



April 28, 2026

The Honorable French Hill
Chairman
House Committee on Financial Services
1533 Longworth House Office
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member
House Committee on Financial Services
2221 Rayburn House Office
Washington, DC 20515

**Re: U.S. House Financial Services Committee Hearing Entitled: Prioritizing Main Street:
Evaluating the Impact of Capital Proposals on Economic Growth and American Communities**

Dear Chairman Hill and Ranking Member Waters,

The Securities Industry and Financial Markets Association (“SIFMA”)¹ commends the House Financial Services Committee for holding a hearing to evaluate the impact of capital proposals on American investors and communities. The Committee has a longstanding record of closely examining bank capital issues and their broader implications on the U.S. economy.

On March 19, 2026, the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation published three proposals (“2026 Proposals”) that intend to modernize the regulatory capital framework and maintain the strength of the banking system. The 2026 Proposals materially improves the calibration of the capital requirements for large banks’ capital market related activities relative to the 2023 Proposals, and addresses to various degrees many issues that SIFMA has consistently advocated for. However, there are still five priorities regarding capital requirements for banks’ capital market related activities that we believe warrant continued attention from policymakers.²

These priorities include:

1. The capital framework in its entirety should be calibrated to align with the level of risk but avoid excessive conservatism.

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>.

² <https://www.sifma.org/advocacy/testimony/testimony-on-financial-institutions-and-monetary-policy>



2. The FRTB framework should accurately account for the risk-reducing effects of diversification across different asset classes.
3. Both risk-based and leverage capital frameworks should properly reflect the risk reduction from cross-product netting and cross-margining.
4. Derivatives involving commercial end users should be excluded from CVA capital requirements.
5. Capital requirements should be tailored based on a banking organization's systemic risk profile.

These adjustments are essential to maintaining vibrant, competitive, and resilient capital markets, supporting economic growth and financial stability.

Appropriate Calibration of the Bank Capital Framework

SIFMA strongly supports a bank capital framework that is calibrated to actual risk exposures, ensuring that the resulting capital requirements are neither excessively conservative nor misaligned with underlying risks arising from large banks' capital markets related activities. The 2026 Proposals, while materially improving risk-sensitivity of capital requirements relative to the 2023 proposals and intended to strengthen financial stability,³ risk imposing higher capital charges that may not accurately reflect the true risk of capital markets related activities.

An appropriately calibrated capital framework should be flexible enough to accommodate the dynamic nature of capital markets, where risk profiles can shift rapidly in response to market developments, geopolitical events, and macroeconomic trends. Excessive conservatism in capital requirements may not only restrict banks' ability to provide liquidity and facilitate trading but also discourage innovation and the introduction of new financial products. This could lead to less resilient capital markets.

SIFMA recommends that the Agencies incentivize advanced risk modeling techniques, stress testing, and scenario analyses to ensure capital standards are responsive to actual risk exposures and market realities.

Recognition of Diversification Benefits in FRTB

The Fundamental Review of the Trading Book ("FRTB") framework should adequately recognize the risk-reducing benefits of diversification across asset classes. The 2026 Proposals, while aiming to reinforce financial stability and materially improve the recognition of diversification relative to the 2023 Proposals, continue to constrain these benefits, resulting in inflated capital requirements for diversified trading portfolios. This discourages banks from engaging in diversified risk-taking and reduces their capacity to provide liquidity and risk management services.

SIFMA recommends that the Agencies provide greater diversification recognition in the FRTB, supported by robust modeling and current market data, to ensure capital charges accurately reflect portfolio risk and promote prudent, diversified trading practices.

³ <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20230727a.htm>



Reflection of Cross-Product Netting and Cross-Margining

Cross-product netting allows banks to offset exposures across multiple derivatives and securities, significantly reducing the overall risk profile and required collateral.

Similarly, cross-margining streamlines collateral management by permitting a single pool of collateral to cover exposures from different products, improving operational efficiency and reducing systemic risk. SIFMA emphasizes that these mechanisms are crucial for efficient collateral management and risk mitigation, particularly in the U.S. Treasury market, where banks and institutional investors rely on multi-product strategies to facilitate trading and hedging.⁴ Efficient netting and margining are foundational for reducing systemic risk and ensuring that Treasury markets remain robust and resilient, supporting broader financial stability and the functioning of the U.S. capital markets.

SIFMA urges the Agencies to fully incorporate these arrangements, supported by empirical evidence and industry best practices, enabling large banking organizations to serve their clients more effectively, promote market stability, optimize capital allocation, and safeguard the liquidity and stability of the U.S. Treasury markets.

Exemption of Derivatives with Commercial End Users from CVA Capital Requirements

SIFMA advocates for the exemption of derivatives transactions with commercial end users from Credit Valuation Adjustment (“CVA”) capital requirements. The 2026 Proposals maintain CVA charges for these transactions, despite evidence that commercial end users engage in derivatives primarily for hedging operational risks, not speculation. Imposing CVA capital charges could hinder their access to risk management tools and increase costs for businesses managing exposures to interest rates, commodity prices, and foreign exchange.

SIFMA recommends a targeted CVA exemption to ensure the continued availability of essential hedging instruments for commercial entities, safeguarding their ability to manage financial risks and promoting broader economic resilience. By aligning CVA capital treatment with established precedents such as the Dodd-Frank Act exemptions and SA-CCR’s preferential approach, regulators can ensure consistency in policy objectives and foster a stable environment where commercial end users retain access to critical risk management tools without disproportionate regulatory burdens.

Tailoring Capital Requirements to Systemic Risk Profiles

S.2155, the *Economic Growth, Regulatory Relief, and Consumer Protection Act* (2018), significantly "tailored" banking regulations to provide targeted relief to regional banking organizations, eases stress test requirements, and modifies regulatory burdens on smaller financial institutions.⁵ As a result, capital requirements should be tailored to a banking organization’s systemic risk profile, ensuring proportionality and avoiding undue burdens on low-risk institutions.

⁴ <https://www.sifma.org/news/blog/enhancing-capital-efficiency-recognize-cross-product-netting-in-us-prudential-capital-rules>

⁵ <https://www.congress.gov/bill/115th-congress/senate-bill/2155>



SIFMA urges the adoption of risk-sensitive thresholds and graduated requirements, reflecting the diverse risk profiles across the industry.

In conclusion, SIFMA stands ready to collaborate with policymakers, including Congress, to advance these priorities and ensure the effective implementation of the 2026 Proposals. By embracing these recommendations, policymakers can promote a regulatory environment that encourages responsible risk management, supports innovation in financial products and services, and safeguards the interests of both market participants and the broader economy.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Bentsen Jr.", written in a cursive style.

Kenneth Bentsen Jr.
President and CEO
SIFMA