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:

Reducing risk for banks and taxpayers while ensuring capital is accessible and affordable is of paramount importance. The costs of higher capital requirements will be passed down to large swaths of the U.S. economy, such as homebuyers, small businesses, and manufacturers. The Proposal lacks the economic analysis and the data needed to justify the amendments to the bank capital rules. It also circumvents Congress by dismissing the statutory provisions of the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (P.L. 115-174). However, regulators have an opportunity to allow banks to participate in insurance and reinsurance-based credit risk transfers to ameliorate the burdensome effects of higher capital requirements under the Proposal.

Credit risk transfers effectively serve as a private capital buffer to protect taxpayers from underlying credit risks. Under the Proposal banks should be explicitly authorized to use insurance and reinsurance products to offload credit risk and provide relief from heightened capital requirements. The Proposal should allow insurance and reinsurance contracts to be considered as "eligible guarantees" while insurers and reinsurers should be considered "eligible guarantors."

The Proposal should not leave standing regulatory barriers that prevent banks from using insurance and reinsurance as an option. For example, lowering the risk weight for exposures to certain insurance and reinsurance companies could be an alternative option.[1]

These private-sector products have a proven track record. One paper discusses the potential benefits of expanding government-sponsored enterprise's credit risk transfer exposure to reinsurance.[2] The same benefits could be afforded to the banking sector, if the regulatory framework adequately authorizes it.

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[1] 88 FR 64053, 64054.
[2] https://us.milliman.com/en/insight/In-it-for-the-long-haul-A-case-for-the-expanded-use-of-the-GSEs-reinsurance-CRT-executions.

Other countries already allow their banks to use insurance and reinsurance credit risk transfers, putting banks in the U.S. at a competitive disadvantage.

Consumers, taxpayers, and banks do not need another financial crisis that results in another era of taxpayer-funded bank bailouts. They need tailored regulation that reduces risk and volatility and gives consumers access to affordable capital—all of which the private sector can bring to bear.

The Proposal should abide by the statutory mandates in P.L. 115-174 by tailoring regulations and ensuring that banks have the option to use private-sector alternatives to mitigate capital burdens while also enhancing capital allocation to all reaches of the U.S. economy.

Respectfully,

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Taxpayers Protection Alliance

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