

# Banking groups score a major victory against the capital rules proposal

Article

**The news:** Federal Reserve Chair Jerome Powell anticipates **big changes to the controversial capital requirements proposal** his office issued last July. The Fed's move follows widespread criticism about the measure's potential impacts on the economy, per Banking Dive.

**How we got here:** During the initial public comment period, banking and industry groups ran strong advocacy campaigns against the proposed rules, citing concerns over small business capital needs and greater economic impacts.

- The Federal Reserve, Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) then extended the comment period from October to January 2024 and promised to perform an impact analysis.
- **Powell said he expects “broad and material changes,”** acknowledging he’s never seen a proposal meet with this much dissent.

**What’s changing:** Reuters reported that Federal Reserve Vice Chairman Michael Barr will rewrite the rules.

- Right now, the regulator is focused on analyzing commentary and data from banks about the original proposal’s impacts.
- However, **the weighting of lending risks will likely be changed.** Barr said he’s also **considering changes to how operational risks are calculated.**

The regulator hasn’t said whether it would re-propose the rule with amendments, or withdraw the current version and submit a new one.

**What this means for banks:** Either way, banks will likely get another opportunity to submit comments about the updated rule.

- **And the regulators’ revamp showed that lobbying does cause them to reconsider.**

Bank lobbying expenditures are at their highest point since 2015, per Reuters, and victories like this one may encourage this kind of budgeting strategy moving forward.

**What’s next?** Separately, the New York Times warned banks to expect new rules aimed at addressing liquidity issues that contributed to last year’s bank runs.

- It’s unclear whether this not-yet-released proposal will overlap with the revised capital rules, but EMARKETER will be watching all of these moving parts closely.

## Top Economic Concerns Over the Next 12 Months Among US SMBs, Aug 2023

% of respondents

Inflation	78%
US political environment	67%
Interest rates	65%
Commodities prices	63%
Recession	60%
Healthcare costs	58%
Strength of the US dollar	58%
US/global stock market	52%
Consumer spending	51%
Supply chain	51%
Corporate tax rates	48%
Climate change	46%
Labor shortages/hiring challenges	40%
Credit availability	38%
\$15 federal minimum wage	35%
Social/racial inequality	35%

Source: Bank of America, "2023 Women & Minority Business Owner Spotlight" conducted by Ipsos, Oct 4, 2023

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