

Statement by Jelena McWilliams, Chairman, Federal Deposit Insurance Corporation, Notice of Proposed Rulemaking: Revisions to the Supplementary Leverage Ratio to Exclude Certain Central Bank Deposits of Banking Organizations Predominantly Engaged in Custody, Safekeeping, and Asset Servicing Activities

March 29, 2019

In May of 2018 Congress passed the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Act"). The proposed rule before us today would implement Section 402 of the Act for banking organizations predominantly engaged in custody, safekeeping, and asset servicing activities.

Section 402 directs the banking agencies to generally exclude funds deposited with certain central banks from the supplementary leverage ratio calculation for custodial banking organizations. The statute and the proposal recognize the unique nature of custodial banking activities and are consistent with the FDIC's ongoing effort to properly tailor our regulations based on the size, complexity, and business models of the institutions we regulate.

The supplementary leverage ratio requires banks to hold a minimum level of Tier 1 capital based on total leverage exposures. Unlike the risk-based capital requirements, the leverage ratio does not take into account the riskiness of assets. In passing the Act, Congress specifically directed the agencies to make an exception for central bank deposits held by custodial banking organizations. Such deposits are especially low risk, and, as explained in the proposal, tend to increase during times of market stress.

While maintaining robust capital requirements is a key priority of mine, this proposal recognizes the distinctive activities of custodial banks. I am pleased to support this proposal, and, as with all proposed regulations, I look forward to receiving comments and feedback. I would like to conclude with words of appreciation to the staffs at the Office of the Comptroller of the Currency (OCC) and Federal Reserve who worked on this proposed rule, and in particular I would like to thank the staff of the FDIC for all of their hard work.