Joint Release

Federal Deposit Insurance Corporation
Federal Reserve Board of Governors
Office of the Comptroller of the Currency

For Immediate Release April 8, 2014

Agencies Adopt Enhanced Supplementary Leverage Ratio Final Rule and Issue Supplementary Leverage Ratio Notice of Proposed Rulemaking

The Federal Reserve Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) on Tuesday adopted a final rule to strengthen the leverage ratio standards for the largest, most interconnected U.S. banking organizations.

The final rule applies to U.S. top-tier bank holding companies with more than $700 billion in consolidated total assets or more than $10 trillion in assets under custody (covered BHCs) and their insured depository institution (IDI) subsidiaries. Covered BHCs must maintain a leverage buffer greater than 2 percentage points above the minimum supplementary leverage ratio requirement of 3 percent, for a total of more than 5 percent, to avoid restrictions on capital distributions and discretionary bonus payments. IDI subsidiaries of covered BHCs must maintain at least a 6 percent supplementary leverage ratio to be considered "well capitalized" under the agencies' prompt corrective action framework. The final rule, which has an effective date of January 1, 2018, currently applies to eight large U.S. banking organizations that meet the size thresholds and their IDI subsidiaries. The final rule is substantively the same as the rule proposed by the banking agencies in July 2013.

As noted in the final rule, maintenance of a strong base of capital among the largest, most interconnected U.S. banking organizations is particularly important because capital shortfalls at these institutions have the potential to result in significant adverse economic consequences and to contribute to systemic distress on both a domestic and an international scale. Higher capital standards for these institutions place additional private capital at risk before the federal deposit insurance fund and the federal government's resolution mechanisms would be called upon, and reduce the likelihood of economic disruptions caused by problems at these institutions.

The banking agencies on Tuesday also issued a notice of proposed rulemaking (NPR) that would modify the denominator calculation for the supplementary leverage ratio in a manner consistent with recent changes agreed to by the Basel Committee on Banking Supervision. The revisions in the NPR would apply to all internationally active banking organizations, including those subject to the enhanced supplementary leverage ratio final rule. The agencies believe the denominator changes in the NPR would more appropriately measure leverage capital requirements and would, in aggregate, increase the requirements across these institutions.

The agencies also issued a separate NPR proposing a technical correction to the definition of "eligible guarantee" in the agencies' risk-based capital rules. Comments on both NPRs will be welcomed through June 13, 2014.

In a separate action, the FDIC Board also adopted as final its Basel III interim final rule, which is substantively identical to the final rules adopted by the Federal Reserve Board and the OCC in July 2013.

Attachment: Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and their Subsidiary Insured Depository Institutions - PDF (PDF Help)

Attachment: Regulatory Capital Rules: Regulatory Capital, Proposed Revisions to the Supplementary Leverage Ratio - PDF (PDF Help)

Attachment: Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule - PDF (PDF Help)

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FDIC: PR-25-2014