

FACT SHEET



Proposals to Modernize the Regulatory Capital Framework

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, the agencies) issued three proposals on March 19, 2026, to modernize the regulatory capital framework for banking organizations of all sizes.

These proposals result from a comprehensive, bottom-up review of the capital framework, which aims to ensure individual requirements are appropriate and do not result in unintended effects. In analyzing the effects of the proposals, the agencies considered overlaps among requirements and sought to mitigate them where appropriate.

The first proposal would streamline the risk-based capital requirements for Category I and II depository institution holding companies and depository institutions (Category I and II banking organizations) by requiring them to calculate only one set of risk-based capital ratios using the “expanded risk-based approach,” which would include requirements for credit risk, operational risk, market risk, and credit valuation adjustment (CVA) risk. All other banking organizations would have the option to adopt this proposed approach. The proposal would also apply the market risk framework to banking organizations with significant trading activities.

The second proposal would revise the capital treatment of certain exposure categories under the standardized approach by improving the calibration and risk sensitivity of risk weights that are particularly material to covered banking organizations’ lending activities while maintaining the simplicity of the standardized approach.

The third proposal, from the Federal Reserve Board, would improve the framework to set the U.S. global systemically important banking holding company (GSIB) surcharge, the risk-based capital buffer requirement that applies to the largest, most complex bank holding companies. This proposal would better align surcharges with risk by improving the measurement of the systemic risk posed by these bank holding companies.

The agencies encourage stakeholders to submit comments on the proposals by June 18, 2026.

KEY ELEMENTS OF THE PROPOSAL FOR LARGE BANKING ORGANIZATIONS

- > The proposal would streamline the risk-based capital requirements for large banking organizations. Category I and II banking organizations would be subject to a single set of risk-based capital ratio requirements based on the “expanded risk-based approach,” which would include requirements for credit risk, operational risk, market risk, and CVA risk. All other banking organizations would have the option to adopt this proposed approach.

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- > The standardized approach would no longer apply to Category I and II banking organizations, and the advanced approaches would be removed from the regulatory capital framework.
- > The market risk capital framework would apply to Category I and II depository institution holding companies and to other banking organizations with (1) more than \$5 billion of trading activity or (2) trading activity equal to or higher than 10 percent of the banking organization's total assets.
- > The proposal would include a risk-sensitive framework for capturing the risks associated with CVA risk for derivative exposures. The CVA framework would apply to Category I and II depository institution holding companies, Category I and II depository institutions that have significant trading activity, and other banking organizations with significant trading activity that also have at least \$1 trillion in notional derivative exposure.
- > The proposal would improve risk sensitivity by varying capital requirements according to several credit risk factors, such as loan-to-value ratios for most real estate exposures, repayment history for retail exposures, and assessed creditworthiness for corporate exposures.
- > The expanded risk-based approach would include a standardized operational risk capital requirement. The proposal would set a banking organization's operational risk capital requirement in line with its business volume, with adjustments to reflect the lower operational risk observed for certain activities such as investment management, investment services, and non-lending treasury services.
- > The proposal would revise the models-based approach for market risk and introduce a standardized approach for market risk to serve as a credible fallback approach. The proposed models-based measures would improve the risk-sensitivity of market risk capital requirements by incorporating the different liquidity horizons of risk factors and replacing the value-at-risk (VaR) based measure of market risk with an expected shortfall-based measure that better accounts for tail risk.
- > The proposal would improve the risk sensitivity of the CVA framework which addresses the potential loss in the fair value of derivatives due to changes in the creditworthiness of a derivative counterparty. The proposal would also exempt client-facing derivative transactions from the CVA requirement.
- > Banking organizations would no longer be required to deduct any amount of mortgage servicing assets (MSA) from common equity tier 1 capital. Instead, MSAs would be subject to a 250 percent risk weight, consistent with the risk weight in the current capital rule for MSAs that do not exceed the deduction thresholds.

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- > The proposal would also index certain dollar-based regulatory thresholds, where appropriate, to reflect inflation and ensure that such thresholds preserve, in real terms, their intended application over time.

KEY ELEMENTS OF THE PROPOSAL TO MODERNIZE REGULATORY CAPITAL AND THE STANDARDIZED APPROACH FOR ALL OTHER BANKING ORGANIZATIONS

- > The proposal would revise the risk-based capital treatment of certain exposure categories under the standardized approach by focusing on improving the calibration and risk sensitivity of risk weights that are particularly material to covered banking organizations' lending activities while maintaining the standardized approach's simplicity.
- > The proposal would promote mortgage origination and servicing by banking organizations in a risk-appropriate manner.
- > To improve risk sensitivity, the proposal would introduce a loan-to-value based approach for assigning risk weights to certain residential mortgage exposures.
- > Consistent with the first proposal, this proposal would also modify the definition of regulatory capital by removing the threshold-based deduction for MSAs for all banking organizations, including banking organizations that apply the community bank leverage ratio framework. Instead, MSAs would be subject to a 250 percent risk weight, consistent with the risk weight in the current capital rule for MSAs that do not exceed the deduction thresholds.
- > The proposal would reduce the risk weight applicable to corporate exposures from 100 percent to 95 percent and the risk weight applicable to all assets not specifically assigned a different risk weight under the rule from 100 percent to 90 percent.
- > To better reflect the loss-absorbing capacity of Category III and IV banking organizations (generally banking organizations with \$100 billion or more but less than \$700 billion of assets), the proposal would require these banking organizations to recognize most elements of accumulated other comprehensive income (AOCI) in regulatory capital. The proposal includes a five-year transition period to allow banking organizations to gradually phase-in this treatment.
- > The proposal would also amend certain dollar-based regulatory thresholds in the standardized approach to reflect inflation and ensure that such thresholds preserve, in real terms, their intended application over time.

KEY ELEMENTS OF FEDERAL RESERVE'S GSIB SURCHARGE PROPOSAL

- > The proposal would modify the coefficients used in the method 2 surcharge calculation to reflect changes in the financial system and economy over the past few years.

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- > The proposal would also introduce an automatic mechanism to adjust the coefficients used in the calculation of the method 2 surcharge to account for economic growth and inflation going forward.
- > The proposal would better align the surcharge requirement with the systemic risk posed by GSIBs by removing the risk-weighted assets denominator from the short-term wholesale funding indicator and recalibrating that indicator weight to 20 percent.
- > Additionally, to better reflect a GSIB's systemic risk profile and reduce incentives for temporary adjustments to reported systemic risk indicators at year-end, the proposal would require bank holding companies to calculate certain systemic indicators as an annual average of their daily or monthly values rather than on a point-in-time basis at year-end.
- > To reduce cliff effects and increase the sensitivity of the GSIB surcharge to changes in a bank holding company's systemic risk profile, the proposal would assign surcharges in increments of 10 basis points rather than 50 basis points.
- > Lastly, the proposal would improve the measurement of certain systemic risk indicators and improve the clarity of instructions for related regulatory reporting.