Meeting Between Staff of the Federal Reserve Board (Board) and Representatives of JP. Morgan Chase & Co. (JPMC)
Oct. 29, 2026

Participants: Andrew Cohen and Ryan Rossner (Federal Reserve Board)

Beth Cleland and Nanayaa Dadson (JPMC)

Summary: Staff of the Federal Reserve Board met with representatives of JPMC regarding the Board's GSIB surcharge proposal (GSIB surcharge proposal). Representatives of JPMC elaborated on concerns raised in JPMC's comment letter regarding the treatment of short-term wholesale funding in the GSIB surcharge proposal.

Attachment

JPMorganChase

STWF Discussion

October 2026

The STWF indicator is specific to the U.S. Method 2 GSIB surcharge and was calibrated to achieve a specific objective

- The STWF component is not a feature of the Basel GSIB framework, and was introduced by the Federal Reserve into the U.S. framework in the 2015 GSIB rules, replacing the substitutability category in Method 1, to capture a firm's reliance on short-term wholesale funding

- Unlike the other indicators adopted from the Basel framework which have a fixed weight, the STWF was calibrated by the Federal Reserve with a firm-specific weight, with RWA in the denominator, to achieve a particular objective

  "*… consideration of a GSIB's short-term wholesale funding amount as a percentage of its risk-weighted assets is an appropriate means of scaling in a firm-specific manner a firm's use of short-term wholesale funding.* ***This approach reflects the view that the systemic risks associated with a firm's use of short-term wholesale funding are comparable regardless of the business model of the firm.*** *…* ***Dividing short-term wholesale funding by risk-weighted assets helps ensure that two firms that use the same amount of short-term wholesale funding would be required to hold the same dollar amount of additional capital regardless of such differences in business model.****"*

- We provide a simple mathematical illustration below to show how having RWA in the denominator achieves the Federal Reserve's objective that two firms with the same amount of short-term wholesale funding would be required to hold the same dollar amount of additional capital

Mathematical illustration[1] of current rules

$$GSIB\ score\ contribution\ (points) = \frac{350}{RWA}\ X\ STWF$$

$$GSIB\ surcharge\ contribution = \sim\frac{1}{2}\ X\ \frac{1}{10{,}000}\ X\ \frac{350}{RWA}\ X\ STWF$$

$$Capital\ required\ to\ to\ be\ held\ (\$) = \sim\frac{1}{2}\ X\ \frac{1}{10{,}000}\ X\ \frac{350}{\cancel{RWA}}\ X\ STWF\ X\ \cancel{RWA} = \mathbf{1.75\%\ X\ STWF}$$

1. For illustrative purposes, ignores the time lag in the measurement date vs. effective date of the GSIB surcharge and the discrete bucket sizes.

Impact of proposed STWF change across U.S. GSIBs

- The chart below shows the capital required under today's rule (Stack 1), and the disparate impact of removing the RWA denominator on U.S. GSIBs (Stack 2) as proposed by the Fed
  - As shown in Stack 2, JPMC's required dollars of capital per unit amount of STWF will be **higher** than under the current rule (same for BAC)
  - For other GSIBs, especially the broker-dealers, it is significantly lower versus the current rule, as well as versus JPMC and BAC
- Stack 3 shows the effect of re-weighting STWF to ~20% of total GSIB scores but retaining the RWA denominator in the STWF calculation
  - This approach would retain the current rule's premise that any two GSIBs with the same amount of STWF should hold the same amount of capital

Dollars of capital required for STWF expressed as a percentage of STWF amount across GSIBs



Note: STT and BNY are excluded from the above chart as their U.S. Method 2 GSIB Surcharge is floored at 1% under the Fed's GSIB Proposal which can distort the calculation of the change in capital required for and increase in STWF