January 16, 2024

Chief Counsel's Office
Attention: Comment Processing,
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E–218
Washington, DC 20219

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

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

Re: "Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity"; Docket ID OCC–2023–0008 (OCC); Docket No. R–1813, RIN 7100–AG64 (Board); and RIN 3064–AF29 (FDIC)

To Whom It May Concern:

We, the undersigned organizations, welcome the opportunity to convey our perspective that the proposed regulatory capital rule for U.S. banks will negatively impact U.S. manufacturing and trade by increasing the cost and reducing the availability of credit if critical changes are not made to the proposed rule. We are concerned that, as a result of the foregoing, the proposed rule may impede U.S. economic growth and job creation. One improvement that could help alleviate this is to clearly recognize insurers and reinsurers as highly regulated financial institutions that can provide Credit Risk Transfer (CRT) to U.S. banks and serve as a cost-efficient source of capital if your agencies' capital regulations can allow capital relief when using this proven risk distribution tool.

Manufacturers employ nearly 13 million workers in the U.S; contributed $2.9 trillion value added to the U.S. economy, comprising 10% of U.S. GDP; and exported $1.6 trillion of goods.[1] These contributions to our workforce and economy should not be overlooked as you craft a capital rule for U.S. banks that provide critical financial support for the U.S. manufacturing sector. We cannot emphasize enough the importance of amending your proposed rule to achieve better balance between the **goals of improving safety and soundness in our financial system and maintaining access to credit while avoiding increasing the cost of credit**, especially at this time when interest rates and inflation have significantly increased the cost of doing business.

The benefits of insurance/reinsurance CRT extend beyond regulatory compliance, as it spreads overall risk to highly regulated, diverse, uncorrelated, and financially healthy insurers and reinsurers. Allowing U.S. banks to use insurance/reinsurance CRT would not only enhance their stability but also would promote a more efficient allocation of capital, benefiting the banking, insurance, and manufacturing sectors.

Banks in other jurisdictions that have implemented Basel III already access and benefit from insurance/reinsurance CRT as a risk distribution tool. The Export-Import Bank of the U.S. also has the authority to use insurance/reinsurance as a risk distribution tool, has used it, and intends to continue to use it to "…help diversify risk in financing projects at EXIM…" and "…further develop and strengthen EXIM's comprehensive risk management strategy…" supporting EXIM's mission to "…support U.S. exporters and the jobs they create."[2] However, your agencies' proposed regulatory capital rule for U.S. banks does not amend U.S. regulations to clearly allow banks to use insurance/reinsurance CRT and obtain meaningful capital relief as non-U.S. banks do. If implemented as is, the rule will continue to **foster an unlevel playing field for U.S. banks** both domestically and internationally, hindering their competitiveness and jeopardizing their global standing. CRT products offer a viable solution for regulatory capital relief and will allow U.S. banks to maintain competitiveness.

We respectfully request that you improve your proposed rule to clearly allow U.S. banks to use insurance/reinsurance CRT and afford banks meaningful regulatory capital relief for using it. This is one approach that can mitigate the unintended consequences associated with the proposed rule on U.S. manufacturers, workers, and our economy. Our recommendation also would maintain your agencies' overall regulatory objectives while preserving the

[1] https://nam.org/manufacturing-in-the-united-states/
[2] https://www.exim.gov/news/export-import-bank-president-and-chair-reta-jo-lewis-launches-expanded-reinsurancerisk-sharing

competitiveness of U.S. banks and U.S. manufacturing internationally. Importantly, if implemented by your agencies as part of a final rule, our recommendation would support continued job growth in U.S. manufacturing.

Thank you for considering our input on this matter. We are hopeful that your agencies will take these concerns and recommendations into account and work collaboratively with us and other stakeholders to ensure the continued strength and stability of the U.S. banking sector while allowing the banking sector to continue to support manufacturers, workers, and our economy.

Sincerely,

Bankers Association for Finance and Trade (BAFT)

International Trade and Forfaiting Association (ITFA)