Date: November 5, 2025

To: Board of Governors

From: Staff[1]

Subject: Final rule to modify the enhanced supplementary leverage ratio standards

ACTIONS REQUESTED: Approval of a final rule to (1) modify the enhanced supplementary leverage ratio (eSLR) standards applicable to U.S. global systemically important bank holding companies (GSIBs) and their subsidiary depository institutions and to make corresponding revisions to total loss-absorbing capacity (TLAC) and long-term debt requirements; and (2) finalize changes to related reporting requirements. Staff also seek authority to make technical or minor changes to the attached materials prior to publication in the Federal Register. The final rule would be issued jointly by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency (the agencies) upon completion of the agencies' respective approval processes.

EXECUTIVE SUMMARY:

- The final rule would adopt, largely as proposed, the agencies' July 2025 proposed rule, with the goal of helping ensure that supplementary leverage ratio requirements generally serve as a backstop to risk-based capital requirements, rather than as a regularly binding constraint.[2]
  - Consistent with the proposal, the final rule would modify the eSLR buffer standard for GSIBs to equal half of the method 1 surcharge under the Board's GSIB surcharge framework.
  - For the subsidiary depository institutions of GSIBs, the final rule would modify the eSLR standard to be a buffer equal to half of the parent GSIB's method 1 surcharge, capped at one percent. This calibration would differ from the proposal with the

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[2] See 90 FR 30780 (July 10, 2025).

adoption of a cap, which reflects the essential role of depository institutions in the financial system and their positions within larger consolidated organizations.

- Consistent with the proposal, the final rule would make conforming changes to the Board's TLAC and long-term debt requirements.
- By reducing the likelihood that the eSLR standards are regularly binding, the final rule would reduce regulatory disincentives for GSIBs to engage in lower-risk, lower-return activities, such as market intermediation. This effect could, in turn, support the resilience and functioning of the U.S. Treasury market, where GSIBs play an important role.
- The final rule would reduce the eSLR standards below the level of the risk-based tier 1 capital requirement for all GSIBs and most of their subsidiary depository institutions.
    - The aggregate tier 1 capital requirements for GSIBs would decrease slightly as a result of the final rule, whereas the requirements for their subsidiary depository institutions would decrease more substantially. However, almost all of the existing capital of the depository institutions would need to be retained within the consolidated GSIBs due to holding company capital requirements.
- The effective date of the final rule would be April 1, 2026, with banking organizations permitted to adopt the modified eSLR standards beginning January 1, 2026.

DISCUSSION:

I. Background

Under the agencies' capital rule, banking organizations are subject to complementary risk-based and leverage capital requirements, with each addressing potential risks not addressed by the other. Risk-based capital requirements establish a minimum amount of regulatory capital a banking organization must maintain based on the risk profile of its exposures, whereas leverage capital requirements establish minimum capital requirements that are broadly the same for all of a banking organization's exposures.

The minimum tier 1 leverage ratio of 4 percent, measured as the ratio of a banking organization's tier 1 capital to average total consolidated assets, applies to all banking organizations subject to the capital rule. The minimum supplementary leverage ratio of 3 percent, measured as the ratio of a banking organization's tier 1 capital to its total leverage exposure, applies only to banking organizations subject to Category I-III capital standards.[3] Total leverage exposure includes certain off-balance sheet exposures in addition to on-balance sheet assets.[4] In addition, GSIBs and their depository institution subsidiaries are required to meet enhanced supplementary leverage ratio standards. Specifically, each GSIB currently must maintain at least a supplementary leverage ratio of 3 percent plus a leverage buffer of 2 percent to avoid limitations on the firm's capital distributions and certain discretionary bonus payments.[5] Furthermore, the insured depository institution subsidiaries of GSIBs currently must maintain a supplementary leverage ratio of at least 6 percent to be "well capitalized" under the agencies' prompt corrective action framework.[6]

A leverage capital requirement functions best when it is generally a backstop to risk-based capital requirements. When a leverage capital requirement is binding it can create incentives for firms to reduce participation in lower-risk, lower-return activities and instead engage in higher-risk activities in search of higher returns, because it requires the same amount of capital for all exposures regardless of their risk. For example, a binding leverage capital requirement can disincentivize bank-affiliated broker-dealers from intermediating in the U.S.

[3] Category I standards apply to GSIBs. Category II standards apply to banking organizations with at least $700 billion in assets or at least $75 billion in cross-jurisdictional activity. Category III standards apply to banking organizations with assets of at least $250 billion or at least $75 billion in weighted short-term wholesale funding, nonbank assets, or off-balance sheet exposure. Category IV standards apply to banking organizations with assets of at least $100 billion that do not meet the thresholds for a higher category. See 12 CFR 217.2.

[4] See 12 CFR 217.10(c).

[5] See 12 CFR 217.11(a)(2)(v).

[6] See 12 CFR 208.43(b)(1)(i)(D)(*2*).

Treasury market, which may create problems for the smooth functioning of the U.S. Treasury market and of U.S. financial markets more broadly.

Since the adoption of the eSLR standards, the agencies have observed that, in many cases, supplementary leverage ratio requirements have become a binding constraint rather than a backstop to risk-based capital requirements, giving rise to the incentive concerns described above. Accordingly, the final rule would modify the calibration of the eSLR standards to help ensure that supplementary leverage ratio requirements generally serve as a backstop to risk-based capital requirements.

II. Summary of Proposal and Comments Received

On July 10, 2025, the agencies published in the Federal Register a notice of proposed rulemaking (the proposal) that would modify the eSLR standards that apply to GSIBs[7] and their depository institution subsidiaries.[8] The proposal would have made changes to the eSLR standards to reduce the likelihood of supplementary leverage ratio requirements being the binding capital constraint for these banking organizations. Specifically, the proposal would have modified the eSLR standards to be a buffer equal to 50 percent of a GSIB's method 1 surcharge calculated under the Board's risk-based GSIB surcharge framework for GSIBs and their

[7] See 12 CFR part 217, subpart H (GSIB surcharge framework). A bank holding company subject to the GSIB surcharge framework must determine whether it is a GSIB by applying a multifactor methodology based on size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity. See 12 CFR 217.402.

[8] See 90 FR 30780.

depository institution subsidiaries.[9] The proposal also would have made conforming modifications to the leverage-based components of the Board's TLAC and long-term debt requirements, which expressly reflect the eSLR standard applicable to GSIBs.[10]

The agencies received approximately 40 comments on the proposal from policy advocacy groups, banking organizations, banking and financial industry trade associations, other financial market participants, academics, members of Congress, research organizations, and other individuals.

Some commenters were broadly supportive of the proposal. These commenters generally noted the proposal would achieve the objective of helping to ensure that supplementary leverage ratio requirements generally serve as a backstop to risk-based capital requirements. These commenters also stated that the proposed modifications to the eSLR standards would increase the capacity of banking organizations to engage in low-risk activities throughout the economic cycle, including during episodes of economic or financial market stress, without materially increasing safety and soundness risks.

Some commenters objected to the proposal. These commenters generally asserted that the proposal would weaken the existing capital framework for GSIBs and their depository

[9] Under the Board's capital rule, a firm identified as a GSIB must calculate its GSIB surcharge under two methods and be subject to the higher surcharge. The first method (method 1) is based on five categories that are correlated with systemic importance—size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity. The second method (method 2) uses similar inputs but replaces substitutability with the use of short-term wholesale funding and is calibrated in a manner that generally will result in surcharge levels for GSIBs that are higher than those calculated under method 1. See 12 CFR 217.402.

[10] The Board and FDIC also proposed to make certain technical corrections to the capital rule, and the FDIC proposed to make certain technical corrections to the prompt corrective action framework. In addition, the Board proposed to revise its FR Y-9C reporting form instructions.

institutions, which could increase risks to the safety and soundness of banking organizations, the banking system, and overall financial stability. Some of these commenters also asserted that the proposed changes would not aid U.S. Treasury market intermediation.

Some commenters did not support relying on the GSIB surcharge framework to calculate the eSLR standards, particularly for depository institutions, noting that the GSIB surcharge framework is based on top-tier holding company systemic indicators.

The attached draft final rule includes a more detailed discussion of the comments received on each aspect of the proposal.

III. Overview of the Final Rule

The final rule would adopt the proposal's recalibration of the eSLR buffer for GSIBs to equal 50 percent of a GSIB's method 1 surcharge. Using an eSLR buffer based on the GSIB surcharge framework would tailor the eSLR to each GSIB's systemic footprint and produce a calibration that is consistent with the objective for supplementary leverage ratio requirements to act as a backstop to risk-based capital requirements. In addition, this approach would help promote consistency in the eSLR standards for large, complex, and internationally active banking organizations across jurisdictions, as it would be consistent with the leverage ratio framework published by the Basel Committee.[11]

For the depository institutions of GSIBs, the final rule would adopt an eSLR buffer equal to 50 percent of the parent GSIB's method 1 surcharge, capped at one percent.[12] The cap would

[11] See Basel Committee, "Basel III: Finalising post-crisis reforms" (Dec. 2017), available at: https://www.bis.org/bcbs/publ/d424.pdf; Basel Committee, "Basel III leverage ratio framework and disclosure requirements" (Jan. 2014), available at: http://www.bis.org/publ/bcbs270.htm.

[12] Like the proposal, the final rule would change the form of the eSLR standard for depository institution subsidiaries of GSIBs from a threshold in the prompt corrective action framework to a

recognize that the method 1 surcharge of a parent GSIB may be in part driven by activities outside of the depository institution subsidiaries of GSIBs. In addition, the cap would reflect the essential role that depository institutions play in the financial system by providing important financial intermediation services, such as safely accepting deposits, especially in times of stress when deposits inflows can be especially large and can cause supplementary leverage ratio requirements to become more binding. The final rule's capped approach would also help to better ensure, relative to an uncapped approach, that the eSLR standard serves as a backstop to risk-based capital requirements for depository institution subsidiaries of GSIBs, rather than as a frequently binding requirement.

Consistent with the proposal, the final rule would revise the TLAC and long-term debt requirements for GSIBs to maintain alignment between these requirements and the eSLR standards for GSIBs.

The final rule would not adopt modifications to exclude assets or exposures from the denominator of the supplementary leverage ratio requirement. As observed by commenters, the final rule's changes to the eSLR standards achieve the agencies' objectives and maintain the supplementary leverage ratio's risk-insensitive treatment of exposures.

The final rule includes certain technical corrections to the capital rule and the prompt corrective action framework.[13] In addition, the final rule includes conforming revisions to the Board's FR Y-9 information collection that would not result in increased reporting burden. The

buffer in the capital rule in order to enhance effective capital management across a banking organization and lessen the likelihood that a depository institution will reduce lending and other activities during times of economic stress.

[13] Specifically, the Board and FDIC are finalizing technical corrections to correct outdated references in their capital rules and prompt corrective action regulations.

final rule also notes that the agencies, under the auspices of the Federal Financial Institutions Examination Council (FFIEC), may finalize in a separate notice related revisions to the Consolidated Reports of Condition and Income (Call Report) (FFIEC 031, FFIEC 041, and FFIEC 051) affecting depository institutions.

The final rule would have an effective date of April 1, 2026. The final rule would permit GSIBs and depository institutions to elect to adopt the final rule's modified eSLR standards beginning January 1, 2026.

IV. Economic Analysis

As detailed in Section IV of the final rule, the change in the eSLR standard would reduce aggregate tier 1 capital requirements for GSIBs by less than two percent, or $13 billion, estimated using 2024 balance sheet information.[14] Although the aggregate tier 1 capital requirements for the subsidiary depository institutions of GSIBs would decrease by approximately $219 billion, almost all of their existing capital would need to be retained within the consolidated GSIBs due to holding company capital requirements and thus would not become available for distribution to shareholders. Therefore, the final rule would enable GSIBs to more flexibly allocate capital across their subsidiaries. Additionally, the changes to the TLAC framework would reduce aggregate TLAC and long-term debt requirements for GSIBs by approximately 5 percent and 16 percent, respectively.

[14] Stress capital buffer requirements show significant year-to-year variability, and the latest stress test results led to stress capital buffer requirements near the lower end of the historical range. For this reason, the agencies' estimation methodology relies on a whole year of data from 2024, which provides an estimate that is more robust to annual swings in stress capital buffer requirements.

The changes to the eSLR standards would reduce the supplementary leverage ratio requirement below the level of the risk-based tier 1 capital requirement for all GSIBs and most of their subsidiary depository institutions. A key benefit of the draft final rule is that it would remove unintended disincentives for these banking organizations to engage in low-risk activities, such as U.S. Treasury market intermediation, and reduce unintended incentives for these banking organizations to engage in higher-risk activities. Additionally, the tier 1 capital requirements of GSIBs and their subsidiary depository institutions would become more closely aligned with their underlying risks. The changes to TLAC and long-term debt requirements would maintain alignment with the revised eSLR standard and would likely lower the funding costs of GSIBs.

The costs of the final rule include enabling GSIBs and their subsidiary depository institutions to increase their leverage, potentially via risk exposures that are not fully captured by the risk-based capital framework. For example, the standardized risk-weighted assets framework applies zero risk weights to certain non-trading fixed income securities holdings, although these may not be entirely risk-free. Additionally, the changes to the TLAC standards could modestly reduce GSIBs' overall resources available in bankruptcy or resolution.

Taken together, the analysis indicates that the benefits of the final rule would justify its costs.

RECOMMENDATIONS:

For the reasons discussed above, staff recommend that the Board (1) approve the attached draft final rule; (2) approve the proposed changes to related reporting requirements; and (3) authorize staff to make technical or minor changes to the attached materials prior to publication in the Federal Register.

Attachment