banking organizations, the Bank Policy Institute, American Bankers Association, Financial Services

Forum, and Sullivan & Cromwell LLP (together, joint trades) regarding the agencies' Basel III notice of proposed rulemaking (Basel III proposal), the agencies' standardized approach for risk-weighted assets notice of proposed rulemaking (standardized proposal), and the Board's GSIB surcharge proposal. The joint trades representatives discussed the items in the attached materials, including their views on the operational risk portion of the Basel III proposal; credit risk portions of the Basel III and standardized proposals; and their views on the proposed changes to data averaging and proposed adjustments to method 2 coefficients in the GSIB surcharge proposal. They also discussed the timing of implementation of the proposals.

Attachment

The GSIB Surcharge and the Expanded Risk-Based Approach

July 2026

Agenda

The absence of certain topics from this agenda does not reflect an assessment of relative importance. Our comment letters address a broader set of issues, all of which we view as significant. For purposes of today's discussion, we have focused on areas where we anticipate additional clarification may be helpful or where we anticipate potential questions.

- ***Implementation Timing***
  - **GSIB Surcharge**: GSIB surcharges should remain capped at the levels in effect at rule finalization until increases calculated under the final rule are first applied.
  - **Expanded Risk-Based Approach**: Implementation date should be no earlier than January 2028 with optional early adoption and a mechanism to adjust SCBs to reflect changes in RWAs under ERBA.
- ***Other GSIB Surcharge Recommendations***
  - One-time adjustment to Method 2 coefficients to reflect economic growth since the original calibration of the rule.
  - Frequency of averaging for certain items.
- ***Expanded Risk-Based Approach***
  - **Operational Risk**: Apply a uniform 12% business indicator coefficient.
  - **Credit Risk**:
    - Reduce the risk weight for appropriately hedged MSAs from 250% to 100%.
    - Provide a lower CCF for credit card transactor exposures that are unconditionally cancelable commitments and revise the definition of transactor exposure.
    - Simplify the framework for exposures to depository institutions, foreign banks, and credit unions.
    - Revise the definition of "small or medium-sized entity" and index relevant thresholds.

Implementation Timing

GSIB Surcharge

- GSIB surcharges should remain capped at the levels in effect at rule finalization until increases calculated under the final rule are first applied.
    - This transition cap would prevent temporary capital increases caused by a methodology the Federal Reserve has already recognized is flawed.
    - The cap would also reduce unnecessary volatility during the period before revised GSIB surcharges become effective.
    - Avoiding interim increases is especially important given the interaction between GSIB surcharge changes, ERBA implementation, and stress test revisions.

Implementation Timing

GSIB Surcharge

- If the FRB votes to adopt a final rule in the last quarter of 2026, and the revisions to the rule text and FR Y-15 take effect two quarters thereafter on July 1, 2027, then:
  - From January 1, 2027, through January 1, 2029, each GSIB surcharge would be capped at its January 1, 2026 level.
  - A GSIB would submit its first FR Y-15 under the revised template and instructions as of September 30, 2027.
  - By December 31, 2027, a GSIB would (re)calculate its surcharge using the revised methodology based on (legacy) FR Y-15 submissions as of December 31, 2026, even if it had previously calculated a surcharge under the current rule. These surcharges would take effect on January 1, 2028 (in the event of a decrease), or January 1, 2029 (in the event of an increase).

Implementation Timing

Expanded Risk-Based Approach

- Final implementation of ERBA should be no earlier than January 1, 2028.
- Firms that are operationally ready should be permitted to adopt immediately upon finalization.
- The Federal Reserve should implement a mechanism to adjust SCBs until SCBs are based on RWAs calculated under the final ERBA rule.
- Transition mechanics should avoid a mismatch between current standardized RWAs in stress testing and ERBA RWAs.

Implementation Timing

Expanded Risk-Based Approach

- Firms that are operationally ready should be permitted to early adopt immediately upon finalization.
  - Firms that may elect ERBA should be allowed to adopt it as of the effective compliance date.
  - The final rule should provide a 5-year phase-in for the inclusion of new AOCI components in regulatory capital.

Other GSIB Surcharge Recommendations

One-Time Adjustment to Method 2 Coefficients

- The one-time adjustment to Method 2 coefficients should be 1.91, not 1.2.
- The adjustment should reflect cumulative nominal GDP growth from year-end 2012, the initial calibration year, through year-end 2025.
- The percentage divergence between Method 1 and Method 2 scores since 2019 is unrelated to the economic growth the adjustment is meant to capture.
- A 1.91 adjustment would better correct growth-driven inflation in Method 2 scores and improve day-one calibration.

Other GSIB Surcharge Recommendations

Averaging Frequency for Certain Items

- The final rule should not require daily or monthly averaging where higher frequency measurement does not improve the assessment of systemic risk.
- OTC derivative notional amounts and on-balance-sheet components of intra-financial system assets and liabilities should be averaged no more frequently than monthly.
- Cross-jurisdictional claims and liabilities should be averaged no more frequently than quarterly, consistent with the FFIEC 009 reporting cycle.
- Level 3 assets should be identified no more frequently than quarterly, consistent with current U.S. GAAP practices and controls.
- More frequent averaging would impose substantial operational, governance, and attestation burdens without commensurate prudential benefit.

Expanded Risk-Based Approach

Operational Risk: Address Overcapitalization by Adjusting the BI Coefficient

- The final rule should apply a uniform 12 percent business indicator coefficient.
- A uniform 12 percent coefficient would help mitigate overlap between the operational risk charge in RWAs and that captured through the SCB.
- The proposed graduated coefficients would overstate operational risk by layering a size-based penalty on top of other capital requirements.
- Applying a uniform 12 percent coefficient would reduce operational risk RWAs by approximately $272 billion, or 3.47 percent of total RWAs, based on the Category I Member QIS.
- The agencies should also consider whether the coefficient should be set below 12 percent once the final stress test calibration is established.

Expanded Risk-Based Approach

Credit Risk: Hedged Mortgage Servicing Assets

- The risk weight for appropriately hedged mortgage servicing assets should be reduced from 250 percent to 100 percent.
- A 100 percent risk weight would better align capital treatment with the actual risk profile of hedged MSAs.
- Since 2013, the mortgage servicing environment has materially improved, with stronger underwriting standards, governance, and loss-mitigation frameworks.
- The current treatment has contributed to a shift of servicing activity from banks to nonbanks, raising broader policy concerns.
- Federal Reserve analysis cited in the letter indicates stressed MSA losses remain below the capital implied by a 100 percent risk weight.

Expanded Risk-Based Approach

Credit Risk: CCF for UCC Transactor Exposures

- The final rule should provide a lower CCF for credit card transactor exposures that are unconditionally cancelable commitments.
- Transactors primarily use credit cards for payments and liquidity management, not revolving credit, making a 10 percent CCF too conservative for this segment.
- The definition of transactor exposure should be broadened to better reflect real-world customer behavior.
- Assigning a 5 percent CCF to transactor exposures would reduce credit risk RWAs by approximately $51 billion, or 1.15 percent, based on the Category I Member QIS.
- Overstating capital for these exposures could lead firms to reduce lines or close accounts, with adverse effects for consumers.
- During the 2007-2009 financial crisis, customer draw-down data shows only a modest increase in credit line utilization for transactors (approximately 4.2%), with an even smaller increase observed during the COVID-19 pandemic, both strongly suggesting that a 10% CCF assumption is overly conservative for this segment; only a modest increase in utilization was observed for revolvers as well.

Expanded Risk-Based Approach

Credit Risk: Simplifying the Framework for Financial Institution Exposures

- The final rule should simplify and increase coherence of the framework for exposures to depository institutions, foreign banks, and credit unions.
- The agencies should apply the 30 percent risk weight to all Grade A bank exposures rather than layering on separate CET1 and leverage ratio tests which would substantially exceed regulatory minimums.
- The rule should eliminate explicit requirement to consider adverse audit opinions, which may not be always publicly available and which if publicly available would be already reflected in the bank's rating assessment.
- The final rule should also provide a lower risk weight for short-dated bank exposures to support market liquidity and reduce ambiguity.
- In addition, the final rule should expand the scope to which bank risk weights are applied to U.S. broker-dealer / foreign security firm subsidiaries that are subject to the prudential capital framework on a consolidated basis.

Expanded Risk-Based Approach

Credit Risk: Small or Medium-Sized Entity – Definition and Thresholds

- The final rule should revise the definition of "small or medium-sized entity" to rely on revenue data collected at origination or latest re-underwriting.
  - This approach would avoid requiring firms and borrowers to refresh consolidated revenue information annually.
  - It would also reduce volatility and uncertainty from exposures moving in and out of SME treatment based on year-to-year revenue changes.
- The $50 million SME threshold and $1 million regulatory retail threshold should be recalibrated to reflect inflation and economic growth since their original adoption.
  - Going forward, those thresholds should continue to be indexed so the framework remains appropriately calibrated over time.