Statement by
Martin J. Gruenberg, Chairman,
FDIC Supplementary
Leverage Capital Final Rule
September 3, 2014

As staff described, the last action today is consideration of the joint interagency final rule to revise the denominator measure for the supplementary leverage ratio, and establish public disclosure requirements, consistent with changes recently announced by the Basel Committee. The final rule would apply to all advanced approaches banking organizations, including the largest and most systemically important organizations that are subject to the enhanced supplementary leverage ratio standards.

This final rule completes a series of important leverage ratio rulemakings. The supplementary leverage ratio developed by the Basel Committee is an important part of the overall Basel III capital rules that the FDIC approved in interim form in July 2013, and finalized in April 2014. In contrast to the generally applicable leverage ratio that has long applied to U.S. insured depository institutions, the supplementary leverage ratio includes certain off-balance sheet exposures in the denominator. This is particularly important since the advanced approaches banking organizations that are subject to the supplementary leverage ratio tend to have large amounts of off-balance sheet activity.

Under the Basel III rules that the agencies have finalized, beginning in 2018 all advanced approaches banking organizations must satisfy a three percent minimum supplementary leverage ratio requirement, consistent with the Basel Committee standard. In addition, the eight largest and most systemically important U.S. banking organizations are subject to enhanced supplementary leverage ratio standards, higher than the Basel Committee's three percent standard.

These enhanced supplementary leverage ratio standards require insured depository institution subsidiaries of covered bank holding companies to maintain a six percent supplementary leverage ratio to be considered well capitalized for purposes of the prompt corrective action framework. The covered bank holding companies must maintain a supplementary leverage ratio capital buffer of two percent, in addition to the three percent minimum, for a total requirement of five percent.

With this overall framework in place, today's final rule makes certain changes to the denominator of the supplementary leverage ratio consistent with approaches that the Basel Committee published in January 2014. The revisions to the denominator are intended to better reflect a banking organization's economic exposure to its off-balance sheet activities. The final rule also includes public disclosure requirements for the supplementary leverage ratio consistent with Basel Committee standards. Under these disclosure requirements, the supplementary leverage ratio and selected supporting calculations would need to be disclosed starting in March, 2015.

This final rule is estimated to result in a modest overall strengthening of the denominator of the supplementary leverage capital ratio. The most important changes would require more capital for credit derivatives, and less for traditional loan commitments.

In conclusion, I support this final rule, and I would like to thank our FDIC staff, as well as OCC and Federal Reserve Board staff, for their exceptional work on this important rulemaking.

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