Statement by FDIC Chairman Jelena McWilliams on the Interim Final Rule: Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio for Depository Institutions

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Over the past several months, the spread of COVID-19 has caused significant economic and financial market disruptions. Notably, the flight to liquid assets has resulted in dramatic deposit inflows since the beginning of March. This balance sheet expansion, in turn, has contributed to insured depository institutions (IDIs) making substantial deposits in their accounts at Federal Reserve Banks and acquiring significant amounts of U.S. Treasury securities. These trends may continue while ongoing financial market volatility persists.

The ability of IDIs to hold deposits at Federal Reserve Banks and U.S. Treasuries is essential to market functioning, financial intermediation, and funding market activity, particularly during periods of uncertainty. To facilitate the ability of IDIs to engage in these important economic activities during this time of financial market disruption, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Office of the Comptroller of the Currency are issuing an interim final rule providing IDIs subject to the supplementary leverage ratio (SLR) the ability to elect to temporarily exclude deposits at Federal Reserve Banks and U.S. Treasuries from total leverage exposure. Absent these adjustments, the increase in IDIs' balance sheets may cause a sudden and significant spike in the regulatory capital needed to meet the SLR requirement. This adjustment, which will remain in effect through March 31, 2021 for banks that make the election, will support the ability of IDIs to accommodate customer deposit inflows and serve as financial intermediaries in the U.S. Treasury market without incentivizing taking on additional risk.