INSTITUTE OF INTERNATIONAL BANKERS

299 Park Avenue, 17th Floor
New York, N.Y. 10171
Telephone: (212) 421-1611
www.iib.org

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BY ELECTRONIC SUBMISSION

Executive Secretary
Federal Financial Institutions Examination Council
3501 Fairfax Drive
Arlington, VA 22226-3550

Re: Comments on Proposed Revisions to Uniform Financial Institutions Rating System (Docket ID OCC-2026-0562)

The Institute of International Bankers ("IIB") respectfully submits this letter in connection with the Federal Financial Institutions Examination Council's ("FFIEC") proposed revisions to the Uniform Financial Institutions Rating System, commonly referred to as the CAMELS rating system (the "Proposal").[1]

The IIB represents the U.S. operations of internationally headquartered financial institutions ("international banks") from over 35 countries around the world.[2] The membership consists principally of international banks that operate branches, agencies, bank subsidiaries, and broker-dealer subsidiaries in the United States.[3] A significant number of IIB members have U.S. bank subsidiaries that are evaluated under the CAMELS rating system.

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1 Uniform Financial Institutions Rating System, 91 Fed. Reg. 29128 (May 19, 2026).

2 IIB members perform a vital role in providing credit to U.S. businesses, comprising the majority of U.S. primary dealers, and enhancing the depth and liquidity of U.S. financial markets. Between 2020 and 2024, the U.S. operations of international banks underwrote more than $11 trillion in U.S. financing representing more than 40% of the $28 trillion in U.S. financing raised in the same period, including 36% of issuance done by U.S.-headquartered companies. In 2023 alone, IIB members lent more than $1.3 trillion to U.S. companies, including over $100 billion each to the technology and manufacturing sectors, supported more than $2.3 trillion in trade finance volumes and managed over $115 trillion in payments for U.S.-based companies or subsidiaries. As such, international banks have been, and will continue to be, vital contributors to the U.S. economy and financial system, serving as an important conduit directing international funding to the United States and facilitating cross-border payment and settlement activity. *See* Press Release, New IIB Study Shows Vital Role of International Banks in U.S. Economy (Nov. 21, 2024), *availabl*e *here*. The study referenced in the Press Release is *available here*.

3 Most of our members qualify as "foreign banking organizations" ("FBOs") that are subject to the Bank Holding Company Act of 1956, as amended ("BHCA"), either directly by virtue of a U.S. bank subsidiary or pursuant to the International Banking Act of 1978 ("IBA") and the Federal Reserve Board's ("FRB") Regulation K. *See* 12 U.S.C. § 3108; 12 C.F.R. § 211.21(o).

The IIB strongly supports the FFIEC's work to revise the CAMELS rating system. If adopted as proposed, the Proposal would increase the transparency and predictability of the CAMELS rating system, appropriately refocus CAMELS ratings on those aspects of a bank's financial condition and risk profile that are most relevant to safety and soundness, and reduce the likelihood of ratings downgrades based on non-financial issues (e.g., documentation, procedures, or controls) that frequently cause a bank (and its holding company) to lose "well managed" status. Especially given the considerable implications of a loss of "well managed" status, including the imposition of enterprise-wide restrictions on non-banking activities and investments under Section 4(m) of the BHCA, the IIB views reforms to the CAMELS rating system as an urgent policy priority for the FFIEC and its member agencies.

The IIB also writes to address the continued need for changes to the ROCA rating system that applies to the U.S. branches and agencies of international banks. These changes are necessary to align the ROCA rating system with the proposed changes to CAMELS ratings and to ensure national treatment for international banks. ROCA ratings downgrades have the same negative consequences for international banks as CAMELS ratings downgrades have for domestic banks and their holding companies, and the rating systems merit equal attention and reform. We raised these issues in our letter to the FRB when it proposed revisions to its Large Financial Institution ("LFI") rating system in 2025,[4] and are taking this opportunity to raise these issues again in response to the Proposal, given the recurring themes in the LFI revisions and the Proposal and the fact that a number of FFIEC member agencies are involved in implementing the ROCA rating system.[5]

I. The ROCA Rating System Requires Reform to Parallel the Proposal's Approach to CAMELS

U.S. branches and agencies currently receive a composite ROCA rating, with component ratings for Risk Management, Operational Controls, Compliance, and Asset Quality. An international bank with more than one U.S. branch or agency also receives a combined ROCA rating for all its branch and agency offices on an aggregated basis.[6] These ratings are distinct from the CAMELS ratings for a subsidiary depository institution.

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4 *See* FRB, Revisions to the Large Financial Institution Rating System and Framework for the Supervision of Insurance Organizations, 90 Fed. Reg. 51329 (Nov. 17, 2025) (the "Final LFI Notice"); IIB, Comment Letter on FRB's Proposed Revisions to the Large Financial Institution Rating System (Aug. 14, 2025) (the "LFI Comment Letter"), *available here*.

Although the focus of this letter is on the ROCA rating system and its alignment with CAMELS, we continue to have similar concerns with the rating system the FRB applies to an FBO's combined U.S. operations ("CUSO"), which we raised in our LFI Comment Letter. Both the ROCA and CUSO rating systems are based overwhelmingly on non-financial risks, and CUSO rating downgrades have the same negative consequences for international banks as downgrades to ROCA ratings.

5 *See, e.g.*, FRB, Enhancements to the Interagency Program for Supervising the U.S. Operations of Foreign Banking Organizations, SR 00-14 (Oct. 23, 2000, revised Oct. 1, 2020), including Attachment ("SR 00-14"); Office of the Comptroller of the Currency ("OCC"), Comptroller's Handbook, Bank Supervision Process, "ROCA Rating System" (Sept. 2019); Federal Deposit Insurance Corporation ("FDIC"), Risk Management Manual of Examination Policies, Section 11.1 – International Banking (Oct. 2025).

6 *See, e.g.*, SR 00-14.

For an international bank that is an FBO to qualify as a financial holding company ("FHC"), it must be "well managed," which depends in part on having a "satisfactory" (i.e., 2 or better) composite ROCA rating.[7] This means that ROCA ratings play a pivotal role in defining "well managed" status for an international bank and, consequently, in matters such as being able to make acquisitions and investments in reliance on an international bank's status as an FHC.[8]

ROCA ratings are, with the exception of the Asset Quality component, focused on risk and controls, and in practice have been evaluated based on policies, procedures, and risk management infrastructure, and less on financial condition. The definitions of the ROCA components clearly illustrate how the focus of ROCA ratings is overwhelmingly on non-financial risks.[9] For example, under the current SR 00-14 standards, a Risk Management component rating of 3 requires only that the system be "lacking in some important measures," and an Operational Controls component rating of 3 requires only that the system be "lacking in some important respects."[10] Similar issues exist in the current CAMELS rating system; the Proposal would address these in part by requiring that deficiencies result in material financial risk to the institution or constitute significant noncompliance with laws and regulations before a Management component rating of 3 could be assigned.

Exacerbating the issue, deficiencies in a single component in the ROCA rating system can result in the downgrade of the composite ROCA rating, thereby resulting in an overall determination that an FBO is not "well managed." The FRB's guidance on ROCA ratings specifically indicates that a combined rating of 3 (which would result in the loss of "well managed" status) may be assigned when "risk management, operational controls, *or* compliance is *individually* viewed as unsatisfactory."[11] The current ROCA rating system therefore results in a disconnect between ratings and financial condition, similar to how the directive—which would be eliminated under the Proposal—in the current CAMELS rating system to give "special consideration" to the Management component when assigning the composite rating diminishes the importance of the components that more directly reflect financial condition.[12]

ROCA rating downgrades also have been subject to the same types of "double-counting" or cross-component contamination effects that have raised concerns with CAMELS and the FRB's LFI rating system.[13] If, for example, an examiner identifies a deficiency in a branch's

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7 12 C.F.R. § 225.90(c)(1). In addition, FRB staff have taken the position that an FBO must have a CUSO rating of 2 or better to be "well managed." *See* Final LFI Notice, 90 Fed. Reg. at 51336; FRB, Large Financial Institution Rating System, 83 Fed. Reg. 58724, 58727 (Nov. 21, 2018). For FBOs that have a depository institution subsidiary, the subsidiary also needs to be "well managed" with CAMELS composite and management ratings of 2 or better, and for FBOs with a bank holding company ("BHC") subsidiary, the BHC needs to be "well managed" under the applicable LFI/RFI system (and, by extension, an intermediate holding company needs to be "well managed" under the LFI system).

8 As noted above, we have similar concerns with the influence of the CUSO rating system on an FBO's "well managed" status, which were described in greater detail in our LFI Comment Letter.

9 *See* SR 00-14.

10 *Id.*, Attachment at 17-18.

11 *Id.*, Attachment at 14 (emphasis added).

12 Proposal, 91 Fed. Reg. at 29130.

13 *See* Jonathan V. Gould, Comptroller of the Currency, *Comptroller Statement on Proposed Revisions to the Uniform Financial Institutions Ratings System*, OCC (May 19, 2026), *available here*; Letter

anti-money laundering program (which could include a deficiency in its policies and procedures, training, or independent testing), this deficiency can in practice drive the "R," "O," and "C" components, leaving only the "A" rating as independently based on a consideration related to financial condition. This effect usually translates into a downgraded composite ROCA rating, even when it essentially involves a single compliance deficiency. Even the "A" rating is subject to this effect. Perceived weaknesses in a branch's credit risk management systems can result in a downgrade of all four component ratings, even when the branch's assets are performing and the branch is in sound financial condition.[14]

The implications of this "double-counting" effect, which leads to even greater emphasis on governance issues, are more acute for ROCA ratings than for other rating systems. This is because three-quarters of its components focus on governance and controls, compared to one-third in the LFI rating, and one-sixth in the CAMELS rating. The consequence is that a single governance issue could cause poor component ratings in more than half of the ROCA component ratings, without offsetting consideration of financial condition.

These two features of the ROCA rating system—excessive focus on non-financial risks/risk management, and the overweighing of non-financial considerations in determining the composite rating and resulting "well managed" status—have clear parallels to the issues that the Proposal seeks to address in the CAMELS rating system. We fully support the FFIEC's work to address these fundamental concerns for CAMELS. As a matter of priority and to ensure national treatment, the same policy judgments evident in the Proposal should also be applied to revise the ROCA rating system.

II. Specific Recommendations for Reform of ROCA

Consistent with the recommendations in our LFI Comment Letter, we recommend the following steps be taken by the appropriate agencies to implement consistent changes for ROCA ratings that improve transparency and ground those ratings in considerations of core safety and soundness, financial condition, and material financial risks.

1. At a minimum, the FRB, OCC, FDIC, and relevant state agencies should amend their supervisory and examination guidance applicable to ROCA ratings to remove the concept that any of Risk Management, Operational Controls, or Compliance viewed individually can result in an unsatisfactory composite rating.

2. The FRB, OCC, FDIC, and relevant state agencies should update relevant guidance regarding the Risk Management component of ROCA to clarify that the primary focus of the "R" component is the branch's management of material financial risks and branch resilience, including credit, market, funding, liquidity, and concentration risk. Governance, control, and process weaknesses should

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from Bank Policy Institute and American Bankers Association, *Revisions to the Large Financial Institution Rating System and Framework for the Supervision of Insurance Organizations (Docket No. OP-1868)* (Aug. 14, 2025), *available here*.

14 In preparing this comment letter, the IIB neither solicited nor received confidential supervisory information. The IIB received general feedback from members about FRB ratings, and in some cases suggestions from outside counsel based on experience with international bank ratings (but not including any bank-specific information).

influence the rating only to the extent they create material safety-and-soundness concerns, and the ratings impact of globally booked activity should be limited to the extent those activities create material risk to the U.S. branch's financial resilience, safety and soundness, or ability to meet its obligations. Refocusing the R component on material financial risk and resilience would help to rebalance the weighting of ROCA between financial and non-financial risks and align ROCA with the renewed focus on material financial risk in the Proposal.

3. In addition, the FFIEC should work with the FRB to reassess the entire international bank supervisory ratings model, including definitions and scope of ratings. Consistent with the Proposal's approach to CAMELS, the goals should be to (a) simplify the rating systems, (b) increase transparency and predictability, (c) adopt greater consistency across ratings systems applicable to international banks (including ROCA, CUSO, LFI/RFI, and CAMELS, as applicable), and (d) achieve a more balanced emphasis on financial risks and safety and soundness.

    - At a minimum, the component and composite rating definitions for ROCA should be amended to include a material financial risk threshold, so that ratings of 3 or worse require a demonstrated connection to material financial risk or significant noncompliance with laws and regulations.

    - The agencies should also consider combining two or more of the non-financial risk components into a single component, which would further rectify the overweighting of non-financial risks in ROCA, and bring ROCA more in line with CAMELS, where risk management, compliance, and many operational risk and control issues are addressed within the Management component.

The first and second changes can be accomplished through agency guidance and should be implemented as soon as possible. We recognize that the third suggestion would require additional time and consideration, including collaboration with relevant stakeholders. The IIB and its members would be pleased to meet with the staff of the FFIEC, FRB, and other appropriate agencies to discuss specific concerns that could be addressed as part of this recommendation.

III. Principles of National Treatment Compel Parallel Reforms to ROCA Ratings and the "Well Managed" Standard for International Banks

In addition to the proposed reforms above, in our LFI Comment Letter the IIB urged the FRB to propose and adopt changes to the way in which international banks that are FBOs are determined to be "well managed." The changes to CAMELS ratings set out in the Proposal, and the finalized changes to the LFI rating system, demonstrate that comparable reforms for ROCA ratings, and the resulting standards for determining an FBO's "well managed" status, are compelled by the long-standing principles of national treatment and equality of competitive opportunity for the U.S. operations of international banks, principles that have been enshrined in

U.S. banking law and policy for decades.[15] It would be inconsistent with national treatment if, under the Proposal, a U.S. banking organization could avoid a downgrade and retain "well managed" status notwithstanding risk management or controls deficiencies that do not create material financial risk (because such deficiencies generally would not warrant a Management component rating or composite CAMELS rating of 3 or worse), while an international bank would lose "well managed" status based on a downgrade in its composite ROCA rating based on a controls deficiency (the typical scenario for a ROCA rating downgrade).

In addition, for purposes of FHC status, which is arguably the most important implication of the "well managed" standard, the Gramm-Leach-Bliley Act amendments to the BHCA specifically require that the FRB apply "comparable capital and management standards to a foreign bank that operates a branch . . . in the United States giving due regard to the principle of national treatment and equality of competitive opportunity."[16] Thus, adopting changes to the "well managed" standard for FBO FHCs that are comparable to the changes in the Proposal and the revised LFI rating system is explicitly required by the BHCA for FBO FHCs.

In our LFI Comment Letter, we suggested principles for reform and further transparency around international bank "well managed" status. The IIB would welcome any proposal for comment that includes reforms to the ROCA rating system and how it is used to define "well managed" status, to align with the policy objectives outlined in the Proposal and the revised LFI rating system.

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We appreciate your consideration of our comments and would also appreciate the opportunity to discuss any of these recommendations, or any other matters related to international banks, at your convenience. If we can answer any questions or provide any further information, please contact me at 646-213-1149, swebster@iib.org.

Very truly yours,

Stephanie Webster
General Counsel

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[15] *See, e.g.*, IBA, Pub. L. No. 95-369, 92 Stat. 607 (1978) (codified at 12 U.S.C. § 3101 *et seq.*); S. Rep. No. 95-1073, at 2 (1978), *reprinted i*n 1978 U.S.C.C.A.N. 1421 (explaining that the guiding principle of the IBA is "the principle of parity of treatment between foreign and domestic banks in like circumstances"—i.e., "national treatment"); FRB, SR 08-09 (Oct. 16, 2008) (explaining that the IBA "introduced a policy of national treatment promoting competitive equality between FBOs operating in the United States and domestic banking organizations."). *See also, e.g.*, Section 165(b)(2)(A) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. § 5365(b)(2)(A) (requiring the FRB to "give due regard to the principle of national treatment and equality of competitive opportunity" when applying enhanced prudential standards to FBOs).

[16] Section 103 of the Gramm-Leach-Bliley Act of 1999, codified at 12 U.S.C. § 1843(l)(3). *See* 65 Fed. Reg. 3785, 3788 (Jan. 25, 2000) (interim rule); 66 Fed. Reg. 400, 408 (Jan. 3, 2001) (final rule).