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Guest Column:

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New Banking Rules Would Hurt Ohio Farmers and Manufacturers

COLUMBUS, OHIO – Businesses across Ohio need to be able to continue to grow by accessing affordable financing to drive innovation, hiring and investment in new equipment. Despite a challenging economy, federal bank regulators, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency have proposed new rules, known as Basel III Endgame, that could be the end game to Main Street Lending for Ohio’s small businesses.

On May 15 and 16, these federal regulators will testify before Congress on the new regulatory proposal that could hurt U.S. banks’ ability to serve businesses vital to many local economies like Ohio’s. The proposal could tighten the credit market, making it more difficult and expensive for businesses to secure loans and use other critical banking services. A recent U.S. Chamber survey of 300 treasurers and financial decision-makers revealed that 68 percent of business owners believe that a net increase in bank capital requirements could be detrimental to their businesses.

Earlier this year, I joined other business leaders from more than 100 state and local Chambers in a letter to the White House urging the Administration to reconsider the Basel III Endgame proposal. In our letter, we ask that policymakers refrain from advancing a rule that could hit the Buckeye State’s small businesses, like our farmers and manufacturers, the hardest.

For example, farmers often use derivatives to protect themselves from unexpected changes in the price of crops and livestock, like bad weather or other risks. According to the USDA, 50,000 farmers in the U.S. use futures and options to hedge commodity risk, and this tool is increasingly embraced by young farmers. These contracts help ensure the stability of a farmer’s business. Numerous agriculture groups recently wrote to policymakers that the Basel III rules could have a disproportionate impact on agricultural end-users that are far outside the major financial centers, especially smaller entities such as family farms and grain elevators across our state.

Large manufacturers have also expressed concern that the rules could cause hedging services provided by banks to be “materially adversely affected” by the Basel III Endgame rules. Small manufacturers and other small businesses could soon be confronted with higher interest rates on loans given the proposed rules penalize companies for being privately held.

Proponents of the Basel III Endgame proposal might tell you that the rule is necessary to prevent more banks from failing. What they won't tell you is that the idea for this rule was developed in Basel, Switzerland, all the way back in 2017, and it does not necessarily work for today's banking system. The proposed Basel III Endgame rule will hamstring banks from their crucial role of providing financial support to Ohio businesses.

I hope that the Administration and Congress will see these unintended consequences that more than 100 state and local Chambers across America, including the Ohio Chamber of Commerce, pointed out and will scrap the proposed Basel III Endgame banking rules.