

**Meeting Between Staff of the Federal Reserve Board and Representatives of the Futures  
Industry Association, International Swaps and Derivatives Association, and the Securities  
Industry and Financial Markets Association**  
**September 10, 2025**

**Participants:** Lars Arnesen, Norah Barger, Mark Buresh, Juan Climent, Lesley Chao, Brian Chernoff, Isabel Echarte, Akos Horvath, David Lynch, Victoria Maizenberg, Michael Pykhtin, Vikram Ramnarain, Hannah Sheldon, and Nadya Zeltser (Federal Reserve Board)

Jaqueline Mesa and Mitja Siraj (Futures Industry Association); Ann Battle, Panayiotis Dionysopoulos, Lisa Galletta, and Mark Gheerbrant (ISDA); Guowei Zhang (SIFMA); Harry Yang (Citigroup); Roger Rice (Wells Fargo); Debbie Toennies (JPMorgan); Bengt Redlinger (Bank of America); Andrew Nash and Sarah Lantz (Morgan Stanley); Amy Hong and Joseph Hwang (Goldman Sachs); Nathaniel Wuerffel (Bank of New York Mellon)

**Summary:** Staff of the Federal Reserve Board met with representatives of the Futures Industry Association, International Swaps and Derivatives Association, and the Securities Industry and Financial Markets Association, Wells Fargo, Morgan Stanley, JPMorgan, Goldman Sachs, Citigroup, Bank of New York Mellon, and Bank of America (collectively, representatives) regarding the Board's enhanced supplementary leverage ratio proposal (proposal) and other topics. The representatives summarized their comment letters on the proposal, noting in particular support for the proposal and for finalizing the proposal in the near term, as described in the attached presentation. One representative also expressed support for finalizing the rule with the optional narrow exclusion for certain assets.

Attachment

**Industry/FRB Meeting on SLR and Cross-Product Netting**  
**September 10, 2025**



# Executive Summary

## Importance of Bank Participation in the U.S. Treasury Market

- Banks play an essential role in the U.S. Treasury market and related financing markets by acting as trading counterparties to the Federal Reserve Bank of New York, participating in auctions of new U.S. Treasury issuances as primary dealers, and intermediating U.S. Treasury market transactions in the cash and repo markets
- Leverage-based capital rules directly affect the functioning of the capital markets, especially the Treasury market that supports monetary policy, government financing, and global financial stability
- Banks will need greater capacity to handle increased activity from the SEC's Treasury clearing mandate

## Issue

- The U.S. Agencies correctly observed that current leverage requirements (e.g., eSLR and Tier 1) often act as binding constraints, limiting bank intermediation in the Treasury markets, particularly during times of stress

## Industry Recommendations

- **We strongly support the proposed recalibration of the eSLR and related changes to TLAC and LTD and we urge implementation of these changes as soon as possible, with an effective date no later than January 1, 2026.** This would ease constraints on banks' ability to support the U.S. Treasury market
- **We suggest a comprehensive review of the regulatory capital framework** to address unintended consequences (e.g., the migration of activity outside the banking sector). The proposal is a commendable "first step", but further reforms are needed to ensure the capital framework supports market liquidity and economic resilience throughout the business cycle
- The Agencies should collaborate with Treasury and FSOC to align capital rules with broader economic policy goals, including recognizing risk-reducing practices like cross-product netting to support market intermediation, especially in stress periods

## Support for eSLR Recalibration

- We support the main proposal in the eSLR NPR to **modify the 2% eSLR leverage buffer for U.S. GSIBs to 50% of their Method 1 risk-based GSIB capital surcharge**. The same 50% buffer standard would apply to the “well-capitalized” threshold for GSIB depository institution subsidiaries instead of the current 6% threshold
- The recalibration is expected to help restoring the eSLR to its proper role as a backstop to risk-based capital requirements
- We support any further refinements to leverage capital requirements including, but not limited to, targeted broker dealer exclusions (i.e., the narrow exclusion) to complement the proposed recalibration. In particular, we acknowledge that the narrow exclusion could serve as a flexible tool to relieve pressure on balance sheets during periods of market stress
- The U.S. Agencies should reaffirm their authority to exclude U.S. Treasuries and Fed deposits from leverage requirements during exceptional macroeconomic conditions

## Recommended Changes to the Regulatory Capital Framework – Other Changes

- Banks should be allowed to use extended SA-CCR under QXPMNAs more broadly:
  - Treat collateral of SFTs as derivatives in the PFE calculations
  - Apply extended SA-CCR to counterparty credit risk RWAs and other regulatory areas, including the total leverage exposure calculation, single-counterparty credit limits, and QCCP default fund contributions. Given the market intermediation volume growth, the industry welcomes the opportunity to engage with the Agencies regarding the application of the extended SA-CCR methodology in the regulatory capital framework and in other bank prudential requirements in a timely manner
  - Revise the QXPMNA definition to clearly include SFTs, OTC derivatives, and cleared trades
- Current Tier 1 leverage ratio remains a binding constraint for many GSIB and non-GSIB entities, which impacts low-risk activities like U.S. Treasury market intermediation
- Although the Collins Amendment is a factor, it does not prohibit reform of Tier 1 leverage requirements. The Collins Amendment requires leverage ratios not be lower than those in effect on July 21, 2010 (i.e., 3%), which is lower than the current 4% requirement. This means reform is legally possible, as long as the ratio doesn't go below 3%

# Recommended Changes to the Regulatory Capital Framework – Cross-Product Netting

- Separate from the proposed recalibration of the eSLR, the Agencies should consider **further enhancements to the U.S. regulatory capital framework**, particularly in the context of facilitating proper market functioning during periods of stress, such as U.S. Treasury market intermediation and related activities

## Issue:

- Regulatory capital rules do not uniformly recognize the risk-reducing benefits of enforceable cross-product netting agreements (QXPMNAs)
- Under the current framework, only advanced approaches recognize QXPMNAs. However, the standardized approach is generally the binding constraint – and with advanced approaches being phased out under Basel III Endgame, most banks are left without a risk-sensitive treatment
- Without recognition of cross-product netting, capital requirements will be overstated, impairing market liquidity and bank intermediation capacity

## Recommendation:

- We propose an "extended SA-CCR" approach that integrates securities financing transactions (SFTs) into SA-CCR for portfolios with QXPMNAs, allowing more accurate and risk-sensitive capital treatment
- Banks should be allowed to choose between a) capitalizing derivatives and SFTs together under extended SA-CCR and b) derivatives under SA-CCR and SFTs under the revised collateral haircut method by netting set
- Extended SA-CCR would allow for more efficient capital treatment of portfolios that combine hedging, trading, and financing activities – not just in the U.S. Treasury market but also across, for example, sovereigns, agencies, TBAs, and equity markets. This would support market intermediation and liquidity, especially during periods of market stress when margin requirements can increase
- As part of the extended SA-CCR, the U.S. Agencies should also consider the following changes to expand the allowable scope of netting:
  - The rules should permit client-facing and bilateral settled-to-market (STM) derivatives to be treated as collateralized-to-market (CTM), which is crucial for the recognition of cross-product netting benefit
  - The rules should permit banks to apply decomposition to non-linear derivatives referencing indices to allow offsets between indices and their tracked versions

# Recommended Changes to the Regulatory Capital Framework – Cross-Product Netting

## Scope:

Extended SA-CCR should apply to

- SFT and derivatives portfolios across asset classes, including:
  - USD and non-USD interest rate portfolios, including sovereign debt (see Portfolios 1 / 2 on the next slide)
  - Non-interest rate asset classes involving SFTs and derivatives (e.g., equities: see Portfolio 3 in two slides)

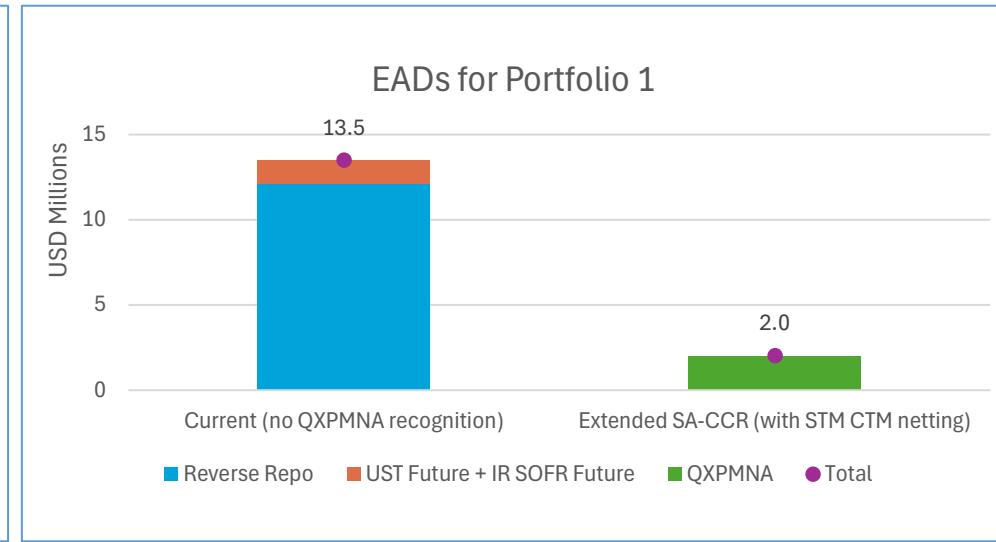
## How extended SA-CCR Works:

- Treats the non-cash collateral in SFTs as forward sales or purchases in the PFE calculation (e.g., Treasury repos as forward purchases of Treasuries)
- Reflects the collateral volatility estimate in the extended SA-CCR calculation without needing separate supervisory haircuts
- Applies hedge disallowance factor to add conservatism to the degree of netting recognition of derivatives versus collateral exposures
- Application of extended SA-CCR to QXPMNAs should be optional and banks should be able to elect by netting the current treatment of treating derivatives separately under SA-CCR from SFTs under the revised collateral haircut method

# Recommended Changes to the Regulatory Capital Framework – Cross-Product Netting

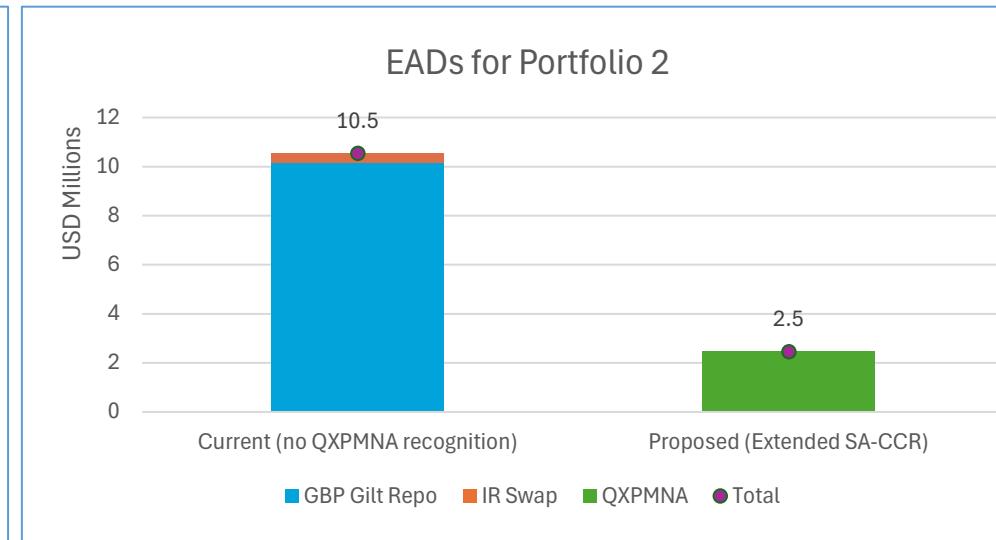
## Portfolio 1:

- The portfolio includes a SOFR and U.S. Treasury future, as well as a cleared reverse repo, with initial margin (IM) collected based on FICC–CME cross-margining
- Using cross-product netting and extended SA-CCR rules, offsetting risks between positions are recognized, reducing the exposure at default (EAD) from **\$13.5M** to **\$2.0M**
- Enforceable QXPMNA and the option to classify STM trades (futures) as CTM are necessary to be able to net the futures with the repo exposures (CTM) and ultimately realize the reduction in EAD



## Portfolio 2:

- Extended SA-CCR can also be applied to non-USD rates exposures such as a UK Gilt reverse repo and a GBP interest rate swap cleared at LCH
- Risk offsets between the reverse repo and derivative reduce the EAD from **\$10.5M** to **\$2.5M**



# Recommended Changes to the Regulatory Capital Framework – Cross-Product Netting

## Portfolio 3:

- This portfolio consists of a set of positions that are economically offsetting, but not recognized as such under the current SA-CCR rules:
  - \$100M margin loan backed by \$120M SPY ETF collateral
  - Long \$125M SPY put option (CBOE)
  - Long \$117M E-mini S&P500 futures (CME)
- If STM transactions (e.g., cleared futures) cannot be netted with CTM (e.g., bilateral margin loan + option), extended SA-CCR would materially overstate EAD. In fact, EAD would increase from **\$6.5M** to **\$9.1M** due to lack of cross-product offset recognition. If STM and CTM netting are permitted, then the EAD would drop to **\$2.4M** using extended SA-CCR
- SA-CCR allows index decomposition only for linear trades, not non-linear (e.g., options). Even though SPY closely tracks S&P 500 (SPX) both may not have completely the same constituents and therefore netting isn't allowed without decomposition. With decomposition applied to linear and non-linear trades, the EAD would drop to **\$0.2M**



## Recommended Changes to TLAC and LTD

- The Agencies should adopt the proposed TLAC and LTD recalibrations and should not introduce an additional LTD haircut to the TLAC calculation. More generally, the Agencies should eliminate the LTD requirements for U.S. GSIBs and rescind the 2023 proposal to expand LTD requirements beyond GSIBs.
  - Recalibrating the external TLAC leverage buffer and the leverage-based LTD requirement to align with the changes to the eSLR buffer is appropriate.
  - The Agencies should not introduce, for purposes of the TLAC calculation, a haircut for LTD maturing in one to two years and should eliminate the parallel existing haircut under the LTD calculation.
  - The Agencies should eliminate the LTD requirements for the U.S. GSIBs and rescind the 2023 proposal to extend the LTD requirements beyond GSIBs.