

MEMORANDUM

TO: FDIC Board of Directors

FROM: Ryan Billingsley
Director, Division of Risk Management Supervision

DATE: November 18, 2025

SUBJECT: Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio (eSLR) Standards for U.S. Global Systemically Important Bank Holding Companies (GSIBs) and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity (TLAC) and Long-Term Debt (LTD) Requirements for GSIBs

SUMMARY

Staff presents for the approval of the Federal Deposit Insurance Corporation (FDIC) Board of Directors (FDIC Board) a request to publish the attached interagency final rule (final rule) by the FDIC, the Office of the Comptroller of the Currency (OCC), and the Board of Governors of the Federal Reserve System (FRB) (collectively, the agencies) in the *Federal Register*. The final rule would modify the eSLR standards applicable to GSIBs, their subsidiary depository institutions that are FRB- or FDIC-regulated, and national banks and Federal savings associations that are subsidiaries of a U.S. top-tier bank holding company with total consolidated assets of more than \$700 billion or assets under custody of more than \$10 trillion (together with FRB- and FDIC-regulated subsidiary depository institutions of GSIBs, covered depository institutions). The final rule would help ensure that the eSLR serves as a backstop to risk-based capital requirements rather than as a frequently binding constraint, thus reducing potential disincentives for GSIBs and covered depository institutions to participate in low-risk, low-return activities. Additionally, under the final rule the FRB would finalize conforming amendments to its TLAC and LTD requirements and to relevant regulatory reporting forms, and the FRB and

Concur:

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General Counsel

FDIC would make final certain technical corrections to the capital rule and prompt corrective action (PCA) framework.

RECOMMENDATION

Staff presents to the FDIC Board for approval the attached final rule and requests authorization of its publication in the *Federal Register*.

DISCUSSION

I. Background

The regulatory capital framework consists of both risk-based and leverage capital requirements. Risk-based and leverage capital requirements play complementary roles within the regulatory capital framework. Risk-based capital requirements establish a minimum amount of regulatory capital a banking organization must maintain based on the risk profile of its on- and off-balance sheet exposures, whereas leverage capital requirements establish minimum risk-insensitive capital requirements. If calibrated too high, leverage requirements can become a banking organization's regularly binding capital requirement and create incentives for the banking organization to engage in higher-risk activities in search of higher returns and to reduce participation in lower-risk, lower-return activities, such as U.S. Treasury market intermediation.

The agencies' regulatory capital rules include two leverage-based capital requirements for large banking organizations: (1) the tier 1 leverage ratio and (2) the supplementary leverage ratio (SLR). In addition, GSIBs and covered depository institutions are subject to an enhanced SLR standard (eSLR). Specifically, the eSLR standard requires each GSIB to maintain an SLR of at least three percent plus a leverage buffer of greater than two percent to avoid limitations on the GSIB's capital distributions and certain discretionary bonus payments. A covered depository

institution must maintain an SLR of at least six percent to be “well capitalized” under the PCA framework.

On July 10, 2025, the agencies published in the *Federal Register* a notice of proposed rulemaking (NPR) to modify the eSLR standards that apply to GSIBs and covered depository institutions.¹ The NPR was designed to help ensure that the eSLR serves as a backstop to risk-based capital requirements rather than a frequently binding constraint, thus reducing potential disincentives for GSIBs and covered depository institutions to participate in low-risk, low-return activities, and to reduce the need for temporary adjustments in the event of severe market stress, as occurred in 2020. The agencies received approximately 40 comments on the proposal from a range of parties.

Some commenters, including nearly all commenting trade associations, large banking organizations, and other financial market participants, along with some academics, some members of Congress and other individuals, were broadly supportive of the proposal. These commenters stated that the proposed modifications to the eSLR standards would increase the capacity of banking organizations to serve their clients and the broader economy across a range of low-risk activities. Some of these commenters also stated that the proposed modifications may prove especially beneficial to U.S. Treasury market intermediation and other low-risk activities during episodes of financial stress, when supplementary leverage ratio requirements are more likely to become a binding capital constraint.

Other commenters, including advocacy groups, members of Congress, a trade group for community banking organizations, academics, and individuals, objected to the proposal. These

¹ See “Regulatory Capital Rule: Modifications to the Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Their Subsidiary Depository Institutions; Total Loss-Absorbing Capacity and Long-Term Debt Requirements for U.S. Global Systemically Important Bank Holding Companies,” 90 FR 30780 (July 10, 2025).

commenters generally asserted that the proposal would significantly weaken the existing capital framework for GSIBs and covered depository institutions and increase risks to the safety and soundness, 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 but would instead allow banking organizations to allocate extra capital capacity created by the proposal to other higher-risk activities, or to distribute extra capital to shareholders. Additionally, one commenter argued that the proposal would give preferential treatment to GSIBs relative to other banking organizations and undermine the competitive position of smaller banking organizations.

Based on a review of the comments received on the NPR, the final rule would be largely consistent with the proposal with certain modifications detailed below.

II. The Final Rule

A. Calibration of the GSIB eSLR Standard

As proposed in the NPR, the final rule would modify the eSLR standard applicable to GSIBs by recalibrating the eSLR buffer to equal 50 percent of a GSIB's method 1 surcharge calculated under the FRB's GSIB surcharge framework, rather than the current leverage buffer standard of two percent. This recalibration seeks to ensure that the eSLR standards serve as a backstop to risk-based capital requirements, rather than a regularly binding capital constraint and address the potential negative incentive effects that can occur when a leverage requirement is too frequently binding or near-binding.

B. Calibration of the Covered Depository Institution eSLR Standard

For covered depository institutions, the final rule would include a change from the proposal based on comments received. In the NPR, the agencies proposed modifying the SLR standard for covered depository institutions from the current six percent "well capitalized"

threshold under the PCA framework to an eSLR buffer standard equal to 50 percent of the parent GSIB's method 1 surcharge calculation, above the minimum supplementary leverage ratio requirement of three percent. The final rule would adopt an eSLR buffer standard equal to 50 percent of a covered depository institution's parent GSIB's method 1 surcharge, capped at 1 percent, in addition to the three percent SLR minimum requirement. Capping the buffer at one percent recognizes that the method 1 surcharge of a parent GSIB is in part driven by activities outside of the covered depository institution. In addition, because covered depository institutions, unlike their parent GSIBs, are not subject to the GSIB risk-based capital surcharge or the stress capital buffer requirement, the final rule's capped approach helps to better ensure that the eSLR standards serve as a backstop to risk-based capital requirements for covered depository institutions, as compared to an uncapped approach. Relative to the proposal, imposing a cap of one percent would have a similar aggregate impact on capital requirements based on covered depository institutions' current assets and exposures. Therefore, this approach better supports the objective of establishing eSLR standards for covered depository institutions that serve as a backstop to risk-based capital requirements, rather than as a frequently binding requirement.

Staff estimates that the final rule would result in a total SLR requirement that is below the level of the risk-based tier 1 capital requirement for most major covered depository institutions. Although the capital requirements of covered depository institutions would decline, the capital requirements applicable to GSIBs generally would remain near their present level, with better incentive effects from leverage-based requirements declining below risk-based requirements. More specifically, staff estimate the aggregate reduction in tier 1 capital requirement under the final rule is \$13 billion, or less than 2 percent, for GSIBs and \$219 billion, or 28 percent for

major covered depository institutions. Consequently, the final rule would not materially alter the ability of these consolidated banking organizations to distribute capital to shareholders.

C. Modification to the Form of the Depository Institution Standard

As proposed, the final rule would remove the eSLR threshold for a covered depository institution to be considered “well capitalized” under the PCA framework and instead implement the eSLR as a buffer standard. The final rule would retain the minimum SLR threshold of three percent to be considered “adequately capitalized” under the PCA framework.

A buffer approach would enhance effective capital management, have fewer pro-cyclical effects as it would provide “early warning” benefits relative to the PCA-based approach, and lessen the likelihood that a covered depository institution will reduce lending and other activities during times of economic stress. At the same time, the payout restrictions of a leverage buffer framework will provide an incentive for covered depository institutions to maintain sufficient capital and reduce the risk that their capital levels may fall below their minimum requirements during economic downturns.

D. Conforming/Technical Amendments²

The final rule would revise the TLAC and LTD requirements as proposed. The final rule would replace the two percent TLAC leverage buffer with a new TLAC leverage buffer equal to the eSLR buffer standard under the final rule. The final rule also would revise the minimum

² The OCC decided not to finalize a change proposed in the NPR that would have removed the existing asset size thresholds and would have instead applied the eSLR standard to those national banks and federal savings associations that are subsidiaries of GSIBs identified by the FRB’s GSIB surcharge framework. The asset thresholds the OCC currently uses to determine the applicability of the eSLR standard scope in all the national bank and federal savings association subsidiaries of GSIBs, but no other institutions. Therefore, the decision not to finalize this aspect of the proposal will have no impact on which entities will currently be subject to the eSLR standard.

leverage-based external LTD requirement to reflect the proposed change to the eSLR standard. These changes maintain alignment between the TLAC and LTD requirements and the eSLR standard for GSIBs, in accordance with the way these requirements were originally calibrated.

The final rule also would include certain technical corrections to (1) the FRB's capital rule that update cross-references; and (2) the FDIC's regulations implementing the PCA framework.

E. Effective Date

The final rule would be effective on April 1, 2026, but would permit GSIBs and covered depository institutions to elect to voluntarily adopt the final rule's modified eSLR standards as of January 1, 2026, prior to the mandatory compliance date.

CONCLUSION

FDIC staff presents to the FDIC Board for approval the attached final rule and requests authorization of its publication in the *Federal Register*.

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