February 9, 2026

Via Electronic Mail
Ms. Ann Misback, Esq.
Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue NW
Washington, D.C. 20551
Docket No. R-1813; RIN 7100-AG64

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
Attention: James P. Sheesley, Assistant Executive Secretary
RIN 3064–AF29

Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219
Attention: Chief Counsel's Office, Comment Processing
Docket ID OCC–2023–0008; RIN 1557–AE78

Re: <u>Recommended Changes to the U.S. Basel III Capital Rules for Certain Traditional Securitization Transactions</u>

Ladies and Gentlemen:

Barclays US LLC ("**Barclays US**"), a U.S. intermediate holding company supervised by the Board of Governors of the Federal Reserve System (the "**Federal Reserve**"), and its wholly owned subsidiary, Barclays Bank Delaware ("**BBDE**"), a state non-member bank supervised by the Federal Deposit Insurance Corporation (the "**FDIC**," and together with the Federal Reserve and the Office of the Comptroller of the Currency (the "**OCC**"), the "**Agencies**"), appreciate the opportunity to comment on the notice of proposed rulemaking issued by the Agencies to amend the U.S. Basel III capital rules[1] on July 27, 2023 (the "**Proposed Rule**").[2]

[1] 12 C.F.R. Part 3 (OCC), Part 217 (Federal Reserve) and Part 324 (FDIC). For simplicity, citations herein refer to the U.S. Basel III capital rules of the Federal Reserve. The corresponding rules of the OCC and FDIC are substantively identical.

[2] Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System and Federal Deposit Insurance Corporation, *Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity*, 88 Fed. Reg. 64028 (Sept. 18, 2023).

Under the existing U.S. Basel III capital rules, when a banking organization transfers exposures that it originated or purchased in connection with a traditional securitization, the transaction must satisfy certain operational requirements in order to avoid recognition of the transferred exposures.[3] For a traditional securitization that includes one or more underlying exposures in which the borrower is permitted to vary the drawn amount within an agreed limit under a line of credit (i.e., a revolving credit facility), one of those requirements is that the securitization does not contain an early amortization provision.[4] Early amortization provisions, which are common in securitizations of revolving credit facilities such as credit cards, can cause investors in a securitization to be repaid before the original stated maturity if certain conditions are triggered. The policy rationale for the prohibition against early amortization provisions is to mitigate the risk to an originating banking organization of facing springing capital requirements related to exposures it transferred in a traditional securitization after an early amortization provision is triggered.[5]

The definition of "early amortization provision" includes exceptions, including an exception for a contractual provision that leaves investors fully exposed to future draws (i.e., the **"Fully Exposed Exception**").[6] The Proposed Rule invited comments on whether the Agencies should consider any changes to the exceptions to the definition of early amortization provision.[7]

We recommend that the agencies amend the text of the capital rules and provide additional guidance to provide a clear path for traditional securitization structures that qualify for the Fully Exposed Exception and therefore do not contain an impermissible early amortization provision. In addition, we recommend that the Agencies issue guidance clarifying that securitization transactions with early termination provisions can qualify for the exception to the definition of early amortization provision for triggers "not directly related to the performance of the underlying exposures or the originating [banking organization]."[8]

I. Clarification of Fully Exposed Exception to the Definition of Early Amortization Provision

We recommend that the Agencies revise the Fully Exposed Exception to add text clarifying the criteria by which a banking organization may qualify for the exception. In addition, we recommend that the agencies issue accompanying

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[3] 12 C.F.R. § 217.41(a).

[4] 12 C.F.R. § 217.41(a)(4)(ii).

[5] *See* 88 Fed. Reg. 64028 at 64068.

[6] 12 C.F.R. § 217.2 (definition of "early amortization provision," paragraph (2)).

[7] 88 Fed. Reg. 64028 at 64068 (Question 62).

[8] 12 C.F.R. § 217.2 (definition of "early amortization provision," paragraph (1)).

guidance to illustrate the purpose and effect of the revised definition. These recommendations, as described more fully below, are based on the structure of a traditional securitization transaction that Barclays US and BBDE successfully completed in 2024.

First, we recommend revising the Fully Exposed Exception by providing a clear path for banking organizations to comply with the exception in a traditional securitization transaction, as shown in the following redline changes:

> *Early amortization provision* means a provision in the documentation governing a securitization that, when triggered, causes investors in the securitization exposures to be repaid before the original stated maturity of the securitization exposures, unless the provision:
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> (1) Is triggered solely by events not directly related to the performance of the underlying exposures or the originating Board-regulated institution (such as material changes in tax laws or regulations); or
>
> (2) Leaves investors fully exposed to future draws by borrowers on the underlying exposures even after the provision is triggered. A Board-regulated institution may satisfy this requirement if:
>
> (a) After the provision is triggered, the investors would remain exposed to future draws by borrowers on the underlying exposures to the full extent of the investors' total committed capital (including paid-in capital and undrawn capital commitments) to the traditional securitization; and
>
> (b) The Board-regulated institution can demonstrate that:
>
> (i) the provision is not projected to be triggered in any period under:
>
> (A) For a Board-regulated institution subject to supervisory stress testing under 12 C.F.R. §225.8 or §238.170, the most recent supervisory severely adverse scenario applicable to the Board-regulated institution; or
>
> (B) For a Board-regulated institution not subject to supervisory stress testing under 12 C.F.R. §225.8 or §238.170, an adverse internal stress scenario of comparable severity as the most recently published supervisory severely adverse scenario; and
>
> (ii) under a hypothetical period of economic stress severe enough to trigger the provision, the securitization SPE would have the resources to continue purchasing the underlying exposures (including future draws on any revolving credit exposures) for a sufficient period of time.

Second, we recommend that the agencies include guidance in the preamble to the rule implementing this change that clarifies the purpose and effect of this change, such as the following:

> The purpose of the additional text in the definition of early amortization provision is to permit a banking organization to recognize a traditional securitization of revolving credit exposures that contains a provision that could cause investors in one or more of the securitization exposures to be repaid before their original stated maturity, provided certain conditions are satisfied. The first condition requires that the investors remain exposed to future draws on the underlying exposures to the full extent of the investors' original capital commitments to the traditional securitization (inclusive of all paid-in capital and undrawn capital commitments). The second condition requires that any credit-related triggers for the provision are sufficiently remote that they would not be triggered under the most recent supervisory severely adverse scenario under the Board's stress testing framework or, for institutions not subject to that framework, under a comparably adverse internal stress scenario. The third condition requires that, even under a hypothetical stress scenario of sufficient severity to trigger the provision, the securitization SPE would have sufficient resources to continue purchasing the underlying exposures (including future draws on any revolving credit exposures) for a substantial period, which ensures that future draws on revolving credit exposures would not suddenly be recognized by the originating banking organization.
>
> Banking organizations relying on the new provisions under the definition of early amortization provision should maintain documentation supporting the conditions in paragraph (2)(b)(i) and (ii) based on quantitative analyses performed at the time the traditional securitization is initially recognized. The condition in paragraph (2)(b)(i) should be based on the banking organization's projections under the supervisory severely adverse scenario, using the same internal models and assumptions that the banking organization uses for its company-run stress testing and capital planning. The purpose of this condition is to demonstrate that the credit-related contractual trigger(s) for the provision are sufficiently remote that they would only be triggered in a stress scenario more severe than the supervisory severely adverse scenario. For a Board-regulated institution that is not subject to the Board's supervisory stress testing framework, the banking organization should use a comparably adverse internal stress scenario.
>
> The condition in paragraph (2)(b)(ii) should be based on the banking organization's projections under a more severe macroeconomic scenario – i.e., a custom scenario designed to be severe enough to trigger the credit-related trigger on the underlying exposures under the relevant contractual provision. The purpose of this quantitative analysis is to demonstrate that, in a stress scenario where the condition is triggered, the originating banking organization would have sufficient time to prepare to recognize on its

balance sheet any future draws on the underlying exposures that the securitization SPE would not be able to purchase using its then-available resources (including undrawn commitments that cannot be withdrawn, even after the relevant trigger is reached). The period of time needed to satisfy this condition may vary depending on the underlying exposures and the severity of the hypothetical triggering scenario, but the agencies expect that a period of 12 months (measured from the onset of the stress scenario to the first period in which the securitization SPE would be unable to purchase all projected draws on the underlying exposures) would generally be sufficient to satisfy this condition.

II. Guidance on Early Termination Provisions

In addition, we recommend that the agencies issue guidance clarifying the circumstances in which an early termination provision would qualify for exception (1) to the definition of early amortization provision. For example:

> Exception (1) to the definition of early amortization provision applies to provisions that are triggered solely by events not directly related to the performance of the underlying exposures or the originating Board-regulated institution. The purpose of this exception is to permit a banking organization to recognize a traditional securitization notwithstanding a provision that would terminate the securitization, or trigger the amortization of the securitization exposures, before the original stated maturity. For example, an early termination provision that could be triggered solely by a material change in tax laws or regulations would fall under exception (1). In addition, in a traditional securitization where the originating banking organization has an ongoing obligation under a purchase and sale agreement to transfer future net exposures under revolving lines of credit (such as a credit card securitization), an early termination provision that is triggered by either a failure of the originating banking organization to (a) meet its obligations under the purchase and sale agreement or (b) maintain internal policies or procedures consistent with those generally applicable to similar underlying exposures would be considered to be triggered by events not directly related to the performance of the underlying exposures or the originating banking organization.

Barclays US and BBDE appreciate the opportunity to comment on the Proposed Rule. If the Agencies have any questions about this comment letter, please do not hesitate to contact the individuals listed below.

Respectfully submitted,

[redacted]

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