

**Transcript of Open Board Meeting  
March 19, 2026**

CHAIR POWELL. I'd like to start by welcoming our in-person and virtual guests, all of our Board members, Vice Chair Jefferson, Vice Chair for Supervision Bowman, Governor Waller, Governor Cook, Governor Barr, and Governor Miran, and I am all here today. Before we begin, I'd like to just take a minute and explain how this meeting will proceed. I will make a short opening statement, and then turn to Vice Chair for Supervision Bowman. Vice Chair for Supervision Bowman will also make a statement and then introduce Director of the Division of Supervision and Regulation, Randy Guynn. The staff presentation will be on proposals to revise the requirements under the capital rule for the largest, most internationally active bank, and the requirements for other banking organizations subject to the capital rule, as well as to make adjustments to the surcharge for U.S. global systemically important banking organizations. After the presentation, staff will respond to any questions Board members may have on the proposals. After all the questions have been answered, I will ask Board members to state their positions, and then we will proceed to voting. And let me say thank you in advance to the staff for your presentation today, and to everyone who worked in bringing these very large and important proposals together before us today. So that was not my opening statement. This is my opening statement.

In the wake of the global financial crisis, regulators, including the Fed, increased the quantity and quality of loss-absorbing capital required banks, including through stress testing requirements, and an additional surcharge for the largest and most complex banks. This action substantially increased the banking system's resilience. However, it has been almost two decades since the crisis. And over the years, we have come to understand that certain elements of the post-crisis regulatory regime may warrant recalibration. Financial regulators should always strive

to improve. It is a healthy practice to reexamine our rules, over time, to ensure that they are still effectively and efficiently mitigating the risks they were designed to address. Today, we are considering whether to seek comment on three proposals with that intent. The first proposal would implement the final components of the Basel III agreement for the largest banks. The second would better align capital requirements for traditional lending activities with risks for most other banks. And the third would improve how the capital surcharge for systemic risk is measured. I look forward to the staff presentation and will now turn to Vice Chair for Supervision Bowman.

VICE CHAIR FOR SUPERVISION BOWMAN. Thank you, Chair Powell. I'd like to begin by thanking our staff, both here at the Board and at the other federal banking agencies, and of course, the FDIC Chair and the OCC Comptroller, for all of the work that went into the interagency and Fed proposals. The Board members who serve on the Committee on Supervision and Regulation, Vice Chair Philip Jefferson and Governor Chris Waller, also played an important role in providing feedback that enhanced these proposals, so I'd like to recognize their contributions as well. And as the Board is well aware, these are complex, lengthy, and very detailed proposals, and I appreciate all of our Board members' willingness to engage in extensive briefings and discussions with our staff over the past several weeks. The three proposals that we are considering today modernize the bank capital requirements that are the foundation of our regulatory framework. Following the global financial crisis, regulators implemented reforms that substantially increased bank capital and strengthened our financial system. While these reforms were necessary, experience shows that overly calibrated requirements on low-risk activities produces unintended consequences. Many of these requirements have constrained credit availability, pushed activity into the less regulated nonbank sector, and added complexity and

costs without meaningfully enhancing safety and soundness. Building on these lessons, our approach to modernize the capital framework starts from the bottom up, and reviewing each element of the framework. We evaluated each requirement on its merits, examining whether it aligns with risk, achieves its intended purpose, and avoids creating unintended consequences. We also assess the aggregate impact of these changes to ensure that the calibration of requirements for particular risks and activities is appropriate. As staff will explain in greater detail, two of the proposals address pillars of the capital framework for our largest banks, the Basel III framework and the G-SIB surcharge. These proposals streamline the risk-based capital framework using a single set of calculations, improve alignment between requirements and risks, and revise the G-SIB surcharge to better capture the risks of our largest and our most complex banks. These changes should be considered as a part of a comprehensive review of capital requirements undertaken over the past nine months. We have carefully considered overlapping requirements between Basel III and stress testing to help ensure that when combined, capital requirements appropriately capture risks rather than being overly punitive. The third proposal updates the capital requirements for smaller and less complex banks. The proposal would better align these requirements with the risks of traditional lending activities supporting our smaller banks and their critical role in our economy. Together, these changes would strengthen our overall capital framework, which would remain robust under the new framework. Banks would maintain their capacity to absorb losses while continuing to provide financial services to households and businesses across a wide range of economic conditions. An important benefit of these proposals is that they would reduce incentives for traditional lending activities, like mortgage origination, mortgage servicing and lending to businesses to migrate outside of the regulated banking sector. In summary, these three proposals before the Board today would

meaningfully improve the bank capital framework by addressing duplicative overlaps, matching requirements to actual risk, and comprehensively addressing longstanding gaps in our framework. The result will be more efficient regulation, and banks that are better positioned to support economic growth, while preserving safety and soundness and financial stability. Importantly, they will also bring us closer to fulfilling the U.S. commitment to implement the 2017 Basel III agreement and will complete the first step in our comprehensive review of the capital framework. I urge my colleagues to support them. And I'll now turn to the Director of our Supervision and Regulation, Randy Guynn, to introduce the staff's presentation. Thank you, Randy.

RANDALL GUYNN. Thank you very much, Vice Chair Bowman. You and Chair Powell have indicated the staff will present three proposals today. First, the Basel III proposal. It would revise the risk-based capital requirements for the largest and most complex banks to enhance risk sensitivity and streamline the framework. Second, the standardized approach. It would enhance the risk sensitivity of capital requirements for traditional lending activities of most other banks. Both proposals include targeted adjustments to these frameworks to increase banks' capacity to engage in mortgage lending activities. Third, the G-SIB surcharge. It would change how systemic risk is measured and how this surcharge would apply to the G-SIBs. Together, these proposals would modernize the capital framework for banks of all sizes, consistent with safety and soundness. Among other things, they would largely neutralize the overlapping effects of the market risk component in the risk-based capital rules, and the global market shock component of our supervisory stress test. Today's proposals took an enormous amount of time and work to complete. I want to thank our staff at the Board, and the staff at the

other federal banking agencies for their tremendous efforts and dedication. And Anna Lee Hewko now will lead the staff presentation.

ANNA LEE HEWKO. Thank you, Randy. The three proposals before the Board today would modernize the risk-based capital requirements for banks of all sizes. Proposals would streamline and better align regulatory capital requirements with risk while maintaining the strength of the banking system. In response to the global financial crisis, the federal banking agencies reformed the regulatory capital framework, including increases to risk-based capital requirements and the introduction of capital buffers, introducing a stress testing framework, and a surcharge for the largest and most complex banks. However, as we have learned over time, some elements of these frameworks resulted in excessive requirements for traditional banking activities, complexity and burden without commensurate benefit. To address these shortcomings, today's proposals would streamline and modernize the regulatory capital framework to better align capital requirements with risk and further enhance a bank's ability to provide financial services, and better ensure that they support the U.S. economy across all economic conditions. I will begin by describing the Basel III proposal, which would improve the risk-based capital framework for the largest and most complex banks in three ways. First, it would streamline the framework by no longer requiring them to use multiple approaches to determine compliance with risk-based capital requirements and instead would implement a single approach termed the expanded risk-based capital approach. Second, the proposal would better and more consistently capture credit, market, and operational risk. For credit risk, it would increase risk sensitivity by varying capital requirements based on additional risk drivers, like loan-to-value ratios for real estate exposures, payment history for certain retail exposures and bank assessments of corporate credit risk. For operational risk, it would introduce an explicit standardized requirement based on

a bank's income and expenses to capture risk across the broad range of U.S. banks' activities. And for market risk, the proposal would introduce a new, standardized, and internal models-based methodologies for calculating risk-weighted assets that better capture the risks of extreme market moves and less liquid positions. And for banks with significant derivative exposures, the proposal would include an explicit requirement to capture their credit valuation adjustment risk. Third, these revised requirements consider overlaps between risk-based and stress-tested related capital requirements. The Basel III proposal would increase capital requirements associated with operational risk and market risk, whereas the previously proposed stress testing changes include a reduction to the projected losses relating to operational risk and trading positions. Taken together the proposed revisions to market risk and operational risk and the Basel III proposal, and the stress test changes generally offset, and ensure an appropriate overall level of capital for these activities. Finally, requirements under the Basel III proposal would generally be consistent with international capital standards. Where appropriate, the proposals differ from the Basel standards to reflect unique characteristics of the U.S. banking and financial system. I will now turn to the G-SIB surcharge. This second proposal would improve how the largest and most complex bank's systemic risk is measured in five ways. First, the proposal would improve the measurement of systemic risk to reflect changes in the financial system and economy in recent years, and automatically adjust them to account for economic growth and inflation going forward. Second, the proposal would remove the risk-weighted assets denominator from the short-term wholesale funding indicator, because doing so provides a more direct measure of systemic risk, and avoids counterintuitive outcomes. In addition, the proposal would recalibrate the weight of that indicator to 20 percent as originally intended. Third, the proposal would require firms to calculate certain systemic indicators as an average of daily or monthly values,

rather than as a point in time -- on a point in time basis at year-end. This will better reflect a firm's systemic risk profile and reduce incentives for firms to make temporary adjustments at year-end. Fourth, the G-SIB capital surcharge would change in 10-basis increments, rather than the current 50-basis-point increments, to better reflect smaller changes in a bank's systemic risk profile. And finally, the proposal would adjust measurements of certain systemic indicators, and improve clarity of instructions for regulatory reporting, again, refining our measurement of systemic risk. Lastly, I will now briefly discuss the standardized approach proposal. This proposal would generally apply to all but the largest banks. It would enhance the risk sensitivity of the risk-based capital requirements for traditional lending activities by lowering them in broad alignment with the requirements of the Basel III proposal. In addition to modestly lowering the risk weights for most lending activity, the proposal would increase banks' capacity to engage in mortgage lending and servicing. Like the Basel III proposal, the standardized approach proposal would use loan-to-value ratios to determine the applicable risk weight for residential mortgages and would remove any requirement to deduct mortgage servicing assets from regulatory capital, instead assigning a set risk weight to all mortgage servicing assets. In addition, the proposal would make targeted adjustments to the existing counterparty credit risk -- credit risk mitigation and securitization requirements. This proposal would also extend the requirement to include elements of accumulated other comprehensive income, in capital requirements, to banks with \$100 billion or more in assets, which would help ensure that banks' capital levels better reflect their ability to absorb unexpected losses. It would provide those banks with a five-year phase-in period to mitigate any immediate material increase in capital requirements. So staff anticipate that the amount of overall capital that the largest banks maintain would modestly decrease, as a result of these proposals, and that they would still maintain strong levels of loss-absorbing

capital. In the aggregate, the proposals would reduce common equity tier 1 capital requirements for these banks by 2.4 percent. The standardized approach proposal would decrease capital requirements for other large banks by 3 percent, and for smaller banks by 7.8 percent. When combined with the Board's analysis of the proposed changes to stress testing, including those to address overlaps between stress testing and risk-based capital requirements, the cumulative impact with lower capital requirements for the largest banks by 4.8 percent, and for other large banks, by 5.2 percent. Given the robust capital positions that U.S. banks currently maintain, and their overall strength, these reductions are not expected to materially affect safety and soundness. Today's proposals would better align requirements with risk and streamline requirements appropriate to the size and complexity of different banks. For the reasons I have discussed, staff recommends that the Board approve issuance of these proposals. Thank you for the opportunity to present to you today, and we would be happy to answer any questions you have.

CHAIR POWELL. Thank you, Anna Lee. And we now have an opportunity for governors to ask questions. And we'll start with Vice Chair Jefferson.

VICE CHAIR JEFFERSON. Thank you, Chair Powell. I have a couple of questions that I would like to ask. One is more targeted with respect to a certain aspect of the proposals, and the other is somewhat broader. So Anna Lee, as you mentioned in our conversation, the weight in the G-SIB's surcharge proposal, the weight of the surcharge component that accounts for risk associated with short-term wholesale funding would decrease from the current level of about 30 percent down to 20 percent, as was originally intended in 2015. Now, my understanding is that G-SIBs' reliance on short-term wholesale funding has grown in recent years, and I'm wondering how staff has thought about the increase in reliance on short-term wholesale funding when developing the proposal to recalibrate its weighting downward. That's the first part of this

question. And what are the staff's views on the flightiness of short-term wholesale funding, overall, in times of stress, and is the flightiness of G-SIBs' short-term wholesale funding changing over time?

ANNA LEE HEWKO. Thank you. Akos will take that question.

AKOS HORVATH. Thank you, Vice Chair Jefferson, for that question. As you noted in your question since the original implementation of the G-SIB surcharge framework, the share of the of the short-term wholesale funding component has been at around 30 percent consistently, which is well above the originally intended share, which would be 20 percent. The proposal would resolve this mismatch, and it would set the weight of the short-term wholesale funding component to 20 percent. To your question, when measured relative to their total assets, the reliance on short-term wholesale funding of G-SIBs has actually been stably around 20 percent rather than increasing over the past several years. In addition, I would note that in the proposal, the proposal would update the measurement of the short-term wholesale funding element and measure it in dollar terms, rather than as a percentage of risk-weighted assets, to better capture and identify firms with high short-term wholesale funding reliance. Furthermore, G-SIBs are subject to the highest liquidity standards, which include liquidity requirements and stress testing, which also capture potential changes and shifts in the short-term wholesale funding structure of G-SIBs. Finally, staff seeks, solicits, and will duly address and consider comments on the proposal that we make today, including the short-term wholesale funding component's update.

VICE CHAIR JEFFERSON. Okay, just a quick follow-up on that before I get to my second question. So with respect to the issue of flightiness, or not, over time, has this short-term wholesale funding become more flighty over time or not so much?

AKOS HORVATH. We did not discuss the flightiness in the economic analysis for the G-SIB proposal. But as I, noted, the reliance on the short-term wholesale funding has not changed over time when expressed as relative to the total assets of these firms.

VICE CHAIR JEFFERSON. Okay. Well, I hope in the feedback that we will get, that will have some more information with the respect to, qualitatively, how short-term full self-funding is behaving over time, with respect to this flightiness component. Okay. With respect to my moving onto my second question, which is broader, and I think it's connected to something that you mentioned, Anna Lee, but I want to bring it out or more fully, because I think ultimately, at the end of the day, this is something that we all care about, and that is how would reducing capital requirements, as proposed in the entire suite of proposed implementation here, impact the likelihood of individual bank failures, and systemic risk across the banking system. Can you -- you, or one of your colleagues, please speak to that?

ANNA LEE HEWKO. Certainly, Missaka will speak to that.

MISSAKA NUWAN WARUSAWITHARANA. Thank you, Vice Chair Jefferson. Overall, banks currently maintain a robust level of capital. And as we sort of discussed in the economic analysis of the standardized proposal, the revisions to capital requirements could increase the probability of bank failure, as well as systemic crises by an immaterial amount. This risk is mitigated by the improvements in risk capture from the proposals, as well as the more refined measure of firm systemic risk profiles coming from the G-SIB surcharge changes. Finally, the projected level of capital stemming from the combined proposals would remain well within the range of optimal capital levels estimated in the literature.

VICE CHAIR JEFFERSON. Okay. Thank you.

CHAIR POWELL. Thank you. Vice Chair for Supervision Bowman, please.

VICE CHAIR FOR SUPERVISION BOWMAN. Thank you, Chair Powell. So I just have two quick questions. One is, how should we think about the moderate decline in capital requirements in these proposals, and in the stress tests, given how capital requirements have evolved over the past decade?

BEN RANISH. Thank you for the question, Vice Chair Bowman. As context for the impact of the proposals, here, including the stress testing proposal, the resulting requirements, cumulatively reflecting on these proposals, are likely to remain at least as stringent as they were before the COVID pandemic. And at that time, of course, the initial phase of capital reforms had already established a high quantity and quality of banking system capital. And as my colleague just noted, the level of capital at that point in time was well within the range of optimal banking system capital estimates that you can find in the academic literature.

VICE CHAIR FOR SUPERVISION BOWMAN. Thank you. I appreciate that. My next question is on international. So some have suggested that we should first focus on implementing international standards like Basel III, and then revisit potential improvements and consider longer-term impacts. Today's proposal includes some deviations from the international standards to integrate improvements and lessons learned from our prior attempts to implement the standards. So is it your view that we can achieve both at the same time, or is that possible?

CECILY BOGGS. Thank you for that question, Vice Chair Bowman. So the proposal is broadly consistent with the Basel standards, but as you note, there are certain differences to reflect U.S.-specific considerations. Making targeted adjustments to international standards is just typically how both the U.S. banking agencies, as well as other jurisdictions, go about implementing international accords. In this case, we, in the aggregate, the proposal, even considering all these targeted adjustments, would still result in a higher overall calibration than

the Basel standards. But to your point, not just us, but other jurisdictions currently are in the processes of completing their implementation of the accord. So at this particular point in time, we think it's really important for us to engage with our other international counterparts, to understand the approaches that they are taking, what adjustments those may include, lessons learned, and, hopefully, come up with a more consistent, harmonious framework internationally.

VICE CHAIR FOR SUPERVISION BOWMAN. Thank you, Cecily.

CHAIR POWELL. Thank you. Governor Waller?

GOVERNOR WALLER. No.

CHAIR POWELL. Okay. Governor Cook?

GOVERNOR COOK. I have two sets of questions. We're in the process of revising capital rules that work along three different dimensions. First, we have two proposals that would revise point-in-time capital requirements for different bank categories. Second, we have a proposal that would revise the G-SIB surcharge, which is intended to increase the resilience of U.S. G-SIBs. Third, and separate from today's proposals, last year, we released proposals that would revise the stress capital buffer, which provides resilience against episodes of extreme stress for our larger banks. How do you think about the cumulative impact and interactions among all the proposals I referenced, why do the individual and cumulative numbers make sense, and how can we be sure that the suite of proposed changes will continue to meet each of the three sets of complementary objectives I just referenced?

FRANCISCO COVAS. Thank you for your question, Governor Cook. We look very carefully at each element of the capital framework to make sure it's fit for purpose. In the preamble of the Basel III NPR, we look at the cumulative effect of all the three proposals, both on the overall level of capital requirements of large banks, as well as by risk stripe, credit,

operational risk, market risk, and CVA risk. So for each of these categories, we ask ourselves, do we have the right models to capture this risk? Are we using the right risk weights? And if the answer to this question is yes, we adopted as proposed. Otherwise, we'll just make sure that we made adjustments to make sure that it was well grounded in robust economic logic, and we adjusted the requirements, where it was necessary to do so. For example, with operational risk, we made both adjustments to the Basel framework, especially around the treatment of the income for the largest banks, as well as in the stress testing. We also make adjustments to the models we use to calculate operational responses under stress, when we thought the models were not fit for purpose, or they have significant concerns, very significant concerns. Also, more broadly, when you look at the overall level of capital requirements. We did the counterfactual analysis, where we looked at where capital requirements have evolved since 2019, and in particular, there was an increase in capital requirements, both due to the growth of the G-SIB surcharge for economic growth, as well as the implementation of the Stress Capital Buffer framework. So, we looked at what was the effect of those two proposals on capital requirements. And given the adjustments we did, we are proposing to do today, how far off we are from the levels of capital back in 2019. And our results show that we mostly offset some of those -- the increase in capital requirements post-2019. I also want to say, finally, for the banks above \$100 billion in assets, we have the Stress Testing Framework that gives us the ability to refine the models over time. So we think, if we are not capturing the risks appropriately, and they are shifting, we can make changes to the models and subject them to notice and comment. So just in summary, the approach we are taking is meant to ensure that, in aggregate, the revised minimum requirements that G-SIB surcharge and the Stress Capital Buffer remain complementary and

continue to meet the objectives you referenced, aligning capital with risk, supporting resilience in stress, and doing so in a sound, empirical fashion.

GOVERNOR COOK. The second set of question, I have relate to LMI households and small businesses. So can you talk about the expected impact of today's proposals on low- and moderate-income households and small businesses? What analysis has staff done to consider this impact?

FRANCISCO COVAS. Sure. Thank you for your question. I'll take that one as well. So generally speaking, the proposals are meant to align the risk of the exposures, the capital requirements, with the risk of the exposures. There is a significant decrease in capital requirements, generally, for lending, specifically. This would affect all types of lending. Our expectation is that if -- in economic parlance, there's going to be an income effect and a substitution effect. We think the income effect is going to dominate the substitution effect. So even though the proposals incentivize lending towards safer borrowers, we think in aggregate, lending will go up. Now, specifically for LMI borrowers, I think one potentially important channel is going to be mortgage lending. In particular for LMI, the capital treatment of MSAs, mortgage servicing assets, is important because a large share of loans to -- mortgage loans to LMI are securitized. And so, first, number one, the proposal eliminates the capital deduction of 1250 percent for MSAs. In addition, we also asking the question of whether the 250 percent risk weight for MSAs is appropriate or unduly conservative. So just broadly speaking, when the banks choose whether to originate, and servicing, and securitize the mortgages, they are also including the factor of servicing rights into their valuation assessments. And the fact that we are, potentially, you know, we are reducing requirements for MSAs. This would reduce some of the disincentives the banks currently have to originate and securitize mortgages for LMI borrowers.

Now, one other aspect in terms of the small business lending, so one of the changes we have is for investment-grade borrowers, we are removing the requirement that they have -- they need to have securities listed on recognized exchanges, and we know none of the small businesses by definition, would be publicly listed. So there is 65 percent for investment-grade borrowers. So to the extent, small businesses meet the requirement, as we define in our rule of what it means investment grade, they'll be eligible for the 65 percent risk weight. So that's the most important change, I believe, for small business.

CHAIR POWELL. Great. Thank you. Governor Barr, please.

GOVERNOR BARR. Thank you, Mr. Chair. Before I ask my questions, let me just extend my thanks to all the staff for the work that's not only gone into this proposal, but into the Basel III negotiations, and the Basel capital negotiations over many, many years. And I know that many of you around this table have been working on these issues, really, since the global financial crisis. And it's just incredibly important work that you've been doing on behalf of the American people. So I just want to thank you very much for that, that work you've been doing. I just had a few questions. We've all had a chance, in briefings, to go into some of these issues, but let me just ask a few here. So just in aggregate terms, in dollar terms, if you could just sum up the Basel III changes, the G-SIB surcharge changes, the changes to the standardized approach, the changes to the enhanced supplementary leverage ratio, the changes to stress testing, if you add those all up, what is the net effect on capital in the banking system?

BEN RANISH. Thank you for the question, Governor Barr. So, the cumulative impact of all of these proposals, including the finalized SLR rule, is a reduction in banking system-wide tier 1 capital requirements of about \$117 billion. Now, relative to the aggregate tier 1 capital

funding of the banking system, which is in excess of \$2 trillion, this represents a reduction of a bit less than 6 percent.

GOVERNOR BARR. Thanks very much. And just focusing on market risk, and market trading, securitization, that kind of basket of activities, how much of those been reduced by the proposals relative to what the situation was prior to those proposals and finalized rules.

BEN RANISH. Thank you for the question, Governor Barr. So if we start from the Basel proposal, there's, as you know, there's an increase in market risk weighted assets. But when you consider also the stress testing model change, the changes to the GMS in that when you're looking just at market risk narrowly, and this is in table 7.4, there's a reduction in CET1 requirements of about 6 percent. However, when you consider the broader range of sort of trading-related activities, which would incorporate derivatives, and you consider the associated CVA charges, and operational risk that's associated or generated by trading-related income, you actually end up at a moderate increase in CET1 requirements for that broader trading-related bucket, and that is in the NPR in table 7.7.

GOVERNOR BARR. Thanks very much. And when you think about the G-SIB surcharge changes, the G-SIB surcharge reduction, what's your sense of how that will change the competitive landscape between large banks and G-SIBs?

AKOS HORVATH. Thank you for the question. Thank you for that question, Governor Barr. As I'm -- as your question indicates, the large part of the small reduction for G-SIBs is due to the G-SIB proposal. And the main goal of that proposal is to improve the calibration, improve the measurement of systemic risk for these large and complex institutions. It's important to note that under the combined proposals, these institutions, G-SIBs, would be still -- would continue to be subject to the highest capital standards, which are higher than for any other bank in the capital

framework. For that reason, we do not anticipate that the combined proposals would significantly change the competitive landscape.

GOVERNOR BARR. Thanks. And let me go back to Vice Chair Jefferson's question about short-term wholesale funding. My understanding is that when measured as percentage of risk-weighted assets, short-term wholesale funding has actually increased from 30 percent to 40 percent over the last several years. Is that right?

AKOS HORVATH. That is correct, Governor Barr. It has increased relative to risk-weighted assets. It's that -- that effect is partly due to the increase in low-risk asset holdings of banks since the COVID shock, to which there was a large fiscal policy and monetary policy response. But as I noted earlier too -- in response to Vice Chair Jefferson's question, relative to total assets, the reliance on short-term wholesale funding of G-SIBs was -- has been actually very stable over -- ever since the implementation of the G-SIB framework, actually. Under the proposal, we propose to remove the short-term -- the risk-weighted asset denominator and measure short-term wholesale funding exposure or reliance on -- based on -- in dollar terms. We believe that's more appropriate. And the measurement relative to risk-weighted asset has two flaws, and one flaw is -- it has an unintended incentive effect, because it incentivizes banks to increase, to actually increase their risk-weighted assets and have more risky asset holdings, to reduce this component. The other is an econometric problem, which is it's measured in -- as a percentage of risk-weighted assets, while the other components in the G-SIB surcharge calculation are measured in dollar terms.

GOVERNOR BARR. Thank you. That's all my questions, Mr. Chair.

CHAIR POWELL. Thank you, Governor Miran, please.

GOVERNOR MIRAN. Thank you. I'm very -- first of all, let me reiterate my gratitude to all the staff for working on this. I know it took a lot of hours, and you've working on it for a long time, so thank you all for your contribution. That said, I'm happy to see that the proposal reduces the regulatory capital on banks. These burdens have been growing continuously for many years. I'm going to follow up a little bit on something related to what Vice Chair Bowman asked, which is the 2019 levels being the benchmark that we're using, is what the right capital level is. I'm sort of interested in pushing a little more on why that's the right year for thinking about what the right level of capital requirements are. And specifically, if we decided to deviate from that benchmark, and release capital, and allow additional capital reduction from those levels, what would be the ways in which it would be most advantageous to push further than 2019?

ANDREW WILLIS. Thank you for your question, Governor Miran, first of all, to speak fundamentally, that we did not develop the proposals with a target for how much capital should go up or down. And that has to be stated clearly. Instead, we took a careful bottom-up look for each element of the framework to see whether, first of all, it was fit for purpose, and how it interacts with the rest of the capital framework, collectively. That process led us to proposals that are intended to better align capital requirements with actual risks that banks take, and that also helps address some of the overlap between the minimum requirements and the buffer requirements. We're explicitly seeking comment on various alternatives that we could consider, and so the comment process itself will help inform, inform that, rather than us trying to reverse engineer a target to how we analyze this. For example, we specifically ask whether the 250 percent risk weight for mortgage servicing assets is appropriately calibrated, as was mentioned earlier. But again, importantly, stepping back, the overarching goal here is to strengthen the

capital framework, so that we can better support the U.S. economy, without reducing -- or with ensuring that banks remain highly resilient at this time.

GOVERNOR MIRAN. Thank you.

CHAIR POWELL. Thank you. So if there are no further questions, we will now proceed to stating our positions on the proposals. And I'll turn first to Vice Chair Jefferson.

VICE CHAIR JEFFERSON. Thank you, Chair Powell. I'd like to thank the staff for their work on the proposals presented today. Staff are recommending proposals that collectively would impact capital requirements for a wide variety of banking organizations. The surcharge proposal applies only to U.S. globally -- global systemically important banking organizations, or G-SIBs, which are the largest and most complex institutions. The Basel III proposal impacts G-SIBs, other large, internationally active banking organizations, and institutions with significant trading activity. Finally, the proposal regarding the standardized approach for calculating capital requirements applies to banking organizations of many sizes and risk profiles. I support the staff's recommendation to issue these proposals for notice and comment. I will evaluate any final rulemakings on their merits and consider their potential impact on banking-sector resiliency, financial stability, and the broader economy. I believe that requesting comments on the proposals is a constructive step that will help inform my views. Again, I thank the staff for their considerable efforts, and I look forward to reviewing the comments we receive from the public. Thank you, Chair Powell.

CHAIR POWELL. Thank you. Vice Chair for Supervision Bowman, please.

VICE CHAIR FOR SUPERVISION BOWMAN. Thank you, Chair Powell. I'd like to again, thank our staff for preparing and presenting the materials to the Board today. The package of reforms is reasonable. It's based on data and analysis, and it takes a broad-based approach to

considering capital requirements, and their overall calibration and impact. Capital is a critical pillar of the bank regulatory framework. A strong capital base protects depositors from losses. It supports confidence in banks and the broader financial system, and it allows banks to operate throughout economic cycles. Calibration is important. However, overcalibration can harm bank competitiveness and the ability to serve their customers, limit the availability of credit, and stifle economic growth. This proposal makes targeted, reasonable changes to better calibrate requirements based on risk. These changes will continue to promote the safety and soundness of our banking system, and for U.S. financial stability. The proposal includes modest deviations from the 2017 Basel agreement. Many of these have only a minor effect on capital but are designed to address U.S.-specific implementation issues. Under U.S. law, bank regulatory requirements cannot rely on external credit ratings and assigning risk weights to loans, whereas no similar jurisdiction applies -- restriction applies in many foreign banking markets. The proposal accommodates this unique aspect of the U.S. banking system by providing better risk calibration for loans to investment-grade borrowers that are not publicly traded. Rather than focusing on whether these deviations are consistent with the international standard, we should ask whether this policy choice is reasonable, and whether it aligns the capital requirements with risk for U.S. institutions. The Basel Committee recognizes that jurisdictions must have the flexibility to adjust its recommendations to meet their legal frameworks, and their unique banking markets. If the Basel Committee demanded blind adherence without any consideration of jurisdictional differences, I would question whether the U.S. should participate in a global body that disregards these essential distinctions, that clearly in any context, some deviation to accommodate domestic law or banking conditions is the necessary outcome. So we should not seek to punish U.S. consumers and businesses by imposing higher costs of credit, or forcing

credit availability outside of the banking system, particularly if this is done only to show greater alignment with Basel or any other international standard without it being tied to risk. I would note that the most significant deviation from international standards, in our Basel III proposal, is the elimination of internal models for credit risk, a deviation that results in higher capital charges for U.S. banks, as compared with their international peers. I look forward to receiving public comment on these proposals, including whether they are appropriately calibrated on their consequences for real-world activity. The feedback that we receive will be critical in determining whether our approach appropriately balances safety and soundness with credit availability. And finally, I appreciate the dedication and professionalism of our staff, and the -- that they've shown throughout this time in developing our capital package. Your diligent work, your perseverance, your collaboration, produced a robust and well-supported proposal. So thank you all for your contributions, and for your essential role in putting together these capital proposals, as we move forward as well. Thank you.

CHAIR POWELL. Thank you. Governor Waller, please?

GOVERNOR WALLER. Thank you, Chair Powell. I want to thank the staff who worked on the proposals and presented today. As I have said previously, a well-capitalized banking system is critical to the resilience of our financial system, but we must recognize that capital requirements are not free. We must balance the benefits of capital requirements against the cost to bank customers and to the real economy. I believe the proposals the Board is considering, today, achieve this balance by improving the risk sensitivity of our capital requirements while not unnecessarily increasing them. Before getting into the details, I'd like to thank Vice Chair for Supervision Bowman for constructing proposals that consider all aspects of our capital framework, including the interactions between the regulatory capital rule and the stress test. To

get this right, we need to be mindful how all the pieces fit together. I previously raised concern regarding potential increases in operational risk and market risk capital requirements from Basel III implementation, given we already project these risks in the stress test. This issue has been addressed in the Board's recent proposal to increase transparency and public accountability of the stress tests, which, when combined with the steps proposed today, largely neutralizes that overlap. I also support the proposed changes relative to mortgage origination and mortgage servicing. Mortgage-related activities have largely migrated to the nonbank sector. I don't think that was ever the intent originally. And I support any steps we can take to prudentially, prudently adjust our regulations to reduce disincentives for banks to participate in this area. I also support the broader changes to adjust our standardized approach that applies to most banks in order to better align our requirements with the risk of traditional lending activities. The G-SIB surcharge proposal would improve the calculation of the surcharge, including modifying several factors used to calculate the capital requirement by indexing them annually based on a three-year moving average of the annual level of nominal U.S. GDP. I support these changes strongly. The other capital proposals out there would index various thresholds based on adjusting for inflation, using the Consumer Price Index for Urban Wage Earners and Clerical Workers, or what's referred to as CPI-W. And the G-SIB surcharge proposal would seek comment on an alternative approach, whereby those factors would be indexed based on CPI-W. So I want to take a few moments to talk about this indexation debate, and why I think it is critical to index bank size, regulatory thresholds, and the G-SIB surcharge to nominal GDP, rather than tied to any CPI measure. What matters for assessing the systematic importance of a bank is its nominal size relative to the nominal size of the U.S. economy. The absolute nominal size of a bank is not relevant. For example, in 1930, Bank of America was the largest bank in the world with \$6

billion in assets. That's the nominal size of a community bank today. The U.S. economy grows in nominal terms for two reasons, increases in the general price level of all goods and services, and increases in the quantities of goods and services produced in the economy. Prices increase for all goods and services, such as consumer goods, investment goods, such as equipment and software, as well as government-provided goods and services. The quantities of goods and services increase because of investment in building and machinery, technological change, and increasing labor input. The key point is that banks' assets and liabilities also increase over time for both reasons. Banks take in more deposits as the population grows, and real incomes grow. They make consumer loans to their customers to buy consumer durables. Banks finance lending for firms to invest in machinery and software, as well as for firms to develop new technologies such as artificial intelligence, or AI. So banks are involved in all parts of the economy and naturally grow as the economy grows. If they grow at the same rate as the U.S. economy, their relative size and systemic importance does not change. Indexing our regulatory thresholds is critical to ensure that as the economy grows, banks can grow as well, and in a way that does not subject them to increasingly stringent standards for reasons that have nothing to do with their relative size or risk to the U.S. economy. By not indexing thresholds, or indexing them incorrectly, regulators create distortions in the banking system that are unwarranted and unjustified. The question is, what is the appropriate indexation method? The other capital rulemaking is proposed adjusting bank size-related thresholds for inflation using a Standard Consumer Price Index measure. While I can see the instinct to do this, since many nominal values are indexed to inflation, and inflation alone, I do not understand why we would use CPI-W, the price index for Urban Wage Earners and Clerical Workers, as the indexing method for judging in a bank size-related thresholds relative to the U.S. economy. Let me give some reasons why I see this is

problematic. Why we would only want -- why we want to only consider consumer goods and services prices, and not prices of investment goods technology, which banks directly finance. CPI-W measures the price level for urban and clerical workers. Are those the only economic actors that banks interact with? Why focus only on consumer inflation, and ignore real economic growth as a factor for indexing a bank size and capital structure? CPI-W is a measure of the change in prices paid by certain consumers based on a marked basket of goods and services that they buy, with a heavy emphasis on the change in prices of three items: housing, transportation, and food. Those three items account for around half of the price index. Do we want those three items to be the drivers of a bank's capital structure? On what rational grounds? Constructing a price index requires a lot of assumptions, such as what items to include, what is the appropriate expenditure share for those items, how to adjust both items as the economy changes over time. It also requires selecting a particular indexation procedure, and whether to use a chained or unchained index. These are complicated technical issues for measuring inflation. The beauty of using nominal GDP is it's a simple sum method of aggregation, that does not require making any of these types of assumptions, and it's also pretty easy to understand. By not indexing a bank size to nominal GDP in the past, we have created distortions to the banking system and impose excessively stringent capital requirements that are unwarranted. So we face two questions. First, do we want to eliminate future distortions to capital requirements going forward by indexing to nominal GDP? Second, do we want to undo all, or at least some part, of past distortions because of a lack of indexation to nominal GDP? The G-SIB for surcharge proposal today says yes to both of those questions. In summary, I support the proposal we are dealing with today. I also strongly support the indexation method used in the G-SIB surcharge proposal. This is the correct way to proceed, and I look forward to reading comment letters on this issue.

CHAIR POWELL. Thank you. Governor Cook, please?

GOVERNOR COOK. Let me start by thanking staff for your tireless work on these proposals, not just now, but over the past few years, since the GFC. Effective capital regulations are among the most important, if not the most important pillars, supporting the resilience of the U.S. financial system. Today, the Board considers three capital proposals, their interactions, and in combination with our earlier proposals on stress testing, will materially change risk-based capital requirements for U.S. banking institutions. I am comfortable with issuing these proposals for comment. I will review any final rules on their merit and take into account careful consideration of stakeholder comments.

I strongly support several of the proposed changes to our capital rules. First, the Basel III proposal addresses a number of shortcomings in the capital framework that predate the 2008 financial crisis. I very much welcome the replacement of the advanced approaches framework, a more constrained role for bank internal credit models, a more sophisticated approach to market risk. And the proposal also includes important changes that address unintended deficiencies in our post-crisis reforms, such as phasing in AOCI for securities and the available for stock book for Category III and Category IV banking organizations, and reforms for the G-SIB surcharge framework to mitigate window dressing and avoid cliff effects. Finally, we must devise a capital framework that works with the United States. I view finishing U.S. implementation of Basel III capital standards as an important milestone of post-crisis reform. Our continued participation and leadership, and international standard-setting bodies, ensures that U.S. institutions can compete on a level playing field.

Allow me to highlight a few areas of potential concern. First is noted in the proposal, the current method 2 framework lacks a mechanism to account for evolution and growth of the

financial system. While the framework may have been fit for purpose 10 years ago, it no longer captures a G-SIB's footprint within the broader financial system. Today's proposal tries to solve this problem by doing a one-time calibration of the original coefficients and periodically adjusting them using GDP growth instead of directly relevant measures of financial system growth. I am concerned that we are setting ourselves up to have the same conversation in five to 10 years about method 2 surcharges veering off their intended course. I would favor using an analog to the method 1 approach, where the G-SIB indicators are explicitly measured relative to the broader financial system. Such an approach would obviate any claims of reverse engineering and render periodic adjustments unnecessary.

Next, I would like to highlight the significant reduction in the effective risk weights for mortgage-related activities. This may bring mortgage origination back into the regulated banking sector, and it could increase overall mortgage availability. However, we must carefully consider how removing capital thresholds for MSRs will affect banks' management of their embedded volatility and operational risks, especially given the significant losses banks experienced on MSRs during the financial crisis.

Finally, I am reserving judgment as to whether the down calibrations, that are contributing to the material decline in capital requirements, are actually making capital requirements more risk sensitive. Granular requirements are not necessarily equivalent to risk-sensitive requirements, especially for exposures where our visibility may be quite limited. Better data and sight lines into banks' exposures to certain nonbank intermediaries, for example, would give me greater comfort in assessing the proposed changes and the treatment of those exposures.

To conclude, overly onerous capital requirements may constrain the ability or willingness of banks to make loans to creditworthy American households and businesses. But if requirements

are not strong enough, the capital needed to fund loans to creditworthy American households and businesses will be in short supply during the periods of economic stress, when it is needed most. It is critical that we strike the right balance, which is why I welcome comments from a broad range of stakeholders on the overall impact of these proposals, including how they interact with other proposals before the Board. I also welcome comments regarding how these proposals might affect low- and moderate-income households, and financial inclusion more generally. Thank you.

CHAIR POWELL. Thank you. Governor Barr, please.

GOVERNOR BARR. Thank you, Mr. Chair. I'd like to thank the staff, again, for their hard work in developing the proposals before the Board today. The package includes many provisions that I have supported in the past, as part of the Board's July 2023 capital proposals and in my September 2024 speech discussing the potential re-proposal of these rules, and which I continue to support.

However, I cannot support any of the three proposals as presented today. Bank capital rules help to ensure that banks fund themselves with capital commensurate with the risks of their activities and the risks that they pose to the U.S. financial system. Today's proposals, when combined with the impact of proposed changes to the Board's stress tests, would lower the common equity tier 1 capital requirements of the largest banks by 4.8 percent. When those changes are considered in combination with the recent changes to the enhanced supplemental leverage ratio, the impact on globally systemically important banks is even larger, a decrease in tier 1 capital requirements of 6 percent.

These significant reductions in capital requirements are unnecessary and unwise. The capital surcharge for G-SIBs could be refined and the Basel III reforms could be adopted in the

United States without materially weakening the capital framework. Today's proposals, if adopted, would harm the resilience of banks and the U.S. financial system.

Starting with a proposal to revise the calculation of the G-SIB surcharge, I support certain aspects of the proposal that would better align a firm's surcharge with its systemic risk, such as calculating the surcharge based on annual averages rather than year-end values and assigning surcharges based on narrower scoring bands. However, the proposal would make certain other modifications to the G-SIB surcharge that are not adequately supported, and that would lead to unwarranted capital requirement reductions for the very largest banks. These changes could have a negative impact on financial stability and the competitive landscape.

For example, the proposal would recalibrate the G-SIB's framework so that a short-term wholesale funding component would account for 20 percent of G-SIB's aggregate method 2 scores. Banks' reliance on short-term wholesale funding can leave firms vulnerable to runs that undermine financial stability. When the Board adopted its G-SIB framework, it stated that it intended for the short-term wholesale funding component to comprise 20 percent of method 2 scores for G-SIBs. As it turns out, however, G-SIBs are even more reliant on short-term wholesale funding than initially thought, meaning that the component has made up approximately 30 percent of firms' method 2 scores. The proposal reasons that the appropriate response to this would be to reduce the impact of short-term wholesale funding on the method 2 score calculation. But there is a different and more consequential conclusion. If this type of funding is so much more prevalent than the Board initially suspected, that just means that the problem the Board was trying to deal with was bigger than initially believed. Further, banks' reliance on short-term wholesale funding, relative to their risk-weighted assets, has grown from

approximately 30 percent to 40 percent between 2016 and 2024. Given these facts, there is little to be said in favor of reducing the impact of this type of funding on firms' G-SIB surcharges.

As another example, the proposal would make a one-time downward adjustment to the factors that determine the surcharge, otherwise known as the method 2 systematic indicator coefficients, to offset an observed divergence in growth rates between the G-SIB's method 1 and method 2 G-SIB scores since 2019. While technical in nature, the proposed adjustment to method 2 coefficients is significant, because it replaces principled risk-based calibration with arbitrary alignment to a different and less stringent way to calculate the surcharge under the method 1 approach. This has the harmful effect of eroding the purpose of having two distinct measures of systemic risk and weakening the foundation of capital rules. In the context of a package increasing the resilience of the banking system, I could support an approach updating scores in a principled way, but I cannot see a basis for the type and extent of adjustment included in this proposal. Method 1 and method 2 are intended to measure systemic risk differently. That is the point of having the two methods. And there is no reason to expect them to necessarily move in tandem, or to make adjustments when they don't.

The G-SIB surcharge proposal would cut common equity tier 1 capital requirements for the largest banks by 3.8 percent. I cannot see a justification for such a reduction.

Let me turn next to the large bank proposal. I appreciate the progress in moving forward on implementing the Basel III reforms in the United States. Adopting those standards would be a crucial step to making the U.S. and global financial systems safer and ensuring that U.S. banks are seen by their foreign regulators as being subject to sufficiently strong standards. Many aspects of today's proposal are consistent with the Basel III agreements, and our prior proposals, and I support those components of the rule. However, the proposal includes far too many

downward deviations from the international accord that would result in a much weaker capital framework. I fear that if this much weaker version of Basel III is adopted in the United States, it could trigger a race to the bottom on standards, harming the global financial system. By my count, there are over 20 material downward deviations from the Basel III standard.

I won't comment on all these downward adjustments, but we'll focus on a few. One goal of the Basel III reforms was to address the undercapitalization of market risk, the risk resulting from exposure to price movements caused by changes in market conditions, market events, and issue events that affect asset prices. In particular, the reform is aimed at capturing the risks associated with financial instruments, such as collateralized debt obligations, credit default swaps, and mortgage-related securitizations, which became apparent during the global financial crisis. The market risk framework agreed to in the Basel III Accord is meant to ensure that banks have sufficient capital to guard against the risks associated with trading these types of instruments.

Given these goals, it is important that the market risk-related aspects of the Basel III reforms are implemented as fully as possible in the United States. Instead, the proposal meaningfully deviates downward from those standards. For example, the internationally agreed-upon Basel III reforms include both a standardized and internal models-based approach for computing market risk capital requirements but also include an output floor based on the standardized approach to ensure that a firm's use of its own internal models does not result in unwarranted reductions in capital requirements. The U.S. proposal before us today rejects that output floor entirely. This will encourage other jurisdictions to do the same, undermining a key reform and cornerstone of the Basel III agreement. Going even further, the proposal, instead,

would use the output of the standardized approach as a cap on a firm's market risk capital requirements, rather than a floor.

As another example, the proposal would reduce relative to the Basel Accord, the capital penalty for a bank's use of market risk factors with insufficient market price data, so-called "non-model-able risk factors." And a different part of the Basel III framework seeks to deal with some of the risks inherent in securitized assets, such as CDOs. Under the Basel III standards, only securitizations that meet certain structural and transparency standards are eligible for a preferential "p-factor," a parameter that scales up or down the amount of capital a bank needs to hold with regard to a particular securitization. Today's proposal would extend that preferential treatment to all securitizations.

Each individual deviation from Basel III is perhaps able to be rationalized on its own. But in the aggregate, they result in a significantly weaker capital framework. Worse, when combined with the proposed changes to the stress test framework, changes to the market risk capital requirements would actually decrease overall capital requirements by 5.8 percent for the largest banks. The Basel III Accord was intended to strengthen banks' ability to withstand risk from their trading activities, to protect against another crisis. Instead, capital requirements for those activities are being significantly relaxed.

The capital impact associated with today's proposals is much more significant as a result of recent changes to the enhanced supplemental leverage ratio. Proponents of the changes to the eSLR argued, at the time, that those changes would have minimal effects given the strength of the risk-based capital framework. As I discussed in my dissent to that final rule, at that time, the effects of the rule would be much starker if the risk-based framework were subsequently relaxed, as is being proposed today. For the largest bank holding companies, today's proposal results in

aggregate tier 1 capital requirement reductions that are 60- -basis points greater than they would have been without the recent eSLR changes. And for the largest depository institution, the difference is 230 basis points.

The impact of today's proposal is also exacerbated by the fact that the largest banks would be required to compute their risk-weighted assets under only one approach rather than two, as under the current rule. This single, single-stack approach reduces complexity, but only slightly. The largest banks could easily continue to calculate their capital requirements under the relatively simple standardized approach. Doing so would be valuable because the different approaches have different ways of assessing risk, which can be important to ensuring that banks are adequately capitalized. And a dual stack also ensures compliance with the U.S. Collins Amendment.

Let me turn, lastly, to the standardized approach proposal. Another of today's proposals would modify the standardized approach in the Board's capital rule, which would generally apply to all banks, except for the very largest. As part of this proposal, Category III and IV banking organizations would be required to include elements of accumulated other comprehensive income, or AOCI, in common equity tier 1 capital consistent with the treatment already applicable to larger firms. I support this change, which was part of our earlier package, as it would help to ensure that the capital requirements for these banks accurately reflect their capacity to absorb losses, such as from interest rate risk.

However, I cannot support other aspects of the standardized approach proposal. As a whole, the proposal would weaken capital requirements for all banks. For Category III and IV banks, large banks whose failure could impose significant externalities on the U.S. banking and financial system, the proposal would reduce capital requirements by 3 percent, or 5.2 percent

when combined with the effects of the stress test changes. For banks under \$100 billion, the proposal would decrease capital requirements by almost 8 percent. Overall, this is not a proposal targeted to help community banks, but rather a proposal that helps some of the biggest banks in the country.

Generally speaking, these reductions in capital requirements are not justified. The standardized approach proposal incorporates aspects of the large bank proposal that lower risk weights but largely does not incorporate those aspects of the large bank proposal that raise risk weights. This does little to make the standardized approach more risk sensitive, a more accurate reflection of the riskiness of a bank's assets. It mostly just makes the capital requirements lower.

In conclusion, today's proposals add to a growing list of actions that materially weaken the Board's capital requirements, particularly for the largest banks. The stress test proposal, the eSLR final rule, and today's proposals collectively would leave the U.S. banking and financial system in a more vulnerable position.

Capital requirements are being significantly reduced. There are suggestions that liquidity requirements could also be reduced. Additionally, Federal Reserve supervisory staff have been cut by over 30 percent, and supervisory practices have been weakened. Banking is built on trust. I worry greatly that these actions are rapidly eroding that trust. I dissent.

CHAIR POWELL Thank you. Governor Miran, please?

GOVERNOR MIRAN. Thank you. I support the issuance of these proposals. Vice Chairman Bowman and the staff have taken great care to develop proposals that improve the risk sensitivity of the capital framework, while reducing its current burden upon the banking system. While the burden initially falls on banks, it can be carried through to Main Street and the rest of the economy in the form of reduced lending, lending that's critical to the lifeblood of the

economy. For that reason, I think it is critical that we strike a balance that ensures the banking system remains sound and resilient but does not impose any superfluous requirements. In addition, as I previously noted, right sizing the regulatory framework helps with other aspects of our remit. As I review the comments, I'll be eager to hear the public's view on whether the proposals achieve that balance, or if there's further capital relief that can and should be provided. Thank you.

CHAIR POWELL. Thank you. And I'm happy to support seeking public comment on all three of these proposals, and I look forward to reviewing the comments. And thank you again to the staff for the presentation and the work done to prepare these proposals.

We will now proceed to voting on the proposals. I need a motion to approve, first, a proposed rule to revise the risk based capital framework applicable to the largest, most internationally active firms, and their depository institution subsidiaries, and to firms with significant trading activity referred to as the Basel III proposal, and staff to make any minor or non-substantive changes to prepare the documents for publication in the *Federal Register*.

VICE CHAIR JEFFERSON. So moved.

VICE CHAIR FOR SUPERVISION BOWMAN. I second.

CHAIR POWELL. After I call your name, please indicate your vote, yes or no, on the proposal. Vice Chair Jefferson?

VICE CHAIR JEFFERSON. Yes.

CHAIR POWELL. Vice Chair for Supervision Bowman?

VICE CHAIR FOR SUPERVISION BOWMAN. Yes.

CHAIR POWELL. Governor Waller?

GOVERNOR WALLER. Yes.

CHAIR POWELL. Governor Cook?

GOVERNOR COOK. Yes.

CHAIR POWELL. Governor Barr?

GOVERNOR BARR. No.

CHAIR POWELL. Governor Miran?

GOVERNOR MIRAN. Yes.

CHAIR POWELL. And I vote yes. The motion has carried, and the proposal is approved.

Next, I need a motion to approve a proposed rule to modify the U.S. standardized approach in the capital rule, referred to as the standardized approach proposal, and staff to make any minor or non-substantive changes to prepare the documents for publication in the *Federal Register*.

VICE CHAIR JEFFERSON. So moved.

VICE CHAIR FOR SUPERVISION BOWMAN. Second.

CHAIR POWELL. After I call your name, please indicate your vote. Vice Chair Jefferson?

VICE CHAIR JEFFERSON. Yes.

CHAIR POWELL. Vice Chair for Supervision Bowman?

VICE CHAIR FOR SUPERVISION BOWMAN. Yes.

CHAIR POWELL. Governor Waller?

GOVERNOR WALLER. Yes.

CHAIR POWELL. Governor Cook?

GOVERNOR COOK. Yes.

CHAIR POWELL. Governor Barr?

GOVERNOR BARR. No.

CHAIR POWELL. Governor Miran?

GOVERNOR MIRAN. Yes.

CHAIR POWELL. And I vote yes. The vote -- the motion has carried, and the proposal is approved. Next, I need a motion to approve a notice document containing a description of the impact of the Basel III and standardized approach proposals on certain information collection requirements under the Paperwork Reduction Act, and staff to make any minor or non-substantive changes to prepare the documents for publication in the *Federal Register*.

VICE CHAIR JEFFERSON. So moved.

VICE CHAIR FOR SUPERVISION BOWMAN. Second.

CHAIR POWELL. After I call your name, please indicate your vote. Vice Chair Jefferson?

VICE CHAIR JEFFERSON. Yes.

CHAIR POWELL. Vice Chair for Supervision Bowman?

VICE CHAIR FOR SUPERVISION BOWMAN. Yes.

CHAIR POWELL. Governor Waller?

GOVERNOR WALLER. Yes.

CHAIR POWELL. Governor Cook?

GOVERNOR COOK. Yes.

CHAIR POWELL. Governor Barr?

GOVERNOR BARR. No.

CHAIR POWELL. Governor Miran?

GOVERNOR MIRAN. Yes.

CHAIR POWELL. And I vote yes. The motion is carried and the proposal is approved. Finally, I need a motion to approve the proposed rule to revise the calculation of the capital surcharge for U.S. global systemically important banking organizations, referred to as the G-SIB Surcharge proposal, and staff to make any minor or non-substantive changes to prepare the documents for publication in the *Federal Register*.

VICE CHAIR JEFFERSON. So moved.

VICE CHAIR FOR SUPERVISION BOWMAN. I second.

CHAIR POWELL. Please indicate your vote. Vice Chair Jefferson?

VICE CHAIR JEFFERSON. Yes.

CHAIR POWELL. Vice Chair for Supervision Bowman?

VICE CHAIR FOR SUPERVISION BOWMAN. Yes.

CHAIR POWELL. Governor Waller?

GOVERNOR WALLER. Yes.

CHAIR POWELL. Governor Cook?

GOVERNOR COOK. Yes.

CHAIR POWELL. Governor Barr?

GOVERNOR BARR. No.

CHAIR POWELL. Governor Miran?

GOVERNOR MIRAN. Yes.

CHAIR POWELL. And I vote yes. The motion is carried, and the proposal is approved.

Financial regulations put in place since the global financial crisis substantially increased the banking system's resilience. However, it is prudent to reexamine our regulatory framework at

regular intervals and strive to modernize our rules to help maintain international standards in a way that is appropriate for the U.S. banking system. We discussed three such proposals today.

The first would help us fulfill our commitment to the Basel III capital standards, by improving the calibration of the framework to better capture credit market and operational risks for the largest, most internationally active banks. This proposal would also simplify how banks calculate their compliance with capital requirements, requiring only one simple calculation rather than two. And critically, the first proposal would preserve the overall calibration of the core capital requirements for our largest banks. I particularly look forward to hearing from commenters about whether our Basel III proposal successfully achieves the objectives of the international accord, while tailoring to the unique characteristics of the U.S. banking system.

The second proposal would make corresponding changes for other banks, which would better match their risk-based capital requirements to the actual risks of traditional lending. Drawing lessons from the regional banking stress of 2023, the proposal would also require more large banks to reflect the current value of their available-for-sale securities holdings in their capital levels.

And the third proposal would improve how systemic risk for the largest and most complex banks is measured, and how the resulting capital surcharge is implemented. This proposal would usefully address unintended consequences under the current framework, and permit banks to grow in line with the U.S. economy, without seeing their systemic capital surcharges increase.

I would like to, once again, thank the staff for their hard work on the proposals. Once again, I am struck by the quality of your analysis and the clarity of your communications. It's a real honor for all of us to work with you folks. We look forward to receiving comments on the

proposals and encourage members of the public to share their views during the comment period.

Thank you. And our meeting is now adjourned.