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June 18, 2026

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

**Re: Joint OCC, Federal Reserve System, and FDIC Proposed Regulatory Capital Rules
Docket IDs: OCC-2026-0265 and OCC-2026-0034**

Dear Sir/Madam:

BAFT (Bankers Association for Finance and Trade) welcomes the opportunity to respond to the banking agencies' Notices of Proposed Rulemaking proposing reforms to the regulatory capital Rules for U.S. based banks (i.e. an Expanded Risk-based Approach proposal and a Standardized Approach proposal; collectively, "the proposals.")¹

BAFT is an international financial services industry association whose membership includes U.S. banks which range in asset size from GSIBs to banks with less than \$200 billion in assets, as well as a broad range of other financial institutions throughout the global community, many of which also operate within the United States. As a worldwide forum for analysis, discussion, and advocacy in international financial services, BAFT member banks provide leadership to build consensus in preserving the safe and efficient conduct of the financial system worldwide. BAFT closely monitors the impact that new regulatory initiatives could have on the provision of trade financing and payment services that support real economic commerce in the United States and globally.

¹ See Notice of Proposed Rulemaking Federal Register, Vol. 91, No. 59 14952 (March 27, 2026) and Notice of Proposed Rulemaking, Federal Register, Vol. 91, No. 59, 15332 (March 27, 2026)

To that end, our comments and recommendations are focused on the impact of the proposed changes on trade finance and transaction banking. BAFT supports the direction of the proposed changes and in particular the intent to improve the calibration and risk sensitivity of risk weights that are particularly material to the affected banking organizations and the adjustments designed to simplify core components of the design of the regulatory capital framework. We are concerned, however, that the proposals may have unintended consequences that could negatively affect the availability of credit and liquidity supporting international commerce conducted by U.S. companies as a result of either inappropriate calibration or a lack of consideration of calibration for demonstrable low-risk trade finance products. Specifically, trade finance, which consists primarily of short-term, self-liquidating instruments, does not serve as a source of leverage and is vital to the settlement of international commerce involving hundreds of thousands of U.S. companies. Right sizing the treatment of trade finance products will ultimately help strengthen the U.S. dollar and strengthen the U.S.'s position as the leader in trade in the world while maintaining appropriate safety and soundness guardrails. To that end we recommend consideration of the following amendments to the proposed rules:

1. **Definition of “Commitment”:** Maintain the current definition and the status quo of the treatment of Supply Chain Finance programs under the current rules that will help to support the needs of businesses without increasing the risk for banks that host these supply chain finance programs.
2. **Credit Conversion Factor:** Appropriately calibrate the treatment of Credit Conversion Factor (“CCF”) values to be more consistent with the actual CCF values that reflect the true risk of various trade products.
3. **Tenor for Trade Instruments:** Expand the short-term risk weight to extend the tenor to 6 months and include both unfunded and funded trade-related exposures.
4. **Risk weights for Bank Exposures:** Either retain the current 20% risk weight for the well-capitalized banks or revise the qualifying criteria for a 30% risk weight to include well-capitalized banks.
5. **Defaulted Exposures:** Trade settlements greater than 90 days should be carved out of the defaulted exposures where the delay is for operational, not credit reasons. The defaulted exposure regarding 90 days past due exposures should be limited to cases where it is material.
6. **Operational Risk:** Revise the operational risk framework particularly as it applies to fee heavy businesses.
7. **Credit Insurance Risk Transfer:** Equalize the competitive conditions for US companies regarding credit insurance risk transfer

Trade as an Engine for Economic Growth:

Trade finance plays a crucial role in the U.S. economy, providing the necessary funding and risk mitigation tools for U.S. businesses engaged in selling U.S. goods and services overseas and sourcing inputs, finished goods and services on behalf of U.S. consumers. Trade finance supports roughly 40% of the \$25.3 trillion in global merchandise trade and \$6.8 trillion in services trade.² There is an estimated \$2.5 trillion in unmet demand for trade finance, with small and medium sized businesses (SMEs), which are critical to global supply chains, being the most significantly impacted.³ Nonetheless as a result of the

² World Trade Organization, [Global trade Outlook and Statistics](#), April 2023

³ Asian Development Bank, [2023 Trade Finance Gaps, Growth and Jobs Survey](#), September 2023

proposed capital rules, the changes would make trade finance more expensive and will constrain the availability of credit.

For a variety of reasons, trade finance should not only be preserved for its role in the U.S. economy, but also the risk sensitivity of the capital standards should be appropriately and proportionately calibrated to encourage competitiveness and promote economic growth, consistent with U.S. “America First” trade policy. The following demonstrate the potential for trade as an engine for economic growth:

1. **Facilitating International Trade:** Trade finance provides the necessary funding and tools for U.S. businesses to engage in international trade. It allows them to buy and sell goods and services across borders, expanding their market reach and revenue potential.
2. **Boosting Exports:** Exporting is a significant driver of economic growth in the United States. Trade finance helps American exporters secure orders and manage the risks of cross-border transactions thereby assuring prompt payment, making it easier for them to compete in global markets. This, in turn, supports job creation⁴ and economic prosperity.
3. **Supporting Small and Medium-Sized Enterprises (SMEs):** SMEs make up a substantial portion of the U.S. economy⁵. Trade finance can be particularly vital for small businesses, as it enables them to participate in international trade by mitigating risks and providing accelerated access to working capital.
4. **Risk Mitigation:** International trade carries inherent risks such as currency fluctuations, political instability, and non-payment by foreign buyers. Trade finance instruments, like letters of credit, standby letters of credit, guarantees and export credit insurance help mitigate these risks, giving U.S. businesses more confidence to participate in international transactions.
5. **Supply Chain Efficiency:** Trade finance optimizes supply chain management by ensuring the timely movement of goods/services from suppliers to buyers. This efficiency can lead to cost savings and better inventory management for U.S. companies.
6. **Economic Growth:** A robust trade finance system contributes to economic growth by increasing the volume of trade and attracting foreign investment. It also supports the development of related industries such as logistics, shipping, and financial services.
7. **Access to Capital:** Trade finance provides businesses with access to working capital and liquidity. This capital can be essential for financing the production, purchase and transportation of goods, especially for companies involved in international trade.
8. **Maintaining Competitiveness:** In a globalized economy, U.S. businesses must remain competitive with similar companies from other countries vying for the same business. Trade finance enables them to offer competitive terms to international buyers and maintain or grow their market share.
9. **Job Creation:** The availability of trade finance can lead to job creation in various sectors including manufacturing, agriculture, and services. As businesses expand their international operations, they often hire additional workers to meet increased demand.

⁴ Per the International Trade Administration the number of jobs supported by exports were almost 9.8 million in 2023. See Jobs Supported by Exports 2023: An Update, International Trade Administration (March 2026) available at https://www.trade.gov/sites/default/files/2026-03/Jobs%20Supported%20by%20Exports%20in%202023_0.pdf?v=1781717793330.

⁵ Per the Small Business Administration, 99.9 percent of businesses are small, employing 62.3 million people, with economic activity making up 43.5 percent of GDP. See Frequently Asked Questions About Small Business 2026, U.S. Small Business Administration available at <https://advocacy.sba.gov/2026/02/03/frequently-asked-questions-about-small-business-2026/>.

10. **Economic Stability:** A vibrant trade finance sector contributes to economic stability by reducing the risks associated with international trade and ensuring that transactions are conducted smoothly. This stability is essential for the overall health of the U.S. economy.

Regulated financial institutions — primarily banks, still facilitate the majority of traditional trade finance today, including Documentary Letters of Credit, Documentary Collections, Standby and Guarantee products, and loans or risk mitigation solutions derived from these various instruments. Proper calibration of the risk sensitivity of these items in the proposed rulemakings will further encourage competitiveness and promote economic growth, consistent with U.S. trade policy.

Exhibit “A”, attached hereto is data from the ICC Trade Register that presents a global view of the credit risk profiles of trade finance, supply chain finance and export finance transactions. The charts demonstrate extremely low default rate trends, the extended default rates by product, and the summary of expected loss rates.

We therefore urge adoption of the following changes:

1. Definition of “Commitment”

The current capital rule defines a commitment as “any legally binding arrangement that obligates” a banking organization to extend credit or purchase assets. The proposals significantly expand the definition of “commitment” to encompass any contractual arrangement under which a banking organization and “an obligor agree to the terms applicable to one or more future extensions of credit, purchases of assets, or issuances of credit substitutes...whether or not the arrangement is unconditionally cancelable.”⁶

A large impact of this reworked applicability of “commitments” (the “Proposed Definition”) would be on the Category I and Category II banks that are subject to the Expanded Risk-based Approach, as well as the banks that opt in to use it. The Expanded Risk-based Approach proposal would require banks to hold 10% capital against unconditionally cancelable commitments. The proposed definition for a “commitment” may capture an infinite universe of finance-related contracts where banks have contractually agreed with customers that they will extend credit or buy assets at some future point in their sole discretion. Notably it could scope in scenarios where banks have no *legal obligation* to extend credit or buy assets at some point in the future. To name just a few that are trade finance products: supply chain finance (“SCF”) programs discussed below, receivables financing (factoring), uncommitted standby letter of credit facilities and funding participations of trade assets between banks which are most always uncommitted.

SCF programs should fall outside of the parameters of the Proposed Definition. Not only are these programs almost never committed, there is typically no dedicated credit line or dollar amount limit included in the relevant SCF documentation between the parties. However, if the regulators interpret the Proposed Definition as broad enough to encompass SCF programs they should be deliberately excluded from scope as low-risk programs not requiring that upfront capital be held. Category I banks (which would be mandatorily subject to Expanded Risk-based Approach) are the very banks that host

⁶ See Notice of Proposed Rulemaking Federal Register, Vol. 91, No. 59 14952 (March 27, 2026) at 15272.

the vast majority of these programs. These large banks all host robust, successful and ever-expanding supply chain finance programs that have been in place for a number of years.

In the typical supply chain finance structure, the bank contracts with its customer who is a buyer of goods and services to pay the customer's suppliers on outstanding approved invoices for goods and services sold. This is a working capital solution where the buyer enjoys extended payment terms and the supplier gets paid on an accelerated basis. The buyer conserves cash and the supplier gets cash faster.

Specifically, here is how SCF programs work. The bank separately contracts with each supplier to buy buyer-approved invoices (or trade assets arising from the invoices such as receivables or bills of exchange) at a discounted purchase price on an early pay basis. The discount is calculated based on a combination of the time value of money (given early pay) and a bank fee. There are some SCF structures where invoices are not purchased; instead, the bank pays the supplier on the relevant invoice and those invoices are thereby extinguished. Some view the "extinguishment" structure as an extension of credit by the bank to the buyer because there are usually stricter contractual repayment terms (the "irrevocable payment undertaking") in the buyer agreement that can be "loan like" than is the case in the trade asset sale structure. In this structure, a bank has no recourse at all to the supplier, does not own anything, and is exclusively dependent on the buyer for repayment.

However, any purchase of trade assets or extinguishment of invoice/invoice related rights is solely at the discretion of the bank. This means that the bank has signed contracts with both buyer and its suppliers to buy assets/extend credit at any point in time after contract-signing but has no obligation to do so. The reason SCF programs may fall under the proposed definition of "commitment" is because they contain the terms applicable to one or more future purchases of assets or extensions of credit even if there is no current firm commitment by the bank to extend credit or make purchases, and both the bank and the customer may need to take extra steps for the commitment to become formalized.

For example, in the receivables or bills of exchange purchase documentation, there are provisions that explain the mechanics of how a supplier will offer a receivable or bill of exchange for sale to the bank and how the bank may accept that offer, if it chooses to do so in its sole discretion. Offers and acceptances of purchases of trade assets may occur over time, periodically. Sometimes receivables are purchased on a daily basis over the bank's platform. The way the receivables/bills of exchange purchase documentation is typically drafted is that the bank accepts a purchase offer by paying the purchase price for the relevant trade asset into the supplier's bank account. The documentation contains a definition of "purchase price" and the computation of the purchase price (including relevant interest rate) but there are no actual dollar amounts in the documentation. If the bank chooses not to buy the trade asset, it will deposit the full face amount of the trade asset in the supplier's bank account on or before the relevant due date, acting solely as a paying agent for the buyer and not going out of pocket for anything. In the "extinguish structure" the extension of credit is embodied in the loan like structure of the documentation and the longer payment terms.

SCF programs are overwhelmingly popular and play a vital role in boosting US and global trade transactions and volumes. U.S. buyers often benefit from enhanced liquidity from the arrangement and favorable off-balance sheet treatment: in many cases the underlying invoice payment terms get extended by mutual agreement of the buyer and the supplier, so the buyer pays the invoice later (and likewise, the supplier gets paid early but at a discount). This means that suppliers also enjoy increased liquidity by being paid a lot faster. While tenors on invoices underpinning supply chain finance

programs are generally short – less than one year and in most cases 180 days or less – in these programs the banks often pay suppliers on net 30-day terms or even sooner. What this shows is that the low risk/self-liquidating nature does not warrant a bank having to hold upfront capital for this type of transaction. Also, the pricing on supply chain finance programs given they are uncommitted is generally cheaper and more attractive to SCF program buyers and suppliers than committed facilities of any kind. As such, supply chain finance programs involve hundreds of thousands of US companies and consist primarily of a series of short-term transactions that are self-liquidating and do not serve as a source of leverage. However, supply chain finance programs are not big revenue-generators for the banks that host them for the very reason that supply chain finance offers a cheaper form of financing resulting in less profit for the bank. Any slim profit that banks gain from supply chain finance purchases or financing in the form of the discount would be outweighed by the new 10% capital set-aside requirement.

In light of the narrow margins, if the Proposed Definition is adopted, these popular SCF programs would undoubtedly be less attractive for banks to offer. Supply chain finance programs would become less available to those desiring these products and services. U.S. anchored supply chains would be disadvantaged relative to other countries where SCF programs are not subject to these restrictions. Fragile economics would likely lead to a wind-down and potential disappearance of existing supply chain finance programs or they would become much more expensive for all parties involved. The casualties would be corporate buyers losing access to a cheap form of financing that significantly enhances their working capital positions and enables them to grow and expand their trading relationships over time. Many of the current supply chain finance programs have been in place for more than a decade and have successfully fueled significant growth and global reach of participating supply chain finance buyers' supply chains.

Generally speaking, these programs carry low risk due to the short term, self-liquidating nature of the transactions and assets; and historically, as a general rule, supply chain finance programs have enjoyed low default rates (see Exhibit "A"). The Category I banks that host these programs are generally sophisticated and discerning when it comes to buyer customer selection and monitoring which are significant factors contributing to the low default rates. Because banks maintain wide funding discretion, a bank can wind down and exit an SCF program at any time. Therefore, we urge maintaining the status quo of the treatment under the current rules that will help to support the needs of businesses without increasing the risk for the Category I banks that dominate the market in hosting these SCF programs.

2. Credit Conversion Factor

We appreciate that the proposals seek to maintain the current capital treatment of key trade finance products as part of the U.S. implementation of the international Basel III capital standards. These changes will help the US remain competitive with other countries who have adopted similar standards.

Trade-related contingent instruments with a maturity of one year or less would retain a 20% credit conversion factor (CCF). This makes sense, given the historically low risk nature of trade transactions. One year financing, all-in, matches the economics and cash flows for the majority of trade transactions.

However, capital goods such as heavy machinery, aircraft, and/or industrial equipment which have a long useful life and generate value over many years will continue to be penalized under the one-year maturity approach. These products are costly and limiting financing to a single year places a borrower at risk of having higher rates and/or difficulty rolling over the financing each year. The agencies should provide a

longer all-in financing period of at least 3 years for these assets. For reference, we understand that in the UK, off-balance sheet trade finance products have a CCF of 20% regardless of maturity⁷. Likewise, the European Union also provided some types of relief for performance issuances⁸:

- a. *Letters of Indemnity (LOI)* - Letters of Indemnity (“LOI”) are used to support trade movements in one of two ways:
 1. Steamship Guarantees – When original bills of lading (“B/L”) are lost in the mail or have not yet made their way through banking channels, steamship carriers require a bank to issue or co-sign this LOI type to support the release of goods to a consignee (bank client such as a letter of credit buyer/applicant) without immediately producing an original (B/L). This allows USA companies to avoid paying demurrage charges which can be considerable. Demurrage charges are the fees paid for keeping containers, cargo, etc. beyond the time allowed by a carrier to retrieve the delivered items at a port of discharge; and
 2. LOI for Missing Original Documents - Often, for energy shipments, cargos often move faster than paperwork, especially when a chain sale occurs. This form of LOI is issued or counter-signed by a bank and is promising that its seller client will provide the buyer with the original documents as soon as they become available. When needed, these LOI’s are supporting individual sales. We are seeking inclusion in the 20% CCF verses the “other” contingent liability category.
- b. *Committed lines of credit* – where a bank guarantees a set amount of funds to a borrower for a specified period and which can only be rescinded for limited reasons defined in the contract does not have a clear category. This should not be less capital intensive versus Performance and/or financial SBLCs. As such, committed lines of credit should receive a 20% CCF.
- c. *Risk Participations* - We further seek appropriate treatment for risk participations to be included in the 20% CCF as the “other contingent liability” category. A risk participation is an indemnity provided by a participating bank to an originating bank for a loan or letter of credit. While the participant assumes a share of the credit risk of the underlying obligor, the originating bank is only receiving a possible credit substitution to replace the risk weight of the underlying obligor with that of the participant for the portion participated when the general credit risk mitigation is and guarantee/substitution framework are met. The participant holds capital as if it had taken a guarantee exposure tied to the LC’s underlying risk while the originator is not reducing its position. Thus, treatment under the “other contingent liability” category is appropriate.

⁷ See Bank of England, Prudential Regulatory Authority PS9/24 – Implementation of the Basel 3.1 standards.

⁸ See Council of the European Union available at <https://data.consilium.europa.eu/doc/document/ST-15883-2023-INIT/en/pdf>. Trade finance off-balance sheet items: - - warranties, including tender and performance bonds and associated advance payment and retention guarantees, and guarantees not having the character of credit substitutes; irrevocable standby letters of credit not having the character of credit substitutes; - Short-term, self-liquidating trade letters of credit arising from the movement of goods, in particular documentary credits collateralized by the underlying shipment, in case of an issuing institution or a confirming institution;

d. Response to Questions on Credit Conversion Factors:

What additional factors, if any, should the agencies consider for determining the applicable credit conversion factors for commitments? (Question 31 in the Expanded Risk-Based Approach proposal and Question 15 in the Standardized Approach proposal)

The agencies propose to align with Basel III international standard and apply a 50% CCF for performance guarantees (bid, performance, associated advance payment and retention bonds) and guarantees not having the characteristics of direct credit substitutes. There is an opportunity to update CCF values to better reflect the actual CCF values for the range of performance guarantees. The 50% CCF value was calibrated by the Basel Committee in the 1980s and, in the light of the empirical data presented since then, CCF values globally should be lowered to 20%. Under UK Basel 3.1, performance guarantees receive 20% CCF.

The continuation of the 50% CCF (instead of the BAFT proposed 20% CCF) means that a U.S. bank will be subject to a capital charge that is 150 % higher than an EU bank, and a US corporate will be at a cost disadvantage to an EU corporate. Available data covering both performing, and defaulted, performance guarantees can demonstrate appropriate consideration for lowering the CCF to 20%. BAFT believes the long-run empirical data will likely show a ~10% CCF draw rates.

The agencies should change CCF for performance to 20% for the purposes of desirable policy outcomes such as assuring market access to guarantee products and the economic development impacts. For reference, the EU originally proposed a 50% CCF for these exposures, but after assessing industry feedback and supporting data, revised the CCF to 20%.⁹

3. Tenor for Trade Instruments

BAFT recommends expansion of the short-term risk weight to extend the tenor to 6 months and include both unfunded and funded trade-related exposures. In contrast to the recommendations of the BCBS as well as the EBA and United Kingdom's Prudential Regulatory Authority ("PRA"), which propose that risk weights for exposures to banks receive lower risk weights (dependent on credit assessment buckets) for maturities six months or less in regards to trade-related exposures, the proposals included a 3-month ceiling. Further, the proposals restrict the preferential risk weight treatment to trade-related contingent exposure, whereas BCBS standards and the aforementioned regulatory bodies make no distinction.

While BCBS standards and the proposals recommend a 20% CCF for "self-liquidating trade-related contingent items that arise from the movement of goods, with an original maturity of one year or less", other regulators (e.g. PRA) have employed national discretion to include a wider range of trade-related off balance sheet exposures, including applicable performance standby letters of credits and bank guarantees, and remove any tenor restrictions in regards to the application of the 20% CCF. BAFT is asking the agencies to align with this approach and to expand the definition of trade – related exposures, see "Credit Conversion Factor" section, and to remove the tenor restriction to foster competitive balance for U.S. banks with international peers.

⁹ See Article 111 and Article 166 of the Capital Requirements Regulation where a CCF of 20% is assigned for medium-low risk items specified in Annex 1 of the CRR (warranties, including tender and performance bonds and associated advance payment and retention guarantees, and guarantees not having the character of credit substitutes) *available at* <https://www.eba.europa.eu/regulation-and-policy/single-rulebook/interactive-single-rulebook/12674>.

4. Risk Weights for Bank Exposures

The Expanded Risk-based Approach proposal would increase the current 20% risk weights available to all depository institutions (banks) and replace it with an increasingly higher risk weight, starting with 30% for “highly capitalized” banks, 40% for other well-capitalized banks, 75% for speculative grade/ or adequately capitalized firms and the 150% risk weight for the less than well capitalized banks.¹⁰ The first category would effectively create a separate set of “highly capitalized” firms – in many cases above and beyond what is needed to be well-capitalized under U.S. capital rules and immediately disadvantage firms that are more than well-capitalized under the U.S. capital rules but are not holding a 14% CET capital ratio.

In general, the proposed 40% risk weight for well-capitalized banks doubles the current standard and does not offer much explanation as to why it is necessary. In addition, the proposed 30% and 40% risk weights for well-capitalized banks in the U.S. would disadvantage all U.S. banks as compared to other jurisdictions where external ratings are permitted and where such banks could potentially qualify for a 20% risk weight.

The agencies should either retain the current 20% risk weight for the well-capitalized banks or revise the qualifying criteria for a 30% risk weight to include well-capitalized banks, under the applicable requirements. For example, if a bank is well-capitalized under the PCA framework, and meets other qualifying criteria, it may receive 30% risk weight.

5. Defaulted Exposures

Trade settlements greater than 90 days should be carved out of the defaulted exposures where the delay is for operational, not credit reasons. The defaulted exposure regarding 90 days past due exposures should be limited to cases where it is material. This is particularly significant for supply chain finance. Commercial disputes, not related to credit issues, also cause defaults. However, industry data globally confirms that trade products defaults are very low risk and banks’ historical data shows that corporations try to work through their trade business even where they are having financial difficulties. The proposed use of “any” credit exposure, even to obligors outside of the individual financial institution, is not practical.

Trade products do not generally represent borrowed money from a bank so each situation must be governed by its agreements and procedures. For trade settlement, parties must adhere to the legal framework and specific individual agreement provisions. Banks are not privy to individual agreements between its clients and their counterparties. Defaulting on a bank’s borrowing facility triggers actions based on the agreement (e.g. obtaining collateral, etc.) and a bank’s procedures. A client’s defaults relative to commercial disputes: e.g. a structure is not built to code or contracted specification, or the quality of merchandise ordered is not to the contracted specifications is outside of banking expertise and will only increase operational costs applied to client monitoring. The same reasoning applied to the Fed limiting USA banks from entering into Surety Guarantees with its clients should be applied here as banks are in no position to determine who is correct in a commercial dispute.

¹⁰ As a practical matter, the last 2 categories would probably not be used frequently because a firm that is adequately or less than adequately capitalized may not be an attractive counterparty or have a long-term business viability.

6. Operational Risk

The Expanded Risk-based Approach proposal would include an operational risk component that firms would need to hold capital for. Trade finance features a number of fee-based activities that can best be described as high volume, low margin revenues such as letter of credit advising fees, amendment fees, negotiation fees, amendment fees etc. On a combined basis, these trade-related fees comprise no more than 4% of the total bank-wide fees that our largest bank members earn. Actual losses from these trade-based fees are next to zero.

Operational fees are generally a cost-recovery mechanism. Most operational fees are designed primarily to recover the substantial costs associated with processing paper and managing a compliance infrastructure, sanctions screening, anti-money laundering controls, document examinations, cybersecurity and automation.

Operational fees should not be penalized as they help defray the costs of the extensive automation required to meet the heightened investigative and compliance expectations placed on banks that extend beyond the scope of the various trade finance products and any of their governing rules. Additionally, Trade Finance staff require ongoing training in product nuances and current investigation techniques. Taxing these fees creates a circular burden where Fed, OFAC and other government requirements are taxing banks for complying with their mandates.

7. Equalize competitive conditions for US companies regarding credit insurance risk transfer

Unlike other jurisdictions (e.g., UK, EU), banks do not get the full benefit of risk transfer when using credit insurance as part of trade finance lending. Under the current U.S. capital rules, banks can include treatment under current advanced approaches to their capital, however, those are subject to regulatory approval. The proposed approach virtually eliminates utilizing the benefit of risk transfer. This leads to relatively higher financing costs for U.S. companies, relative to their competitors in jurisdictions where credit insurance does receive the proper risk recognition. Under the Expanded Risk-based Approach proposal, the shift to the Standard Approach limiting the current Advanced Approaches, significantly impacts benefit of risk transfer and places U.S. banks at a competitive disadvantage¹¹.

If you need any further information, please feel free to contact me at +1 850-766-5699 or aprice@baft.org.

Sincerely,

/s/

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¹¹ See “eligible guarantee” and “eligible credit derivative” in 12 C.F.R. §§ 3.2; 217.2; 324.2.

EXHIBIT “A”

The ICC Trade Register draws on data from numerous trade finance and export finance banks – including more than 47 million global trade finance and export finance transactions with exposures in excess of \$23 trillion. The ICC Trade Register presents a global view of the credit risk profiles of trade finance, supply chain finance and export finance transactions. The below information demonstrates the extremely low default rate trends as well as the extended default rates by product.

Overview | Extended Default rates by product (2008-2024)

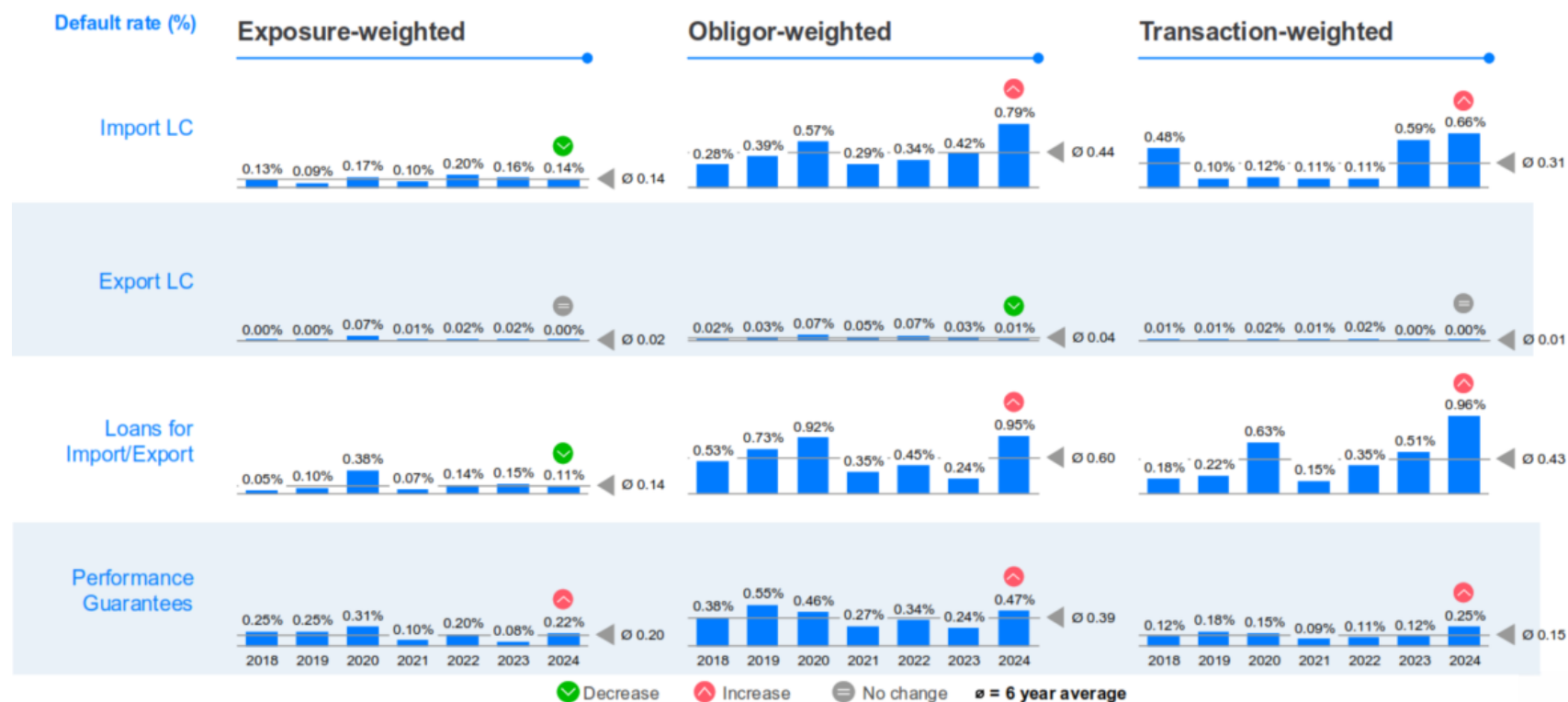
Total volumes and default rates by product and weighting (2008-2024)

Exposures			Defaulting Exposure (USD K)	Exposure-weighted default rate (%)
	Import L/C	5,840,386,025	6,257,487	0.11%
	Export L/C	3,254,481,040	756,523	0.02%
	Loans for Import/Export	11,361,345,228	18,880,218	0.17%
	Performance Guarantees	4,815,565,985	10,552,539	0.22%
	Total	25,271,778,278	36,446,766	0.14%

Obligors			Defaulting Obligors	Obligor-weighted default rate (%)
	Import L/C	352,600	1,439	0.41%
	Export L/C	246,947	110	0.04%
	Loans for Import/Export	530,782	3,593	0.68%
	Performance Guarantees	716,814	3,061	0.43%
	Total	1,763,103	7,696	0.44%

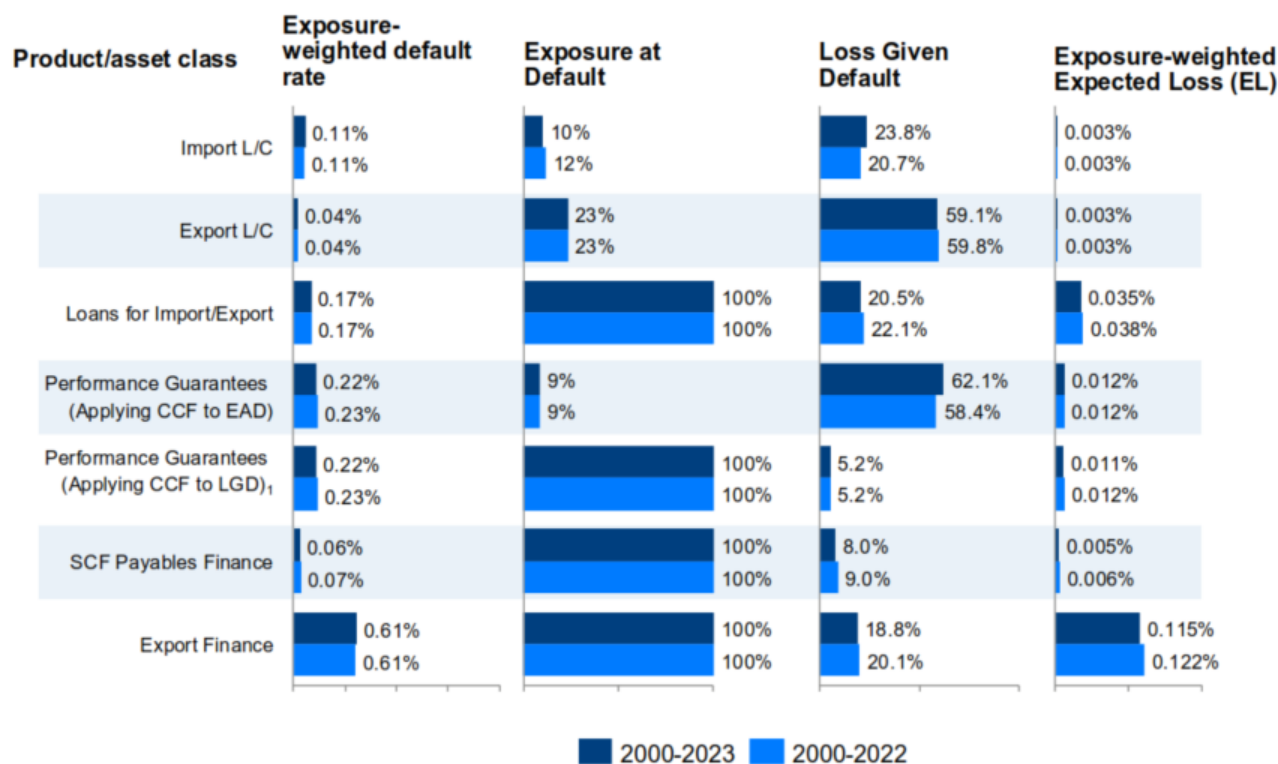
Transactions			Defaulting Transactions	Transaction-weighted default rate (%)
	Import L/C	10,220,912	21,847	0.21%
	Export L/C	3,528,335	341	0.01%
	Loans for Import/Export	21,078,912	61,495	0.29%
	Performance Guarantees	7,985,053	12,425	0.16%
	Total	41,150,138	85,438	0.21%

ICC Trade Register | Summary of default rate trends for trade finance (2015-2024)



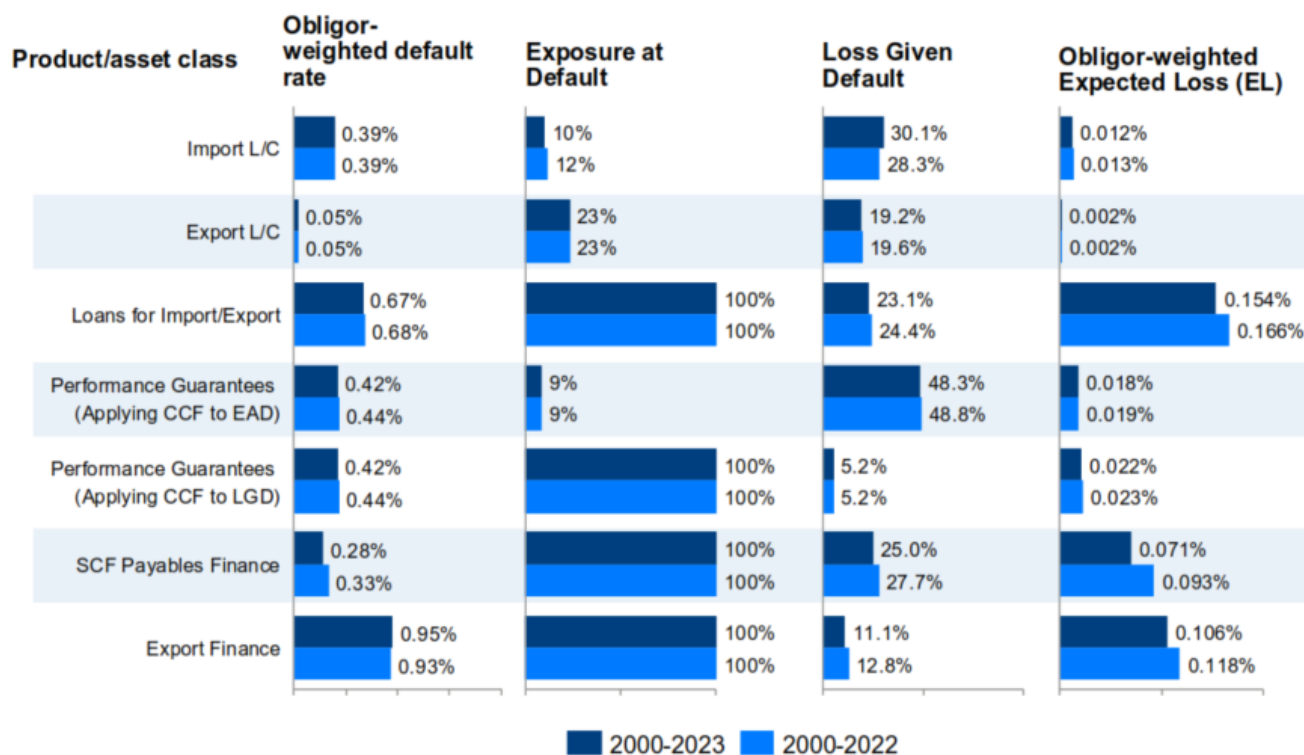
Source: ICC Trade Register 2025; Note: All exposures in USD \$

LGD | Summary of Expected Loss rates for Trade, SCF Payables, and Export Finance products, 2000-2023 - **exposure weighted**



1. Not exposure weighted, facility weighted retained for contextualisation; Note: Default rates are averaged over 2008-2023 for trade finance, 2017-2023 for supply chain finance, and 2007-2023 for export finance; Source: ICC Trade Register 2025

LGD | Summary of Expected Loss rates for Trade, SCF Payables, and Export Finance products, 2000-2023 - **obligor weighted**



Note: Default rates are averaged over 2008-2023 for trade finance, 2017-2023 for supply chain finance, and 2007-2023 for export finance
Source: ICC Trade Register 2025