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House Committee on Financial Services

Prioritizing Main Street: Evaluating the Impact of Capital Proposals on Economic Growth and American Communities

Testimony of
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EXECUTIVE SUMMARY

Chairman Hill, Ranking Member Waters, and distinguished members of the [House Committee on Financial Services](#), thank you kindly for the opportunity to appear before you. I am Mayra Rodríguez Valladares, Managing Principal of [MRV Associates](#). My testimony today is based on my professional experience of consulting and training professionals at banks, insurance companies, and financial regulatory agencies in over thirty countries on a wide range of risks that can threaten financial institutions' safety and soundness. I have spent countless hours working with bank supervisory entities in both advanced and emerging markets. With regulators, I have analyzed and helped write compliance and supervisory manuals. I have delivered a wide range of bank regulatory and capital markets courses to federal and state financial regulators. I have also provided consulting and training services to numerous lenders, derivatives traders, compliance officers, auditors, analysts, technologists, and risk managers at financial institutions globally. Previously, I had investment banking and capital markets roles at BT.AlexBrown and JPMorgan in London, and I began my career as a foreign exchange analyst at the Federal Reserve Bank of New York.

Economic and Market Uncertainty

I am here today to express concern about the three Notices of Proposed Rulemaking (NPRs) published by the Federal Reserve, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) on March 19. There is no justification — quantitative or otherwise — for weakening bank regulations at a moment of profound and compounding economic uncertainty. These proposals arrive as geopolitical tensions destabilize global markets, as banks expand their lending to nonbank financial institutions such as private credit and private equity funds, as the risks of artificial intelligence and cybersecurity threats grow more acute, and as the intensifying effects of climate change create new categories of financial exposure. Not one of these realities argues for loosening the guardrails on our banking system. Not a single one. Banks are not at historically elevated levels of capital.¹ And critically, current or proposed Basel III capital measures do not even capture all these mounting risks. the current measures of capital do

Context is everything, and it is worrisome. Combined with proposed changes to the Federal Reserve Board's stress tests, these three NPRs would lower the common equity tier 1 (CET1) capital requirements of the largest banks by almost 5%. Moreover, when these proposals are seen with recent changes to the enhanced supplementary leverage ratio (eSLR), the impact on global systemically important banks (G-SIBs) is even greater: a decrease in tier 1 capital requirements of 6.0 percent, which is \$60 billion stripped from the buffers meant to protect ordinary Americans in the next crisis. This deregulatory wave does not leave just the banking system more fragile — it leaves the entire financial system more vulnerable. When banks are in trouble, everyone suffers. Homeowners cannot refinance, small businesses cannot make payroll, and families lose jobs. We are only in the spring of 2026, and already there are discussions about weakening liquidity regulation next. Meanwhile, the Federal Reserve Board, the Consumer Financial Protection Bureau, the OCC, and the FDIC have all seen significant staff reductions and departures, further eroding the supervisory capacity that stands between Wall Street's risk appetite and Main Street's financial security.

This is not an abstraction. When banks face capital or liquidity stress, they contract their lending — often sharply and suddenly. When the businesses that depend on those loans can no longer access the credit they need, they cut costs. The first cost they cut is people. American workers — already stretched thin in a high-inflation, high-rate environment — bear the sharpest edge of that consequence.

¹ Haubrich, Joseph G., "[A Brief History of Bank Capital](#)," Federal Reserve Bank of Cleveland.

NPRs Will Not Lead To Increased Lending

One must ask: who, precisely, benefits from these proposals? The U.S. banking industry has enthusiastically applauded the newly released [proposed Basel III capital rules](#), which significantly reduce the level of capital banks need to allocate to sustain unexpected losses.

Academics, independent analysts, and I have scrutinized these proposals carefully and found little credible, quantifiable evidence that they will increase bank lending — including mortgage lending, the specific benefit most frequently cited to justify them. Moreover, I conducted a stress test using economic and market data calibrated to the 2007–2009 global financial crisis (GFC) and applied those assumptions to the post-proposal capital environment. The results are sobering. While regulators emphasize that overall capital levels will remain “substantially higher than pre-crisis,” that is true only if no crisis materializes. Under a genuine GFC-calibrated stress scenario, the reduced buffers these proposals would permit could push four to six of the top twenty U.S. banks toward the 4.5 percent absolute minimum CET1 floor — or into dangerously thin territory. I lay out my methodology and specific findings in the body of this testimony. *It is important to remember that during the GFC, there were no elevated threats emanating from geopolitical risks, cybersecurity, Artificial Intelligence, significant lending to Nondepository Financial Institutions, or climate change events. In future scenario analysis, it is important to combine these with GFC data and assumptions to see a range of potential stressed outcomes.*

Weakening safeguards against excessive bank risk-taking will imperil not just financial institutions, but the tens of millions of ordinary Americans who suffer most when banks fail. Working families do not have teams of lawyers and lobbyists protecting their interests in Washington. They have regulators — and strong capital rules. Strip those away, and you strip away the protection that stands between Main Street and the next financial catastrophe. This deregulation is also a race to the bottom on the global stage: once the United States weakens its capital standards, other countries will follow. Banks are deeply interconnected across borders, and an American bank that fails abroad can destabilize markets here. We learned this at enormous cost in 2008, and the lesson has apparently been forgotten.

A standard argument deployed against strong bank regulation is that the United States “gold plates” its rules, making our big banks less competitive than foreign rivals. This claim does not survive scrutiny. American banks are not weakened by rigorous regulation — they are strengthened by it. Until very recently, U.S. banks were the envy of the world precisely because they were better regulated, better supervised, and more rigorously examined than their international peers. That reputation is a competitive asset, and this deregulatory agenda is actively dismantling it.

Deregulation Leads to Significant Risks

It has been fewer than eighteen years since Lehman Brothers collapsed and devastated the lives of ordinary people — not just on Wall Street, but in neighborhoods and cities across America and around the world. Families lost their homes. Workers lost their jobs. Retirement savings were wiped out overnight. It is far too soon — far too cavalier — to declare that “this time is different.”² It never is. Financial institutions with poor risk management, insufficient capital, or inadequate liquidity fail — and when they do, the pain is not distributed evenly. It lands hardest on the Americans who had the least to begin with. “Financial instability often follows periods when financial institutions, like investors and policy makers, have underestimated risks.”³

² Reinhart, Carmen, and Kenneth Rogoff. *This Time is Different: Eight Centuries of Financial Folly*, 2009.

³ [Behavioral Finance and Financial Stability](#), Harvard Business School.

Every time bank regulators in any country want to update bank regulations or implement new ones, there are always voices that claim that regulation will reduce lending or hurt an economy in other ways. This argument has been made so many times, against so many reforms, that it deserves to be examined against the actual record. Since 2010, when Basel III and Dodd-Frank began to be designed and implemented, U.S. bank assets grew significantly. Net income reached record highs. Public traded banks raised dividend payouts to all-time records. And banks' contributions to political campaigns rose by 150 percent. These are not the metrics of an industry crushed by regulation. They are the metrics of an industry that thrived because of it — and is now lobbying to dismantle the very framework that made that prosperity possible.

Imagine how much more capitalized U.S. banks would be if in the last twenty-five years, many banks' misdeeds had not cost them almost a quarter of a trillion dollars in fines. America's twenty largest banks have paid those fines⁴ due to violations and abuses in the areas of bank regulations, securities trading, consumer accounts opening and lending, anti-trust laws, fraud, money laundering, sanctions violations, and terrorism financing. Imagine how much better off banks and the U.S. economy would be if those billions of dollars were used for capital and liquidity buffers to make the banking system safer, not to mention to lend to people and small companies that do not have access to capital markets.

I paid my own Amtrak fare to be here today, and I want to be direct about why. Millions of Americans will be hurt if bank regulations are weakened. Not millions of bank shareholders — millions of depositors, borrowers, workers, and homeowners who depend on a stable financial system every single day and have no lobbyists in this building speaking for them. Banks today are earning record profits and paying out record dividends and share buybacks. They are well capitalized and liquid precisely because, in 2009 and 2010, legislators and bank regulators took courageous action by passing Dodd-Frank and strengthening the Basel Accord. Our banks are the envy of the world because of our regulations, which have led them to earn high credit ratings. Those high credit ratings help banks reduce their borrowing costs. If you deregulate, banks will take more risks, become less safe, and their cost of borrowing will rise — costs they will pass directly to American consumers, small businesses, and municipalities in the form of higher rates on every loan and credit product they need.

Key Policy Recommendations

Respectfully and urgently, I implore this Committee and all bank regulators to keep Main Street — not Wall Street — at the center of every capital regulation decision. Millions of Americans are already in a fragile financial state, struggling to reach the American dream that we have been fortunate to attain. They cannot afford another financial crisis born of insufficient bank capital and inadequate supervision. They are counting on you to protect them.

The full body of my testimony contains fifteen policy recommendations that I respectfully submit to you for your consideration. They are organized by priority. The three most urgent are described here, because they address the gaps most likely to produce bank failures and taxpayer costs if left unresolved.

First: Extend the Liquidity Coverage Ratio to Category IV banks. Silicon Valley Bank lost \$42 billion in deposits in a single day. It was not required to meet any liquidity standard. NPR 2 does nothing to close this gap for the 40 to 60 Category IV banks — institutions with \$100 billion to \$250 billion in assets — that are most likely to face the next wave of deposit runs. I recommend a modified Liquidity Coverage Ratio, calibrated at 80

⁴ [“100 Most Penalized Companies,”](#) Good Jobs First, Violations Tracker, April 2026.

percent of the full standard, for all Category IV banks, phased in over three years. If the final rules do not adopt this, Congress should direct the agencies to do so by statute.

Second: Retain a binding output floor on internal risk models. NPR 1 allows the eight largest banks to calculate their capital requirements using a single internal model stack, with no constraint preventing those models from systematically compressing required capital over time. The international Basel III standard includes a binding output floor of 72.5 percent of the standardized approach result for exactly this reason. The U.S. proposal discards that floor. I recommend it be restored. Without it, the banks whose failure would most threaten the financial system will have the greatest ability to engineer their way to lower capital — and therefore less protection for ordinary Americans when the next crisis strikes.

Third: Restrict dividends and share buybacks until banks are safely above the new minimums. The three NPRs collectively release an estimated \$40 to \$70 billion in capital. History is unambiguous about where that money goes: directly to shareholders as dividends and share buybacks. America's eight largest banks have already returned \$46 billion to shareholders in the first quarter of 2026 alone — more than half a billion dollars a day. The banks that were most aggressively buying back stock in 2006 and 2007 were the same banks that needed taxpayer capital in 2008. I recommend that any bank whose CET1 ratio falls within 200 basis points of its post-NPR minimum face automatic restrictions on dividends and buybacks until the buffer is restored. Released capital should protect Americans, not enrich shareholders.

Beyond these three, I strongly encourage Congress to hold joint oversight hearings before the comment period closes on June 18, 2026; require the agencies to publish a single integrated quantitative analysis of the combined impact of all three NPRs and the 2025 Stress Capital Buffer; and codify the extension of liquidity standards to Category IV banks through targeted legislation amending Section 165 of Dodd-Frank. The body of this testimony sets out twelve additional recommendations addressing the Globally Systemically Important Bank (GSIB) surcharge methodology, commercial real estate concentration risk, mortgage servicing asset liquidity, the Accumulated Other Comprehensive Income (AOCI) phase-in schedule, and the need for a mandatory 36-month quantitative review of the final rules. They are all in service of one purpose: making sure that, if a crisis comes, ordinary Americans are protected.

REPROPOSAL OF BASEL III ENDGAME

The three Notices of Proposed Rulemaking (NPRs) modify two of the four pillars of the Federal Reserve's large-bank capital framework — the Basel III risk-based requirements and the GSIB surcharge. The other two pillars (the stress capital buffer and the supplementary leverage ratio) were addressed in prior rulemakings finalized in late 2025. The proposals are open for public comment until June 18, 2026. Final rules, if adopted as proposed, would phase in over 2–5 years.

The Three Notices of Proposed Rulemaking

The three NPRs modify two of the four pillars of the Fed's large-bank capital framework — the Basel III risk-based requirements and the GSIB surcharge. The other two pillars (the stress capital buffer and the supplementary leverage ratio) were addressed in prior rulemakings finalized in late 2025.

Summary of the Three Capital NPRs

Proposal	Key Mechanics	Applies To	CET1 Req. Impact
NPR 1 — Basel III / Expanded Risk-Based Approach	Applies to Cat I & II (8 GSIBs). Replaces dual standardized + advanced RWA calculations with a single expanded risk-based approach. Introduces LTV-based credit risk, revenue-linked operational risk capital, expected shortfall market risk, CVA requirement for large derivative books. MSA deduction eliminated; 250% risk weight applied instead.	Category I & II (8 GSIBs)	+1.4% (Basel III) –3.8% (GSIB surcharge) Net: –2.4%
NPR 2 — Standardized Approach Modernization	Applies to Cat III/IV and smaller banks. LTV-based residential mortgage risk weights replace flat 50–100%. Corporate RW reduced 100% → 95%; other assets 100% → 90%. Cat III/IV must now include AOCI in CET1 (5-year phase-in), adding +3.1% to partially offset the RWA reduction of –6.1%.	Category III & IV and smaller banks	Cat III/IV: –3.0% Smaller: –7.8%
NPR 3 — GSIB Surcharge Recalibration (Fed only)	Recalibrates method 2 coefficients to reflect current economic conditions. Removes RWA denominator from short-term wholesale funding indicator (weight 20%). Introduces automatic annual adjustment for GDP growth/inflation. Surcharge assigned in 10 bp increments (vs. 50 bp), reducing cliff effects. Year-end snapshot replaced by daily/monthly averaging.	Category I (8 GSIBs only)	–3.8% on CET1 requirement

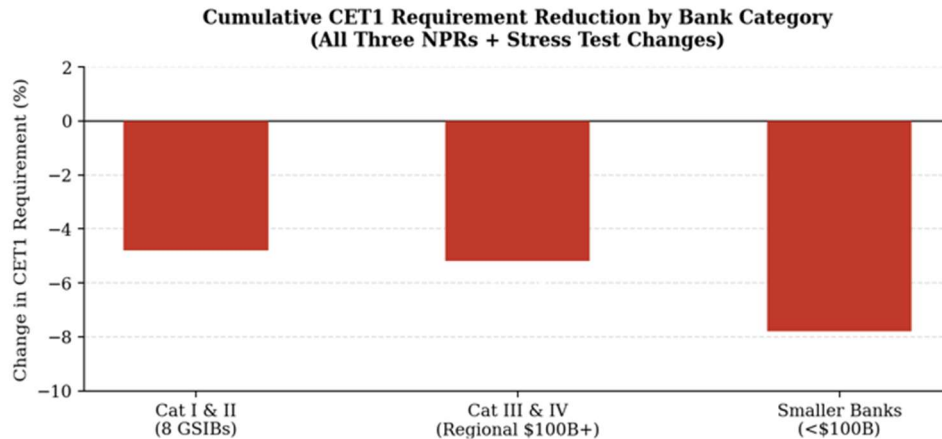
Cumulative CET1 Requirement Change

The table below decomposes the cumulative impact on CET1 requirements across bank categories. These are percentage changes in the required ratio level, not percentage-point changes in the ratio itself.

Driver	Cat I & II (8 GSIBs)	Cat III & IV	Cat III & IV (RWA only)	Smaller Banks
NPR 1 — Basel III NPR	+1.4%	—	—	—
NPR 3 — GSIB Surcharge NPR	–3.8%	—	—	—
NPR 2 — Revised Standardized RWA	—	–6.1%	–7.8%	–7.8%
NPR 2 — AOCI Inclusion (Cat III/IV)	—	+3.1%	—	—
Proposed Stress Test Changes	–2.4%	–2.2%	—	—
TOTAL	–4.8%	–5.2%	—	–7.8%

Highlights of the Regulatory Capital and Standardized Approach for Risk-Weighted Assets Proposal

The joint Federal Reserve, Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) proposal revises risk-based capital requirements for banking organizations that are not Category I or II institutions.⁵ It would reduce the risk weight applicable to corporate exposures from 100% to 95%, reduce the risk weight on certain other assets from 100% to 90%, and introduce a broader range of risk weights for residential mortgages based on loan-to-value ratios.



The agencies also propose to require Category III and IV banks to recognize Accumulated Other Comprehensive Income (AOCI) — including unrealized gains and losses on securities — in their regulatory capital, and to remove the deduction threshold for mortgage servicing assets.

Proposed Standardized Approach Capital Rule (March 2026) and Estimated Common Equity Tier 1 Capital Reductions⁶

Cat.	Threshold Criteria	Named U.S. Institutions (as of Feb 2026)	CET1 Reduction (This Proposal)
I	U.S. Global Systemically Important Banks (GSIBs) and their depository institution subsidiaries. Subject to the most stringent regulatory standards.	Bank of America Corporation Bank of New York Mellon Corporation Citigroup Inc. Goldman Sachs Group, Inc. JPMorgan Chase & Co. Morgan Stanley State Street Corporation Wells Fargo & Company	~4.8% reduction Combined effect of Basel III Proposal + GSIB Surcharge Proposal + stress testing changes. Impact varies by institution.
II	Non-GSIB banking organizations with \geq \$700B in total consolidated assets, OR \geq \$75B in cross-jurisdictional activity.	Northern Trust Corporation (Qualifies via cross-jurisdictional activity; assets well below the \$700B threshold.)	~4.8% reduction Shares the same estimate as Category I under the Basel III + GSIB Surcharge Proposals.

⁵ “[Agencies request comment on proposals to modernize the regulatory capital framework and maintain the strength of the banking system.](#)” Press Release, March 19, 2026.

⁶Federal Reserve Board (February 2026); OCC/Fed/FDIC Notice of Proposed Rulemaking, Federal Register Vol. 91 No. 59, March 27, 2026 (FR Doc. 2026-05960); Congressional Research Service R47876; Sullivan & Cromwell memo, March 26, 2026. Comment period closes June 18, 2026.

Cat.	Threshold Criteria	Named U.S. Institutions (as of Feb 2026)	CET1 Reduction (This Proposal)
	Subject to near-identical requirements as Category I.	Note: No U.S. bank currently meets the \$700B asset threshold without also being a GSIB.	
III	Non-Category I/II organizations with \geq \$250B in total consolidated assets, OR \geq \$75B in weighted short-term wholesale funding, nonbank assets, or off-balance-sheet exposure. SVB and Signature Bank were Category III at the time of their 2023 failures.	Examples: U.S. Bancorp, PNC Financial, Truist Financial, Capital One, Charles Schwab, and others meeting the threshold. (Complete list not officially published — banks self-report quarterly threshold compliance.)	~ 5.3% reduction (holding companies) ~ 4.7% reduction (depository institution subsidiaries) Reflects 6.1% RWA reduction offset by 3.1% increase from AOCI recognition requirement.
IV	Non-Category I/II/III organizations with \geq \$100B in total consolidated assets that do not meet the thresholds for a higher category. Subject to the least stringent standards of the large-bank framework.	Examples: Regions Financial, Fifth Third Bancorp, M&T Bank, Huntington Bancshares, Ally Financial, and others with assets between \$100B–\$250B. (Complete list not published — banks self-report quarterly threshold compliance.)	~ 5.3% reduction (holding companies, shared with Cat. III) ~ 7.8–7.9% reduction (\$10B–\$100B holding companies) ~ 7.5–8.0% reduction (holding companies below \$10B) Smaller banks see the largest percentage reductions despite posing less systemic risk.

Note on Capital Reductions: The figures above reflect the agencies' own estimates published in March 2026 NPR. The Category III/IV reductions under the Standardized Approach Proposal reflect a 6.1% reduction from revised risk-weighted assets, partially offset by a 3.1% increase from the new AOCI recognition requirement (five-year phase-in). A dissenting vote was cast by Federal Reserve Governor Barr.

Three Key Provisions Relevant to Mortgage Lending

1. The MSA Deduction Removal — The Biggest Pro-Mortgage Change. This is the most structurally notable change for mortgage lending. Under the current rule, covered banking organizations must deduct from common equity tier 1 capital amounts of mortgage servicing assets (MSAs) that exceed 25 percent of the banking organization's common equity tier 1 capital. That deduction has long functioned as a hidden tax on mortgage origination. Here's why: when a bank originates a mortgage and sells it into the secondary market (to Fannie Mae, Freddie Mac, or a private securitizer) while retaining the right to service it, it books an MSA on its balance sheet. If that MSA grows large enough — above 25% of CET1 — the excess gets deducted dollar-for-dollar from capital. That means the bank must either hold extra capital or stop originating mortgages to keep the MSA below the threshold. It actively discouraged banks from scaling their mortgage businesses.

The proposed revision would promote mortgage origination and servicing by banking organizations in a risk-appropriate manner and would apply to all banking organizations subject to the regulatory capital rule, including banking organizations subject to the community bank leverage ratio framework.

The proposal explicitly acknowledges the anti-competitive harm: a deduction approach for MSAs can discourage banking organizations from creating economies of scale, which can hinder their ability to compete in mortgage underwriting or servicing businesses and to manage risks. Instead of the deduction, all MSAs would simply receive a 250% risk weight — the same weight already applied to MSAs below the current threshold. This is a meaningful liberalization. Banks could now grow their mortgage servicing books to any size without

triggering a capital deduction, which directly removes a structural disincentive to originate. **Net mortgage lending effect: positive, possibly substantially so for banks that were MSA-constrained.**

2. Risk-Weight Recalibration for Residential Mortgages — More Nuanced. The proposal would introduce a broader range of risk weights for residential mortgage exposures, based on more granular risk factors. Under the current standardized approach, residential mortgages get a blunt risk weight — generally 50% for qualifying residential mortgages. This proposal would replace that with a more granular, loan-to-value-ratio-based system. The document spells out both a new LTV calculation methodology and a wider range of resulting risk weights.

This is a double-edged sword for mortgage volume:

- **Lower-LTV loans (the safest mortgages)** would likely receive lower risk weights, meaning they consume less capital per dollar lent. Banks would have a stronger economic incentive to originate these — typically conventional, prime mortgages to well-qualified borrowers with significant down payments.
- **Higher-LTV loans** would likely receive higher risk weights under this more granular approach, making them more capital-intensive and potentially less attractive to originate. This could reduce bank lending to first-time homebuyers and lower-income borrowers who typically have smaller down payments.

The net effect on total mortgage volume probably depends heavily on where each bank's portfolio sits along the LTV distribution. For portfolios concentrated in prime, low-LTV loans, this is a net positive. For banks that specialize in higher-LTV lending (say, FHA or low-down-payment conventional loans), this could tighten the economics.

3. AOCI Recognition for Category III and IV Banks — The Offsetting Headwind. The proposal would require Category III and IV banking organizations to include most elements of accumulated other comprehensive income in common equity tier 1 capital, consistent with the current treatment applicable to Category I and II banking organizations.

This is the provision that cuts against mortgage lending. This is why it matters enormously. AOCI includes unrealized gains and losses on available-for-sale securities — most relevantly for mortgage lenders, unrealized losses on mortgage-backed securities and long-duration bonds that have accumulated since the Fed's rate hike cycle began in 2022. Silicon Valley Bank's collapse in 2023 was related to AOCI losses being ignored under the opt-out election that Category III and IV banks had previously used.

By requiring these banks to flow AOCI through their regulatory capital ratios, the proposal would reduce the reported CET1 ratios of banks that are sitting on large, unrealized bond losses. In a rising rate environment — or even in a prolonged high-rate environment — this makes capital ratios more volatile and potentially lower. Banks facing a lower or more volatile capital base would logically become more conservative in deploying that capital into new loans, including mortgages.

The proposal does include a five-year phase-in transition period, which cushions the effect. And the agencies estimate that even accounting for AOCI inclusion, Category III and IV holding companies would see a net reduction of 3.0% in CET1 capital requirements overall (because the risk-weight reductions more than offset the AOCI impact on average). But individual banks with large unrealized loss positions could see their effective capital buffers squeezed, which could make them less, not more, aggressive in mortgage lending.

Lighter Capital Requirements Are Unlikely To Lead To Increased Mortgage Lending By Banks

This proposal is unlikely to lead to increased mortgage lending at banks. The most frequently cited structural barrier cited by consultants and analysts is institutional capacity: banks have spent over a decade dismantling mortgage origination infrastructure, and capital rule changes do not reconstruct technology platforms, servicing operations, or human expertise. A second theme is that other regulatory constraints — Fair Lending exposure, False Claims Act liability for FHA loans, CFPB rules, and reputation risk — remain entirely untouched by the Basel NPR. Third, demand-side limits (high rates, affordability constraints, a finite pool of qualified borrowers already served by nonbanks) mean that even willing banks would face a supply-side solution to a problem that is partly or largely demand-driven. The KBW and Bank of America observations are particularly telling because they come from actors who would presumably benefit most from re-entry and are still not treating the NPR as a strategic inflection point.

Source	Analysis
<p>David Zaring Wharton / Penn Law May 2024</p>	<p>Zaring observed that the original Basel III proposals would constrain residential mortgage lending and reinforce the long-term structural shift toward nonbanks. His analysis — that nonbanks have been the dominant underwriters of U.S. home mortgages since around 2016 — underscores that the structural transition is already deeply entrenched and that regulatory adjustments are unlikely to reverse the trajectory in any meaningful near-term timeframe.</p>
<p>Phillip Basil, Director Better Markets 2023–2026</p>	<p>Better Markets contends that banks have been retreating from mortgage lending for decades under existing capital rules, which directly undermines the premise that capital regulation alone is the primary driver — and therefore that loosening capital rules will reverse the trend. Basil told National Mortgage News that the re-proposal "misses the mark" on its original intent and criticized the resulting framework as one where the largest banks face the lowest capital requirements while smaller banks face the highest — an "upside down policy framework." His organization also warned that the true capital reductions are likely larger than presented and combined with other rollbacks, risk returning Wall Street buffers to pre-2008 levels.</p>
<p>David Wessel / Sen. Mark Warner Brookings Institution 2023–2026</p>	<p>Brookings documented the broader academic debate applicable to the 2026 version. Urban Institute researchers Laurie Goodman and Jun Zhu found that proposed capital levels for portfolio mortgage loans were excessive and would further discourage bank lending, with particularly perverse effects on LMI and minority borrowers. Senator Warner's pointed observation applies with equal force to the 2026 re-proposal: banks have historically invoked regulatory burden as justification for not lending when rules tighten, so symmetric skepticism is warranted when they promise to lend more as rules loosen. Warner also warned that pushing activity outside the bank regulatory perimeter creates its own systemic risks.</p>
<p>National Mortgage News News Analysis Feb. 17–18, 2026</p>	<p>Pre-release reporting captured broad practitioner skepticism even before the formal March 19 NPR was issued. Analysts and industry observers told the publication that changes to MSR risk-weighting would have limited near-term market impact and were unlikely to prompt banks to rush back into mortgage origination and servicing. This sentiment predated the formal proposal, suggesting that expectations of significant bank re-entry were already low in the market even under the most favorable anticipated scenarios.</p>
<p>KBW Analysts Keefe, Bruyette & Woods Feb.–Mar. 2026</p>	<p>KBW, one of the leading bank-sector equity research firms, offered a notably split view. On one hand, analysts believed bank originations could increase at the margin with better capital treatment, particularly for MSRs. On the other hand, they explicitly stated they did not expect banks to move meaningfully into loan origination given other regulatory concerns beyond capital rules alone. They also noted that few large banks appear to have been limiting mortgage participation specifically due to MSR or mortgage capital treatment, pointing to the fact that the largest bank mortgage originators in 2025 were ranked only fifth and sixth nationally.</p>

Source	Analysis
<p>Christopher Whalen Whalen Global Advisors Feb. 24, 2026</p>	<p>Whalen argues that the structural economics of mortgage lending have permanently shifted toward nonbanks and that capital rule changes cannot reverse this. Mortgage servicing has become a massive scale game driven by technology investment, and banks today control only about a quarter of the lending market. Banks consciously ceded ground in agency and Ginnie Mae production because being a wholesale lender to nonbanks is more profitable than originating FHA loans with far higher default and prepayment risk. Even a reduction of the MSR risk weight to 250% (without the capital deduction) remains punitive enough in his view to deter bank re-entry, and he argues it would need to fall to around 100% to meaningfully restart that conversation.</p>
<p>Eric Edwardson, Partner Mayer Brown Mar. 18, 2026</p>	<p>Edwardson, whose firm advises large banks, frames the barrier as institutional and cultural rather than purely regulatory. The largest G-SIBs and major regionals spent fifteen years dismantling their mortgage infrastructure — closing servicing platforms, laying off loan officers, and shedding institutional knowledge. Even if capital rules become more favorable, transforming a large bank's culture and operations into something resembling an independent mortgage bank would be extraordinarily difficult. Agile smaller banks might adapt, but the biggest institutions are not positioned to reverse course simply because a capital rule changes.</p>
<p>Matt Vernon, Head of Consumer Lending Bank of America Mar. 2026</p>	<p>In a notable statement from inside one of the largest potential re-entrants, BofA's head of consumer lending said the Basel proposals would not change the bank's broader mortgage strategy, because the bank already has the tools and resources to serve its existing 67 million clients and focuses on deepening those relationships rather than expanding origination volumes. This represents a real-world confirmation that even a bank with significant capacity does not view capital rule changes as a catalyst for strategic re-entry into broad mortgage origination.</p>
<p>Sen. Elizabeth Warren Ranking Member, Senate Banking Committee Mar. 19, 2026</p>	<p>The ranking member of the Senate Banking Committee called the re-proposal a weak rule that fails to fix severe flaws in the capital framework left unaddressed since the 2008 financial crisis. Warren raised concern that loosening capital requirements — particularly considering vulnerabilities exposed in the 2023 banking crisis, some of which were mortgage-related — creates systemic risk without delivering the promised consumer benefit of expanded mortgage access.</p>
<p>Theresa Paiz Fredel, Senior Director Fitch Ratings Mar. 20, 2026</p>	<p>Fitch did not predict an immediate sharp drop in bank capital buffers but warned that gradual easing across stress tests, leverage rules, and risk-based standards could cumulatively erode capital buffers and ratings headroom over the medium term. This introduces a secondary constraint on bank mortgage expansion: if ratings agencies tighten their own standards in response to regulatory loosening, the cost of ratings-dependent business in the mortgage market could rise, partially offsetting any regulatory relief the NPR provides.</p>
<p>Simpson Thacher & Bartlett Retail Banking Capital Analysis Mar. 31, 2026</p>	<p>While acknowledging that capital relief is meaningful, ST&B's analysis identified several important practical limits on the re-proposal's impact. The new LTV-based risk weight framework imposes new data and operational costs that "may be material" for smaller banks, potentially offsetting gains. The MSR risk weight remains at 250% — still among the most capital-intensive asset treatments in the framework — and critical aspects of mortgage capital treatment raised in response to the 2023 NPR remain unaddressed, likely to become focal points in the comment process. These unresolved issues mean the final framework may provide less relief than the headline numbers suggest.</p>
<p>Bob Broeksmit, President & CEO Mortgage Bankers Association Politico, Apr. 3, 2026</p>	<p>In a notable statement from the president of the industry's primary trade group — an organization that broadly supported the re-proposal — Broeksmit acknowledged that the capital rule changes would have limited practical effect on mortgage market structure. Quoted in Politico,⁷ he stated that he did not expect "a sea change in who does mortgages," directly</p>

⁷ [“The Trump Administration Wants Banks Back in the Mortgage Business. Banks Have Other Ideas,”](#) Politico, April 3, 2026.

Source	Analysis
	contradicting the administration's stated rationale that the re-proposal would prompt a meaningful return of banks to the mortgage market. This concession from an industry advocate who lobbied for the rule changes is among the most significant admissions that the NPR's mortgage lending objectives are unlikely to be realized.
Helaine Olen NerdWallet / Financial Commentator Apr. 2026	Olen raises the demand-side constraint that proponents of the NPR largely ignore: there is no large pool of untapped qualified borrowers waiting for loans at current mortgage rates and home prices. Without strong demand, supply-side rule changes alone cannot meaningfully increase lending volumes. She expressed deep skepticism that banks — absent a regulatory mandate — would voluntarily rebuild expensive mortgage origination and servicing infrastructure, and added a systemic caution that competitive pressures among large banks will eventually push risk-taking regardless of initial good intentions.

Note: This table is a summary of commentary and analysis published between 2023 and April 2026 in response to the March 19, 2026 NPR issued jointly by the Federal Reserve, FDIC, and OCC. Inclusion does not necessarily imply endorsement of any position.

Proposal Risks

Risk 1: Lower capital buffers at mid-size banks

The agencies estimate that aggregate CET1 capital requirements of Category III and IV holding companies would be reduced by 5.3%, and by 7.9% for holding companies with between \$10 billion and \$100 billion in assets, and by 7.5% for holding companies below \$10 billion. [Kaggle](#) These are the banks — roughly the SVB and Signature tier — that failed in 2023. Reducing required capital at precisely this cohort of institutions is the most pointed systemic concern critics are likely to raise.

Risk 2: AOCI volatility — the SVB lesson not learned

SVB's collapse was linked to unrealized losses on its available-for-sale securities portfolio that were excluded from its regulatory capital ratios because it had opted out of AOCI recognition. The proposal attempts to fix this by requiring Category III and IV banks to include AOCI in capital — a genuine improvement. However, the proposal would provide a five-year transition period to phase in that recognition,⁸ meaning banks could continue carrying hidden unrealized losses in their reported capital ratios for years. Critics will argue the transition period recreates the very blind spot that masked SVB's vulnerability.

Risk 3: Mortgage servicing asset risk is underpriced

The proposal eliminates the requirement to deduct mortgage servicing assets above a threshold from CET1 capital. All MSAs would instead receive a 250% risk weight.⁹ The agencies acknowledge the risks directly in the document — MSAs face significant valuation risk from prepayment risk, default risk, and liquidity risk. If interest rates fall sharply or mortgage defaults spike, MSA portfolios can lose value rapidly, and banks that have built up large MSA positions under the relaxed regime could find their capital eroded faster than regulators can respond.

Risk 4: Shadow banking migration — risk does not disappear, it moves

⁸ [FDIC](#)

⁹ [FDIC](#)

Vice Chair for Supervision Bowman argued the proposals would "reduce incentives for traditional lending activities — like mortgage origination, mortgage servicing, and lending to businesses — to migrate outside of the regulated banking sector." This is the official rationale for easing standards, but it is also a double-edged argument: the activities that migrate back into regulated banks bring their risks with them, while the activities that stay in the non-bank sector remain outside the supervisory perimeter. Reducing bank capital requirements without addressing shadow banking risks may simply shift where the next crisis originates rather than reduce systemic risk.

Risk 5: Pro-cyclicality

Lowering risk weights and capital requirements during a period of relative stability is historically the moment bank regulators end up regretting the most. If economic conditions were to deteriorate — rising unemployment, falling home prices, or a credit event in the corporate sector — banks that were allowed to hold less capital against those exposures will face faster capital depletion. The Sullivan & Cromwell analysis of the proposals notes they "collectively span over 1,800 pages and are highly complex and technical," which means that implementation errors and regulatory arbitrage opportunities are more likely.

Risk 6: The dissenting vote

The Federal Reserve approved the proposals by a vote of 6 to 1, with Governor Michael Barr¹⁰ dissenting. That dissent — from the Federal Reserve's own Vice Chair for Supervision under the previous administration — is meaningful. It signals that a credible internal argument exists that these changes go too far in reducing capital at a moment when economic uncertainty is very elevated.

“Banks’ ability to reclaim market share from nonbanks will depend on institutions' ability to effectively manage the risks associated with mortgage origination and servicing activities. It will also depend on investments in personnel, technology, compliance and infrastructure to achieve operational scale. Bank-driven M&A of non-bank mortgage lenders could emerge as banks seek to achieve scale quickly and acquire technology platforms and servicing infrastructure.”¹¹

This proposal is best understood as part of a broader deregulatory turn following the 2023 Basel III endgame withdrawal. While the bank industry argues it improves risk sensitivity while maintaining simplicity, the legitimate concern is that it reduces capital requirements at mid-size banks. It offers a five-year delay on the AOCI fix that Silicon Valley Bank (SVB) made famous — a combination that could leave the financial system significantly more fragile going into the next economic downturn.

Regulators and lobbyists frame lower capital requirements as benefiting consumers through cheaper credit and more available mortgage lending. Yet, there are serious risks to consumers:

- **Mortgage borrowers** benefit from lower risk weights on residential mortgages in good times but become more exposed in a downturn if their bank is undercapitalized when they need forbearance, loan modifications, or continued access to credit.

¹⁰ [Statement on Bank Capital Proposals by Governor Michael S. Barr, Board of Governors of the Federal Reserve Board System, March 19, 2026.](#)

¹¹ [Fitch Wire](#), February 20, 2026.

- **Depositors at mid-size banks** — the Category III and IV cohort — remain the most exposed group. The 2023 failures demonstrated that confidence in these banks can evaporate quickly, and lower capital cushions mean less runway for regulators to intervene before a bank becomes insolvent.
- **Taxpayers** bear the ultimate backstop risk through FDIC deposit insurance and potential federal emergency interventions if capital reductions prove insufficient in a stress scenario.

Risk Analysis Highlights: Consumers and Banking Safety & Soundness

Risks to American Consumers	Risks to Banking Safety & Soundness
<p>Weaker safety net at mid-size banks The proposal cuts CET1 capital requirements by 5.3% for Category III–IV holding companies and by 7.9% for banks with \$10B–\$100B in assets — exactly the tier that failed in 2023. Depositors at these institutions face greater exposure if a bank becomes distressed, since thinner capital buffers leave less room for regulators to intervene before insolvency.</p>	<p>Reduced loss-absorption capacity Lower risk weights on corporate exposures (100% → 95%) and other assets (100% → 90%) mean banks must hold less capital against those portfolios. In a credit downturn — rising defaults, falling collateral values — undercapitalized banks will breach minimum thresholds faster, compressing the window for corrective action.</p>
<p>AOCI blind spot — the SVB lesson delayed The proposal requires Category III–IV banks to include unrealized securities losses in regulatory capital — the fix that could have prevented SVB's collapse. However, a five-year transition period means banks can continue masking these losses in their reported ratios for years. Consumers and depositors relying on published capital ratios as a signal of bank health will be reading incomplete numbers throughout the transition.</p>	<p>Five-year AOCI transition recreates SVB-style opacity SVB's failure was linked to \$15B+ in unrealized losses excluded from its regulatory capital. The five-year phase-in delays the very transparency fix the proposal claims to provide. Banks with large available-for-sale securities portfolios remain able to report healthy capital ratios while carrying material hidden losses — the same structural blind spot regulators failed to act on in 2022–23.</p>
<p>Mortgage market exposure in a downturn Lower risk weights on residential mortgages benefit borrowers through cheaper credit in good times. In a housing downturn, banks holding more mortgage exposure with less capital behind them face faster balance sheet deterioration. Borrowers seeking forbearance, loan modifications, or new credit during a downturn may find banks less able — or willing — to extend it.</p>	<p>Mortgage servicing asset (MSA) valuation risk Eliminating the CET1 deduction threshold for MSAs and replacing it with a uniform 250% risk weight allows banks to build larger MSA portfolios. The agencies' own document acknowledges MSAs face significant valuation risk from prepayment, default, and liquidity risk. A sharp drop in interest rates (triggering refinancing waves) or a spike in defaults could rapidly erode MSA values and, with them, capital.</p>
<p>Taxpayer backstop risk FDIC deposit insurance and potential federal emergency interventions are ultimately funded by taxpayers. Reduced capital requirements at hundreds of banks increase the probability and potential scale of FDIC resolution costs in a systemic stress scenario. The 2008 crisis cost taxpayers hundreds of billions; thinner capital buffers raise the expected cost of the next one.</p>	<p>Pro-cyclicality: easing at the wrong moment Reducing capital requirements during a period of relative stability is historically when regulators most regret it. If economic conditions deteriorate — rising unemployment, a corporate credit event, or a housing correction — banks that were permitted to hold less capital against those exposures will face faster depletion. Capital rules loosened in benign conditions tend to bind tightest precisely when the economy is worst.</p>
<p>Consumer credit access in stress periods Undercapitalized banks historically contract lending faster and more severely than well-capitalized ones during downturns. The consumers most dependent on bank credit — small business owners, lower-income households, first-time homebuyers — are typically last to regain access when</p>	<p>Shadow banking migration risk The official rationale for easing capital requirements is to prevent lending from migrating to the unregulated shadow banking sector. But risk doesn't disappear when it moves — it becomes harder to see and manage. Activities that return to regulated banks bring their risks inside the supervisory perimeter; activities that stay</p>

Risks to American Consumers	Risks to Banking Safety & Soundness
banks retrench. Reducing capital buffers now raises the probability of a sharper credit contraction later.	outside it remain invisible to regulators until they produce a systemic event.
<p>Complexity and opacity of the new framework The three concurrent proposals span over 1,800 pages. The interaction between the standardized approach, the expanded risk-based approach, AOCI phase-ins, and stress testing revisions creates a framework that is difficult for market participants, journalists, and consumers to interpret. Reduced transparency makes it harder for depositors to assess the true health of their bank.</p>	<p>Regulatory arbitrage between frameworks Allowing banks to choose between the revised standardized approach and the new expanded risk-based approach (ERBA) creates incentives to select whichever framework produces the lowest capital requirement for a given portfolio — not the most accurate reflection of risk. This 'capital shopping' behavior was a known problem under the pre-2023 dual-stack regime and is not fully resolved by the new structure.</p>
<p>Concentration risk at the largest institutions The companion Basel III proposal estimates aggregate CET1 requirements for the largest banks (Category I–II) fall by approximately 4.8%. As capital requirements ease, the largest banks may expand balance sheets further, deepening the 'too big to fail' problem. Consumers bear the implicit cost of that moral hazard through the government guarantee that large bank creditors assume is in place.</p>	<p>Dissent signals credible internal disagreement The Federal Reserve approved the proposals 6 to 1, with Governor Barr — the Fed's own Vice Chair for Supervision — dissenting. A dissent at this level from the regulator's chief prudential supervisor is an institutional signal that a credible argument exists that the proposals go too far in reducing capital at a time of elevated economic uncertainty. It is not a technicality.</p>

Federal Reserve G-SIB Surcharge Proposal

This proposal amends the methodology for calculating risk-based capital surcharges for the eight U.S. GSIBs. It makes five principal changes:

1. One-time downward adjustment to Method 2 coefficients ($\div 1.2$) Method 2 scores of the eight GSIBs increased by 18% in aggregate from Q4 2019 to Q4 2024, equivalent to a 3.4% annual increase, while Method 1 scores decreased by 3% over the same period. The Fed argues this divergence reflects economic growth and inflation rather than true increases in systemic risk and proposes a one-time downward adjustment of coefficients by a factor of 1.2 — which directly lowers surcharges and therefore capital requirements at the eight largest banks.

2. Annual GDP-indexed adjustment going forward Going forward, the proposal would annually adjust the Method 2 coefficients based on a three-year moving average of nominal U.S. GDP growth, so that a firm's Method 2 scores would remain unchanged if its systemic risk indicators grow at the same rate as average nominal GDP growth. [FDIC](#) Critically, the adjustment mechanism would not reduce coefficients during periods of negative GDP growth, to avoid pro-cyclicality.

3. Restructuring the short-term wholesale funding measure The proposal would remove the average risk-weighted assets denominator from the calculation of a firm's short-term wholesale funding score, so that the score would instead equal the firm's average weighted short-term wholesale funding amount multiplied by a new coefficient.¹² This changes how reliance on unstable, runnable funding is measured — a critical vulnerability exposed in 2008.

¹² [FDIC](#).

4. Data averaging to prevent year-end window dressing To reduce incentives for a firm to reduce its GSIB surcharge by making temporary adjustments to reported indicators of systemic risk at year end, the proposal would require firms to calculate certain systemic indicators as an annual average of their daily or monthly values, rather than on a point-in-time basis at year end.¹³

5. Narrower score bands to reduce cliff effects The proposal introduces narrower Method 2 score band ranges, so surcharges change more gradually as a bank's systemic risk profile changes — reducing the incentive to manage just below a threshold.

GSIB Surcharge Proposal — Risk Analysis

Risks to American Consumers	Risks to Financial Safety & Soundness
<p>Lower capital buffers at the 8 largest banks — taxpayer backstop risk The one-time downward adjustment to Method 2 coefficients ($\div 1.2$) reduces the surcharge — and therefore the required capital — at each of the eight GSIBs. These are the banks whose failure would most directly threaten the broader economy. Thinner capital cushions at JPMorgan, Bank of America, Citigroup, Wells Fargo, Goldman Sachs, Morgan Stanley, BNY Mellon, and State Street mean taxpayers carry a larger implicit guarantee if one or more experiences distress.</p>	<p>Systematic reduction in loss-absorption capacity at systemically critical institutions The proposal's own data shows Method 2 scores increased 18% from 2019–2024 — meaning the eight GSIBs grew substantially larger and more complex. Cutting surcharges via the coefficient adjustment at precisely the moment these banks are larger than ever reduces the capital cushion per unit of systemic risk. If the Fed's argument that growth explains the divergence is wrong, surcharges will be structurally too low.</p>
<p>GDP-indexed adjustments could automatically reduce capital in good times — and freeze reductions in bad The annual GDP-indexed mechanism adjusts surcharges downward when the economy grows — even if GSIB balance sheets are expanding and systemic risk is rising. For consumers, this means the banks most likely to need bailouts in a downturn will have been allowed to reduce capital during the preceding expansion. The asymmetry (no reductions during downturns) protects against procyclicality but does not prevent surcharges from being set too low in the first place.</p>	<p>GDP indexing conflates economic size with systemic risk The Fed argues that if GSIBs grow in line with the economy, their relative systemic risk is unchanged. This logic has limits: systemic risk is not purely a function of relative size. Interconnectedness, concentration, and complexity can increase even as GDP grows. Automatically indexing coefficients to GDP growth could allow surcharges to fall or stagnate even when qualitative systemic risk is rising — a metric the GDP adjustment cannot capture.</p>
<p>Restructured wholesale funding measure may understate a key vulnerability Short-term wholesale funding — repo, brokered deposits, sweep deposits — is the most runnable form of bank funding. The 2008 crisis was in large part a wholesale funding run. Removing the risk-weighted assets denominator from the calculation changes the baseline against which reliance on unstable funding is measured. If the new coefficient is not calibrated correctly, banks could hold materially more runnable funding than the surcharge framework implies, exposing consumers to a classic funding-run scenario with less capital to absorb it.</p>	<p>New short-term wholesale funding coefficient carries calibration risk The proposal replaces a ratio-based measure ($STWF \div RWA$) with a coefficient-based absolute measure. The Federal Reserve argues this better captures expected impact of failure. However, the new coefficient is calibrated to represent approximately 20% of total Method 2 scores — a design choice, not a risk-derived number. If short-term wholesale funding at GSIBs grows materially after the coefficient is set, the indicator will underweight this systemic vulnerability until the next rulemaking cycle.</p>
<p>Year-end averaging reduces window dressing — a genuine consumer benefit, with caveats Requiring annual averages rather than year-end snapshots for certain indicators is the most straightforwardly positive element of the proposal. It closes the loophole allowing banks to temporarily reduce apparent systemic risk at measurement dates. For consumers and depositors, this means reported capital ratios and systemic indicators</p>	<p>Partial averaging leaves residual window-dressing risk The proposal applies averaging to certain systemic indicators but not uniformly across all of them. Banks retain the ability to manage their year-end positions on the non-averaged indicators to reduce their calculated surcharge. A fully consistent averaging approach applied to all indicators would be more robust. The selective application creates a two-tier system where some</p>

¹³ [FDIC](#)

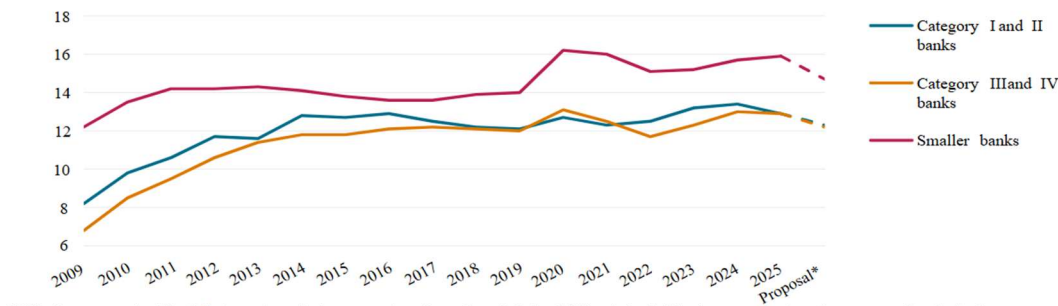
Risks to American Consumers	Risks to Financial Safety & Soundness
<p>better reflect actual risk. The caveat: averaging is only applied to some indicators, not all, leaving partial window-dressing opportunities intact.</p>	<p>indicators reflect annual behavior and others reflect a single point in time.</p>
<p>Narrower score bands reduce cliff effects — but also reduce the penalty for near-threshold behavior The current framework creates incentives for GSIBs to manage their scores just below a surcharge threshold — meaning a bank may structure activities specifically to avoid a higher capital requirement rather than for business reasons. Narrower bands reduce this distortion. However, they also mean smaller increases in capital for a given increase in systemic risk, which could benefit bank shareholders at the expense of the broader resilience consumers depend on.</p>	<p>Reduced cliff effects create smoother capital changes — but also reduce deterrent effects. Cliff effects in capital requirements create strong incentives to avoid crossing thresholds — which, while distorting, also provide a clear deterrent against expansion in systemic footprint. Smoother surcharge curves reduce the bite of the capital penalty for incremental increases in systemic risk. Banks near a threshold may be more willing to expand their systemic footprint slightly if the marginal capital cost is a smooth 5–10 basis points rather than a 50-basis point step-change.</p>
<p>Interaction with other proposals amplifies overall capital reduction This GSIB surcharge proposal operates simultaneously with the Standardized Approach Proposal and the Basel III Expanded Risk-Based Approach Proposal — all released the same day, all open for comment until June 18, 2026. The combined effect across all three proposals is a 4.8% reduction in CET1 requirements for Category I/II banks. Consumers face the cumulative risk of all three proposals together, not each in isolation. No single comment-and-review process evaluates their combined systemic impact.</p>	<p>Three concurrent proposals create compound deregulatory effect not fully analyzed in any single document The Federal Register notes that the GSIB surcharge, Standardized Approach, and Expanded Risk-Based Approach proposals interact with each other. However, each proposal's economic analysis evaluates its own provisions in isolation or with limited cross-reference. Regulators, market participants, and commenters are required to evaluate 1,800+ pages of interconnected rulemaking simultaneously to assess the true cumulative impact — a process that structurally favors the institutions with the largest compliance and legal departments.</p>
<p>Source: Board of Governors of the Federal Reserve System, Notice of Proposed Rulemaking, Federal Register Vol. 91 No. 59</p>	

Views of the Rating Agencies

S&P Global’s assessment is that bank regulators’ proposals, if finalized as written, would allow banks to reduce the amount of capital they allocate against their risk exposures, “potentially leading to capital reductions or accelerated growth.”¹⁴ The proposed easing of capital requirements--in conjunction with a larger effort to update bank regulation and supervision--could result in less stringent regulation, greater risk in the banking system, and drops in S&P’s calculations of risk-adjusted capital. How regulators finalize the capital rules and update other regulations--and how banks respond to those changes--will determine the impact on ratings.

CET1 ratios, up sharply after financial crisis, could dip under proposal

Aggregated for each bank category



CET1—Common equity Tier 1. Ratios estimated by aggregating for each period the CET1 capital of all banks currently in each category. Certain banks in each category do not have data for the full 2009 to 2025 period. *The ratios estimated in the final period for the proposals is based on the estimated declines published by the regulatory agencies. Source: S&P Global Ratings.
 © 2026 Standard & Poor’s Financial Services LLC.

¹⁴ “[Regulatory Proposals to Revise Capital Rules Could Increase Risks for U.S. Banks](#)” S&P Global, March 26, 2026.

Fitch Ratings “does not expect the recently proposed changes to risk-based capital requirements for U.S. banks to result in a meaningful near-term reduction in capital.”¹⁵ However, the proposals to modify the capital framework, combined with the gradual easing of stress tests and leverage requirements, could lead to lower capital ratios over time. “For less capitalized banks, or those with smaller buffers over minimums, this could make ratings more sensitive to a downturn, asset-quality deterioration, market shocks, or valuation losses.”

Less Capital Does Not Necessarily Lead to More Lending

Bank lobbyists BPI, American Bankers Association, Consumer Bankers Association, the Financial Services Forum, and National Bankers Association issued a [statement](#) welcoming “regulators’ efforts to enable banks of all sizes to make more loans to American businesses and households, fueling economic growth while maintaining resilience in the banking system.”¹⁶ Yet, typically when banks have lower capital requirements, they tend to deploy those savings and use them to invest in riskier assets and to do share buybacks.¹⁷ Broader macro and equilibrium-focused studies find that loosening capital requirements does not reliably produce large increases in lending.

Decreasing capital does NOT meaningfully increase lending (weak / temporary effects)	Decreasing capital DOES increase lending (capital constraints matter)	Methodology / Identification
<ul style="list-style-type: none"> Admati & Hellwig (2013) – <i>The Bankers’ New Clothes</i> Higher capital does not constrain lending in equilibrium. 	<ul style="list-style-type: none"> Bernanke & Lown (1991) – <i>The Credit Crunch</i> Capital-constrained banks reduce lending significantly. 	<ul style="list-style-type: none"> Theoretical synthesis vs historical credit crunch analysis Bank-level panel (U.S.) vs quasi-natural experiment (UK regulatory changes).
<ul style="list-style-type: none"> Berrospide & Edge (2010) – <i>The Effects of Bank Capital on Lending</i> Small effects of capital on lending (U.S. BHC data). 	<ul style="list-style-type: none"> Bridges et al. (2014) – <i>The Impact of Capital Requirements on Bank Lending</i> Higher capital reduces lending (real estate, corporate). 	<ul style="list-style-type: none"> VAR macro identification vs firm-level credit registry + quasi-experiment.
<ul style="list-style-type: none"> Berrospide & Edge (VAR extension) Confirms modest (not large) lending response. 	<ul style="list-style-type: none"> Fraisse, Lè & Thesmar (2017) – <i>Capital Requirements and Credit Supply</i> Tighter capital reduces firm-level credit supply. 	<ul style="list-style-type: none"> Matched bank sample: panel regressions vs reduced-form U.S. bank-level analysis.
<ul style="list-style-type: none"> Carlson, Shan & Warusawitharana (2011) – <i>Capital Ratios and Bank Lending</i> Insignificant relationship outside crises. 	<ul style="list-style-type: none"> Hancock & Wilcox (1993, 1994) – <i>Bank Capital and Credit Supply</i> Capital shortfalls reduce lending, especially in downturns. 	<ul style="list-style-type: none"> Macro time-series + bank panel vs country-level empirical study.
<ul style="list-style-type: none"> Deutsche Bundesbank (2018) – <i>Capital Requirements and Lending</i> Effects temporary; fade over time. 	<ul style="list-style-type: none"> Hazra et al. (2023) – <i>Basel III Impact (Bangladesh)</i> Tighter capital reduces lending, raises borrowing costs. 	<ul style="list-style-type: none"> Cross-country macro synthesis vs cross-bank panel comparison.
<ul style="list-style-type: none"> IMF / BIS (post-crisis studies) Effects modest, temporary, state-dependent. 	<ul style="list-style-type: none"> Islamic vs Conventional Banks (2014) – <i>Capital Adequacy and Lending Behavior</i> Positive relationship between capital and loan growth. 	<ul style="list-style-type: none"> Lending channel theory + later empirical reinterpretations vs natural experiment (Japanese bank shocks).
<ul style="list-style-type: none"> Kashyap & Stein (1995, reinterpretations) – <i>Bank Lending Channel</i> Capital channel exists but quantitatively limited. 	<ul style="list-style-type: none"> Peek & Rosengren (1995, 2000) – <i>Capital Crunch Evidence</i> Capital shocks cause sharp lending contractions. 	<ul style="list-style-type: none"> Cross-country panel vs structural/policy simulation.
<ul style="list-style-type: none"> Shaw, Chang & Chen (2013) – <i>Capital Adequacy and Lending Channel</i> Banks adjust via equity; lending not reduced. 	<ul style="list-style-type: none"> Piper (2025) – <i>Effect of Changes in Regulatory Capital Requirements</i> Higher capital reduces lending → easing should increase lending. 	<ul style="list-style-type: none"> Regional panel study vs quasi-experimental Basel III implementation.
<ul style="list-style-type: none"> Skindhoj & Jacobsen (2017) – <i>Basel III and Lending</i> 		

¹⁵ “[Proposed Capital Rules Could Lower Capital Ratios for Some U.S. Banks](#),” Fitch Wire, March 25, 2026.

¹⁶ [BPI](#).

¹⁷ Rodriguez Valladares, Mayra “[Deregulating Big Banks Makes Them Riskier](#),” Forbes March 26, 2026.

POTENTIAL EFFECT OF A 2007-2009 CRISIS ON BANKS POST-PROPOSALS

- While the Federal Reserve emphasizes that overall capital levels will remain 'substantially higher than pre-financial crisis,' the reduced buffers under a true Global Financial Crisis (GFC) stress scenario could push four to six of the top twenty U.S. banks toward the 4.5% absolute minimum or dangerously thin territory.
- Liquidity Coverage Ratios (LCR) ratios are presently healthy at about 100–145%. Yet, they could collapse to 60–80% under GFC-analog liquidity stress, before Federal Reserve emergency intervention. This highlights that the proposals do not address the structural fragility of stressed outflow assumptions.
- Banks with thin current CET1 buffers and heavy trading/wholesale funding (Wells Fargo at 10.6%, Citigroup at 13.4% but historically stressed, Truist and Ally below 11%) would warrant the closest risk management and bank regulator attention.

Top 20 Banks — Current Capital & Post-NPR Requirements

The following table¹⁸ presents each bank's current CET1 capital position, the current minimum requirement (including the stress capital buffer and applicable GSIB surcharge as published by the Fed for 2025), and an estimate of the post-NPR required minimum applying the Board memo's stated percentage reductions.

Bank	Cat.	Assets	CET1 Capital	CET1 Ratio (actual)	Current Req. Min.	Post-NPR Req. Est.	Buffer Status
JPMorgan Chase	I	\$4.0T	\$288B	14.5%	12.3%	11.7%	Resilient
Bank of America	I	\$3.3T	\$200B	11.9%	10.0%	9.5%	Adequate
Citigroup	I	\$2.4T	\$148B	13.4%	12.1%	11.5%	Resilient
Wells Fargo	I	\$1.9T	\$137B	10.6%	9.8%	9.3%	Thin
Goldman Sachs	I	\$584B	\$110B	14.6%	13.7%	13.0%	Resilient
Morgan Stanley	I	\$1.2T	\$103B	15.2%	13.5%	12.8%	Resilient
BNY Mellon	I	\$430B	\$46B	11.7%	10.5%	10.0%	Adequate
State Street	I	\$310B	\$22B	11.0%	10.5%	10.0%	Adequate
US Bancorp	III	\$680B	\$60B	10.8%	7.0%	6.6%	Adequate
PNC Financial	III	\$560B	\$54B	10.5%	7.0%	6.6%	Adequate
Truist Financial	III	\$530B	\$46B	10.1%	7.0%	6.6%	Adequate
Capital One	III	\$490B	\$52B	13.3%	7.0%	6.6%	Resilient
TD Bank (US)	III	\$430B	\$52B	16.8%	7.0%	6.6%	Resilient
Citizens Financial	IV	\$220B	\$19B	10.6%	7.0%	6.6%	Adequate
Fifth Third	IV	\$214B	\$17B	10.6%	7.0%	6.6%	Adequate
M&T Bank	IV	\$210B	\$18B	11.5%	7.0%	6.6%	Adequate
Huntington	IV	\$208B	\$16B	10.4%	7.0%	6.6%	Adequate

¹⁸Q4 2025 earnings filings; Fed 2025 large bank capital requirements; Fed Board Memo (March 2026). 'Buffer Status' reflects excess of actual ratio over post-NPR required minimum: Resilient = >4pp; Adequate = 2–4pp; Thin = <2pp.

Bank	Cat.	Assets	CET1 Capital	CET1 Ratio (actual)	Current Req. Min.	Post-NPR Req. Est.	Buffer Status
KeyCorp	IV	\$187B	\$14B	10.7%	7.0%	6.6%	Adequate
Ally Financial	IV	\$185B	\$10B	9.7%	7.0%	6.6%	Thin
Regions Financial	IV	\$163B	\$13B	10.5%	7.0%	6.6%	Adequate

2007–2009 Style Crisis Stress Analysis

Methodology

The Federal Reserve's 2025 DFAST severely adverse scenario — the most stringent published regulatory stress — projected a 180-basis point aggregate CET1 decline from 13.4% to 11.6% over nine quarters. This is a severe but not extreme scenario. The actual 2007–2009 GFC was materially worse for most large institutions. *It is important to remember that during the GFC, there were no elevated threats emanating from geopolitical risks, cybersecurity, Artificial Intelligence, significant lending to Nondepository Financial Institutions, or climate change events. In future scenario analysis, it is important to combine these with GFC data and assumptions to see potential stressed outcomes.*

This analysis applies only to historically calibrated erosions derived from [Financial Crisis Inquiry Commission \(FCIC\) data](#), BIS post-crisis working papers, and individual bank disclosures. The key inputs:

- Category I GSIBs with significant trading (Goldman, Morgan Stanley, Citi): 650–700 bps CET1 erosion over peak-to-trough, driven by structured credit write-downs, counterparty defaults, and secured funding withdrawal.
- Commercial banking-oriented GSIBs (JPMorgan, BofA, Wells Fargo): 450–600 bps, driven by loan loss provisions, mortgage write-downs, and market risk.
- Custody/processing banks (BNY Mellon, State Street): 380–400 bps — smaller trading books but significant AFS securities portfolio losses.
- Cat III/IV regional banks: 260–340 bps — primarily credit losses on commercial real estate and consumer portfolios, lower trading exposure.

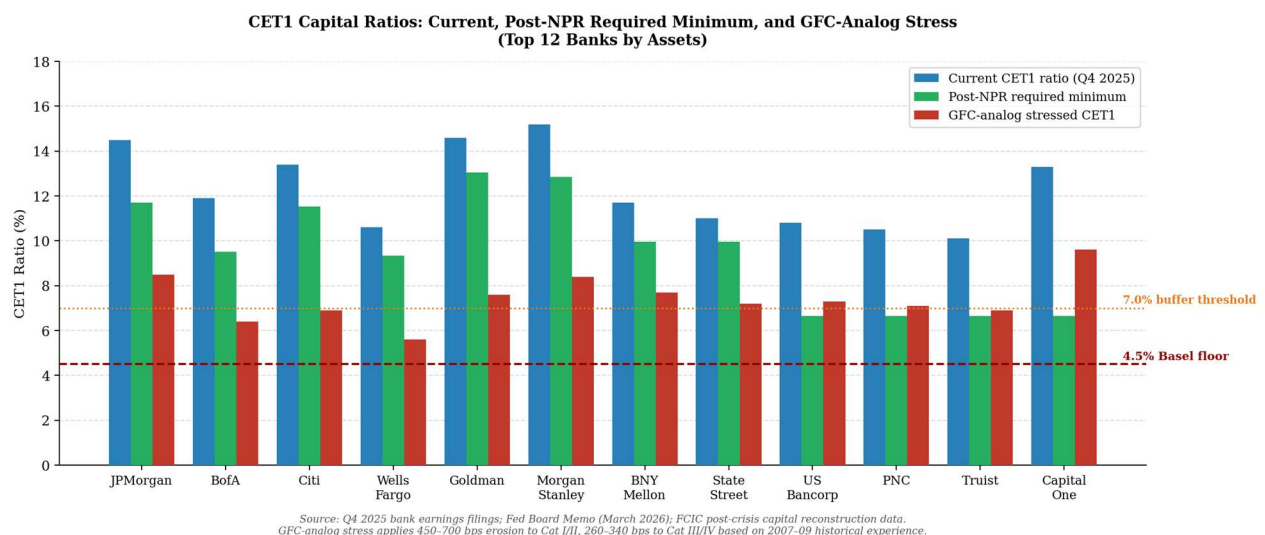
GFC-Analog Stress Results — CET1 and LCR

The table below applies the GFC-analog erosions to current CET1 ratios (not post-NPR minimums). The 'vs. 4.5% floor' column shows the cushion above the absolute Basel minimum. Columns 6 and 7 address liquidity.¹⁹

¹⁹ CET1 Capital Ratios: Current vs. Post-NPR Required Minimum vs. GFC-Analog Stressed (Top 12 banks). Red dashed line = 4.5% Basel absolute floor. Orange dotted line = 7.0% buffer threshold.

Bank	CET1 (actual)	GFC Erosion	Stressed CET1	vs. 4.5% floor	Current LCR	Stressed LCR
JPMorgan Chase	14.5%	600 bps	8.5%	+4.0pp	113%	~68%
Bank of America	11.9%	550 bps	6.4%	+1.9pp	118%	~73%
Citigroup	13.4%	650 bps	6.9%	+2.4pp	116%	~68%
Wells Fargo	10.6%	500 bps	5.6%	+1.1pp	119%	~74%
Goldman Sachs	14.6%	700 bps	7.6%	+3.1pp	126%	~62%
Morgan Stanley	15.2%	680 bps	8.4%	+3.9pp	130%	~60%
BNY Mellon	11.7%	400 bps	7.7%	+3.2pp	120%	~75%
State Street	11.0%	380 bps	7.2%	+2.7pp	122%	~73%
US Bancorp	10.8%	330 bps	7.5%	+3.0pp	110%	~76%
PNC Financial	10.5%	320 bps	7.3%	+2.8pp	108%	~76%
Truist Financial	10.1%	310 bps	6.8%	+2.3pp	106%	~76%
Capital One	13.3%	340 bps	9.9%	+5.4pp	145%	~96%
TD Bank (US)	16.8%	300 bps	13.8%	+9.3pp	115%	~79%
Citizens Financial	10.6%	280 bps	7.8%	+3.3pp	103%	~77%
Fifth Third	10.6%	280 bps	7.8%	+3.3pp	104%	~77%
M&T Bank	11.5%	270 bps	8.8%	+4.3pp	105%	~78%
Huntington	10.4%	270 bps	7.7%	+3.2pp	105%	~78%
KeyCorp	10.7%	260 bps	8.1%	+3.6pp	103%	~77%
Ally Financial	9.7%	290 bps	6.8%	+2.3pp	101%	~74%
Regions Financial	10.5%	260 bps	8.3%	+3.8pp	102%	~76%

GFC-Analog Stress Results — Stressed CET1 and LCR for Top 20 US Banks. Green = stressed CET1 >7.5% (resilient). Amber = 5.5–7.5% (stressed, near buffer triggers). Red = <5.5% (near or at minimum). Stressed LCR: GFC outflow multipliers estimated at 2–3× LCR rule calibration; pre-central bank intervention. Sources: FCIC; BIS Working Papers; Q4 2025 filings; Federal Reserve 2025 DFAST.



Liquidity Coverage Ratio — Crisis Implications

The LCR requires banks to hold sufficient High Quality Liquid Assets (HQLA) to cover stressed net outflows over a prospective 30-day period. Current LCRs across the top 20 banks range from approximately 100–145%, reflecting robust liquidity positions built up since the 2008 crisis and reinforced by the SVB/regional bank episodes of 2023.

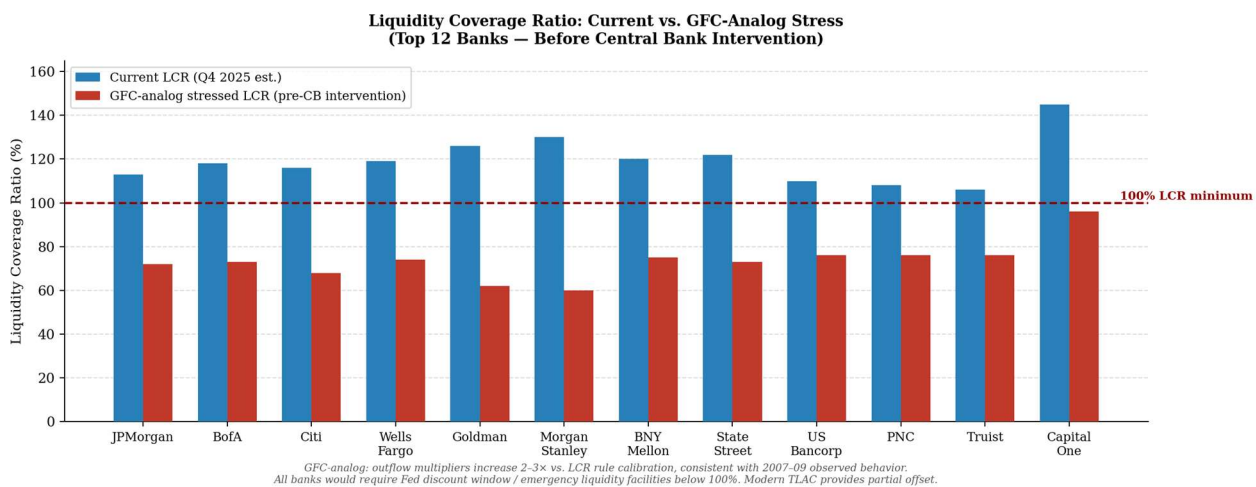
JPMorgan reported a firm LCR of 113% in Q4 2025 with total excess HQLA of approximately \$241–291 billion. Wells Fargo reported an LCR of 119% and CET1 capital of \$137 billion in its Q4 2025 results. Capital One, with its credit card-heavy funding model, maintained the highest LCR among regional banks at approximately 145%.

Why the LCR Rule Assumptions Break Down in a True GFC

The LCR's outflow assumptions are calibrated to a severe but not catastrophic scenario. The 2008 experience demonstrated that in a systemic panic:

- Corporate deposit run-off rates reached 40–75% vs. the LCR rule's 25% assumption — institutions with large uninsured corporate depositors faced immediate liquidity strain.
- Secured funding (repo and securities lending) failed to roll at any haircut for many counterparties, effectively treating ~\$0 collateral as liquid — the LCR assumes secured funding as largely stable.
- Off-balance-sheet committed credit facilities were drawn at or near 100%, vs. the LCR rule's 10% outflow assumption.
- Interbank credit markets froze, making the LIBOR market essentially non-functional — funding costs spiked to economically prohibitive levels regardless of LCR compliance.

Applying 2–3× multipliers to LCR outflow assumptions — consistent with 2008 observed behavior — produces the stressed LCR estimates shown in Table 4 and Figure 3 below. All 20 banks would fall below 100% before central bank intervention (Fed discount window, TALF-equivalent programs, TLAC bail-in execution).²⁰



²⁰ LCR: Current (Q4 2025 est.) vs. GFC-Analog Stressed (pre-central bank intervention) for Top 12 Banks. All banks would breach the 100% minimum before Fed emergency liquidity facilities are deployed. Modern TLAC requirements (~18% of RWA minimum) provide a partial offset not available in 2007.

What the Proposals Do (and Do not) Change for Liquidity

The three NPRs do not directly modify LCR requirements. However, there are indirect interactions the Board should analyze:

- Lower GSIB surcharges reduce the systemic risk overlay that historically justified higher internal liquidity targets at the largest banks. Some GSIBs may use this as justification to reduce voluntary excess liquidity.
- AOCI inclusion for Cat III/IV banks (NPR 2) means that a rate shock simultaneously reduces CET1 (through AOCI losses) and pressures HQLA values — a correlation risk that could amplify stress.
- The MSA risk-weight change (250% RW instead of capital deduction) could subtly shift asset allocation toward higher-RW, less-liquid assets as banks re-optimize their balance sheets under the new framework.

Key Questions for Bank Risk Managers and Regulators

Risk managers and regulators should consider the following strategic and governance questions:

- Capital return strategy: To what extent should bank management be permitted to use released capital for share buybacks vs. maintaining voluntary buffers above the new (lower) minima? What is the Board's risk appetite relative to the post-NPR floor?
- Internal stress testing calibration: Should the bank's own internal stress tests be updated to include a GFC-analog scenario (beyond DFAST) as a board-level solvency benchmark? The DFAST severely adverse scenario understates the 2008 experience by roughly 3×.
- AOCI management (Cat III/IV): For regional banks now required to flow AOCI through CET1, what hedging or asset allocation strategies should be considered to reduce CET1 volatility in rate-sensitive environments?
- Liquidity target-setting: Given that current LCRs would fall significantly in a true GFC-analog scenario before central bank support arrives, should the bank revisit its internal minimum LCR floor and HQLA composition (particularly the mix of Level 1 vs. Level 2 assets)?
- Comment letter strategy: The public comment period closes on June 18, 2026. Bank management should assess whether any aspects of the proposals warrant formal comment — particularly the treatment of AOCI for Category III/IV, the MSA risk weight calibration, and the interaction between the GSIB surcharge recalibration and resolution planning requirements.
- Competitive dynamics: Banks in different categories face asymmetric capital relief. Cat I/II GSIBs benefit most from GSIB surcharge reduction; smaller banks benefit most from standardized RWA relief. How does this affect the competitive landscape for mortgage lending, commercial credit, and capital markets activity?

Methodology Notes:

- CET1 capital and ratio figures are Q4 2025 actuals where available from earnings filings; estimates for banks not yet filed are extrapolated from Q3 2025 filings.
- Post-NPR required minimums apply the Board memo's stated percentage changes (−4.8% Cat I/II; −5.2% Cat III/IV) to 2025 Fed-published required minimums.
- GFC-analog CET1 erosions are derived from FCIC Final Report (2011), BIS Working Paper No. 591 ('Capital and liquidity buffers,' 2017), and post-crisis academic reconstructions. Ranges applied: 600–700 bps for trading-heavy GSIBs; 450–550 bps for commercial-oriented GSIBs; 380–400 bps for custody banks; 260–340 bps for Cat III/IV.
- GFC-analog stressed LCRs assume outflow multipliers 2–3× LCR rule calibration, consistent with retroactively estimated 2008 outflows documented in BIS CGFS Paper No. 50 (2013). All stressed LCR estimates are pre-central bank intervention.
- This analysis is for board education and risk awareness purposes. It is not a regulatory capital calculation, a stress test, or investment advice.

KEY RISKS CURRENTLY IMPACTING MAIN STREET and BANKS

This is precisely the wrong time to deregulate big banks. Significant risks are impacting most Americans, as well as challenging the future of banks' financial health and stability. Even before the Iran war began on February 28, geopolitical risk was at a very elevated level due to tariff policy uncertainty and three key conflicts: Russian-Ukrainian conflict, Israel-Middle East, and China-Taiwan. The Iran war has intensified geopolitical risks, which are transmitted to American consumers, businesses, and financial institutions via higher inflation, market volatility, and cybersecurity threats.

Market volatility, which has been great for our globally systemically important banks (G-SIBs), is a challenge for the remaining hundreds of banks, not to mention American consumers. Additionally, almost two decades of increasing bank loans to nondepository financial institutions such as private credit, private equity, hedge funds, and non-bank mortgage originators should be a critical concern to us all given the opacity and weak or non-existent regulation and supervision of those nonbanks. Banks are very interconnected to those non-depository financial institutions (NDFIs).

And whether you call it climate change or extreme weather events, banks are exposed to consumers and businesses whose ability to pay back loans is greatly reduced by increasingly more harmful and expensive effects of increasing and intensifying fires, hurricanes, and floods.

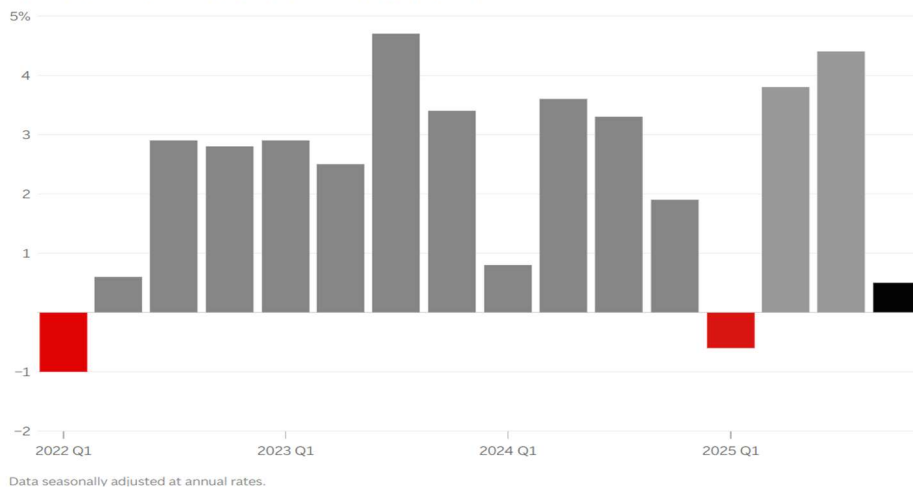
The use of digital assets and AI, while potentially greatly beneficial to banks, is also exposing banks to very serious risks. Additionally, many banks have significant exposures to commercial real estate, especially office buildings, which have been under duress.

The Macroeconomy is Softening

Real gross domestic product (GDP) increased at an annual rate of 0.5 percent in the fourth quarter of 2025.²¹ This was a much smaller increase in GDP in comparison to the rise of 4.4% in Q3 2025. The rate of GDP growth is slowing significantly. Real GDP was revised downward by 0.2 percentage point from the second estimate, primarily reflecting a downward revision to investment.

US economic growth

Quarterly change in U.S. gross domestic product (GDP)



²¹ [Bureau of Economic Analysis](#), April 9, 2026.

Forecasts for GDP growth show expectations for slower rate of growth for the next two years.

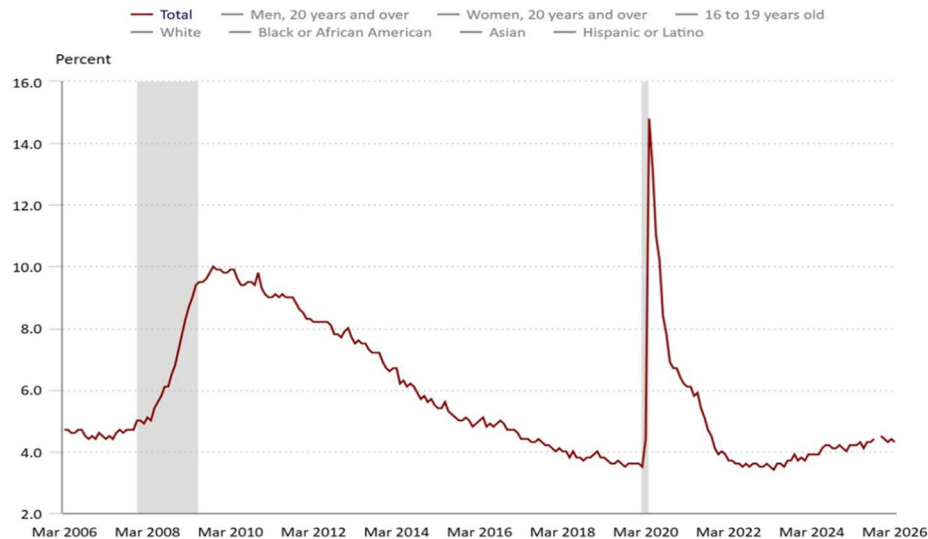
Organization	2026	2027	2028
Federal Reserve (FOMC)	2.0%	2.0%	2.0%
Fitch Ratings	2.2%	2.1%	N/A
S&P Global Ratings	2.2%	1.9%	1.9%*
Deloitte	2.1%	1.7%	1.6%
Moody's Analytics	1.8%	1.7%	1.7%

*S&P Global projects an average of 1.9% for the 2027–2029 period.

GDP is a lagging indicator. GDPNow is a running estimate of real GDP growth based on available economic data for the current measured quarter.²² The forecast as of April 26, 2026, is +1.2% (annualized, Q1 2026). This is a striking and rapid deterioration from where the forecast began. When GDPNow first published its Q1 2026 estimate on February 20, it projected growth of 3.1%. The estimate has since fallen by nearly two-thirds, touching a low of 0.9% on April 16 before ticking back up slightly to 1.2% after the April 21 retail trade release. The unemployment rate was 4.3% in March 2026 with the labor force participation rate falling below 62% for the first time since the pandemic.²³

Civilian unemployment rate, seasonally adjusted

Click and drag within the chart to zoom in on time periods



Source: U.S. Bureau of Labor Statistics.

²² [GDPNow](#), April 26, 2026

²³ Bureau of Labor Statistics, April 2026.

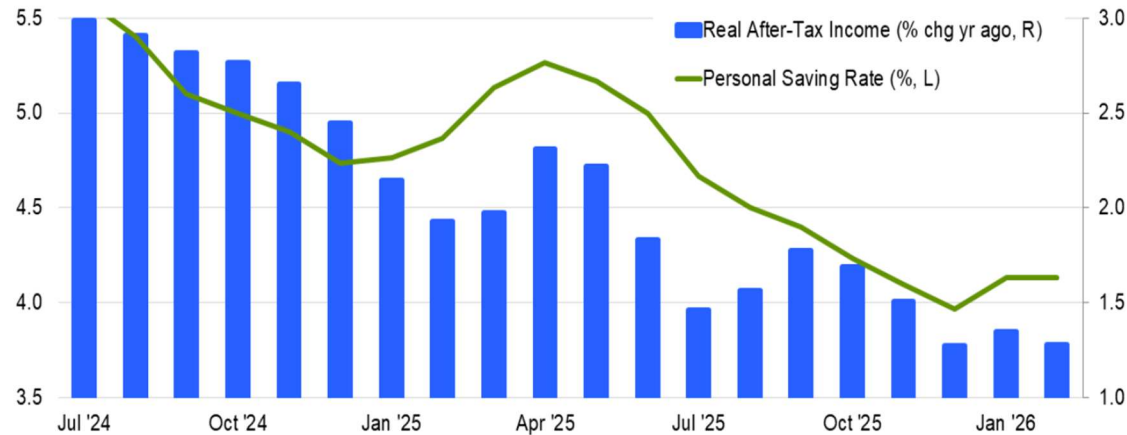
Main Street Is Struggling

Even before the Iran war, Americans were struggling. If a bank crisis were to happen because of lighter supervisory touch of banks or weakening of bank regulations, it would be devastating to American's standard of living.

The savings rate and income of Americans showed fragility. Real after-tax income and the savings rate have declined since April 2025.

Fragile Consumer, Even Before the Fallout From the War Hits

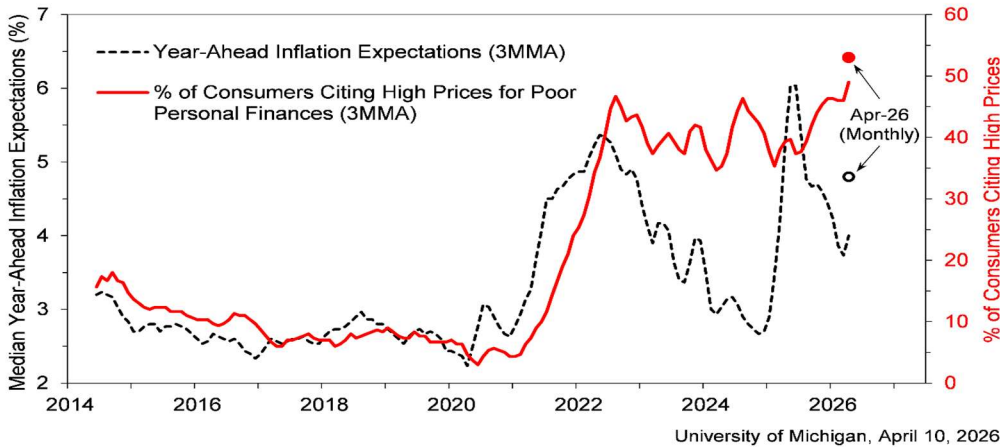
3-month moving average



Sources: Bureau of Economic Analysis, Moody's Analytics

Consumer sentiment is at a 74-year low. April's data shows that every demographic group across age, income, and political party all posted setbacks in sentiment, as did every component of the index. This reflects the widespread and serious nature of this month's decline.²⁴

High Price Concerns for Personal Finances and Short-Run Inflation Expectations Surge Amid Iran Conflict



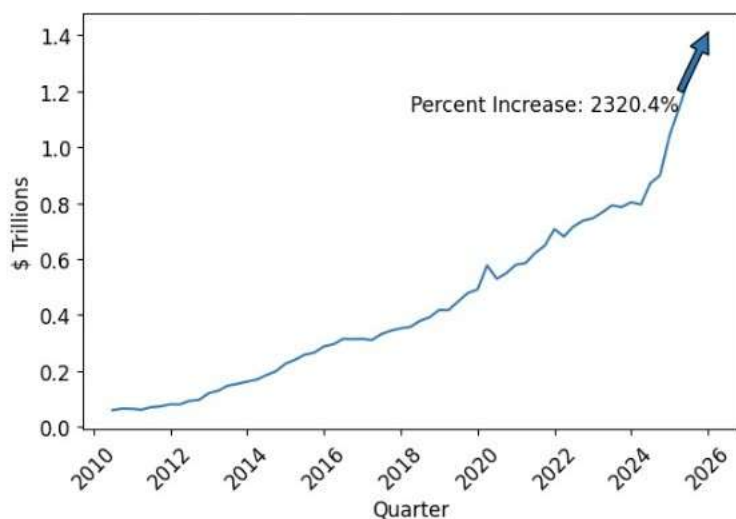
²⁴ "Surveys of Consumers," [University of Michigan, April 2026](#).

Even before the conflict in Iran caused price spikes, recent market signals showed how American households are under pressure.²⁵ Consumers continue to show signs of financial strain, with 46% of households citing unaffordable prices as a major pressure point.

Use of [buy now, pay later services for groceries](#) is increasing, and 41% of BNPL users have been late on payments, which could hurt their consumer scores. [Federal Reserve data](#) also point to rising stress across major credit categories: the overall consumer loan default rate stands at 2.78% for all commercial banks; credit card delinquencies for accounts 90 days or more past due reached 7.10% in late 2024 and climbed to 20% to 23% in some low-income areas by late 2025; auto loan delinquencies rose to 2.90% in the third quarter of 2024 and continued increasing in 2025; serious student loan delinquencies spiked to 16.3% in the fourth quarter of 2025 after the payment pause ended; and 3.76% of mortgage balances were in some stage of delinquency as of the third quarter of 2025. At the same time, [hardship withdrawals from 401\(k\)s](#) have reached record highs, underscoring the growing financial pressure on many households.

Risks From Bank Lending to Non-Depository Financial Institutions

The [historic surge in bank lending](#)²⁶ to Non-Depository Financial Institutions (NDFIs) is one of the most underappreciated risks in the U.S. financial system. Since 2010 when banks started being better regulated with rules from Dodd-Frank and Basel III, NDFIs have proliferated. They jumped into riskier transactions that in many cases banks jettisoned, since Basel rules required banks to allocate more capital to help them sustain unexpected losses. Yet, banks then proceeded to lend to every type of NDFI. Fifteen years later, lending to those firms has risen over 2,000%, [a record](#) high. Banks, not only lend to NDFIs, but they also often invest in them, source borrowers and clients for them, and are counterparties to them in transactions such as financial derivatives.



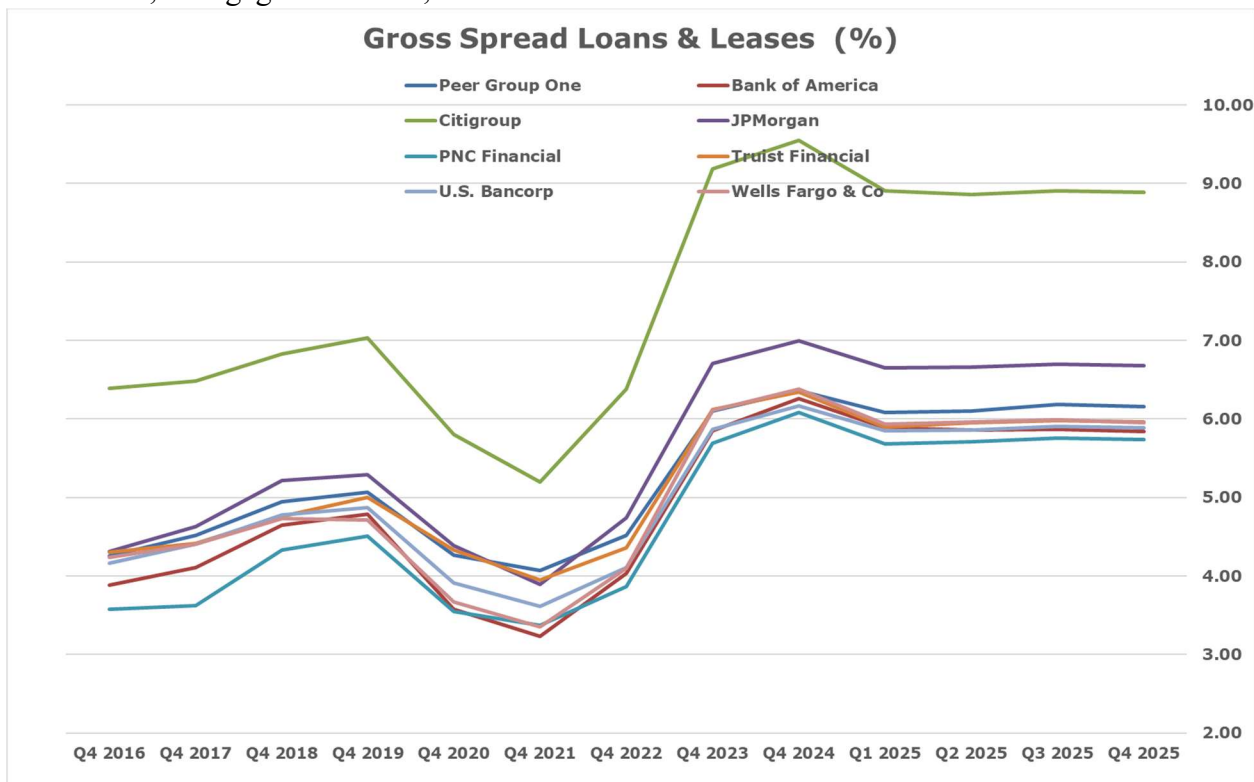
²⁵ Rodríguez Valladares, Mayra, “[How Higher Oil Prices Are Rippling Through American Household Budgets](#),” Forbes, March 6, 2026.

²⁶ Rodríguez Valladares, Mayra, “[Bank Lending To Private Credit and NonBanks Is At Historic Highs](#),” Forbes, March 4, 2026.

In the last fifteen years, the growth of lending to NDFIs has been significantly outpacing lending to banks, companies, farms, and individuals; the category of individuals includes auto loans, credit cards, and personal loans.

Lending	Percent Change
Loans secured by real estate	41
Corporate and industrial	106
Individuals	56
Farms	56
Banks	-14
Loans to NDFIs	2,320
Total loans and leases	82

Recent data from the first quarter of 2026 demonstrates that the pattern has persisted. Loan growth for the banks is still predominantly lending to NDFIs. This type of lending continues to rise significantly more than lending to individuals, mortgage borrowers, and small businesses.

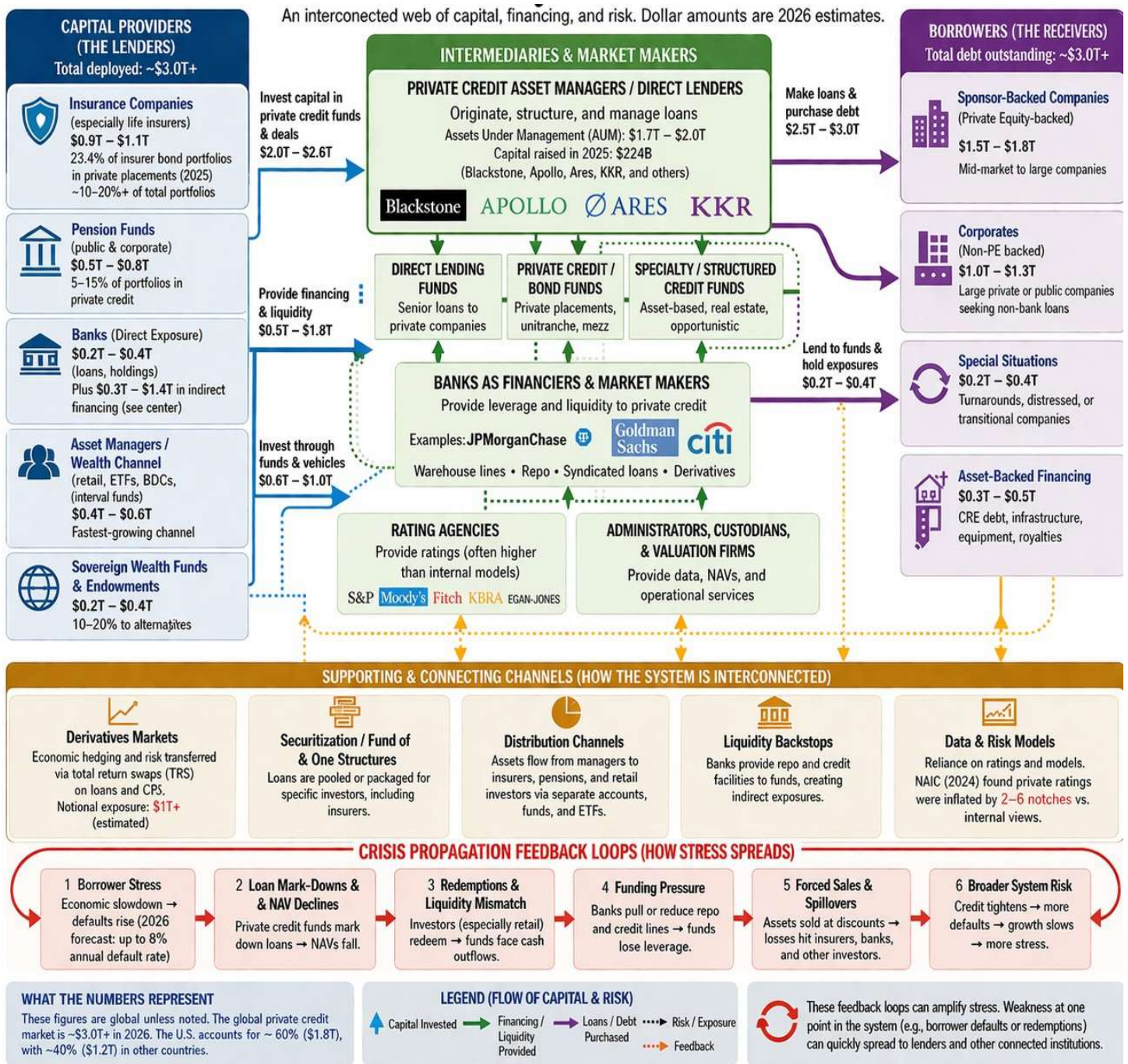


Source: Whalen Global Advisors

While this year, scrutiny has centered on private credit, that focus is too narrow.²⁷ Bank regulators and investors should be examining banks’ full web of exposure to NDFIs, including private equity firms. At the core of the problem is opacity: most NDFIs operate with limited transparency, leaving fundamental questions unanswered about how they conduct due diligence, assess borrower quality, and value underlying assets. There is little visibility into how these firms measure default risk or mark their portfolios. Because NDFIs typically do not take public deposits or premia, they fall outside the rigorous, risk-based supervisory frameworks applied to banks and insurers. Despite NDFIs’ increasing interconnectedness with asset management firms, banks,

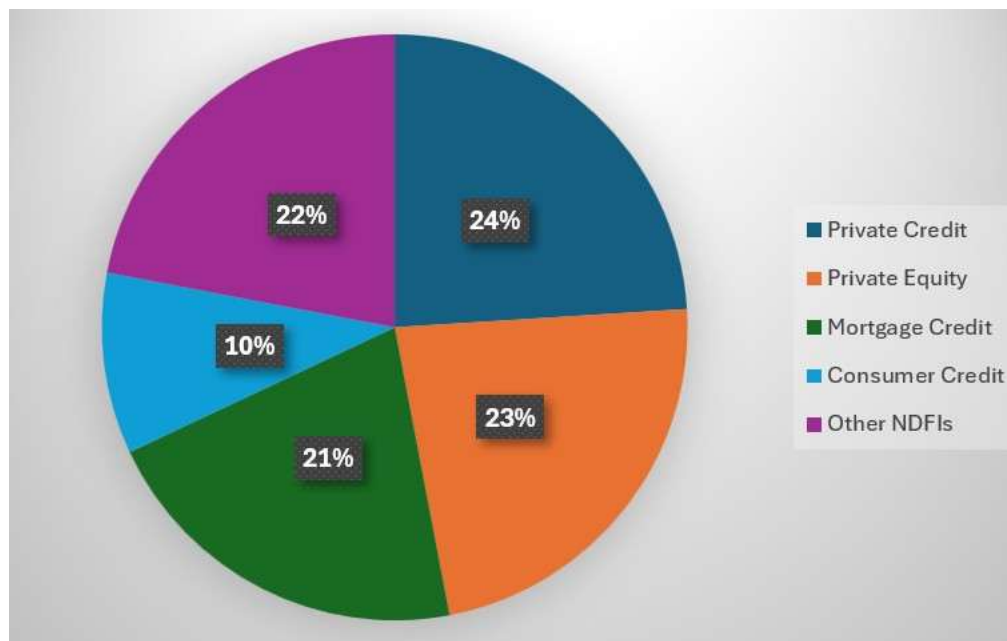
²⁷ Rodríguez Valladares, Mayra, “[Beyond Private Credit-The Overlooked Risks Of Banks’ Ties to NonBanks](#),” Forbes, April 11,2026.

insurance companies, pension funds, retail wealth managers, and university endowments, no single regulator is empowered to conduct risk-based examinations of how, or if, NDFIs identify, measure, control and monitor their credit, liquidity, market, and operational risks.



Sources: Morgan Stanley (2025), S&P Global (2025), FDIC (2025), Reuters (2025), The Guardian (2026), NAIC (2024), Prequin (2025).

Of the five categories of bank lending to NDFIs, private credit is the largest exposure, closely followed by private equity.



Since 2025 the default rate of private credit institutions has been rising steadily. As of January 2026, it stands at [5.8%](#). This is the highest default rate since August 2024. Elevated levels of inflation have been causing the default rate to steadily rise. If the conflict with Iran is not short-lived, inflation could rise even more, causing NDFI defaults to rise even more. Rising defaults would put pressure on corporations that have been borrowing from NDFIs and of course on the banks that have been lending to them.

2026

For all G-SIBs, their exposures grew in the range of 8–18% during the first quarter of 2026 in comparison to the same period in 2025. Goldman Sachs and Morgan Stanley have exposures to NDFIs that are over a third of their total assets. Their exposures to private equity and hedge funds are the largest exposures that they hold with NDFIs, whereas their exposures as a percentage of assets to private credit are comparably significantly lower.²⁸

²⁸ Note: Total NDFI Exposure percentages include both **funded loans** (drawn capital) and **unfunded commitments** (legally binding credit lines). Annual growth rates are based on analyst estimates and reported FDIC and S&P Global quarterly data trends. Total Assets are rounded to the nearest billion dollars.

Bank	Private Equity Funds (% of Total Assets)	Private Credit (% of Total Assets)	Hedge Funds (% of Total Assets)	Mortgage Credit (% of Total Assets)	All Other NDFIs (% of Total Assets)	Total NDFI Exposure (% of Total Assets)	YoY Growth (Q1'25–Q1'26)	Total Assets \$B
G-SIB Group								
Bank of America	3.5%	1.0%	4.8%	1.2%	0.5%	11.0%	+14.2%	3,412
BNY	0.2%	0.4%	1.8%	0.1%	0.1%	2.6%	+8.4%	422
Citibank	2.1%	1.0%	5.2%	0.8%	1.4%	10.5%	+12.1%	2,657
Goldman Sachs ●	12.5%	2.5%	14.2%	1.8%	5.4%	36.4%	+18.7%	1,808
JPMorgan Chase	3.6%	0.5%	6.8%	1.1%	2.4%	14.4%	+16.5%	4,560
Morgan Stanley ●	8.2%	1.5%	16.5%	0.9%	4.1%	31.2%	+15.3%	1,420
State Street	0.1%	0.4%	2.1%	0.1%	0.1%	2.8%	+7.9%	321
Wells Fargo	4.1%	2.8%	2.2%	3.4%	0.8%	13.3%	+14.2%	2,149
Regional Bank Group								
Bank OZK ●	2.4%	6.2%	1.5%	12.1%	0.4%	22.6%	+22.4%	38
Customers Bank ●	4.2%	10.2%	2.5%	24.8%	1.1%	42.8%	+28.1%	25
EverBank ●	1.5%	12.5%	3.1%	24.2%	0.6%	41.9%	+25.5%	46
Fifth Third	1.8%	2.9%	1.1%	3.2%	0.5%	9.5%	+11.2%	215
First Citizens ●	8.2%	10.1%	2.4%	6.2%	0.8%	27.7%	+24.3%	220
Huntington Bank	2.1%	6.8%	1.2%	5.4%	0.3%	15.8%	+33.0%	225
KeyCorp	2.5%	9.5%	1.4%	4.1%	0.6%	18.1%	+19.6%	188
M&T Bank ●	1.6%	9.0%	1.2%	8.5%	0.5%	20.8%	+21.4%	209
NexBank ●	0.8%	4.2%	2.1%	131.4%	0.2%	138.7%	+35.2%	14
PNC Financial	2.4%	4.9%	1.1%	4.2%	0.5%	13.1%	+26.0%	602
Texas Capital ●	1.2%	6.4%	1.8%	52.1%	0.4%	61.9%	+31.8%	32
U.S. Bank	2.2%	1.5%	1.4%	2.8%	0.4%	8.3%	+10.5%	692
Western Alliance ●	30.0%	30.0%	4.1%	12.4%	1.2%	77.7%	+41.2%	93

Risk Concentration Key:

- **Critical Concentration:** Total exposure exceeds 40% of Total Assets.
- **Elevated Concentration:** Total exposure between 20% and 40% of Total Assets.

Because the majority of NDFIs are not traded publicly, information about how they are mitigating their credit risk is scarce. Bank regulators should be asking banks to ask for and receive granular data from NDFIs about their current default rates and how NDFIs are preparing for rising inflation if it were to materialize. Unlike bonds, where banks could buy credit default swaps to protect themselves against a default, credit derivatives against NDFIs do not exist. This means that bank regulators need to demand more from banks to understand how they are mitigating their credit exposure risk to NDFIs.

Exposures to Commercial Real Estate

- **The 2026 Cliff:** Roughly \$875 billion to \$936 billion in CRE loans are scheduled to mature in 2026, staying high after 2025's peak, with a further \$1.26 trillion projected by 2027.
- **Refinancing Difficulty:** These loans are maturing at a time when interest rates are much higher, and property values have declined, making it difficult for borrowers to refinance, leading to potential defaults or "cash calls" to cover the gap.
- **"Extend and Pretend" Fatigue:** Many loans that matured in 2024 and 2025 were extended, but regulators and banks are reducing this leniency, leading to increased non-performing loans.

A massive volume of CRE loans originated in a low-interest-rate environment (2015–2021) is maturing.²⁹ The banking sector currently faces a significant "debt wall," with nearly \$1.8 trillion in commercial real estate (CRE) loans maturing through 2026.³⁰ Because these loans were largely originated during a period of historically low interest rates, borrowers now face a massive "rate shock" as they attempt to refinance into a much more expensive credit environment. This financial pressure is compounded by the office sector's structural decline, where high vacancy rates and falling property values have left many assets "underwater," meaning the debt owed exceeds the property's actual worth.

Regional and community banks are at the center of this risk, as they are roughly five times more exposed to CRE than their larger counterparts, with many holding exposures exceeding 300% of their total equity.³¹ To mitigate potential systemic failures, these institutions have drastically tightened their lending standards and are increasingly relying on complex loan modifications to avoid a wave of foreclosures. While industrial and multifamily sectors remain relatively stable, the concentration of distressed office debt remains a primary focus for regulators as they monitor for signs of broader financial instability.

²⁹ ["Regional Banks Are Purging Bad CRE Debt,"](#) CRE Daily April 8, 2025.

³⁰ [Mortgage Banker Association, March 2026.](#)

³¹ [Florida Atlantic University's Banking Initiative](#)

Asset Class	JPMorgan Chase	Bank of America	Citigroup	Wells Fargo	Goldman Sachs	Morgan Stanley
CRE – Office	Medium (indirect)	Medium	Low–Medium	High (direct)	Low	Low
CRE – Multifamily	Medium	Medium	Low	High	Low	Low
CRE – Construction	Medium	Medium	Low	High	Low	Low
C&I Lending	Very High	High	High	High	Medium	Medium
Consumer Credit	Very High	Very High	Medium	High	Low	Low
Private Credit (Direct Lending)	High (growing)	Medium	Medium	Very High	High	Medium
Lending to PE (LBO / Funds)	Very High	High	High	Very High	High	Medium
NDFI / Shadow Banking	Very High	Medium	High	Very High (~19%)	Medium	Low

Artificial Intelligence

Banks face a dual-threat landscape from artificial intelligence, primarily driven by the industrialization of fraud³² and the rise of "agentic" systems. Generative AI has enabled bad actors to bypass traditional security through sophisticated deepfakes and "all-green" attacks, where legitimate customers are manipulated into authorizing fraudulent transfers during authenticated sessions.³³ Furthermore, the rapid deployment of autonomous AI agents introduces significant operational hazards; without rigorous human-in-the-loop oversight, these "runaway" systems can misallocate funds or exceed internal risk limits, creating a phenomenon known as "AI debt" that complicates long-term governance.

On a structural level, the "black box" nature of complex AI models poses a severe regulatory and systemic risk. Because these models are often nonlinear and opaque, banks struggle to explain decision-making logic to regulators, particularly regarding credit underwriting and loan pricing. This opacity can mask embedded algorithmic biases that lead to discriminatory outcomes, potentially violating fair lending laws like the Equal Credit Opportunity Act.³⁴ During periods of extreme market volatility, these fragile models may also fail in ways that historical backtesting did not predict, leading to unexpected "tail risk" events.³⁵

Finally, the financial sector is increasingly exposed to systemic contagion through its concentrated lending to the AI infrastructure and software industries. Major institutions have significantly increased their credit commitments to data centers, semiconductor firms, and AI-adjacent tech companies, often reaching a high percentage of their Tier 1 capital.³⁶ A sudden downturn in AI investment or a burst in the sector's valuation could trigger a ripple effect of losses across the financial network. This is compounded by "workslop"—the propagation of low-quality, unchecked AI outputs—which can degrade the integrity of internal data and lead to flawed strategic decisions.³⁷

32 AI-Industrialized Fraud: U.S. Department of the Treasury (2024 Report on AI and Cybersecurity).

33 "All-Green" Attacks & Synthetic Identity: Federal Reserve Bank of Boston (Payments Fraud Trends).

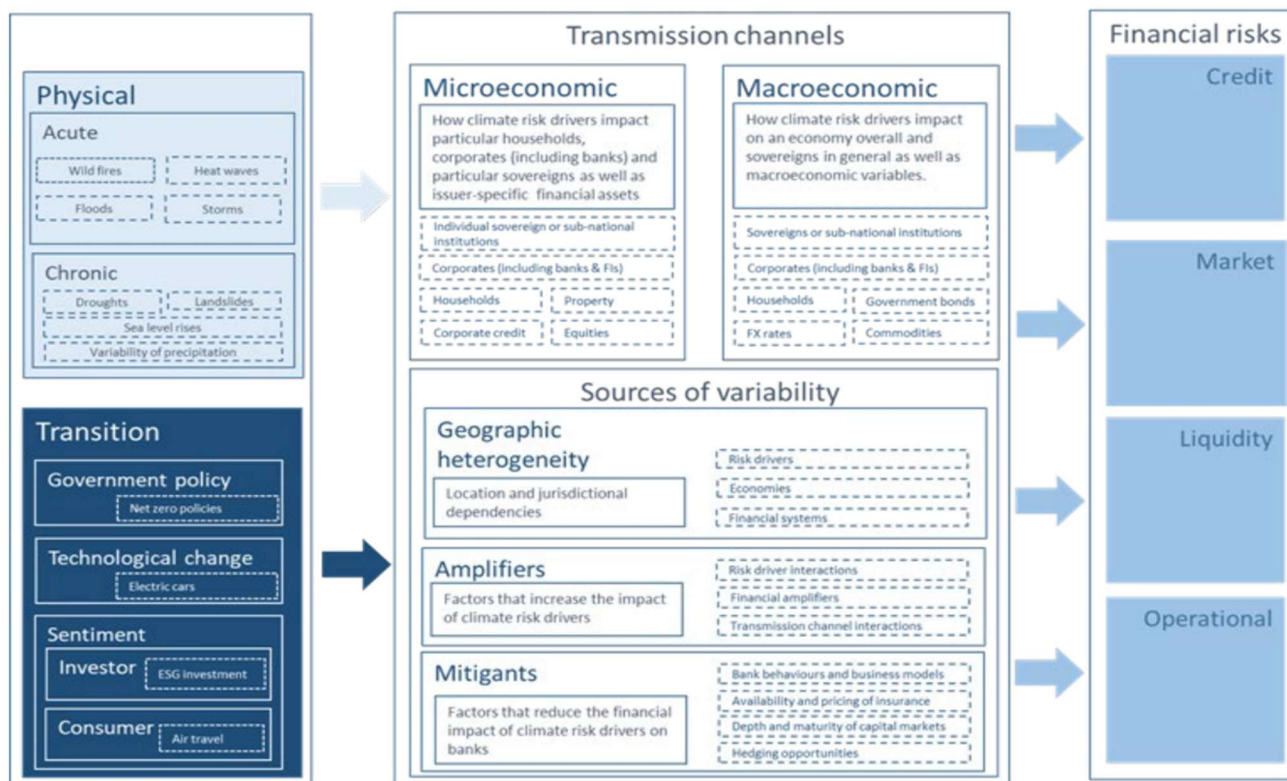
34 Algorithmic Bias & Fair Lending: Consumer Financial Protection Bureau (CFPB) (Circular on AI Underwriting).

35 AI Debt & Agentic Risk: MIT Sloan Management Review (Governance of autonomous systems).

36 Financial Contagion & Tier 1 Capital Exposure: Financial Stability Board (FSB) (Annual Report on Financial Stability).

37 "Black Box" & Model Opacity: Bank for International Settlements (BIS) (Artificial intelligence in central banking and supervision).

Climate Change is Impacting Consumers and Businesses



Source: [Bank for International Settlements](#).

Irrespective of political views, climate change events are intensifying and impacting consumers, businesses, and hence, banks.³⁸ U.S. disasters exceeding \$1 billion in damages have risen in frequency and severity for decades; recent floods and hurricanes illustrate operational disruptions, higher contingency costs and insurance frictions.³⁹ Climate change impacts banks both on the credit and trading sides of their activities, as well as in investment banking and asset management.

Risk	Potential effects of climate risk drivers (physical and transition risks)
Credit risk	Credit risk increases if climate risk drivers reduce borrowers' ability to repay and service debt (income effect) or banks' ability to fully recover the value of a loan in the event of default (wealth effect).
Market risk	Reduction in financial asset values, including the potential to trigger large, sudden and negative price adjustments where climate risk is not yet incorporated into prices. Climate risk could also lead to a breakdown in correlations between assets or a change in market liquidity for particular assets, undermining risk management assumptions.
Liquidity risk	Banks' access to stable sources of funding could be reduced as market conditions change. Climate risk drivers may cause banks' counterparties to draw down deposits and credit lines.
Operational risk	Increasing legal and regulatory compliance risk associated with climate-sensitive investments and businesses.
Reputational risk	Increasing reputational risk to banks based on changing market or consumer sentiment.

³⁸ Rodríguez Valladares, Mayra, Testimony on "[Addressing Climate as a Systemic Risk: The Need to Build Resilience within Our Banking and Financial System](#)" June 30, 2021.

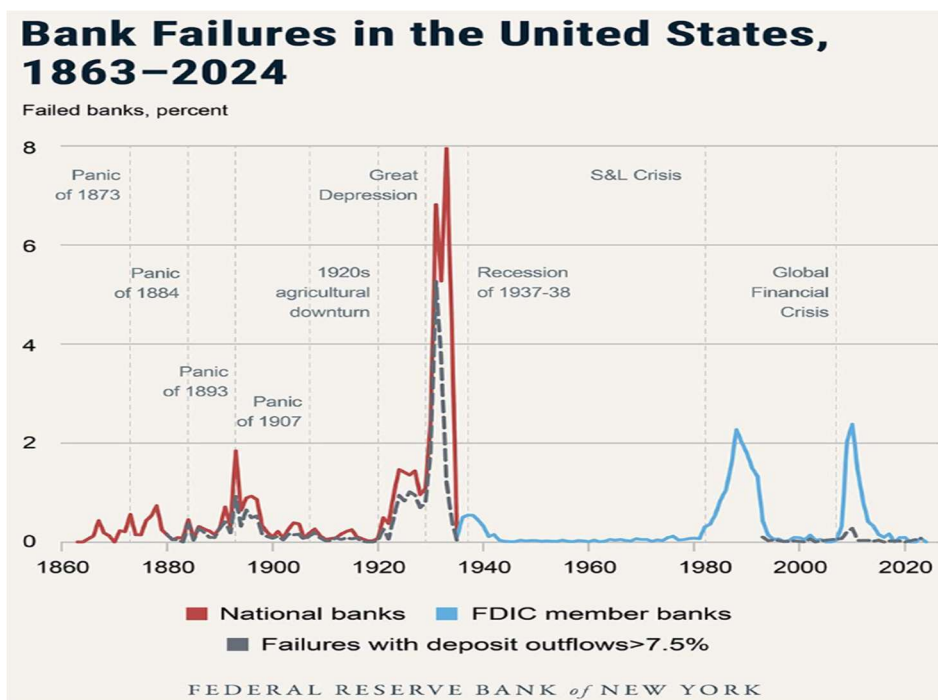
³⁹ "[US Banks Face Climate-Related Risks Even As Regulatory Pendulum Swings](#)," Fitch Ratings, October 2, 2025.

Source: [Bank for International Settlements](#).

Climate change continues to be relevant in rating agency assessments of banks' credit worthiness. Fitch Ratings, for example "views ongoing investment by banks in climate risk management as prudent despite reduced near-term U.S. supervisory focus. Policy rollbacks in 2025 contrast with 2021–2023 efforts to build oversight, disclosure and climate scenario frameworks. Extreme weather and decarbonization dynamics are enduring drivers that can affect operational resilience, credit performance and business models."⁴⁰

BANKS ARE SPECIAL

Banks are particularly special, because their loans and transactions help individuals and companies of every size reach our goals for economic vitality and growth.⁴¹ Banks are also crucial to any economy because they are interconnected to each other, as well as to school districts, municipalities, pension funds, securities firms, the insurance and reinsurance sector, securities firms, hedge funds, asset managers, wealth funds, not-for-profit foundations, home offices and sovereign wealth funds. These interconnections exist, because banks lend to these entities or are in derivative contracts with many of these actors, and because school districts, municipalities, and other financial institutions (OFIs) also invest in stocks and bonds issued by banks. Often banks also manage the payroll and provide other important services to these entities. The collapse of a bank or even the threat thereof almost immediately hurts the well-being of all these entities, not to mention that of their employees. In short, bank instability has an outsized influence on the health of "Main Street".

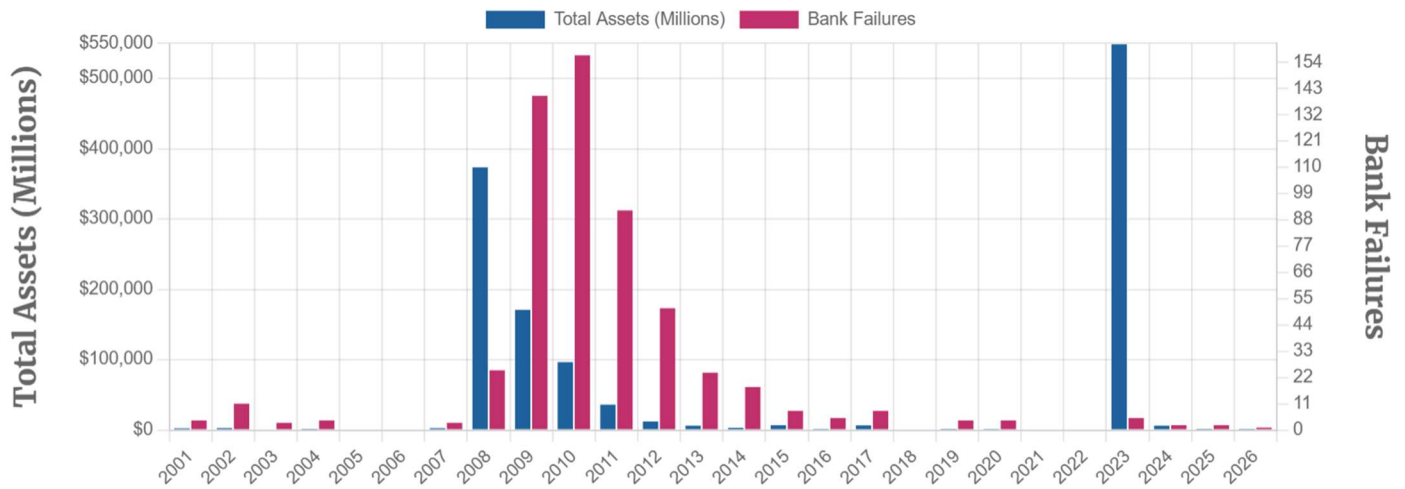


571 US banks have collapsed since 2001; the vast majority of these occurred between 2008 and 2013, driven by the financial crisis, with over 380 failures occurring between 2009 and 2011 alone.⁴² Since Basel III and Dodd-Frank rules started being implemented in 2012, significantly fewer banks have failed.

⁴⁰ Ibid.

⁴¹ Corrigan, E. Gerald. "Are Banks Special?" March 1, 2020 (Revised from [1983](#).)

⁴² "[Bank Failures in Brief – Summary](#)," FDIC



Financial institutions, including banks, do fail. When they do, their adverse impact is felt not only domestically, but also globally given the significant interconnections between financial institutions, corporations, and ordinary individuals. In turn, financial or economic instability in other countries comes back to hurt our banks, companies, and individuals. Of the twelve, largest financial institution failures in the U.S., nine were depository institutions, that is, banks.

Largest U.S. Bank Failures by Assets at Time of Failure

Rank	Institution	Failure Date	Assets	Primary Cause of Collapse
1	Washington Mutual Bank <i>2008 crisis</i>	Sep 2008	\$307.0bn	Massive subprime defaults triggered a \$16.7bn depositor run.
2	First Republic Bank <i>2023 crisis</i>	May 2023	\$229.1bn	Interest rate mismatch led to a run on uninsured deposits.
3	Silicon Valley Bank <i>2023 crisis</i>	Mar 2023	\$209.0bn	Tech-sector withdrawals forced a loss-making bond sale.
4	Signature Bank <i>2023 crisis</i>	Mar 2023	\$110.4bn	Systemic contagion followed the collapse of SVB.
5	Continental Illinois <i>Other</i>	May 1984	\$40.0bn	Heavy energy loan losses led to an institutional run.
6	First Republic Bank (TX) <i>Other</i>	Jul 1988	\$33.4bn	Collapsing Texas real estate and energy markets.

Rank	Institution	Failure Date	Assets	Primary Cause of Collapse
7	IndyMac Bank <i>2008 crisis</i>	Jul 2008	\$32.0bn	Aggressive subprime lending and a public bank run.
8	American S&L <i>Other</i>	Sep 1988	\$30.2bn	Interest rate volatility and risky mortgage securities.
9	Colonial Bank <i>Other</i>	Aug 2009	\$25.0bn	Real estate exposure and a large internal fraud scheme.
10	Bank of New England <i>Other</i>	Jan 1991	\$21.8bn	Over-extension in commercial real estate during recession.
11	MCorp <i>Other</i>	Mar 1989	\$18.5bn	Dropping oil prices and a collapsing Texas property market.
12	FBOP Corp Subsidiaries <i>Other</i>	Oct 2009	\$18.4bn	Heavy credit losses on mortgages and GSE investments.

Sources: FDIC Historical Statistics on Banking; Federal Reserve Board; Office of the Comptroller of the Currency. Assets are nominal at date of failure.

Operational Risk Concerns For the Financial Industry

Operational risk identification, measurement, control, and management have long been the most neglected part of overall risk management at banks.⁴³ Until the Basel Committee included operational risk in Basel II in 2006, banks globally tended to define operational risk in diverse ways, even in the same institution. Not having a uniform decision across an enterprise makes it exceedingly difficult to properly identify, measure, and control operational risk.

Even when operational risk was included in Basel II, it was the least robust part of Pillar I, in comparison to credit and market risks. Additionally, in virtually every jurisdiction, banks spent significantly more time trying to comply with credit and market risk measurements, while operational risk received a lot less attention. Moreover, allowing the largest banks the flexibility to use models to measure operational risk has also meant that it is difficult for market participants to understand the extent of operational risk banks have and how it is being mitigated, if at all, in some cases. Improving the performance of operational risk models would enable

⁴³ Rodríguez Valladares, Mayra “[BankOp Risk: Ignored More Than a Bridesmaid](#),” American Banker, February 22, 2013.

bank risk managers “to make more informed risk decisions by better matching economic capital and risk appetite and allows regulators to enhance their understanding of banks’ operational risk.”⁴⁴

For globally systemically important banks (G-SIBs), regional banks, and community banks, cyber risk security issues are a top concern.⁴⁵ For seventeen consecutive years, concern about cyber risk security has been in the top ten operational risk concerns of institutions in the financial industry; presently it is the top concern.

Top 10 Operational Risks in Financial Services (2025-2026):

#	Risk Category	Description	Key Drivers / Examples	Potential Impact
1	Cybersecurity & Advanced Attacks	Rising sophistication of cyber threats, increasingly powered by AI	AI-driven attacks, phishing campaigns, ransomware incidents	Financial loss, data breaches, reputational damage
2	Technology & Digital Disruption	Vulnerabilities stemming from reliance on complex and legacy IT systems	Legacy infrastructure, cloud outages, major incidents (e.g., 2024 CrowdStrike disruption)	System downtime, operational paralysis, customer impact
3	Third-Party / Vendor Risk	Exposure from dependence on external providers for critical services	Cloud vendors, SaaS platforms, outsourced operations	Service interruptions, cascading failures, compliance exposure
4	Data Management & Protection	Risks tied to handling, storing, and safeguarding sensitive data	Data breaches, poor governance, unauthorized access or misuse	Regulatory penalties, loss of customer trust, litigation
5	Regulatory Compliance & Legal Risk	Increasing complexity of global regulatory requirements	Rapid regulatory changes, cross-border compliance challenges	Fines, sanctions, legal liability
6	Artificial Intelligence Risks	Emerging risks from adoption of AI technologies in operations	Algorithmic bias, model risk, data leakage, security vulnerabilities	Decision errors, ethical concerns, regulatory scrutiny
7	Operational Resilience & Business Continuity	Ability to maintain operations during major disruptions	Pandemics, infrastructure failures, cyber incidents	Business interruption, revenue loss, systemic risk
8	People Risk & Talent Shortage	Workforce-related vulnerabilities, especially in specialized areas	Shortage of AI/cyber talent, retention challenges, succession gaps	Execution risk, increased costs, operational inefficiency
9	Conduct Risk & Culture	Risks arising from employee behavior and organizational culture	Misconduct, internal fraud, weak governance practices	Reputational damage, regulatory action, financial penalties
10	Geopolitical Volatility	External macro risks affecting operations and markets	Supply chain disruptions, political instability, sanctions regimes	Market instability, operational disruption, strategic risk

Source: ORX

Operational risk is a significant source of risk for US banks. Banks lose millions of dollars every year due to failing to identify, measure, control or monitor operational risk exposures. From 2000- April 2026, the twenty largest U.S. banks paid over \$204 billion in fines.

⁴⁴ Curti, Filippo, and Marco Migueis. “[The Information of Past Losses in Operational Risk](#),” Finance and Economics Discussion Series, Federal Reserve Board, August 11, 2022.

⁴⁵ Ibid.

Bank Crises Lead to Unemployment

Bank crises lead to higher unemployment. During the financial crisis of 2007-2009, for example, unemployment in the U.S. doubled from 5% to 10.6% at its peak.⁴⁶ The U.S. financial crisis also spilled over to numerous other countries, adversely impacting their financial institutions, increasing their unemployment levels and decreasing their citizens' wages as well.⁴⁷ By the end of the 2007-2009 recession, the U.S. unemployment rate was higher than most other industrialized countries, and remained that way in the months following the recession.⁴⁸

Even after financial crises end, unemployment tends to persist and wages⁴⁹ are slow to grow, if they even rise at all.⁵⁰ In the case of the US, the damage of the financial crisis was felt for many years after the recession had ended.⁵¹ Those without college degrees suffered more than those with college degrees, And people of color,⁵² with or without college degrees, suffered more than their white counterparts.

Bank crises cause significant loss of wealth. During the 2007-2009 financial crisis, wealth losses in the U.S. ranged from 44 to 50 percent for Hispanic families, to 31 to 34 percent for African American families, and 10 to 13 percent for white families.⁵³

Banks and other corporations often barely pay sufficient severance to those whom they have laid off. The unemployed people then must rely on their savings if they have any. They then become a challenge for state tax coffers since the unemployed will collect benefits. Bank executives, boards of directors, or the significant risk takers, who are the ones that cause banks to fail, are not required to pay more into state coffers when they cause a crisis.

THE BANKING SECTOR SINCE BASEL III and DODD-FRANK

While several critics have stated that previous versions of Basel III would have reduced lending or made American banks less competitive in the global stage, no quantitative evidence supports these assertions. A common critique is that U.S. regulators are 'gold plating' the U.S. version of the Basel III rules and placing U.S. banks at a disadvantage with competitors outside of the U.S. In fact, stronger U.S. regulations have made our banks significantly healthier than most of their competitors.

⁴⁶ [“The Recession of 2007-2009,”](#) Bureau of Labor Statistics, February 2012.

⁴⁷ [“The Great Recession and the Job Crisis,”](#) United Nations, 2011.

⁴⁸ [“Spotlight on Statistics The Recession of 2007-2009,”](#) Bureau of Labor Statistics, February 2012.

⁴⁹ [“Unemployment and Earnings Losses: A Look at Long-term Impacts of the Great Recession of American Workers,”](#) Brookings Institution, November 4, 1011.

⁵⁰ [“Spotlight on Statistics The Recession of 2007-2009,”](#) Bureau of Labor Statistics, February 2012.

⁵¹ Center on Budget and Policy Priorities. [“Chart Book: The Legacy of the Great Recession,”](#) June 6, 2019.

⁵² Philo, Alexa. [“Hearing Entitled: Implementing Basel III: What’s the Fed’s Endgame?”](#) September 14, 2023, pp. 9-10.

⁵³ Signe-Mary McKernan, Caroline Ratcliffe, Eugene Steuerle, and Sisi Zhang. [“Impact of the Great Recession and Beyond Disparities in Wealth Building by Generation and Race,”](#) April 2014.

Selected Indicators, All FDIC-Insured Institutions*

	2025	2024	2023	2022	2021	2020	2019
Return on assets (%)	1.20	1.12	1.09	1.11	1.23	0.72	1.29
Return on equity (%)	11.82	11.37	11.38	11.81	12.21	6.85	11.38
Core capital (leverage) ratio (%)	9.26	9.28	9.13	8.97	8.73	8.82	9.66
Noncurrent assets plus other real estate owned to assets (%)	0.54	0.55	0.47	0.39	0.44	0.61	0.55
Net charge-offs to loans (%)	0.62	0.68	0.52	0.27	0.25	0.50	0.52
Asset growth rate (%)	4.80	1.84	0.30	-0.52	8.46	17.29	3.92
Net interest margin (%)	3.30	3.22	3.30	2.95	2.54	2.82	3.36
Net operating income growth (%)	11.20	2.28	-1.33	-3.73	96.90	-38.77	-3.14
Number of institutions reporting	4,336	4,487	4,587	4,706	4,839	5,002	5,177
Commercial banks	3,815	3,942	4,028	4,127	4,232	4,375	4,518
Savings institutions	521	545	559	579	607	627	659
Percentage of unprofitable institutions (%)	5.10	7.00	5.49	3.55	3.10	4.70	3.73
Number of problem institutions	60	66	52	39	44	56	51
Number of failed institutions	2	2	5	0	0	4	4

* Excludes insured branches of foreign banks (IBAs).

Well-regulated banks are essential to any economy; the failure of one bank, especially a large one can lead to systemic risk.⁵⁴ “The banking system . . . is a ‘public good’ that benefits the nation over and above the profits that it earns for the banks’ shareholders. Systemic risks to the banking system are risks for the nation. Although the management and shareholders of individual institutions are, of course, eager to protect the solvency of their own institutions, they do not adequately consider the adverse effects to the nation of systemic failure. Banks left to themselves will accept more risk than is optimal from a systemic point of view. That is the basic case for government regulation of banking activity and the establishment of capital requirements.”⁵⁵

To keep up with changes in the global economy, markets, and the size and complexity of banks, from time to time we must revisit risk management, liquidity, capital, and resolution requirements. The American people, especially those, who are not even beneficiaries of banks’ profits should be at the heart of what legislators and regulators design in terms of laws, regulations, and supervisory processes for all financial institutions, but especially banks.

Even academics who have been advocates of deregulation are starting to see that less regulation is not necessarily a good thing.⁵⁶ Increased bank regulations do not adversely affect growth in gross domestic product. Whereas bank crises do cause GDP to decline. In fact, bank crises are always in the top five causes of sovereign default. Even when bank crises do not cause a sovereign default, they do often affect the cost of borrowing for sovereigns, making it harder and more expensive for them to borrow for the needs of their countries.

U.S. banks were resilient between 2020 through February 2023 even while being impacted during the unprecedented economic stress brought on by COVID-19. Basel III and the Wall Street Reform and Consumer Protection Act (Dodd-Frank) capital, liquidity, stress test, and living will requirements were critical in helping banks succeed in surviving unexpected losses. Even as robust as those frameworks are, however, they probably would not have been enough. Fiscal and monetary policy stimuli bolstered banks’ balance sheets and were critical to economic and financial stability.⁵⁷

⁵⁴ “Systemic risk is the risk that a default by one financial institution will create a “ripple effect” that leads to defaults by other financial institutions and threatens the stability of the financial system.” Hull, J., Risk Management and Financial Institutions, 2012.

⁵⁵ Feldstein, Martin. [The Risk of Economic Crisis](#), January 1991.

⁵⁶ Wallheimer, Brian. “[Why Less Regulation Isn’t Necessarily Better](#),” Chicago Booth Review, February 25, 2019.

⁵⁷ Horwich, Jeff. “[Is the COVID -19 financial shock a good measure of bank strength?](#)” Federal Reserve Bank of Minneapolis, June 3, 2022.

Banks are not at historically elevated levels of capital.⁵⁸ And the current measures of capital do **not** include all risks. Importantly, geopolitical, pandemics, country, economic, credit, market, liquidity, and operational risks, such as the incorporation of AI, new technologies, and third-party vendors, continue to manifest themselves differently. Bank rules need to be reviewed and revised periodically. Presently, banks are being impacted by the elevated geopolitical, AI, cybersecurity, and high-interest rate environment and rising defaults in some consumer and corporate sectors. In addition to those risks, banks now also face cybersecurity,⁵⁹ climate change,⁶⁰ rising civil unrest domestically. It is imperative that US banks are resilient,⁶¹ especially due to the threats. Unfortunately, those risks are barely covered if at all, by the so-called Basel III Endgame or the capital or liquidity stress tests required by Title I of the Dodd-Frank Act. Anytime that a large American bank fails, or even threatens to do so, Americans' jobs and their mental and emotional well-being are threatened. Moreover, given the size of our banks and how they are interconnected here and with corporations and institutions around the world, there are also adverse consequences to the global financial system when there are significant weaknesses here.

Bank Regulations and Lending

The statistician [W. Edwards Deming](#) once famously said, "In God we trust; all others bring data." He might well have been talking about bank regulations. Repeatedly, there are industry-supported efforts to roll back⁶² bank regulation claiming that these rules "kill lending." These assertions need to be backed up by data. Bank regulations have not slowed down banks' lending, asset growth, earnings, dividend payouts, share buybacks, or their political contributions to legislators.

Recent Basel analyses showed greater improvements for banks globally that were more heavily impacted by the Basel III reforms, "suggesting that the reforms were an important driver of this increased resilience. Greater resilience did not come at the expense of banks' cost of capital, as banks more heavily impacted by the reforms also saw a greater decrease in their cost of capital. There is no robust evidence and only some indication that banks with lower initial [Common Equity] CET1 ratios and [Liquidity Coverage Ratio] LCRs had lower loan growth than their peers. As the overall intent of the reforms has been to strengthen the banking system and mitigate contagion to other parts of the financial system, the report also analyses market-based systemic risk measures, which showed improvement following implementation of the reforms."⁶³

Globally, bank lending grew in aggregate after the Basel III reforms both for banks above the initial median of a given regulatory ratio and banks below the initial median of that regulatory ratio, for each of the four regulatory ratios under analysis.⁶⁴ Importantly, increases in capital requirements do not have to lead to cuts in lending, especially since banks can shed riskier assets to reduce their risk weights.

In 2020, World Bank researchers found that bank "capital can help banks smooth the supply of credit during crisis years. In times of economic turmoil, banks with larger capital buffers are somewhat protected from cuts in

⁵⁸ Haubrich, Joseph G., "[A Brief History of Bank Capital](#)," Federal Reserve Bank of Cleveland.

⁵⁹ Rodríguez Valladares, Mayra. "[Almost Half Of America's Banks Have Less Than Satisfactory Federal Reserve Supervisory Ratings](#)," Forbes, November 30, 2019.

⁶⁰ Rodríguez Valladares, Mayra, Testimony on "[Addressing Climate as a Systemic Risk: The Need to Build Resilience within Our Banking and Financial System](#)" June 30, 2021.

⁶¹ Rodríguez Valladares, Mayra. "[Banks Should Implement Principles for Operational Resilience](#)," Forbes, April 3, 2021.

⁶² Rodríguez Valladares, Mayra "[Dodd-Frank is Not the Enemy. Bad Loans Are](#)," Bank Think American Banker, April 20, 2017.

⁶³ "[Evaluation of the Impact and Efficacy of the Basel III Reforms](#)," Basel Committee on Banking Supervision, December 2022.

⁶⁴ "[Evaluation of the Impact and Efficacy of the Basel III Reforms -Annex](#)," December 2022.

lending.”⁶⁵ In fact, countries with better capitalized banking systems in 2006, prior to the start of the financial crisis, experienced higher lending growth during and after the crisis. According to Professors [Stephen G. Cecchetti](#) and [Kermit L. Schoenholtz](#), “[higher capital did not slow the economy](#). Second, [we reported on research at the BIS](#) establishing that better capitalized banks experience lower funding costs, higher growth of debt funding, and higher growth of lending volumes.”⁶⁶

Importantly, when banks are better capitalized, their probability of default declines. This leads to a decline in banks’ borrowing costs. Credit rating agencies, lenders, and bond investors react favorably when banks’ credit quality is higher. As Professor Juliane Begenau points out in her research, the reduction in cost of borrowing allows banks to continue lending and in fact can allow them to lend more than when their credit quality was poorer.⁶⁷ The Federal Reserve Bank of Philadelphia’s research⁶⁸ has also found that better-capitalized banks create more funding liquidity and lend more even during times when cash deposit balances are falling.

Banks that perform poorly on stress tests because they are not well capitalized tend to reduce lending. Yet, “those banks may not increase the supply of loans that perform well under the stress test. This portfolio rebalancing thus can lead to an overall reduction of credit supply relative to banks that don’t experience large stress-test losses.”⁶⁹

Additionally, in 2019 the Financial Stability Board found that Basel III rules had not hurt lending to small-medium enterprises in the Basel Committee jurisdictions.⁷⁰ In fact, what impacts small businesses adversely is often poor due diligence and underwriting processes at banks. According to an [analysis](#) conducted by Moody’s Analytics, “although [small business loans](#) constitute more than a quarter of the lending volume in the US, most banks do not have effective systems and practices to accurately and efficiently assess small business risk and seamlessly conduct lending activities.” Importantly, Moody’s research also found that “small businesses also face a unique set of challenges that make the process of getting credit difficult, including:

- Lack of knowledge of their credit risk and how they can improve their business credit standing.
- Opacity of banks’ credit assessment process and expectations.
- Inconsistent requirements among banks in terms of the lending process, necessary data, and documentation.
- Difficulty in maintaining current and accurate financial reporting due to manual processes and lack of expertise.⁷¹

Bank regulations do not need to lead to a reduction in loans to credit worthy individuals and companies of all sizes to meet capital ratios. A capital ratio is comprised of a numerator and a denominator. Banks can increase the numerator, that is, they can issue more equity and loss absorbing debt issuance. Banks can also increase the numerator by increasing their retained earnings and reducing dividend payouts and share buybacks. To reduce the denominator, banks can reduce risks. For example, banks can reduce holdings of riskier assets such as poor credit quality loans, below investment grade bonds, securitizations, and derivatives that consume more capital.

⁶⁵ “[Bank Capital Regulation](#),” Global Financial Development Report, 2019/2020, World Bank, Chapter 3 p. 85.

⁶⁶ [Cecchetti, Stephen and Kermit Schoenholtz](#). “[Better Capitalized Banks Lend More and Lend Better](#),” December 5, 2016.

⁶⁷ [Begenau, Juliane](#) “[Capital Requirements, Risk Choice, and Liquidity Provision in a Business Cycle Model](#),” Stanford Graduate School of Business, January 14, 2019.

⁶⁸ Thankor, Anjan and Edison Yu. “[Funding Liquidity Creation By Banks](#),” February 2023.

⁶⁹ [Bräuning, Falk and José L. Fillat](#). “[The Impact of Regulatory Stress Tests on Bank Lending and Its Macroeconomic Consequences](#),” Research Department Working Papers, Federal Reserve Bank of Boston, December 12, 2020.

⁷⁰ Rodriguez Valladares, Mayra, “[Basel III Rules Have Not Hurt Lending To Small-Medium Enterprises](#),” Forbes, June 7, 2019.

⁷¹ Arun, Avinash, and Helene Page. “[The Future of Small Lending](#),” Moody’s Analytics, November 2016.

Moreover, they can use credit and interest rate derivatives to mitigate risks in their loans, securities, or derivatives assets, which in turn reduces their risk weights, helping them meet capital requirements.

Bank Credit Quality

Bank	Moody's	Outlook	S&P	Outlook	Fitch	Outlook
American Express National Bank	A1	Stable	A	Stable	A+	Stable
Bank of America, N.A.	Aa2	Stable	A+	Stable	AA	Stable
Bank of New York Mellon	Aa2	Stable	AA-	Stable	AA	Stable
Citibank, N.A.	Aa3	Stable	A+	Stable	A+	Stable
Fifth Third Bank, N.A.	A3	Stable	A-	Stable	A	Stable
Goldman Sachs Bank USA	A1 / A2	Stable	A / A+	Stable	A+ / AA-	Stable
JPMorgan Chase Bank, N.A.	Aa2	Stable	A+	Stable	AA	Stable
Morgan Stanley Bank, N.A.	Aa3	Stable	A+	Stable	AA-	Stable
PNC Bank, N.A.	A2	Stable	A	Stable	A+	Stable
State Street Bank & Trust	Aa3	Stable	AA-	Stable	AA	Stable
Truist Bank	A3	Stable	A-	Stable	A	Stable
U.S. Bank, N.A.	A1	Stable	A+	Stable	A+	Stable
Wells Fargo Bank, N.A.	Aa2	Stable	A+	Stable	AA-	Stable

As of April 26, 2026, globally systemically important banks and large regional banks in the U.S. have a credit rating, ranging from A- to AA. The banks that are rated in the A range are considered of high credit quality with “a strong capacity for timely payment of financial commitments which may be more vulnerable to changes in circumstances/economic conditions.”⁷² The banks in the AA range are of a remarkably high credit quality with a “very strong capacity for timely payment of financial commitments which is not significantly vulnerable to foreseeable events.”⁷³

Banks guard their ratings jealously, because the higher the rating the more banks save when they borrow from each other or when they issue short- and long-term debt. The better capitalized and more liquid banks are, the higher their credit ratings are. When banks are deregulated and they take more risks, their ratings often suffer. Even before rating agencies put them on notice, bond traders sell bank bonds which signals to the market that these traders are worried about banks’ credit quality.

⁷² FitchLearning, September 2023.

⁷³ Ibid.

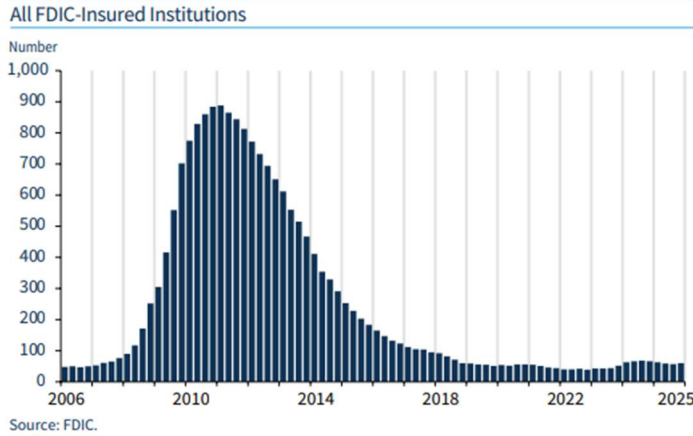
Credit Ratings and Bank Borrowing Costs: Evidence Summary

Source ⁷⁴	Key Finding	Quantitative Effect
OFR Working Paper (2014) Ahmed · Office of Financial Research <i>Competition in Lending and Credit Ratings</i>	Measured the cost of each rating notch across a large sample of corporate bond issuances. Found a consistent, statistically significant spread penalty for every step down the rating scale, with the investment-grade boundary carrying an outsized effect.	20–30 bps increase in yield spread per one-notch downgrade — roughly 10% of the sample's mean yield spread of 210 bps.
BIS Working Paper No. 747 Bank for International Settlements <i>How Do Credit Ratings Affect Bank Lending Under Capital Constraints?</i>	Studied how rating changes feed directly into loan pricing for banks. Found that downgrades raise spreads and upgrades lower them, but the downgrade penalty is materially larger — confirming a structural asymmetry in how ratings affect borrowing costs.	Spread rises by 22 bps on a downgrade; falls by only 13 bps on an upgrade. The downgrade effect is ~70% larger.
Adelino & Ferreira Wharton / NYU Stern <i>Bank Ratings and Lending Supply: Evidence from Sovereign Downgrades</i>	Used sovereign downgrades as a natural experiment to isolate the causal effect of rating changes on bank funding. Banks pulled down by sovereign ceiling rules saw CDS spreads widen sharply and long-term funding shrink relative to unaffected peers.	45–65 bps increase in CDS spreads. Long-term and interbank funding fell 3–5 percentage points more than for non-downgraded banks.
Karam et al. (2014–15) IMF / CEPR · VoxEU <i>Real Effects of Credit Rating Downgrades</i>	Examined 80 US bank downgrades during the Global Financial Crisis. Found rating cuts caused persistent declines in wholesale and uninsured deposit funding, with the sharpest effects at the investment-grade to speculative-grade threshold — consistent with rating trigger clauses in wholesale lending contracts.	Largest funding loss at the BBB → BB boundary . Domestic and foreign lending fell significantly for banks reliant on rating-sensitive funding with below-median liquid asset buffers.
CGFS Report (2011) BIS Committee on the Global Financial System <i>The Impact of Sovereign Credit Risk on Bank Funding Conditions</i>	Documented how sovereign downgrades flow through to bank funding costs via higher bond spreads, loss of implicit government guarantees, and restricted collateral eligibility. Banks in Greece, Ireland, and Portugal lost wholesale market access almost entirely.	Only 2% of rated banks across seven non-AAA European countries held a rating above their sovereign. In extreme cases, wholesale market access was eliminated entirely .
Federal Reserve Board (2025) US Federal Reserve · Board of Governors <i>Examining the Relationship Between Loan Pricing and Credit Risk</i>	Using 1.25 million mortgage loans and nearly 285,000 credit card accounts, confirmed a strong negative relationship between internal credit ratings and loan spreads across all product types. Higher-rated corporate facilities consistently carried lower spreads.	Strong negative relationship confirmed across mortgages, credit cards, and C&I loans. Higher-rated facilities carry materially lower spreads across all categories studied.

⁷⁴ OFR Working Paper (2014); BIS Working Paper No. 747; Adelino & Ferreira (Wharton/NYU); Karam et al. IMF/CEPR (2014–15); BIS CGFS Report (2011); Federal Reserve Board (2025).

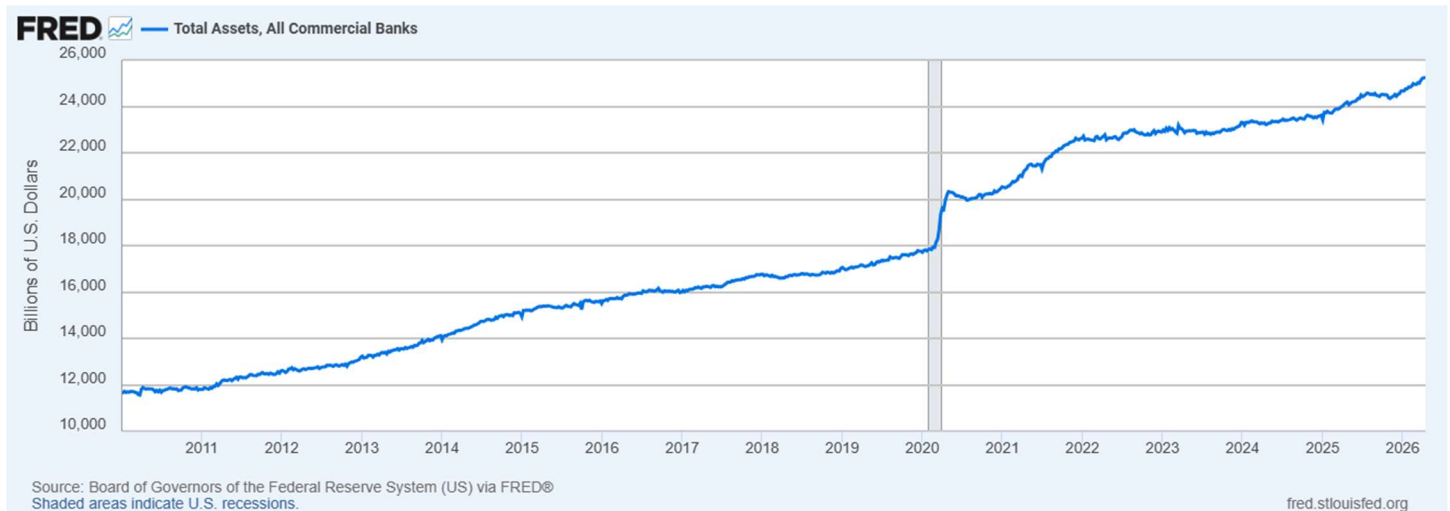
Bank Failures and Problem Banks Have Decreased Substantially Since Better Regulations Were Implemented

Number of Banks on the “Problem Bank List”



Asset Growth

At the beginning of 2010, when many of us were still reeling from the financial crisis, assets at banks in the U.S. were \$11.7 trillion. As of April 25, 2026, U.S. banks hold assets of \$25.3,⁷⁵ an increase of 116%. Even as different Basel III and Dodd-Frank rules started being implemented in the years between 2010-2016, asset growth at U.S. banks has not slow down.



J.P. Morgan now represents about 15% of total U.S. banking assets, and combined, the 20 largest banks in the U.S. represent about 65% of all banking assets.⁷⁶ Given their asset size, interconnectedness to each other, as well as to Main Street and Corporate America, these banks’ financial health is especially critical to the economy.

⁷⁵ [“Total Assets, U.S. Commercial Banks,”](#) Federal Reserve Bank of St. Louis, September 6, 2023.

⁷⁶ [“Large Commercial Banks,”](#) Federal Reserve Statistical Release, 2025.

Top 20 U.S. Insured Domestically Chartered Commercial Banks — Ranked by Consolidated Assets

Source: Federal Reserve Board, U.S. Domestically Chartered Commercial Banks | Assets in millions of USD

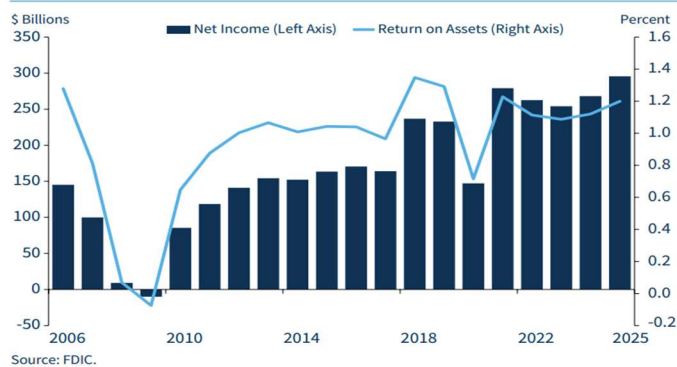
#	Bank / Holding Company	Headquarters	Charter	Consol Assets (\$M)	Domestic Assets (\$M)	Pct Dom	Pct Cum	Dom Br	For Br	IBF
1	JPMorgan Chase BK NA JPMorgan Chase & Co	Columbus, OH	NAT	3,752,662	2,811,387	75%	16%	5,085	31	Y
2	Bank of America NA Bank of America Corp	Charlotte, NC	NAT	2,636,823	2,474,736	94%	27%	3,606	21	Y
3	Citibank NA Citigroup	Sioux Falls, SD	NAT	1,836,436	1,122,027	61%	34%	662	108	Y
4	Wells Fargo BK NA Wells Fargo & Co	Sioux Falls, SD	NAT	1,822,693	1,811,044	99%	42%	4,139	10	Y
5	U.S. BK NA U.S. Bancorp	Cincinnati, OH	NAT	676,125	669,239	99%	45%	2,108	1	N
6	Capital One NA Capital One Financial Corp	McLean, VA	NAT	658,464	657,996	100%	47%	258	1	N
7	Goldman Sachs BK USA Goldman Sachs Group, The	New York, NY	SMB	644,997	559,805	87%	50%	2	1	N
8	PNC BK NA PNC Financial Services Group	Wilmington, DE	NAT	568,338	562,626	99%	53%	2,304	1	N
9	Truist BK Truist Financial Corp	Charlotte, NC	NMB	539,519	539,337	100%	55%	1,927	0	N
10	Bank of NY Mellon Bank of NY Mellon Corp	New York, NY	SMB	380,997	291,200	76%	56%	1	4	Y
11	State Street B&TC State Street Corp	Boston, MA	SMB	360,681	278,380	77%	58%	2	1	0
12	TD BK NA TD Group US Holdings LLC	Wilmington, DE	NAT	346,188	346,188	100%	59%	1,100	0	N
13	Morgan Stanley Private BK NA Morgan Stanley	Purchase, NY	NAT	254,706	254,706	100%	60%	0	0	N
14	Morgan Stanley BK NA Morgan Stanley	Salt Lake City, UT	NAT	253,348	253,348	100%	61%	0	0	N
15	BMO BK NA BMO Financial Corp	Chicago, IL	NAT	252,074	252,074	100%	62%	1,000	0	N
16	First-Citizens B&TC First Citizens BancShares	Raleigh, NC	NMB	229,332	229,265	100%	63%	520	0	N
17	Citizens BK NA Citizens Financial Group	Providence, RI	NAT	225,864	225,864	100%	64%	978	0	N
18	Huntington NB Huntington Bancshares	Columbus, OH	NAT	224,047	224,047	100%	65%	1,058	0	N
19	Fifth Third BK NA Fifth Third Bancorp	Cincinnati, OH	NAT	213,730	213,585	100%	66%	1,141	1	N
20	Manufacturers & Traders TC M&T Bank Corp	Buffalo, NY	SMB	212,887	212,887	100%	67%	973	1	Y
TOTAL — Top 20 Banks				16,089,911	13,989,741	86.9%				

Earnings

In 2010, U.S. banks' net income was about \$20 billion; as of the last quarter of 2025, the aggregated net income of U.S. banks was at historic highs of \$77.7 billion,⁷⁷ a rise of almost 290%. Even in the years of significant capital, stress testing, derivatives, leverage, and liquidity rules implementation of 2012-2016, bank earnings rose every year.

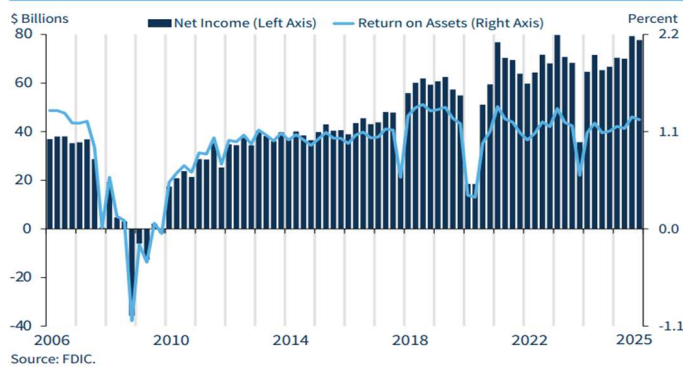
Full-Year Net Income

All FDIC-Insured Institutions



Quarterly Net Income

All FDIC-Insured Institutions



⁷⁷ “Quarterly Banking Profile,” FDIC Quarterly, Fourth Quarter 2025

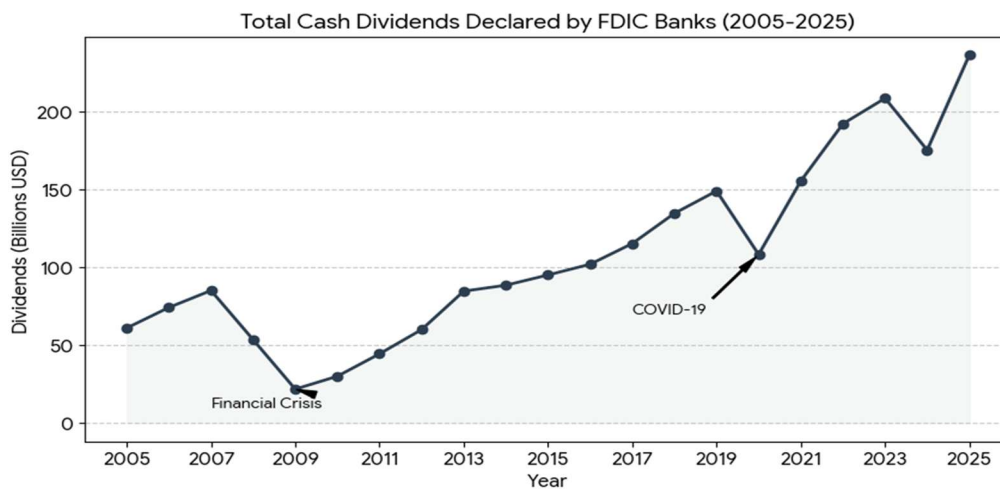
First Quarter 2026 Earnings

The six largest U.S. banks—Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase, Morgan Stanley, and Wells Fargo—delivered broadly solid first-quarter 2026 results. Trading revenues benefited from elevated market volatility, and consumer credit remained resilient at the surface. Yet, beneath those headline numbers, a more consequential story is developing. Across all six earnings calls, executives converged on a consistent, carefully worded message: credit conditions today are benign, but the foundations of the next stress cycle are quietly forming—in private credit, commercial real estate, and the layered lending structures that connect banks to private equity. My analysis examines where the risks are concentrated, what provisioning decisions reveal about each institution’s internal risk assessment, and what a moderate stress scenario would mean for earnings and capital.

Regional bank first quarter earnings are showing early signs of earnings normalization. What was previously a strong tailwind from rising interest rates is now flattening into more subdued, stable net interest income and modest revenue growth. Net interest income is still the primary driver across regionals, because unlike globally systemically important banks, they are the ones more involved in traditional lending to consumers and businesses. Regional banks are now in a higher interest rate environment where they are having to pay more to their depositors and other liabilities. Banks can no longer reprice deposits downward rapidly enough to expand their net interest margins significantly.

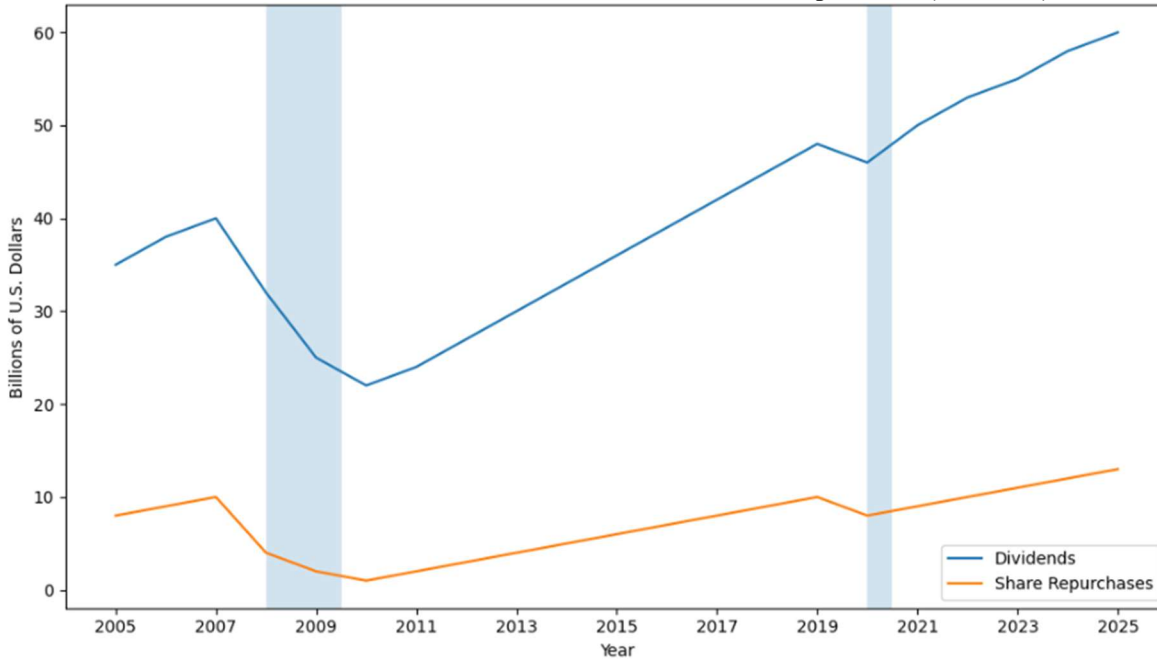
Dividends

In 2025, total cash dividends declared by FDIC-insured commercial banks were \$236.62 billion. This figure represents a significant recovery and a new all-time high for the banking industry, following a brief dip in 2024. The 2025 total was driven by strong full-year net income of \$295.6 billion, an increase of 10.2% from the previous year, supported by record-level net interest margins and robust loan growth.



Not only have banks been increasing their dividend pay-outs, but they have also significantly increased their share buybacks.

FDIC-Insured Banks Dividends vs. Share Repurchases (2005-2025)



First Quarter of 2026

In the first three months of 2026 — a period marked by the Iran war, tariff uncertainty, and the most dramatic regulatory shift in bank capital rules since Dodd-Frank — America’s eight largest banks handed shareholders \$46.17 billion.⁷⁸ In ninety days, more than half a billion dollars a day. To put that in perspective, it is roughly what the United States spends on the entire Environmental Protection Agency over five years. It is, by every measure, a record pace, and it arrives not at a moment of obvious abundance, but at one of unusual economic and market anxiety.

This level of dividend payouts and share buybacks is more than about one quarter. It is about a twenty-year shift in how the largest eight globally systemically important banks in the U.S. think about risks and their obligations to shareholders versus responsibilities to ordinary American consumers and the safety and soundness of the banking system.

The pattern across two decades is unmistakable. The dividend line moves in a narrow band, small increases most years, modest declines in 2008–2009 and 2020, never dramatic. The buyback line swings wildly: up 35% in 2006, collapsing 80% in 2008, near-zero by 2009, surging 75% in 2014, hitting records in 2018 after the Tax Cuts and Jobs Act, collapsing again in 2020, then rocketing back in 2021 and beyond.

This is by design. Dividends are a commitment. When a bank raises its quarterly dividend, investors bake that payment into their financial models. Cutting it, as JPMorgan, Wells Fargo, and Citigroup all had to do in 2009, sends a panic signal to markets. Buybacks are a valve. You can open it when times are good, and your stock is cheap relative to book value. You can close it when a pandemic hits and regulators come calling. SEC Form 8-K earnings releases tell the story of the significant increases in dividend payouts and share buybacks that happened in just one quarter. Every single one of the eight G-SIBs increased both dividends and buybacks year-over-year.

⁷⁸ [“America’s 8 Biggest Banks Are Returning Record Capital To Shareholders,”](#) Forbes, April 23, 2026.

G-SIB Dividend Payouts and Share Buybacks Q1 2026

Bank	Div Q1'25	Div Q1'26	Div Δ	BB Q1'25	BB Q1'26	BB Δ	Total Q1'26
JPMorgan Chase	\$3.90B	\$4.10B	▲ +5.1%	\$7.10B	\$8.30B	▲ +16.9%	\$12.40B
Bank of America	\$2.00B	\$2.00B	-- 0%	\$4.50B	\$7.20B	▲ +60.0%	\$9.20B
Citigroup	\$1.05B	\$1.10B	▲ +4.8%	\$1.75B	\$6.30B	▲ +260%	\$7.40B
Wells Fargo	\$1.30B	\$1.40B	▲ +7.7%	\$3.50B	\$4.00B	▲ +14.3%	\$5.40B
Goldman Sachs	\$0.98B	\$1.38B	▲ +40.8%	\$4.36B	\$5.00B	▲ +14.7%	\$6.38B
Morgan Stanley	\$1.49B	\$1.65B	▲ +10.7%	\$1.00B	\$1.75B	▲ +75.0%	\$3.40B
BNY Mellon	\$0.34B	\$0.38B	▲ +11.8%	\$0.75B	\$0.98B	▲ +30.7%	\$1.36B
State Street	\$0.22B	\$0.23B	▲ +4.5%	\$0.10B	\$0.40B	▲ +300%	\$0.63B
8 G-SIB TOTAL	\$11.28B	\$12.24B	▲ +8.5%	\$23.06B	\$33.93B	▲ +47.1%	\$46.17B

The standout story is Citigroup, whose buybacks exploded 260% year-over-year — from \$1.75 billion in Q1 2025 to \$6.3 billion in Q1 2026 — as the bank aggressively executed the \$20 billion share repurchase program it launched in January 2025. State Street saw its buybacks surge 300% from a low Q1 2025 base of just \$100 million. Bank of America’s dividends held flat while its buybacks jumped 60%, an illustration of the structural asymmetry between the two instruments.

The surge in bank capital returns has not gone uncontested. Over the past two decades, a cohort of economists, legal scholars, regulators, and politicians has built a sustained and serious critique of share buybacks. Both dividends and funds utilized for share buybacks could be used for banks’ capital or liquidity, increasing their safety and soundness. This would increase their credit quality and lower their cost of borrowing, again helping them continue to lend to the real economy. Big banks are distributing capital precisely because regulatory pressure has eased, stress test requirements have been relaxed, and no one is stopping them. If — when — the next credit shock arrives, the question of whether these

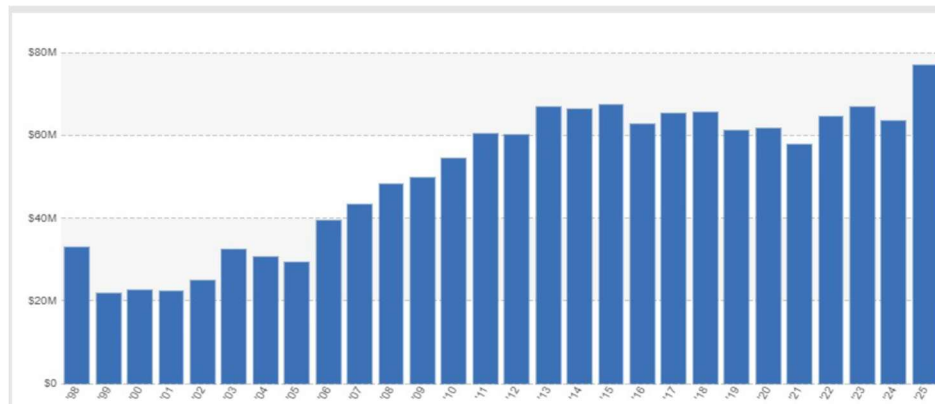
banks have adequate capital buffers to sustain unexpected losses will be answered not by their pre-crisis pronouncements, but by the havoc banks can wreak on Americans who are not on Wall Street.

History, as the twenty-year data makes plain, is unambiguous on one point: the banks that were aggressively buying back stock in 2006 and 2007 were the same banks that needed taxpayer capital in 2008. The pattern repeats. Whether that represents rational capital allocation, a structural subsidy from the public to shareholders, or simply the natural behavior of institutions operating within the incentives their regulators have constructed — that is the debate that \$46 billion in ninety days should force us to have. And I urge bank regulators to have that debate with the banks, which we want to be as safe and as strong as possible for the sake of Americans on Main Street.

Political Contributions

In 2010, banks’ political campaign contributions totaled about \$24 million. By the end of 2025, banks’ political contributions rose to \$70 million,⁷⁹ an increase of 223%.

Annual Lobbying Trends, 1998 – 2025



Individual banks, as well as trade associations, are significant contributors to political campaigns and wield enormous influence on legislation as well as rule making.

Top US Banks by Regulatory Fines & Penalties

Cumulative fines, settlements and regulatory penalties since 2000 · Ranked by total penalty amount · All figures in USD⁸⁰

<p>\$87.3B</p> <p>#1 Bank of America — largest penalty ever</p>	<p>>\$204B</p> <p>Total US bank penalties (top 20)</p>	<p>225</p> <p>Cases: BofA (most of any US bank)</p>	<p>~25%</p> <p>Share of all US corporate penalties</p>
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⁷⁹ [Open Secrets](#).

⁸⁰ [Good Jobs First, Violation Tracker](#). Data compiled from: "The High Cost of Misconduct: Corporate Penalties Reach the Trillion-Dollar Mark" (April 2024); "The \$160 Billion Bank Fee" (June 2016); "Violation Tracker Goes Global" (October 2024). Penalty totals reflect cumulative fines, settlements, and regulatory penalties since 2000 under current ownership relationships. Figures include DOJ, CFPB, OCC, Federal Reserve, FinCEN, SEC, CFTC, and state attorney general actions. Individual bank totals may differ slightly from live tracker data due to ongoing case updates. TD Bank ranked by most recent total following its October 2024 AML guilty plea (largest in US banking history).

#	Bank	Headquarters	Total Penalties	# Cases	Largest Single Fine	Primary Offense Categories
1	Bank of America	Charlotte, NC	\$87.3B	225	\$16.65B (DOJ/MBS, 2014)	Mortgage abuses, toxic securities, consumer fraud
2	JPMorgan Chase	New York, NY	\$43.7B	179	\$13.0B (DOJ/MBS, 2013)	Mortgage abuses, Madoff fraud, trading violations
3	Wells Fargo	San Francisco, CA	\$21.3B	131	\$3.7B (CFPB, 2022)	Fake accounts scandal, mortgage & auto loan abuses
4	Citigroup	New York, NY	\$18.9B	122	\$7.0B (DOJ/MBS, 2014)	Toxic securities, consumer fraud, sanctions violations
5	Goldman Sachs	New York, NY	\$15.8B	60	\$5.1B (DOJ/MBS, 2016)	1MDB bribery scandal, toxic securities, trading
6	Morgan Stanley	New York, NY	\$10.2B	75	\$3.2B (DOJ/MBS, 2016)	Toxic securities, block trading leak, anti-money laundering
7	TD Bank (US)	Cherry Hill, NJ	\$3.1B	14	\$1.8B (DOJ/FinCEN AML, 2024)	Historic AML failures — largest bank AML penalty ever
8	U.S. Bancorp	Minneapolis, MN	\$1.2B	28	\$613M (DOJ/AML, 2017)	Anti-money laundering failures, consumer abuses
9	Truist Financial	Charlotte, NC	\$1.1B	22	\$225M (OCC/CFPB, 2022)	Overdraft fees, auto insurance abuses, servicing
10	Capital One	McLean, VA	\$680M	18	\$390M (FinCEN/AML, 2021)	Anti-money laundering failures, consumer deception
11	PNC Financial Services	Pittsburgh, PA	\$335M	19	\$97M (DOJ/FHA loans, 2016)	FHA lending violations, overdraft practices
12	Fifth Third Bancorp	Cincinnati, OH	\$335M	14	\$20M (CFPB auto lending, 2015)	Consumer deception, auto lending, credit card abuses
13	Synchrony Financial	Stamford, CT	\$225M	6	\$225M (CFPB credit card, 2023)	Illegal credit card practices
14	Ally Financial	Detroit, MI	\$213M	9	\$98M (CFPB auto lending, 2013)	Discriminatory auto loan pricing
15	Regions Financial	Birmingham, AL	\$210M	12	\$52M (CFPB overdraft, 2015)	Overdraft fee abuses, fair lending violations
16	KeyCorp	Cleveland, OH	\$145M	11	\$12M (DOJ/FHA loans, 2018)	FHA lending, fair lending violations
17	Huntington Bancshares	Columbus, OH	\$70M	8	\$36M (CFPB, 2023)	Overdraft fee practices, fair lending
18	M&T Bank	Buffalo, NY	\$64M	7	\$64M (DOJ fair lending, 2015)	Redlining / fair lending violations
19	Citizens Financial Group	Providence, RI	\$35M	6	\$9M (CFPB, 2019)	Student loan servicing abuses
20	Zions Bancorporation	Salt Lake City, UT	\$25M	5	\$5.5M (OCC, 2022)	BSA/AML compliance failures
	20 US banks		>\$204B cumulative	971		

Penalty tier key:

■ **Extreme (>\$40B)** ■ **High (\$1B–\$40B)** ■ **Moderate (\$500M–\$1B)** ■ **Lower (<\$500M)**

Major U.S. Bank Operational Losses (2026)

Name of Institution	Event Description	Amount of Loss
Capital One	A federal judge approved a settlement over allegations the bank steered customers into lower-interest savings accounts without adequate disclosure.	\$425,000,000
Canaccord Genuity LLC	Fined by the U.S. Treasury's FinCEN for failing to maintain an adequate AML program and neglecting to file required suspicious activity reports.	\$80,000,000
Bank of America	Agreed to a settlement to resolve a lawsuit alleging the bank provided financial services to Jeffrey Epstein.	\$72,500,000
Metropolitan Capital Bank & Trust	Estimated loss to the FDIC's Deposit Insurance Fund following the bank's closure by regulators due to unsafe conditions.	\$19,700,000
U.S. Bancorp (U.S. Bank)	Reached a settlement regarding claims that its 401(k) plan recordkeeping and administrative fees were excessive for retirement investors.	\$250,000

CONGRESSIONAL ATTENTION IS NEEDED

Capital adequacy rules are typically viewed as a technical matter for bank supervisors. The March 2026 NPRs warrant Congressional attention for three reasons that transcend normal regulatory notice-and-comment:

- **Scale of capital release.** A \$40–\$70 billion reduction in required capital is not a technical adjustment — it is a deliberate policy choice to reduce the financial system’s loss-absorbing capacity. Congress has legitimate oversight into whether that choice is appropriate given current economic conditions.
- **Lessons not yet institutionalized.** The 2023 failures of Silicon Valley Bank, Signature Bank, and First Republic — at a combined cost of over \$30 billion to the Deposit Insurance Fund — were caused in large part by the absence of liquidity requirements for mid-size banks. NPR 2 does not address this gap; it widens it by further reducing capital requirements for the same bank categories.
- **Interaction with the stress capital buffer.** The separately finalized 2025 Stress Capital Buffer rules interact with these NPRs in ways the agencies have not disclosed in a single, integrated quantitative analysis. Without that disclosure, Congress and the public cannot evaluate the true aggregate capital reduction across the system.

THE CORE PROBLEM

The proposals reduce required capital at a moment when commercial real estate losses are unresolved, interest rate risk in HTM bond portfolios remains elevated, private credit intermediation has grown without corresponding regulatory oversight, and geopolitical and trade disruptions create unusual macroeconomic uncertainty.

POLICY RECOMMENDATIONS

The following 15 recommendations are organized by priority and by NPR. They are designed to be incorporated as conditions or amendments to the final rules, or as statutory direction from Congress to the agencies if the final rules fail to address the identified gaps.

Highest Priority: Three Amendments That Must Be in the Final Rules

1. Extend Liquidity Coverage Ratio (LCR) Requirements to Category IV Banks.

The LCR — which requires banks to hold sufficient high-quality liquid assets to survive a 30-day stress outflow — currently applies only to Category I–III banks. SVB lost \$42 billion in deposits in a single day, in part because it faced no enforceable liquidity discipline. NPR 2 does not extend LCR coverage to the 40–60 Category IV banks (\$100B–\$250B in assets) most likely to face the next wave of deposit runs.

- **Recommendation:** Require a modified LCR (calibrated at 80% of the full standard) for all Category IV banks, with a three-year phase-in.
- **Legislative option:** Direct the agencies by statute to extend LCR coverage to Category IV institutions if the final rules do not do so.

2. Retain a Binding 72.5% Output Floor on Internal Risk Models (NPR 1).

NPR 1 consolidates large bank capital calculation into a single internal model stack, eliminating the constraint that model outputs must produce capital no lower than a percentage of the standardized approach result. Without this floor, sophisticated modeling at the largest banks can systematically compress required capital over time — exactly the behavior that amplified losses in 2007–2009.

- **Recommendation:** Incorporate a binding output floor of 72.5% of the standardized approach result, consistent with the final Basel III international standard. Banks whose models produce capital below this floor must use the floor.

3. Condition Capital Release on Dividend and Buyback Restrictions (All Three NPRs).

The proposals collectively release an estimated \$40–\$70 billion in capital. Without a distribution constraint, released capital will largely flow immediately to shareholders as dividends and share buybacks rather than being retained as a buffer against future stress. Several of the 2023 bank failures were preceded by years of aggressive buyback programs that left capital ratios dangerously thin.

- **Recommendation:** Any bank whose actual CET1 ratio falls within 200 basis points of its post-NPR required minimum must face automatic restrictions on dividends and share repurchases until the buffer is restored.

High Priority: Structural Gaps in NPR 2

4. Add a Rate-Shock Acceleration Trigger to AOCI Phase-In.

NPR 2's AOCI recognition requirement is the strongest safety-oriented feature in all three proposals. However, the flat five-year phase-in schedule allows a bank's interest rate losses to accumulate in plain sight without regulatory consequence.

Recommendation: if a bank experiences a quarterly AOCI decline equivalent to more than 150 basis points of its CET1 ratio, it must immediately accelerate its AOCI phase-in, forcing recapitalization as rate risk materializes rather than after a crisis.

5. Condition MSA Risk-Weight Reduction on a Servicer Liquidity Reserve.

Both NPR 1 and NPR 2 replace the current capital deduction for mortgage servicing assets (MSAs) with a flat 250% risk weight, reducing capital requirements for large servicers significantly. MSAs are highly illiquid and generate cash flow mismatches during high-delinquency periods. **Recommendation:** the MSA risk-weight change should be conditioned on the servicer maintaining a dedicated liquidity reserve equal to at least 60 days of estimated servicing advance obligations, stress-tested to a 20% delinquency rate scenario.

6. Introduce a Simplified Net Stable Funding Ratio (NSFR) for Category III & IV Banks.

Category III and IV banks currently face no enforceable medium-term funding stability requirement. Recommendation: require a simplified NSFR of at least 100%, calculated using a limited set of stable funding categories (insured deposits, long-term debt, equity) against illiquid assets and loans with maturities exceeding one year. This addresses the structural funding mismatch — not just the 30-day liquidity window — that made regional banks vulnerable in 2023.

7. Reject Unqualified Corporate and General Asset Risk Weight Reductions.

NPR 2 reduces corporate exposure risk weights from 100% to 95% and general asset risk weights from 100% to 90%. No empirical evidence in the agencies' public analysis justifies these reductions given current commercial real estate deterioration, private credit intermediation growth, and tariff-driven macroeconomic uncertainty. Recommendation: these reductions should be conditioned on a bank's loan loss reserve ratio exceeding 1.5% of total loans. Banks with thin reserves should not simultaneously be permitted to reduce their risk-weighted asset denominator.

C. GSIB Surcharge Reforms That Must Not Reduce Aggregate Capital (NPR 3)

8. Revenue-Neutral Recalibration of GSIB Surcharge Coefficients.

NPR 3 reduces GSIB surcharges by approximately 3.8% in aggregate on the basis that current method 2 coefficients “overstate” systemic risk. The appropriate response to a potential measurement error is to improve measurement, not to release capital from the eight institutions whose failure poses the greatest risk to the financial system. Recommendation: revised coefficients should be calibrated so that aggregate surcharge requirements are approximately revenue-neutral across GSIBs as a group, with individual adjustments reflecting each firm's relative systemic risk profile.

9. Add a Non-Bank Financial Institution (NBFI) Exposure Indicator to the GSIB Scorecard.

The current scorecard measures interconnectedness primarily through interbank exposures. It does not capture GSIB exposure to private credit funds, hedge funds, and other non-bank financial intermediaries, which have grown dramatically since the methodology was designed. Recommendation: add an NBFI exposure indicator weighted at 5–10%, funded by a proportionate reduction in the existing intrafinancial systems score, to better capture the channel through which the next systemic crisis is most likely to propagate.

10. Extend Daily Averaging to All Systemic Risk Indicators.

NPR 3 requires daily or monthly averaging for only certain indicators, leaving others measured on a point-in-time basis at year-end. This partial application creates an incentive for banks to concentrate window-dressing in the indicators not yet subject to averaging. Recommendation: extend daily averaging to all indicators in the GSIB scorecard.

D. Process Safeguards: Two Recommendations for Transparency and Accountability

11. Require a Public Analysis of Combined NPR + Stress Capital Buffer Impact.

The 2025 Stress Capital Buffer rules interact with these NPRs in ways the agencies have not disclosed in a single integrated analysis. The public and Congress cannot evaluate the true aggregate capital release without this information. Recommendation: the agencies must publish a supplemental quantitative analysis — subject to public comment before finalization — showing the combined effect of all three NPRs and the existing SCB on CET1 and LCR ratios at each bank category.

12. Mandate a 36-Month Quantitative Sunset Review.

Given the scale of the changes and uncertainty about how lower risk weights will interact with the credit cycle, the agencies should commit to a mandatory quantitative review 36 months after the final rules take effect. If aggregate CET1 ratios at Category III/IV banks have declined by more than 100 basis points, or if realized loan loss rates exceed the rates implied by revised risk weights, the agencies must propose corrective adjustments within 180 days — removing the political friction that typically delays regulatory tightening after capital adequacy deteriorates.

IV. PRIORITY SUMMARY TABLE

The table below summarizes all recommendations by priority level. Congress should focus initial oversight attention on the three “HIGHEST” priority items, which together address the systemic risk gaps most likely to result in future bank failures and taxpayer costs.

Priority	Recommendation	Applies To
HIGHEST	Extend LCR liquidity requirements to Category IV banks	NPR 2 — All mid-size banks
HIGHEST	Retain a binding 72.5% output floor on internal risk models	NPR 1 — GSIBs
HIGHEST	Restrict dividends/buybacks until banks hold 200 bps above new minimums	All three NPRs
HIGH	Lower market risk framework threshold from \$5B to \$2B in trading assets	NPR 1
HIGH	Add rate-shock acceleration trigger to AOCI phase-in for Cat III/IV	NPR 2
HIGH	Condition MSA risk-weight reduction on 60-day servicer liquidity reserve	NPR 2
HIGH	Introduce simplified NSFR floor for Cat III & IV banks	NPR 2
MODERATE	Reject unqualified corporate/general asset risk weight reductions	NPR 2
MODERATE	Add CRE concentration surcharge at 300% of risk-based capital	NPR 2
MODERATE	Calibrate expected shortfall to two historical stress windows	NPR 1
MODERATE	Revenue-neutral recalibration of GSIB surcharge coefficients	NPR 3
MODERATE	Add NBF1 exposure indicator to GSIB scorecard	NPR 3
MODERATE	Extend daily averaging to all GSIB systemic risk indicators	NPR 3
PROCESS	Publish combined NPR + Stress Capital Buffer impact analysis	All three NPRs
PROCESS	Mandate 36-month quantitative sunset review with corrective triggers	All three NPRs

PROPOSED CONGRESSIONAL ACTIONS

Congress has several tools available to address the gaps identified in this brief. The following actions are recommended in order of priority:

- **Hold joint oversight hearings** before the comment period closes June 18, 2026. The Senate Banking Committee and House Financial Services Committee should convene hearings examining the systemic risk implications of the aggregate capital release, with testimony from the Fed Vice Chair for Supervision, FDIC Chair, Comptroller, and independent banking economists.
- **Submit formal comment letters** directing the agencies to incorporate the three highest-priority recommendations as conditions of the final rules, or to explain in the final rule preamble why each was rejected.
- **Direct integrated SCB impact disclosure** via legislation or a binding committee directive requiring the agencies to publish, before any final rule is effective, a combined quantitative analysis of the NPRs and the 2025 Stress Capital Buffer showing aggregate system-wide capital levels.
- **Codify LCR extension to Category IV banks** through targeted legislation amending Section 165 of the Dodd-Frank Act to require the agencies to apply liquidity standards proportionate to systemic risk to all banking organizations with \$100 billion or more in total consolidated assets.
- **Invoke the Congressional Review Act** as a backstop: if final rules are adopted without adequate response to the highest-priority recommendations, Congress retains authority to review major rules under the CRA. The aggregate capital release likely meets the threshold for “major rule” status requiring a 60-day delayed effective date and Congressional review.

Appendix I

SUMMARY OF MAYRA RODRIGUEZ VALLADARES' CURRICULUM VITAE

As required by the rules of congressional testifying, below is a summary of the witness' curriculum vitae.

EDUCATION: **MBA, The Wharton School**, Finance and Emerging Markets Business
MA, The Lauder Institute of The University of Pennsylvania, Eurasian Studies
Raoul Wallenberg Scholar, **Hebrew University**, Jerusalem, Israel
AB, Harvard and Radcliffe Colleges, Russian and Soviet Studies

LANGUAGES: English, German, Hebrew, Italian, Russian, and Spanish

COUNTRIES/REGIONS of WORK EXPERIENCE Argentina, Armenia, Bolivia, Brazil, Bulgaria, Canada, China, Dominican Republic, Egypt, El Salvador, Germany, Hong Kong, India, Indonesia, Israel, Japan, Kosovo, Malaysia, Mexico, Nigeria, Panama, Philippines, Russia, Singapore, South Africa, South Korea, Southern Sudan, Suriname, Tajikistan, UAE, UK, US, Uruguay, and Uzbekistan

KEY QUALIFICATIONS:

Mayra Rodríguez Valladares has over 30 years of consulting and training experience in financial risk and bank regulations, geopolitics, capital and derivatives markets, structured finance products, risk management, risk-based supervision, Environmental, Social, and Governance standards, and in various facets of the energy sector. Since 1998, she has been Managing Principal of MRV Associates, Inc. Her work has been with private sector banks and companies, US bank regulators, foreign central banks and capital markets regulators and standards setters, such as the FFIEC, NFA, CME Group, USAID, World Bank, FIRST Initiative, GTZ, NGOs, and not-for-profit organizations. She has managed and trained multinational teams through in person and virtual platforms in Latin America, China, India, Central Asia, Southeast Asia, Bulgaria, Egypt, Hong Kong, Japan, Nigeria, Russia, Sudan, UK, and the US. She is multilingual and has published extensively in the UK and the US; she has published over 600 articles on derivatives, financial regulations and other finance topics in American Banker, Bloomberg, Crain's Business, Forbes, The Hill, and the New York Times.

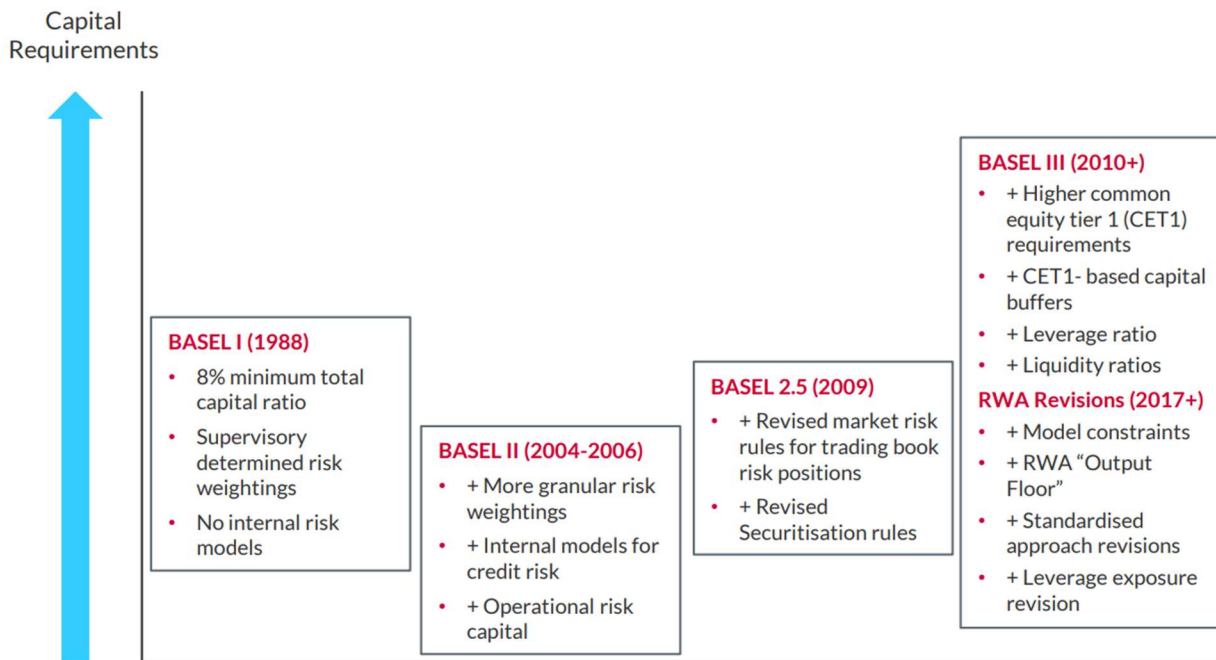
Before running her own consulting practice, she had investment banking and capital market analyst roles at BT.AlexBrown, JPMorgan, and the Federal Reserve Bank of New York.

Appendix II

BASEL III ENDGAME

It is important to consider why the Basel Committee on Banking Supervision members, including the U.S. decided to update and strengthen the Basel III framework. The Basel Committee, of which the U.S. is a founding member, has always been aware that economies, markets, and business cycles change. Banks are much larger and more complex than when the Basel Committee was first created in 1974 and from when The Basel Accord, now referred to as Basel I, was finalized in 1988. We should all be very worried if bank regulators from counties with large banking sectors like ours were still using regulations based only on Basel I.

Progression of The Basel Accord



Source: Fitch Ratings

Basel Committee members have repeatedly stated their concern about banks' flexibility in use of internal models to measure their credit, market, and operational risk. These measurements greatly influence banks' risk weights and hence their capital levels to help them sustain unexpected losses.⁸¹

In his excellent paper, 'Math Gone Mad,' Durham University's Professor of Finance and Economics Kevin Dowd argues that 'most risk models, regulatory risk models, in particular, are textbook examples of the ritualistic fetishes associated with primitive tribes.' Legislators and the market have allowed banks to treat regulatory capital models as if they were 'ritual implements with magical properties and is the very essence of superstition.'⁸²

Whether we are talking about credit, market, or operational risk models, regulatory capital models are comprised of three components: inputs comprised of data if they exist and assumptions, a processing mechanism that transforms the inputs into estimates, and a reporting element that translates the estimates into

⁸¹ Rodriguez Valladares, Mayra. "[Signs for Hope in Basel's Bank Agenda](#)," The New York Times, January 28, 2015.

⁸² Dowd, Kevin. "[Math Gone Mad](#)," September 3, 2014.

useful information for business executives. Regulatory capital models could be very useful to market participants, the media, and importantly regulators, if all three components were disclosed uniformly and in a timely manner to the market; we are very far from having market transparency, which exchange commissions like the U.S. SEC should actively push for. Stanford Professor Anat Admati, correctly argues that ‘banks’ opacity makes it difficult to be reassured by regulators’ stress tests’ which themselves, rely a lot on banks’ data and calculations.⁸³

In 2013, the Basel Committee released an [analysis](#) where it found that even banks of a similar profile were coming up with vastly different risk weights when measuring the credit and market risks of their assets, both loans and securities. At the time, I wrote that the fact that large banks had too much flexibility in their model design, inputs, and calculations, was one of the worst kept secrets on Wall Street.⁸⁴ The larger the bank, the more that it has professionals and technological resources to be flexible or outright manipulate inputs to models. In other words, modelers can choose qualitative and quantitative assumptions to make the model give the risk and capital levels they want.

Model flexibility was a primary driver for the Basel Committee to update the Basel III framework. It finalized the update on Basel III in December 2017. Boards of Directors, executives, risk managers, and modelers at banks around the world have known about these updates for over five years.

Basel III Reform Summary

Reforms/topics	BCBS status	Key requirements/changes	Key implications	Creditor impact
Regulatory capital To be potential review	Standard issued Dec 10; implementation between Jan 13 and Jan 19 Under review, report in 1Q22	<ul style="list-style-type: none"> Stricter definition of eligible capital, non-filtering of Other Comprehensive Income Doubling of CET1 requirement, increased deductions from CET1 AT1 conversion/write-down based on CET1 trigger; simpler Tier 2 structure Possible review of role of hybrid instruments, from coronavirus pandemic 	<ul style="list-style-type: none"> Improved going-concern loss-absorbency, reduction in return on equity metrics Uncertainty regarding asset class 	<ul style="list-style-type: none"> (+) Higher capital buffers; (-) For AT1 holders, uncertainty of regulatory driven embedded-call option
RWAs Significant changes	<ul style="list-style-type: none"> CVA: final Jul 20, live Jan 23 SA-CCR: live Jan 17 Securitisation: live Jan 19 Market risk: updated Jan 19, go live Jan 23 Credit/Op Risk: Final issued end-17, live Jan 23+ Output (capital) floor: Final issued end-17, live Jan 23+ Crypto assets proposal June 21 	<ul style="list-style-type: none"> Credit valuation adjustment revisions broaden scope, eliminates use of models Standardised Counterparty Credit Risk improves collateral and netting recognition Securitisation regime increases RW floors, sensitivity of non-modelled approach Final market risk standards overhauls all approaches but especially the non-modelled approach, while setting a high bar for validating, approving models Basel III revisions constrain internal risk models via input floors, no loss-given default for large corp/FIs; Revised SA credit and op risk increase risk sensitivity Permanently restricts modelled capital requirements as 72.5% of hypothetical standardised outcomes, per risk class. Five-year phase-in from Jan 2023 Consults on 1250% risk weight to the maximum of long and short crypto positions 	<ul style="list-style-type: none"> Promotion of more risk-sensitive standardised approaches in preference to use of internal model approaches; simplification of approach options and potential improved comparability across banks; more conservative RWAs Disincentivises crypto holdings 	<ul style="list-style-type: none"> (+) More conservative and comparable RWAs, increased capital buffer; mildly negative for some loss of risk sensitivity regarding capital allocation on assets
Additional capital buffers Some changes; Potential changes	Final issued Dec 10; implementation between Jan 13 and Jan 19 Under review, report in 1Q22	<ul style="list-style-type: none"> Fulfilled via CET1, subject to limits on distributions if pierced: Capital conservation buffer (CCB, 2.5% of RWAs) for prudence; countercyclical capital buffer (CcyB, 0%-2.5% RWA) as private credit growth extension of CCB G-SIB buffer (1%-3.5% of RWAs), updated annually (domestic buffer discretionary) Basel review on capital buffers may result in potential changes to buffer regime- in light of banks’ hesitation to pierce capital buffers during the 2020-2021 pandemic 	<ul style="list-style-type: none"> Improved going-concern loss-absorbency, reduction in return on equity metrics (ceteris paribus), less procyclical capital ratios Potential changes to buffer calibration 	<ul style="list-style-type: none"> (+) Increased capital buffers generally creditor positive; (-) If buffers pierced, constraints on hybrid debt distributions
Leverage ratio Some changes	<ul style="list-style-type: none"> Ratio disclosure from Jan 15; live from Jan 18 Revisions Dec 17, live Jan 23 	<ul style="list-style-type: none"> Global minimum 3% ratio (Tier 1 capital/leverage exposure) at consolidated entity Revisions subject G-SIBs to AT1 buffer (50% of CET1-based buffer); change exposure definition (exempt true-sale securitisations, central bank reserves temporarily; unsettled trade clarification; cash variation margining) 	<ul style="list-style-type: none"> Blunt guard-rail against the “optimisation” of RWAs, increases capital carried on lower-risk assets (e.g. cash, high-quality residential mortgages/sovereign) 	<ul style="list-style-type: none"> (+) Check against model risk, leads to more conservative capital allocation (-) Incentivises high RWAs
Liquidity regime	LCR: Final issued Jan 13; disclosures due from Jan 15 NSFR: Final issued Oct 14, disclosures due from Jan 18	<ul style="list-style-type: none"> Short-term (30-day) liquidity coverage ratio (LCR) requires >100% ratio of high-quality liquid assets (HQLA) during a 30-day stressed outflow Longer-term (1-year) net stable funding requirement (NSFR) ratio requires >100% 1-year funding against stable funding requirements (regulatory capital and >1-year debt recognised as stable funding) 	<ul style="list-style-type: none"> Incentivises the gathering of deposits, longer-term wholesale funding, reduces short-term wholesale funding reliance. Increases desirability of high-quality liquid securities 	<ul style="list-style-type: none"> (+) More robust liquidity (-) Cost of funding and cost of carry of high-quality liquid assets
Interest rate risk in the banking book	Basel standards issued Apr 16; reporting and disclosures due from Jan 18	<ul style="list-style-type: none"> Retain Pillar 2 risk capture (vs Pillar 1 requirements), prescribed disclosures Six prescribed shock and stress scenarios, capture of credit spread risks Updated supervisory standards, use of standardised method as sanction 	<ul style="list-style-type: none"> Greater standardisation of behavioural and modelling assumptions, may level playing field, increased comparability 	<ul style="list-style-type: none"> (+) Resilience from updated stresses and improved transparency/ comparability
Bank resolution/TLAC	TLAC final standard Nov 15	Refer to Fitch Bank Resolution Primer	Refer to Fitch Bank Resolution Primer	(-) Increased burdensharing
Enhanced Pillar 3 disclosures Significant changes	Basel standards issued Jan 15; implementation by end-16; Consolidated templates issued Mar 17, updated Dec 18	<ul style="list-style-type: none"> Disclosures via fixed-form quantitative templates, more detailed tables Credit data more granular, increased frequency (up to quarterly vs annual) Draft guidelines published Jul 16 include new TLAC disclosure templates and increase scope of fixed-form templates; consolidates all Basel disclosures Updated December 2018 template reflects final Basel III reforms 	<ul style="list-style-type: none"> More granular fixed-form quantitative tables; more prescriptive qualitative disclosures; to be presented in one document 	<ul style="list-style-type: none"> (+) Improved transparency, comparability (+) TLAC disclosures aid debt loss and recovery analysis

Source: Fitch Ratings, Basel Committee for Banking Supervision, Financial Stability Board

⁸³ Rodríguez Valladares, Mayra. “Maddening Models,” American Banker, November 4, 2015.

⁸⁴ Rodríguez Valladares, Mayra. “[More Transparency Needed in Risk Weights](#),” American Banker, July 23, 2013.

Appendix III

BASEL III IN THE U.S.

July 27, 2023

In the U.S. bank regulators released their version of the Basel III Final Rules in the form of a Notice for Proposed Rulemaking on July 27, 2023.⁸⁵ The timeline in the U.S. for the so-called Basel III Endgame implementation was very reasonable. The three bank regulators were given banks over 120 days to comment on the U.S. rules proposed on July 27, 2023. Normally the comment period is about 90 days. U.S. regulators had a very democratic process for rule writing. Even before the proposed rules were released, trade associations⁸⁶ asked for a 120-day comment period, and the agencies granted this request. Regulators invite public comments on any proposed rules for banks. Not only do banks, other financial institutions (OFIs), legislators, trade associations, consumer groups, consultants, rating agencies, and academics participate in the comment process, so can any individual submit comments.

Regulators read and analyze the comments before finalizing the rules. Once the three regulators finalize the rules, they give banks time to implement the rules. In this case, large banks would begin transitioning to the updated Basel III framework on July 1, 2025, and banks have until July 1, 2028, to be in full compliance. The public comment period has already started, and the bank regulatory agencies have started to collect data to refine their estimate of the proposal's impact.

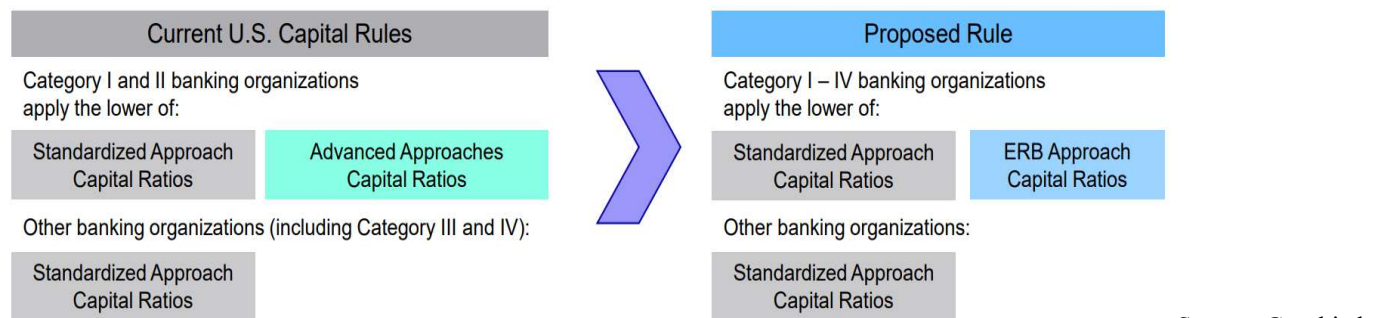
Additionally, many banks have already been conducting gap analyses to review what personnel or technological resources they might need to comply. Importantly, bank regulators always encourage bank professionals tasked with key regulation implementation roles to reach out to them to discuss if problems are arising with implementation.

Highlights of Proposed Regulatory Capital Rule

The main drivers of the proposed U.S. Basel III rules were (1) improving the risk sensitivity of capital requirements, (2) reducing banks' reliance on their internal models for credit and operational risks, (3) improving comparability of capital requirements and (4) conservatism. The Basel III reforms included revised credit risk approaches, standardized operational risk approach, credit valuation adjustment framework, leverage ratio revisions, and an aggregate output floor. The proposed rule consists of amendments applicable to large banking organizations and to banking organizations with significant trading activity.

⁸⁵ Office of the Comptroller of the Currency, Federal Reserve Board, and Federal Deposit Insurance Corporation. [Basel III Notice of Proposed Rulemaking](#), July 27, 2023.

⁸⁶ American Bankers Association, Bank Policy Institute, Financial Services Forum, Institute of International Bankers, Securities Industry and Financial Markets Association (SIFMA), Forthcoming Proposal to Implement the Basel Agreement of 2017 (Joint Trades)



Source: Graphic by

Davis-Polk.⁸⁷

Unrealized Losses and Gains

It is important that regulators were proposing that unrealized gains and losses from certain securities be included in banks’ capital ratios. Silicon Valley Bank’s failure demonstrated how quickly values of securities can decline when interest rates change. As depositors and market participants became aware of the extent of Silicon Valley Bank’s mounting unrealized losses, it quickly became illiquid and undercapitalized.

Operational Risk

The proposed changes to operational risk measurement by the U.S. bank regulators were long-overdue. Operational risk comprises a threat to an institution’s earnings and liquidity due to problems with people, processes, technology/systems, and external events (i.e., third party vendors, civil unrest, terrorism, and natural disasters.) Operational risk often plays a significant role in the cause of a banking crisis. And it certainly played a big part in the 2007-2009 financial crisis as exemplified by cases of internal and external fraud, over dependence on models, and lack of due diligence in lending and securitization underwriting.⁸⁸

Under the proposed method to measure operational risk, capital would be calculated using:

- A Business Indicator (BI) metric - a financial statement calculation designed to capture the volume of activities that carry operational risks, a proxy for an institution's risk profile
- An Internal Loss Multiplier (ILM) – a measure of the aggregate historical operational risk losses in relation to the size of an institution⁸⁹

What is Missing from Basel III NPR?

The proposed rules do not require that regional banks in Category III measure their liquidity risk during periods of economic, credit or market stress. The Liquidity Coverage Ratio is one of the most critical changes from Basel II and was finalized in the US Basel III rules in 2015. Unfortunately, due to the Economic, Growth, Recovery, and Regulatory Relief and Consumer Protection Act of 2018, banks the size of Silicon Valley Bank and First Republic were not required to calculate their LCR or to report it to the market. This was a big mistake. If bank regulators, market participants, academics, consultants, and journalists had had access to those banks’ liquidity levels under simulated stresses, collectively they could have imposed market discipline. Most

⁸⁷ “[U.S. Basel III Endgame Proposed Rule](#),” Davis-Polk. September 14, 2023.

⁸⁸ Examples of [settlements](#) and [financial fraud](#), U.S. Department of Justice.

⁸⁹ Carrivick, Luke. “[Fed Announces Basel III Endgame](#),” O.R.X. August 1, 2023

financial institutions that have failed, such as Lehman Brothers or Silicon Valley Bank, did so because they were illiquid.

Appendix IV

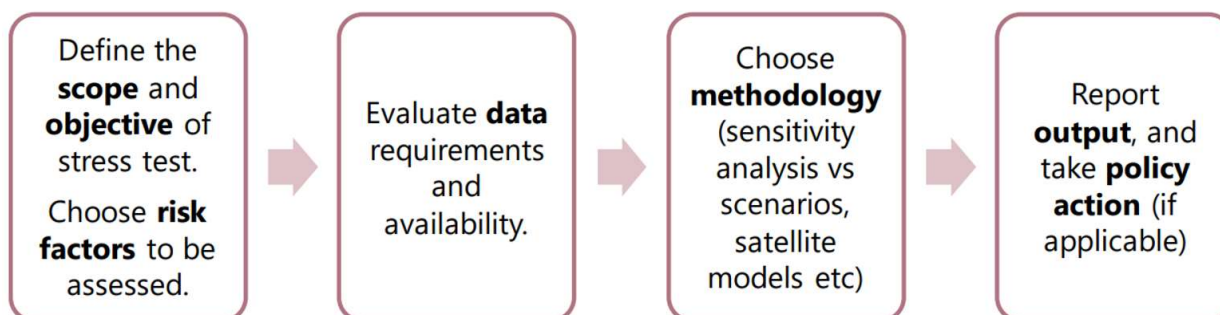
THE WALL STREET REFORM and CONSUMER and PROTECTION ACT

Due to the 2007–2009 financial crisis, legislators passed the Wall Street Reform and Consumer Protection Act (also known as the Dodd-Frank Act) in 2010. Among many important requirements, Title I of the Dodd-Frank Act contains requirements for banks to evaluate their levels of capital and liquidity under economic, credit, and market stress scenarios. Title I also requires large banks to write Bank Recovery and Resolution Plans (“living wills”).

Stress Tests

It is important to note that guidance on portfolio and enterprise-wide stress tests for banks has existed under Pillar II of Basel II since 2006. Now, under Basel III, Pillar II recommends that banks have independent professionals who can evaluate the Internal Capital Adequacy Assessment Process (ICAAP) conducted by banks. Pillar II recommends that every quarter banks design their own scenarios to run portfolio and enterprise-wide stress tests. They should disclose scenarios to regulators. Banks are recommended to incorporate interest rate and liquidity shocks on a quarterly basis.⁹⁰ The key is to disclose the stress test results not only to regulators, but also to the public. Market discipline is at the cornerstone of Basel III’s third pillar, Risk Disclosures.’

General Steps of Stress Tests



Source: [Bank for International Settlements](#), 2013.

Comprehensive Capital Analysis Review

The Comprehensive Capital Analysis Review (CCAR) under Dodd-Frank’s Title I is an annual exercise for the largest banks. The qualitative and quantitative aspects help banks and regulators determine, even under periods of economic, credit, or market stress, banks remain sufficiently capitalized to withstand unexpected losses and continue to serve their important roles as financial intermediaries. Every year the Federal Reserve designs and publishes the scenarios that are to be used in the stress tests.⁹¹ Banks can design their own models and use their own data to run the scenarios. They send the models to the Federal Reserve; what banks send in is not public. The Federal Reserve then announces if the banks passed or failed the test; it also publishes a report detailing

⁹⁰ “[Overview of Pillar II supervisory review practices and approaches](#),” Basel Committee on Banking Supervision.

⁹¹ “[2023 Stress Test Scenarios](#),” Board of Governors of the Federal Reserve System, February 2023.

whether banks passed or failed.⁹² Passing means that even with the stressed scenarios, banks should be capitalized, at least at a minimum. If a bank fails, it must take action to ensure that it is well capitalized.

Repeatedly, banks and trade associations have criticized the Federal Reserve for not publishing its model design. Doing so would enable banks simply to choose inputs for the Fed’s model. They would then all ‘pass’ the test. Over twenty of the U.S.’ banks are subject to the Federal Reserve’s stress test; this is the quantitative portion of the Comprehensive Capital Analysis Review. However, due to tailoring rules too many domestically important regional banks are not subject to these tests.

Banks Subject to Stress Tests in 2023

Bank	Subject to global market shock	Subject to counterparty default	Subject to exploratory market shock ¹
Bank of America Corporation	X	X	X
The Bank of New York Mellon Corporation		X	X
Barclays US LLC	X	X	
BMO Financial Corp.			
Capital One Financial Corporation			
The Charles Schwab Corporation			
Citigroup Inc.	X	X	X
Citizens Financial Group, Inc.			
Credit Suisse Holdings (USA), Inc.	X	X	
DB USA Corporation	X	X	
The Goldman Sachs Group, Inc.	X	X	X
JPMorgan Chase & Co.	X	X	X
M&T Bank Corporation			
Morgan Stanley	X	X	X
Northern Trust Corporation			
The PNC Financial Services Group, Inc.			
RBC US Group Holdings LLC ²			
State Street Corporation		X	X
TD Group US Holdings LLC			
Truist Financial Corporation			
UBS Americas Holding LLC			
U.S. Bancorp			
Wells Fargo & Company	X	X	X

Note: The information listed in this table is based on third quarter 2022 data. BMO Financial Corp., Citizens Financial Group, Inc., and M&T Bank Corporation are on a two-year stress test cycle; therefore, they were included in last year’s stress test and would normally be included next in 2024. In connection with their recent applications, the Board required these firms to receive a new capital requirement this year based on the 2023 stress test. The 2023 stress test and capital requirement will include the effects of the recent acquisitions by Citizens Financial Group, Inc. and M&T Bank Corporation.

¹ As in the supervisory stress test, the exploratory market shock for The Bank of New York Mellon Corporation and State Street Corporation will only include the counterparty default component. Their exploratory market shock component will not include mark-to-market losses on their trading or credit valuation adjustments exposures.

² RBC US Group Holdings LLC elected to opt into the 2023 stress test.

Source: [Federal Reserve](#), February 2023.

Comprehensive Liquidity Analysis Review

Another type of stress test, and receiving far less public attention, is the Comprehensive Liquidity Analysis Review. The Large Institution Supervision Coordinating Committee (LISCC) liquidity program assesses the adequacy of LISCC firms' liquidity position and liquidity risk-management practices through both horizontal and firm-specific examinations, in-depth reviews, and analyses conducted throughout the year. The CLAR is the horizontal component of this program. Currently, the U.S.’ eight globally systemically important banks are part of this liquidity review. “CLAR and the firm-specific liquidity assessments are conducted on a forward-looking basis, analyzing the firms' liquidity risk-management practices and resiliency under normal and stressed conditions. Since CLAR only targets a select population of liquidity risk topics each year, firm-specific events

⁹² “[2022 Federal Reserve Stress Test Results](#),” Board of Governors of the Federal Reserve System, June 2022.

help ensure that the Federal Reserve evaluates and considers the most critical inherent risk and risk-management areas in the assessment of a firm.”⁹³

LISCC Supervisory Program Structure



Source: Board of Governors of the Federal Reserve System

Scenarios are even more important for liquidity risk measurement than for credit risk, rate risk or operations risk. The need for liquidity arises in quite different ways for banking situations. The range of potential risk scenarios is far more varied. “Both the nature and size of a liquidity event vary by scenario. Customer and counterparty options to withdraw indeterminate maturity deposits, draw-under loan commitments and prepay loans will be exercised differently under different conditions.”⁹⁴

What Is Missing From Current Regulatory Stress Tests?

Currently, not all risks are covered fully, or in some cases at all, in CCAR or CLAR. These are important risks that we need to explore in depth to strengthen our banking system.

- Cybersecurity
 - U.S. banks have been through the depression, September 11, and the great recession. Yet, none of us have a playbook for a significant cybersecurity attack. Are banks well capitalized and liquid if there were to be a massive cybersecurity attack?
- Climate Change
 - Are banks able to identify which of their banking or trading portfolios are impacted by the deleterious effects of the physical and transition risks of climate change and by how much?
 - Are they prepared for how climate change could affect their fee generating business lines such as investment banking, asset management, or custody services?
 - Have banks begun collecting the necessary data and designing models to help them determine what level of capital they will need to sustain unexpected losses brought about by climate change?
- Domestic Terrorism and Civil Unrest

⁹³ “[Large Institution Supervision Coordinating Committee](#),” Board of Governors of the Federal Reserve System.

⁹⁴ Matz, Leonard "Scenario Analysis and Stress Testing", in *Liquidity Risk Measurement and Management: A Practitioner's Guide to Global Best Practices*, Leonard Matz and Peter Neu (eds), John Wiley & Sons, 2007.

- Are banks calculating how rising gun violence, domestic terrorism, or civil unrest can impact their operational resilience?
- Geopolitical Risks
 - The recent Russian invasion of Ukraine and recurring trade and national security tensions with China periodically spillover to stock and bond prices. How exactly are banks incorporating current or anticipated geopolitical risks into their risk, capital, or pricing models?
- Challenges to the dollar as the reserve currency
 - Are banks prepared for a day in which the dollar is not the reserve currency anymore as other countries compete against us for that role?

We do not know the answers to the above questions because neither the capital nor liquidity stress tests require that these questions be answered.

Bank Recovery and Resolution Plans

Dodd-Frank’s Title I and II addressed bank resolution in the case of bank failure. Title I requires banks to write a bank recovery and resolution plan in which they describe:

- their hundreds of legal entities and what functions exist
- what internal and external factors could cause a bank to fail,
- how might risk managers solve the identified problems, and
- if the problems cannot be solved, what recommendations does the bank make for how it could be resolved.

Proposal to Expand Resolution Planning

On August 29, 2023, U.S. bank regulators issued a notice of proposed rulemaking that would expand the banks subject to resolution planning. This guidance would apply to bank holding companies and foreign banking organizations with more than \$250 billion in total assets but that are not the largest and most complex companies, which are already subject to guidance on resolution planning. The guidance covers key areas of potential vulnerability, such as capital, liquidity, and operational capabilities that could be needed in resolution.⁹⁵ The public can comment until November 30, 2023.

To protect Americans, not only is it imperative that banks not fail, but that if they do, they bail themselves in as opposed to being bailed out by us. To that end, on August 29, 2023, the Federal Reserve Board and the Federal Deposit Insurance Corporation voted unanimously to issue a notice of proposed rulemaking that would require banks with \$100 billion or more in assets to issue long-term debt (LTD) and other measures that could be used to absorb losses in the event of such a bank’s failure. LTD requirements, which currently apply to U.S. GSIBs, to all Category II, III, and IV bank holding companies (BHCs), traditional savings and loan holding companies, and intermediate holding companies of foreign banking organizations that are not GSIBs, as well as to insured depository institutions (IDIs) that are not consolidated subsidiaries of U.S. GSIBS and that (1) have at least US\$100 billion in consolidated assets or (2) are affiliated with IDIs that have at least US\$100 billion in consolidated assets

⁹⁵ “[Agencies Propose Guidance to Enhance Resolution Planning at Large Banks](#),” Board of Federal Reserve System and the Federal Deposit Incorporation Income, August 29, 2023.

Since the long-term debt requirement has not yet been finalized, it remains difficult to quantify with certainty how this requirement might impact banks' earnings or ratings. Issuing LTD might initially lead modestly to higher borrowing costs for regional banks. However, the improved loss-absorption capacity could lower borrowing costs over time if markets and rating agencies interpret the additional debt buffer as a signal of greater safety. According to Fitch Ratings, the LTD "proposal would add modestly to existing earnings pressures on ratings but would also reduce loss severity for bank holding company (BHC) senior bondholders and increase protection for bank-level creditors."⁹⁶

The FDIC's existing IDI resolution plan rule requires banks with over US\$50 billion in total assets to periodically submit to the FDIC a resolution plan demonstrating how they could be resolved in an orderly and timely manner in the event of receivership. Banks with US\$50 billion to US\$100 billion in assets have not had to submit such plans since 2018 because of a moratorium adopted by the FDIC. Under the FDIC's NPR, the moratorium would be lifted, and the FDIC would make several modifications to the rule designed to support the FDIC's resolution readiness for material distress and the failure of large IDIs.⁹⁷

I concur with Moody's Investors Services analysts that since the proposal increases the amount of holding company senior or bank subordinated debt that would be outstanding at failure, the proposal is "credit positive for depositors and bank-level senior unsecured creditors. A larger volume of holding company debt and/or bank subordinated debt (i.e., more junior debt instruments with a banking organization's liability structure) would provide greater loss-absorbency at failure, reducing the likely severity of loss for more senior creditors (i.e., depositors and bank-level senior creditors) in resolution."⁹⁸

Current and Proposed State of Prudential Regulatory Tailoring for US banks by Category/Asset Size

This Moody's graphic provides an overview of the current and proposed state of prudential regulatory tailoring for US banks considering the July capital rule and August proposals. Existing enhanced prudential requirements for US banks are shown in black, new regulatory requirements are shown in red and strengthening elements of existing prudential requirements are shown in blue. Banks with assets below \$50 billion are not subject to any of these standards, which Moody's views as credit negative for the capital and liquidity of these banks.

⁹⁶ "[Proposed US Regional Bank Debt Requirements to Drive Mixed Rating Actions](#)," Fitch Ratings, September 7, 2023.

⁹⁷ "[Federal Reserve Board, OCC, and FDIC Propose New Rules and Guidance for Bank Resolutions](#)" Arnold & Porter, September 11, 2023.

⁹⁸ Fanger, David and Jill Cetina, Anna Arsov, and Matt Cohen "[Proposed Rules to Expand Long-Term Debt and Resolution Plans to More US Banks Potentially Credit Positive](#)," Moody's Investors Services, September 11, 2023.

		Category A				Category B	
		Category I	Category II	Category III	Category IV		
		US G-SIBs	=> \$700 billion in total assets or => \$75 billion cross jurisdictional activity	=>\$250 billion total assets or => \$75 billion in nonbank assets, weighted short-term wholesale funding (wSTWF) or off-balance sheet exposure	Other firms with \$100 billion to \$250 billion in total assets	Firms with \$50 billion to \$100 billion in total assets	
Capital	TLAC	TLAC/Long-term debt	✓	✓	✓	✓	
	Stress testing	Stress testing: Company run (DFAST)	✓ (Annual)	✓ (Annual)	✓ (Every two years)		
		Stress testing: Supervisory	✓ (Annual)	✓ (Annual)	✓ (Annual)	✓ (Every two years)	
		CCAR: Quantitative	✓	✓	✓	✓ (Every two years)	
		CCAR: Qualitative	✓	✓	✓		
	Risk-based capital	Annual capital plan submission	✓	✓	✓	✓	
		Expanded risk-based approach	✓	✓	✓	✓	
		G-SIB surcharge	X				
		Countercyclical capital buffer	✓	✓	✓	✓	
	Leverage capital	No opt-out of AOCI capital impact	✓	✓	✓	✓	
		Standard supplementary leverage ratio		✓	✓	✓	
	Liquidity	Standardized	Enhanced supplementary leverage ratio	✓			
			Full daily liquidity coverage ratio	✓	✓		
			Reduced liquidity coverage ratio			✓	
		Internal	Net stability funding ratio (proposed)	✓	✓	✓ (Reduced unless >\$75 billion in wSTWF)	
Liquidity stress test			✓ (Monthly)	✓ (Monthly)	✓ (Monthly)	✓ (Quarterly)	
Liquidity risk management			✓	✓	✓	✓ (Tailored)	
Liquidity buffer			✓	✓	✓	✓	
Other prudential standards	FR 2052a reporting	✓ (Daily)	✓ (Daily)	✓ (Monthly; daily if >\$75 billion in wSTWF)	✓ (Monthly)		
	Risk committee	✓	✓	✓	✓		
	Risk management	✓	✓	✓	✓		
	Single-counterparty credit limit	✓ (G-SIB specific requirements)					
	Resolution plans	X	X	X	X	✓	

Banks under \$50-\$100 billion in total assets are not subject to these enhanced prudential expectations.

Source: Federal Reserve, Moody's Investors Service

Appendix V

RECOMMENDATIONS FROM MAYRA RODRIGUEZ VALLADARES' SENATE BANKING TESTIMONY MAY 17, 2023

‘Strengthening Accountability at the Federal Reserve: Lessons and Opportunities for Reform’⁹⁹

Revise Title IV of S2155 to Reinstate Dodd-Frank’s Definition of Systemically Important

S2155 gutted essential parts of Dodd-Frank’s Title I, such as those that designated banks over \$50 billion as domestically systemically important. S2155 also influenced the supervisory culture and tone at regulatory entities. By designating banks above \$50 billion as domestically systemically important, much more of the banking sector would be better regulated and supervised. This would send a strong signal to regulators to impose enhanced prudential standards on these types of banks to strengthen these banks and minimize systemic risk if they were to fail.

Remove Heads of Banks From Federal Reserve District Boards

While there is debate as to the extent of power of district boards over off-site supervision or on-site bank examinations, it cannot be denied that board members meet repeatedly with presidents and other key members of the Federal Reserve district banks. According to Becker’s response to Senator Hagerty during the ‘Examining the Failures of Silicon Valley Bank and Signature Bank,’ Becker met with the Federal Reserve Bank of San Francisco monthly and sometimes more frequently.¹⁰⁰

To avoid even the appearance of conflicts of interest, boards would be better served without these individuals on these boards. The boards would be better served by ensuring that they have a diversity of skills sets on their boards that could support them in providing oversight over Federal Reserve district banks.

Reform Remuneration for CEOs and Key Bank Professionals

Despite multiple financial crises in my lifetime, not much has been accomplished in reforming how executives and key bank professionals are remunerated. As I know from having worked at two banks, a bank’s profitability influences not only how executives are paid, but also, often all the way down to the most junior employees. This means that even when professionals know of wrongdoing at a bank, no one wants to stand up and inform any boss or, even more difficult, to report wrongdoing to bank regulators. Remuneration that is tied to bank profitability also influences risk managers and traders about hedging strategies and asset-liability management. Implementing hedges and reallocating portfolios often means reduced profits for banks; when this is the case, too many professionals prefer not to change things so that their bonuses are not impacted.

Legislators and not-for-profit organizations are proposing different ways in which remuneration should be reformed. Clawing bank executives’ bonuses when their banks fail should be explored. The bi-partisan bill *Failed Bank Executives Clawback Act* correctly points out that “currently, the Federal Deposit Insurance

⁹⁹ [Testimony of Mayra Rodriguez Valladares](#), “Strengthening Accountability at the Federal Reserve: Lessons and Opportunities,” United State Senate Committee on Banking, Housing, and Urban Affairs, May 17, 2023.

¹⁰⁰ [“Examining the Failures of Silicon Valley Bank and Signature Bank,”](#) Senate Banking Hearing, May 16, 2023.

Corporation's (FDIC) ability to claw back executive compensation in the event of a bank failure is limited. The *Failed Bank Executives Clawback Act* would give federal bank regulators the tools they need to hold executives of failed banks responsible for the costs those failures exact on the rest of the banking system and the economy and require the FDIC to act to prevent the unjust enrichment of bank executives."¹⁰¹

Additionally, it is important to remember that Section 956 was not finalized. As explained by Public Citizen "the regulators wisely proposed that a sizable portion of senior executive bonus pay be deferred into a fund. In the case of misconduct or failure, this fund would be forfeited, either to help pay for the resolution of the bank, or to pay fines associated with the misconduct (instead of having shareholders effectively pay the fines). This dynamic would essentially deputize and incentivize all bankers to police one another."¹⁰²

Require Transparency from Banks About Their Assets and Liabilities

Large banks should disclose the amount and concentration of assets as well as liabilities at least once a month to the public, if not more frequently. We know they can do this, because there is a Federal Reserve weekly report 'H8' that shows assets and liabilities at a high, anonymized level. Banks of the size of Silicon Valley Bank should have the technological and professional capacity to report asset and deposit levels on a weekly basis to the public.

Utilize All of the Federal Reserve's Existing Powers to Escalate Identified Risks at Banks and Impose Enforcement Actions on Non-Compliant Banks

According to Barr's report "the Federal Reserve generally does not require additional capital or liquidity beyond regulatory requirements for a firm with inadequate capital planning, liquidity risk management, or governance and controls."¹⁰³ Since its inception, national discretion is built into The Basel Accord framework, so that adopting countries have some flexibility in implementing rules that are most appropriate to their own circumstances.¹⁰⁴ As a member of the Basel Committee on Banking Supervision, the Federal Reserve can recommend stricter rules for our banks when circumstances warrant it.

In 2011, the Government Accountability Office recommended that the Federal Reserve and other bank regulators modify the existing Prompt Corrective Action Framework. The GAO recommended that:

"to improve the effectiveness of the PCA framework, the heads of the Federal Reserve, FDIC, and OCC should consider additional triggers that would require early and forceful regulatory actions tied to specific unsafe banking practices and also consider the other two options--adding a measure of risk to the capital category thresholds and increasing the capital ratios that place banks into PCA capital categories--identified in this report to improve PCA. In considering such improvements, the regulators should work through the Financial Stability Oversight Council to make recommendations to Congress on how PCA should be modified."¹⁰⁵

¹⁰¹ "Warren, Hawley, Cortez Masto, Braun Introduce Bipartisan Bill to Claw Back Compensation From Failed Bank Executives," [Failed Bank Executives Clawback Act](#), March 29, 2023.

¹⁰² Naylor, Bart, "[Letter to Senate Banking Committee Re Banker Accountability for Recent Bank Failures - Public Citizen](#)," May 3, 2023.

¹⁰³ [Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank](#), April 28, 2023, p. 2.

¹⁰⁴ [Basel Capital Framework National Discretions](#). Basel Committee on Banking Supervision, November 2014.

¹⁰⁵ "[Bank Regulation: Modified Prompt Corrective Action Framework Would Improve Effectiveness](#),"

Government Accountability Office, June 23, 2011.

In response to GAO’s recommendation, the “FDIC, OCC, and the Federal Reserve began to consider the option of adding non-capital triggers to the prompt corrective action (PCA) framework in a January 2013 Federal Financial Institutions Examination Council (FFIEC) meeting, among other options to improve PCA. Following this meeting, the three agencies established a working group under the FFIEC Task Force on Supervision entitled Corrective Program Best Practices to review the regulators' enforcement practices and tools and to consider these options. As of June 2015, the regulators were still considering the pros and cons of options for modifying PCA but had not taken any further action related to adding non-capital triggers. Also, during 2013, FDIC, OCC, and the Federal Reserve adopted final rules related to regulatory capital that included increasing the capital ratios that place banks into PCA capital categories, another option GAO recommended that the regulators consider. Since these actions to date did not require legislative changes, the regulators have not approached Congress with proposals to modify PCA. While these actions address our recommendation that the regulators consider options to improve PCA, we continue to believe that incorporating non-capital triggers would enhance the PCA framework by encouraging earlier action and giving the regulators and banks more time to address deteriorating conditions before capital is depleted.”¹⁰⁶

The Federal Reserve has guidance for how examiners communicate findings to supervised banks. Matters Requiring Attention (MRAs) and Matters Requiring Immediate Attention (MRIA).¹⁰⁷ Yet, there is no define timeline for either. Hence, the tone at the top of bank supervision is critical. If the tone is to not be strict with banks, this filters down to examiners and enforcement. “In some cases, when follow-up indicates the organization's corrective action has not been satisfactory, the initiation of additional formal or informal investigation or enforcement action may be necessary. In such cases, examiners should consult with enforcement staff. Such consultation should be made in accordance with existing guidance to Reserve Bank supervisory staff on the processing of enforcement actions, which provides that recommendations concerning formal enforcement actions should be submitted simultaneously to both the Board's Legal Division and Division of Banking Supervision and Regulation.”¹⁰⁸

Require Improvements in the Monitoring of Banks’ Interest Rate Risk Models

Regulators need to take a closer look at models, especially those for interest rate and liquidity risk measurements. According to the last SVB annual report, the bank was measuring interest rate risk by using Economic Value Equity, which uses market values of assets and liabilities.¹⁰⁹ It did not disclose what assumptions for discount rate it was using. If this information were disclosed, we could determine what SVB’s net economic value of equity was. In its Net Interest Income simulation, SVB disclosed that applied interest rate shocks of 100 and 200 basis points hikes and decreases.¹¹⁰ Given federal funds rate hikes by that time in 2022, SVB should have been applying larger shocks, more like 300 or even 400 basis points. Regulators need to require that relevant discount rates and interest rate shocks are applied to these interest rate risk measurements. Banks should be transparent about interest rate risk. I have worked with community banks that conduct gap analysis to test when they may have more liabilities than assets. There is no reason bigger banks cannot calculate this.

Reinstate The Liquidity Standard for All Large Bank Organizations

¹⁰⁶ Ibid.

¹⁰⁷ [Supervisor y Considerations for the Communication of Supervisory Findings](#),

¹⁰⁸ [Ibid](#), p. 3.

¹⁰⁹ [SVB Annual Report](#) 2022, pp. 89-90

¹¹⁰ [SVB Annual Report](#) 2022, p. 90.

Bank regulators should require that banks that are \$50 bn calculate and report the Liquidity Recovery Ratio.¹¹¹ Had SVB been required to calculate and report this measure, regulators and market participants would have seen that high-quality liquid assets, declining in market value, would not cover net stressed cash outflows. Under the LCR, banks must test the effect of deposit decreases on their liquidity. Banks that have \$100 billion in asset size should disclose their LCR at least once a month if not more often. Presently, our G-SIBs report LCR to their district Fed daily. This information is incredibly useful to bank regulators. And making it public through Basel III Pillar III's risk disclosures would help the market discipline banks.

The Fed should also require these banks to calculate and report on the Net Stable Funding Ratio. This liquidity measure gives insight into whether a bank has the necessary stable funding for a twelve-month period.

Provide Strong Protections for On-site Examiner and Off-Site Supervisors

If off-site supervisors or on-site examiners discover that their findings about risks at banks are not being escalated, they need to be able to report this to the head of bank supervision without fear of reprisal.

¹¹¹ [Frequently Asked Questions on the Tailoring Rules Effective January 13, 2020.](#)

Appendix VI

SILICON VALLEY BANK FAILURE¹¹²

The Economic Growth, Recovery, Resolution and Consumer Protection Act (S2155) of 2018 led the Federal Reserve to create tailoring rules for US banks based on their size. Due to the 2019 tailoring rules, Silicon Valley Bank (SVB) was not required to comply with two key components of Basel III: measurement of interest rate risk in the banking book (IRRBB) and the Liquidity Standard, comprised of the Liquidity Coverage Ratio and the Net Stable Funding Ratio.

To measure interest rate risk in the trading book, banks typically use Value-at-Risk models that use market rates. However, to measure interest rate risk in the banking book, which includes loans and held-to-maturity securities, bankers have considerably more flexibility in the models they use, many of which do not incorporate market rates as inputs. This can lead to significant understatement of potential losses. Also, since banks use such a variety of models, it is difficult for regulators, lenders, and investors to make meaningful comparisons between banks' disclosed risks in the banking book. Due to these challenges, the Basel Committee on Banking Supervision has updated its rules on measuring interest rate risk in the banking book several times, aiming to make measurements less flexible for banks and more useful to market participants. "Market actors' consensus suggests that if the banks affected by SVB had been subject to IRRBB, the huge interest rate risk they were carrying would have been identified earlier, and flagged to a regulator who could have acted to address the issue, potentially saving the bank in the process."¹¹³ Silicon Valley Bank could have used a variety of gap analysis and interest rate hedges to mitigate its interest rate risk. Yet, such actions reduce net income. When the compensation of executives, board members, and/or employees depends on banks' profitability, this influences how much of a bank's portfolio risk managers want to hedge.

Importantly, banks the size of SVB were and are not required to measure the Liquidity Coverage Ratio. The LCR requires banks to calculate and report the level of their high-quality liquid assets (HQLA) cover their net cash outflows in period of stress. HQLA are measured as market value. If SVB had been required to calculate and report the LCR to regulators and disclose the results to market participants, its inability to meet cash outflows in a stressed period would have been visible. Using data from SVB's 2022 annual report, I applied strict criteria for cash inflows not coming in as default rates go up and deposits leaving as interest rate hikes increased. I estimated that LCR would have been at about 65%, which is significantly below the 100% minimum requirement. Two other analyses show that the LCR would have been in the range of 75%¹¹⁴ to 101%¹¹⁵ Certainly, different analysts can come up with different assumptions to calculate LCRs, but SVB would not have met even the minimum Basel III requirement for the LCR.

The Net Stable Funding Ratio, which purpose is to show if a bank has sufficient stable sources of funding for a twelve-month period, was also not required of banks the size of SVB. Given the types of deposits that SVB had, this ratio also would have been particularly useful for regulators and market participants.

¹¹² Rodríguez Valladares, Mayra. Testimony Excerpt from Hearing "[Strengthening Accountability at the Federal Reserve: Lessons and Opportunities for Reform](#)," May 17, 2023.

¹¹³ Van Doorsselaere, Jeroen "[Wake-up Call for Banks or Regulators?](#)" March 23, 2023.

¹¹⁴ Feldberg, Greg. "[Lessons from Applying the Liquidity Coverage Ratio to Silicon Valley Bank](#)," Yale School of Management, March 27, 2023.

¹¹⁵ Nelson, Bill. "[Update on SVB's LCR](#)," Bank Policy Institute, March 27, 2023.

SVB did comply with Basel III's Pillar III risk disclosures, which at twelve pages were very thin and only concentrated on credit risk. In its fourth quarter of 2022 Pillar III disclosures, SVB did not mention interest rate risk in the banking book or liquidity risk.¹¹⁶

Additionally, due to tailoring rules, SVB was also not subject to the Federal Reserve's annual horizontal review of domestic and foreign-owned large banking organizations (LFBOs) liquidity risk management practices, including internal liquidity stress testing (ILST) assumptions and methodologies, and buffer monetization and composition. At the end of 2022, the Federal Reserve Bank did send a letter to former CEO Greg Becker that such a horizontal review would take place the weeks of January 3 – March 10, 2023.¹¹⁷

Tailoring rules also meant that since SVB was not designated as a systemically important bank, as it would have been under Dodd-Frank's Title I, SVB was not required to conduct supervisory stress tests known as the Dodd-Frank Act Stress Test (DFAST), the quantitative component of the Comprehensive Capital Analysis Review (CCAR). Without stress tests, banks can grow faster without many consequences. Before the tailoring rules, the more SVB's assets grew, such as long-term bonds and loans, SVB would have had to increase capital, because such assets consumer more capital than shorter-term ones. By the time that SVB became a Category IV bank in July 2021, it was only required to conduct the Dodd-Frank Act Stress Test biennially. When it failed, it had not conducted such a test.

Importantly, interest rates are part of DFAST. The 2022 DFAST incorporated six measures of interest rates: the rate on 3-month Treasury securities; the yield on 5-year Treasury securities; the yield on 10-year Treasury securities; the yield on 10-year BBB-rated corporate securities; the interest rate associated with conforming, conventional, 30-year fixed-rate mortgages; and the prime rate. Additionally, the 2022 Supervisory Stress Test Methodology describes how interest rate movements are part of the modeling process to determine the impact of loans and securities in the held-to-maturity assets of the banking book.¹¹⁸

In 2022, SVB was required to write a bank recovery and resolution plan for the first time. Since like other banks, it was only required to disclose the executive summary.¹¹⁹ In addition to describing how a bank should be failed if it were to fail, a recovery and resolution plan also provides a lot of confidential information to the Federal Reserve and to the FDIC about a bank's structure, shared funding and liquidity facilities, and many details about a bank's balance sheet. Hence, while market participants do not see these details, regulators receive incredibly valuable information about a bank's risks.

¹¹⁶ [SVB Basel III Pillar III Risk Disclosures, 2022.](#)

¹¹⁷ [Entry Letter: 2023 Horizontal Liquidity Review \(HLR\)](#), Federal Reserve Bank of San Francisco November 17, 2022.

¹¹⁸ ["2022 Supervisory Stress Test Methodology,"](#) Board of Governors of the Federal Reserve System, pp. 11-13.

¹¹⁹ [SVB 2022 Covered Insured Depository Institution Resolution Plan.](#)

Appendix VII

TOP BANK POLITICAL CONTRIBUTORS¹²⁰

BANKING SECTOR LOBBYING EXPENDITURES - 2024 — Ranked by Total Annual Spend

Banking Sector Lobbying Expenditures

Calendar Year 2024 - Ranked by Total Annual Spend - 50 Reporting Organizations

\$61,952,855 Total 2024 Expenditure	49 Reporting Organizations	\$7,365,000 Largest Single Spender (ABA)	42.4% Held by Top 5 Spenders
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#	Client / Parent Organization	2024 Lobbying Expenditure	% of Total
1	American Bankers Association	\$7,365,000	11.9%
2	Electronic Payments Coalition	\$6,350,000	10.2%
3	Wells Fargo	\$4,550,000	7.3%
4	Citigroup Inc	\$3,990,000	6.4%
5	Consumer Bankers Association	\$3,990,000	6.4%
6	JPMorgan Chase & Co	\$3,600,000	5.8%
7	Independent Community Bankers of America	\$3,291,855	5.3%
8	Bank Policy Institute	\$2,640,000	4.3%
9	Bank of America	\$2,400,000	3.9%
10	Truist Financial	\$1,990,000	3.2%
11	HSBC Holdings	\$1,977,000	3.2%
12	Regions Financial	\$1,940,000	3.1%
13	US Bancorp	\$1,410,000	2.3%
14	Toronto-Dominion Bank	\$1,320,000	2.1%
15	Fifth Third Bancorp	\$1,275,000	2.1%
16	Mitsubishi UFJ Financial Group	\$1,120,000	1.8%
17	KeyCorp	\$1,020,000	1.6%
18	National Assn of Govt Guaranteed Lenders	\$940,000	1.5%
19	Citizens Financial Group	\$754,000	1.2%
20	PNC Financial Services	\$720,000	1.2%
21	Banco Santander	\$640,000	1.0%
22	IntraFi Network	\$600,000	1.0%
23	Cross River Bank	\$580,000	0.9%
24	Live Oak Bank	\$570,000	0.9%
25	Western Alliance Bancorp	\$540,000	0.9%

#	Client / Parent Organization	2024 Lobbying Expenditure	% of Total
26	Joint Official Liquidator of Silicon Valley Bank	\$480,000	0.8%
27	Institute of International Bankers	\$480,000	0.8%
28	Huntington Bancshares	\$445,000	0.7%
29	M&T Bank	\$400,000	0.6%
30	Equity Group Holdings (Kenya)	\$400,000	0.6%
31	Promerica Financial	\$360,000	0.6%
32	SLM Corp	\$320,000	0.5%
33	Hilltop Holdings	\$320,000	0.5%
34	Mizuho Financial Group	\$280,000	0.5%
35	Jysan Holdings	\$240,000	0.4%
36	Cierco Higinii	\$240,000	0.4%
37	WebBank	\$240,000	0.4%
38	Zions Bancorp	\$210,000	0.3%
39	Central American Bank for Economic Integration	\$210,000	0.3%
40	Provident Bank	\$210,000	0.3%
41	Neighbors Bank	\$200,000	0.3%
42	National Bankers Assn	\$180,000	0.3%
43	BNP Paribas	\$180,000	0.3%
44	Forbrite Bank	\$160,000	0.3%
45	Mid-Size Bank Coalition	\$160,000	0.3%
46	Evolve Bank & Trust	\$150,000	0.2%
47	Bank of Montreal	\$150,000	0.2%
48	libGroup Holdings	\$125,000	0.2%
49	The Capital Corp	\$120,000	0.2%
50	Amalgamated Bank	\$120,000	0.2%
TOTAL (50 organisations)		\$61,952,855	100.0%

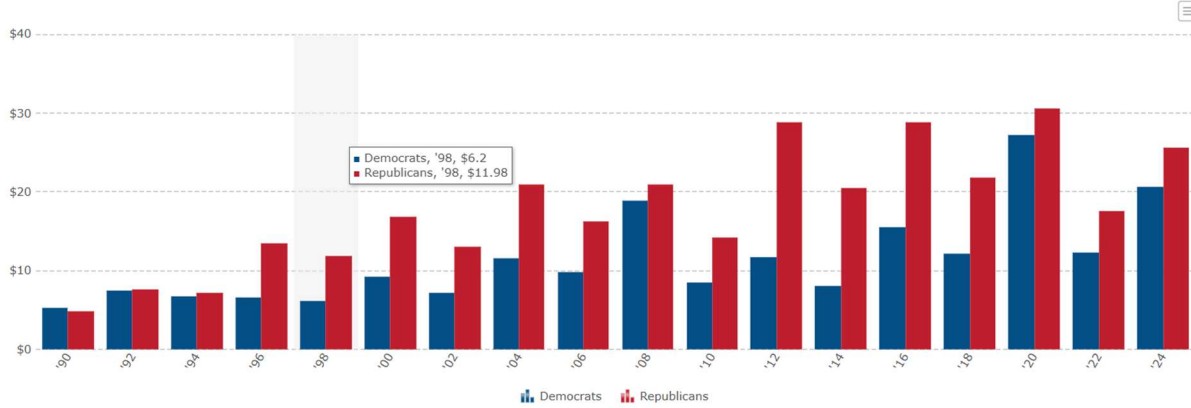
Notes:

Data sourced from U.S. Senate Office of Public Records (SOPR) LD-2 Lobbying Disclosure Reports for calendar year 2024. Figures represent total lobbying expenditures reported by each client or parent organization across all registered lobbying firms and in-house lobbyists. Amounts are as disclosed; individual quarterly filings may differ due to rounding. Percentage of total calculated against the aggregate of all 49 organizations listed above.

¹²⁰ [“Top Bank Political Campaign Contributors,” Open Secrets.](#)

Top 20 Recipients of Banks' Political Contributions¹²¹

Party Split of Recipients, by Election Cycle, 1990-2024



¹²¹ [Open Secrets](#). Methodology: The numbers on this page are based on contributions from PACs and individuals giving \$200 or more. All donations took place during the 2021-2022 election cycle and were released by the Federal Election Commission on Monday, March 20, 2023.

Appendix VIII

CONGRESSIONAL TESTIMONIES

By Mayra Rodríguez Valladares

[Strengthening Accountability at the Federal Reserve: Lessons and Opportunities for Reform](#)

[A Holistic Review of Regulators: Regulatory Overreach and Economic Consequences](#)

[Addressing Climate as a Systemic Risk: The Need to Build Resilience within Our Banking and Financial System](#)

Appendix IX

Articles Relevant To This Testimony by Mayra Rodríguez Valladares

[America's 8 Biggest Banks Are Returning Record Capital To Shareholders](#)

[Regional Banks' Earnings Stabilize But Exposure To Nonbanks Rises](#)

[Wall Street's Big Banks Signal The Next Credit Risks](#)

[Goldman Sachs' Rising Provisions For Credit Losses Are Signaling Stress](#)

[Beyond Private Credit-The Overlooked Risks to Banks' Ties to Nonbanks](#)

[Bank Lending To Private Credit And Non-Banks Is At Historic Highs](#)

[Financial Stability Board Finds That Non-Banks' Resilience Needs Strengthening](#)

[Market Participants And Regulators Should Be More Vigilant Of Non-Banks](#)

[Non-banks Are The Largest Holders of Collateralized Loan Obligations Globally](#)

[Non-banks Need To Be More Transparent About Their Leveraged Loan and Other High Yield Exposures](#)

[10 Ways to Strengthen Accountability At the Fed And U.S. Banks](#)

[Fitch Ratings Downgrades Loom For U.S. Banks Significantly Exposed To CRE Loans](#)

[Regional Bank Turmoil in the U.S. Is Far From Over](#)

[PacWest Bancorp's Imminent Demise Shows Bank Turmoil Is Widening To Smaller Banks](#)

[The Federal Reserve's Interest Rate Increases Create Default Risk In Major Sectors](#)

[With First Republic Takeover, JPMorgan Is America's Most Globally Systemically Important Bank](#)

[To Know Why Silicon Valley Bank Failed, Congress Should Ask Former CEO Greg Becker](#)

[First Republic Bank's Earnings Call Did Not Inspire Confidence](#)

[First Republic Bank's Financial Ratios Will Reveal Serious Trouble](#)

[Regional Banks' Financial Results Fail To Impress Investors](#)

[What To Watch For With U.S. Regional Banks This Week](#)

[Big U.S. Banks Are Preparing For An Impending Recession](#)

[Investors' Eyes Should Be On Leveraged Finance Markets](#)

[Deutsche Bank Should Disclose Its Current Liquidity Levels To Investors](#)

[From Ferdinand Marcos To Russian Oligarchs, Troubled Credit Suisse Is A Repeat Offender](#)

[How Trump's Deregulation Sowed the Seeds for Silicon Valley Bank's Demise](#)

[Warning Signals About Silicon Valley Bank Were All Around Us](#)

[Why The Federal Reserve Should Prioritize Taxpayers Over Senate Republicans In Setting Bank Capital Standards](#)

[High Interest Rates Will Continue To Challenge Most Sectors Of The Economy](#)

[As The Fed Fights A 40-Year Inflation High, Investors Must Remain Vigilant](#)

[Leveraged Loan Default Volume In The U.S. Has Tripled This Year](#)

[Probability Of Default Is Rising For High Yield Bonds And Leveraged Loans](#)

[The U.S. Leveraged Finance Market Is At A Record \\$3 Trillion](#)

[Weakening Bank Rules Is Bad For Taxpayers And Investors](#)

[Basel III Rules Have Not Hurt Lending To Small-Medium Enterprises](#)

[Bank Reform Benefits Significantly Outweigh Costs](#)

[Financial Crises: The Enemy Is Amnesia](#)

[U.S. Banks Need To Be Safer For The Sake of Main Street](#)

[Big Banks Should Increase Capital Now Before The Next Downturn](#)

[Why Do Republicans Want To Gut Bank Regulations Even More?](#)