

August 26, 2025

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20551

Jennifer M. Jones
Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Chief Counsel's Office
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Re: Comment on Docket ID OCC-2025-0006, 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

Dear Sir or Madam,

The American Bankers Association (ABA)¹ appreciates the opportunity to comment on the agencies' proposal (the Proposal) to modify the enhanced Supplementary Leverage Ratio (eSLR), Total Loss-Absorbing Capacity (TLAC), and Long-Term Debt (LTD) requirements for large banks identified as global systemically important banks (collectively, GSIBs).

ABA strongly supports the agencies' Proposal to recalibrate the fixed two percent eSLR buffer to equal 50 percent of a GSIB's Method 1 surcharge. This change is an important and overdue step toward restoring the eSLR's intended role as a backstop to risk-based capital requirements, rather than frequently becoming a binding constraint that distorts bank behavior and impairs efficient market function. Further, we strongly support aligning the application of the eSLR standard for OCC-regulated banks to ensure a consistent scope of application across the Federal banking agencies. We also support the proposed conforming changes to TLAC and LTD requirements, which would maintain alignment across the capital framework. We urge the agencies to finalize the Proposal promptly.

We also encourage the agencies to revisit the need for long-term debt requirements. While we continue to support an appropriately calibrated TLAC requirement for covered GSIB BHCs, as

¹ The American Bankers Association is the voice of the nation's \$25.0 trillion banking industry, which is composed of small, regional, and large banks that together employ approximately 2.1 million people, safeguard \$19.7 trillion in deposits, and extend \$13.1 trillion in loans.

we and others in the industry have previously noted, a separate long-term debt requirement is unnecessary and should be eliminated as part of future rulemaking efforts.²

Finally, we encourage the agencies to continue exploring broader leverage ratio reforms in future rulemakings. In particular, we reiterate ABA's longstanding position that certain low-risk and riskless assets—such as deposits held at Federal Reserve Banks (reserves), cash, and U.S. Treasury securities—should be excluded from leverage ratio calculations. The inclusion of these assets undermines the metric's role as a backstop and can disincentivize banks from engaging in stabilizing activities during times of stress. Their exclusion would restore the ratio's intended function and provide banks with critical flexibility to accommodate deposit inflows and facilitate Treasury market intermediation during flights to safety. By counting low-risk assets toward the leverage ratio, the framework inadvertently penalizes banks for performing these essential functions when they are most needed.

Responses to selected questions

***Question 1:** What are the advantages and disadvantages of replacing the fixed two percent eSLR buffer standard applicable to a GSIB with a buffer standard equal to 50 percent of a GSIB's method 1 risk-based surcharge? What other modifications should the Board consider for purposes of ensuring that the eSLR buffer standard generally does not serve as the binding capital constraint for GSIBs, and why? Please provide any rationale or data that may be helpful for the Board to consider.*

ABA has long supported efforts to refine and improve the regulatory capital framework for banks so that the capital structures more effectively achieve their prudential supervision and risk management purposes. In 2014, the banking agencies adopted a final eSLR rule that substantially increased the leverage capital requirements for the eight U.S. GSIBs. The stated intent of the agencies was to maintain the role of the leverage ratio as a backstop, an essential function, which we support.

For some institutions, however, the formulation of the eSLR has frequently proved in practice to be the governing or controlling constraint. Per analysis in the Proposal, from Q2 2021 to Q4 2024, the SLR requirement was the binding tier 1 capital requirement 60 percent of the time, on average, for seven out of the eight GSIB BHCs and was binding 87 percent of the time, on average, for their "major" depository institution subsidiaries. As currently calibrated, the eSLR rule creates incentives for banks to reduce participation in lower risk and lower-return businesses—such as Treasury market intermediation.

This trend has been exacerbated by structural shifts in the macroeconomy, as well as by the evolution of liquidity regulations. Banks now carry materially more high-quality liquid assets on their balance sheets, such as cash and U.S Treasury securities, in part

² See Comment Letter on the Notice of Proposed Rulemaking on External TLAC, Long-Term Debt, Clean Holding Company and Other Requirements Applicable to U.S. G-SIBs, (2016), https://www.federalreserve.gov/secre/2016/april/20160422/r-1523/r-1523_032816_130250_545759023734_1.pdf.

because of both shifts in credit demand generally and increasing U.S. government borrowing needs.

At the end of 2013, U.S. Treasuries and cash and noninterest-bearing deposits due from depositories at the eight U.S. GSIBs represented just 2.9 percent of total assets, in aggregate.³ By the end of 2024, that had more than doubled to 8.6 percent.⁴ This structural shift induced a chronically binding eSLR, which no longer reflects the original intent of the framework.

The proposed recalibration, which would help reduce the frequency in which the eSLR operates as the binding constraint, represents a directionally positive step toward strengthening our financial system, returning the eSLR to a more appropriate role in the overall regulatory capital framework, and allowing institutions to better support the economy without compromising safety and soundness.

We strongly urge the agencies to cap the buffer at two percent, consistent with the current calibration, to ensure the eSLR remains a backstop to risk-based capital ratios. The agencies should also be prepared to use the tools they have available in exceptional circumstances, as was the case during Covid-19 where Treasuries and central bank reserves were exempted from the SLR calculation on a temporary basis.

Question 4: How, if at all, would the proposed calibration of the eSLR standards affect business decisions of GSIBs and their depository institution subsidiaries, such as their ability to serve as a source of credit to the economy during periods of economic stress? How, if at all, would the proposal change the incentives for GSIBs and their depository institution subsidiaries to participate in low-risk, low-return businesses? How, if at all, would the proposed calibration of the eSLR standards affect safety and soundness? Please provide any rationale or data that may be helpful for the agencies to consider

The proposed recalibration of the eSLR standards would provide GSIBs and their depository institution subsidiaries with greater flexibility to meet customer needs and support the economy, including during periods of economic stress. By reducing the frequency with which the eSLR acts as the binding capital constraint, institutions would have more capacity to extend credit, make markets, and take deposits—particularly during periods of elevated liquidity inflows as many banks experienced significantly at the onset of the COVID-19 pandemic in Q1 2020.⁵

Such flexibility proved critical to ensuring banks could continue to serve as a source of strength to the broader economy during the pandemic, including by playing a critical role

³ ABA analysis of data from S&P Capital IQ

⁴ *Id.*

⁵ E.g., Carlo Wix et al., *Covid-19 as a stress test: Assessing the Bank Regulatory Framework*, 2021.0 Finance and Economics Discussion Series 1–47 (2021). <https://doi.org/10.17016/FEDS.2021.024>

in meeting government borrowing needs as relief measures were implemented to avoid a severe economic contraction.

Moreover, due to current tier 1 risk-based capital requirements, the recalibration would not appreciably reduce the level of tier 1 capital held by bank holding companies (BHCs) or affect the overall resilience of the financial system. For example, in Q1 2025, the aggregate amount of tier 1 capital that GSIB BHCs were required to hold was approximately \$972.5 billion. Under the Proposal, these same institutions would have been required to hold approximately \$966.1 billion in tier 1 capital—representing a modest 0.7 percent reduction.

While the Proposal would have a larger effect on capital requirements at the GSIB's subsidiary depositories, these institutions would remain supported by substantial tier 1 capital at the BHC level. Importantly, the purpose of the Proposal is to ensure that the eSLR functions as a true backstop, rather than a frequent or longer-term binding constraint. Risk-based capital requirements would continue to serve as the primary constraint, as originally intended.

Question 8: To what extent do legal entities other than broker-dealers within consolidated banking organizations engage in material U.S. Treasury market intermediation? What would be the advantages and disadvantages of including some or all Treasury securities held by such entities in any exclusion from the supplementary leverage ratio, and why? What alternative methods of targeting exclusions from the supplementary leverage ratio should the agencies consider (for example, based on specific activities such as Treasury-based repurchase or reverse repurchase arrangements), and why? In such cases, how could the agencies address boundary issues to ensure that the exclusion targets Treasury market intermediation? Please provide any supporting data and rationale that the agencies should consider.

In addition to their broker-dealer affiliates, other entities within consolidated banking organizations engage in a range of activities involving U.S. Treasury securities. Bank subsidiaries may purchase and hold Treasury securities for investment, liquidity management, or interest rate risk purposes. They also engage in repurchase and reverse repurchase agreements collateralized by Treasury securities, including inter-affiliate transactions to manage funding and collateral flows. The Proposal would ease constrictions on bank balance sheets that also affect these activities and thus ease constraints on banks' resulting capacity to hold (and demand for) Treasury securities.

Furthermore, custodian and trust affiliates support Treasury market operations by providing safekeeping, settlement, and collateral management services for clients. Some entities facilitate interactions with central clearing counterparties in connection with Treasury securities and related financing transactions.



These activities support internal capital and liquidity management, regulatory compliance, and client services within the broader structure of the banking organization.

Question 9: In addition to the changes to the supplementary leverage ratio requirements being considered in this proposal, what other changes to the bank regulatory framework, if any, should the agencies consider to reduce regulatory impediments to well-functioning U.S. Treasury markets while appropriately taking into consideration the objectives of the framework? For example, what additional changes should the agencies consider in the context of the mandatory central clearing of certain U.S. Treasury transactions? How might repo-style transactions, including transactions with the Federal Reserve, be more appropriately reflected in the supplementary leverage capital requirements or other areas of the regulatory framework? What are the potential costs and benefits of such changes?

We encourage the agencies to move forward expeditiously in finalizing the Proposal (see page 1).

The agencies should also consider other reforms to reduce regulatory impediments to well-functioning U.S. Treasury markets, as part of a comprehensive review of the U.S. regulatory capital framework and through future rulemaking proposals. For example, the Federal Reserve should reconsider the scoping mechanism for the global market shock (GMS) component of the Federal Reserve's stress testing framework and the agencies should reconsider the current weighting applied to repos backed by U.S. Treasuries in the weighted short-term wholesale funding (wSTWF) metric under the FR Y-15 framework (see page 10).

Question 10: What additional or alternative changes to the capital rule should the agencies consider to ensure that the capital rule is able to function appropriately throughout the business cycle and particularly during periods of stress? What, if any, additional "safety valves" should the agencies consider incorporating into the capital rule to better respond to periods of stress and to reduce the risk that emergency action may be necessary (for example, a more specific reservation of authority, in addition to 12 CFR 3.1(d)(4), 217.1(d)(4), 324.1(d)(4))?

While we encourage the agencies to move forward expeditiously in finalizing the Proposal (see page 1), we urge the agencies to continue exploring broader reforms to the capital framework through future rulemakings.

We echo the recent remarks of Federal Reserve Vice Chair Bowman that the agencies should "reconsider capital requirements for a wider range of banks, including the SLR's application to banks with more than \$250 billion in assets, tier 1 leverage requirements, and the calibration of the community bank leverage ratio."⁶

⁶ Michelle Bowman, "Unintended Policy Shifts and Unexpected Consequences," Conference on the Effectiveness of Monetary Policy during and after the COVID-19 Pandemic, International Journal of Central Banking and the Czech

The vast majority of banks are not subject to the SLR at all, and if future broad-based relief is to be considered, the tier 1 leverage ratio should be reviewed to ensure that it is functioning as intended.

Accordingly, attention going forward should be extended to the broader leverage ratio framework. ABA strongly supports a broader holistic review of leverage ratio requirements and appropriate future rulemaking to ensure that all leverage ratios function as a backstop to risk-based capital requirements and not a binding constraint. This will provide parity of treatment across leverage ratios.

For some banks, the eSLR may be the binding constraint, while for other banks, tier 1 leverage ratios may be the binding constraint. As the agencies acknowledged, it is possible that adjustments to the eSLR might lead the tier 1 leverage ratios to be the binding leverage ratio for the U.S. GSIBs.⁷ If the baseline proposal had been in effect in 2025 Q1, the tier 1 leverage ratio would have been the binding capital constraint for one of the eight GSIB BHCs and five of the nine major subsidiary depositories, according to ABA analysis.⁸

As the agencies have noted, leverage ratios should generally serve as backstops to risk-based capital requirements. It is well recognized by policymakers that when leverage ratios bind, it can discourage low risk and relatively safe activities equivalently to the riskiest activities. We believe it is important for the banking agencies to restore leverage ratios to a backstop as intended. ABA has long argued that low-risk and riskless assets, such as reserves on deposit at the Federal Reserve, cash, and U.S. Treasury securities, should be excluded from leverage ratio calculations. Their inclusion can disincentivize banks from engaging in stabilizing activities when those functions are most needed (see page 2). The agencies should consider future proposals excluding such assets from the leverage ratio calculations for all banks.

Similarly, the agencies should exercise their existing statutory authority through a future rulemaking to reduce the community bank leverage ratio (CBLR) from 9 percent to 8 percent. We share Vice Chair Bowman's views that this change would "not only allow more community banks to adopt the framework but also increase balance sheet capacity for all CBLR firms, facilitating additional support for local economies through lending."⁹

National Bank, Prague, Czech Republic, June 23, 2025.

<https://www.federalreserve.gov/newsevents/speech/bowman20250623a.htm>

⁷ Notice of Proposed Rulemaking, 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 Fed. Reg. 30780, 30785 n.29 (Jul. 10, 2025).

⁸ ABA analysis of data from S&P Capital IQ

⁹ Michelle Bowman, "Thoughts on the Economy and Community Bank Capital," Kansas Bankers Association 2025 CEO & Senior Management Summit, Colorado Springs, Colorado, August 9, 2025.

<https://www.federalreserve.gov/newsevents/speech/bowman20250809a.htm>



Finally, the Proposal recognizes that the Collins Amendment may be implicated in the consideration of tier 1 leverage ratio requirements. However, we note that the banking agencies have successfully adopted solutions to tier 1 leverage ratio bindingness consistent with the Collins Amendment in the past.¹⁰

Question 11: What are the advantages and disadvantages of applying the eSLR standard as a leverage buffer rather than as part of the prompt corrective action framework for depository institution subsidiaries of GSIBs? What alternatives, if any, should the agencies consider, and why?

At the insured depository institution (IDI) level, the eSLR standard should be applied as a capital buffer requirement rather than part of the prompt corrective action (PCA) “well capitalized” threshold. By applying the eSLR standard as a buffer at the IDI level, IDI and holding company standards would be harmonized, promoting coherent capital management across a consolidated institution and ensure that regulators have the flexibility they need should an IDI’s capital levels decrease. The payout restriction of a buffer would also act as a type of “early warning” threshold that should trigger changes in capital management before the more severe consequences of PCA limitations apply.

Question 14: In light of the proposed changes to the external TLAC leverage buffer and long-term debt requirements, what other adjustments to the long-term debt and TLAC framework should the Board consider, if any? What would be the advantages and disadvantages of reducing by 50 percent the amount of long-term debt principal that is due to be paid in one year or more but less than two years that can be considered for purposes of the minimum TLAC requirements and buffers? What would be the advantages and disadvantages of adjusting the amount of balance sheet run-off embedded in the minimum long-term debt requirement, or of removing the assumption of balance sheet run-off entirely from the minimum long-term debt requirement?

We encourage the agencies to revisit the need for long-term debt requirements in general. While we continue to support an appropriately calibrated TLAC requirement for covered BHCs, a separate long-term debt requirement is unnecessary and should be eliminated.¹¹ Covered BHCs should be able to satisfy their minimum TLAC requirements by freely substituting equity for long-term debt securities and long-term debt securities for equity, subject to applicable regulatory capital requirements.

As former Federal Reserve Vice Chair Quarles said in his 2021 speech on unfinished business, the agencies should “consider further simplification” of the regulatory

¹⁰ Interim Final Rule, Regulatory Capital Rule: Money Market Mutual Fund Liquidity Facility, 85 Fed. Reg. 16232 (Mar. 23, 2020). Interim Final Rule, Regulatory Capital Rule: Paycheck Protection Program Lending Facility and Paycheck Protection Program, 85 Fed. Reg. 20387 (Apr. 13, 2020).

¹¹ See Comment Letter on the Notice of Proposed Rulemaking on External TLAC, Long-Term Debt, Clean Holding Company and Other Requirements Applicable to U.S. GSIBs, (2016), https://www.federalreserve.gov/secre/2016/april/20160422/r-1523/r-1523_032816_130250_545759023734_1.pdf.

framework by streamlining the “separate and somewhat redundant total loss-absorbing capacity and long-term debt requirements.”¹²

We also strongly advise against reducing by 50 percent the amount of LTD principal that is due to be paid in one year or more but less than two years that can be considered for purposes of the minimum TLAC requirements and buffers. Introducing such a haircut may encourage firms to have an additional call two years prior to the maturity of an instrument. This additional optionality may be difficult to price due to the greater resulting uncertainty and could lead to materially higher costs for issuers without any apparent benefits.

If the agencies retain separate long-term debt requirements, we believe eliminating the existing 50 percent haircut for LTD requirements and buffers and removing the assumption of balance sheet run-off from minimum LTD requirements would represent a directionally positive change.

Finally, we urge the agencies to rescind the 2023 LTD proposal for large depository institution holding companies, and large IDIs.¹³

Question 15: *What, if any, unintended consequences may result from removing the current asset size and assets under custody thresholds of the eSLR standard for OCC-supervised institutions, and why?*

We strongly support aligning the application of the eSLR standard for OCC-regulated banks to ensure a consistent scope of application across the Federal banking agencies. We do not believe that any unintended consequences will result from this alignment.

¹² Randal Quarles, “Between the Hither and the Father Shore: Thoughts on Unfinished Business,” American Enterprise Institute, Washington, D.C., December 2, 2021.
<https://www.federalreserve.gov/newsevents/speech/quarles20211202a.htm>

¹³ Notice of Proposed Rulemaking, Long-Term Debt Requirements for Large Bank Holding Companies, Certain Intermediate Holding Companies of Foreign Banking Organizations, and Large Insured Depository Institutions, 88 Fed. Reg. 64524 (Sep. 19, 2023).



Question 16: *How would the proposal affect banking organizations' intermediation activities in U.S. Treasury markets or other financial markets? Please provide any rationale or data that may be helpful for the agencies to consider.*

The Proposal would provide GSIBs and their depository institution subsidiaries with greater balance sheet capacity (see page 3). When the eSLR acts as the binding capital constraint, it disincentivizes institutions from low-risk low-return activities, such as U.S. Treasury market intermediation. The proposed recalibration would help reduce these disincentives.

This is consistent with recent analysis by the Federal Reserve Bank of Boston, which found that the temporary capital relief banks received during the pandemic improved Treasury market liquidity.¹⁴ "The policy change boosted the median SLR by more than 1 percentage point... Treasury market liquidity improved concurrently with the policy change, as indicated by the decline in the MOVE index."

Question 19: *In the long term and during periods of stress, how might the proposed rule affect banking organizations' willingness to extend loans and to intermediate securities? To what extent could the proposal encourage banking organizations to invest in low-risk assets? Please provide any rationale or data that may be helpful for the agencies to consider.*

As we state above, the proposed recalibration of the eSLR requirement would facilitate greater balance sheet capacity. The importance of this capacity was demonstrated during the pandemic.

ABA appreciates the opportunity to comment on this Proposal, and we look forward to working with the agencies on other aspects of leverage ratio and regulatory capital reform in future proposed rulemakings. If you have any questions about the content of, or issues addressed in this letter please contact the undersigned, Tyler Mondres, at (202) 663- 5353. Sincerely,

[Redacted signature block]

Tyler Mondres
Senior Director, Prudential Regulation
American Bankers Association

¹⁴ Bräuning, Falk and Hillary Stein. 2025. "Evidence That Relaxing Dealers' Risk Constraints Can Make the Treasury Market More Liquid." Federal Reserve Bank of Boston Current Policy Perspectives 25-4. <https://www.bostonfed.org/publications/current-policy-perspectives/2025/relaxing-dealers-risk-constraints-can-make-treasury-market-liquid.aspx#collapse2>

Appendix: Other matters for consideration

While the comments above address the specific elements of the agencies' Proposal, we also wish to highlight several related issues that, although beyond the immediate scope of the Proposal, warrant further consideration. These items pertain to broader efforts to enhance Treasury market functioning and improve the calibration and coherence of the capital framework. We encourage the agencies to take these considerations into account as part of ongoing and future regulatory initiatives aimed at strengthening the resilience and efficiency of the financial system.

As the agencies consider other reforms to reduce regulatory impediments to well-functioning U.S. Treasury markets, the agencies should also consider certain capital and liquidity requirements that can act as binding constraints on banking organizations.

The global market shock (GMS) component of the Federal Reserve's stress testing framework currently applies to firms with trading assets and liabilities exceeding either \$50 billion or 10% of total consolidated assets. This percentage-based threshold can inappropriately capture Category III firms with relatively modest trading activity, imposing significant compliance burdens and capital impacts. Since the GMS is intended to address systemic trading risks, its scope should be revised to eliminate the 10% threshold and focus instead on absolute trading activity levels that more accurately reflect systemic relevance.

The current 25% weighting applied to repos backed by U.S. Treasuries in the weighted short-term wholesale funding (wSTWF) metric under the FR Y-15 framework imposes unnecessary constraints on banks, particularly those in Category III. This treatment discourages participation in Treasury market intermediation, despite the historical stability of U.S. Treasuries during stress periods. Moreover, it conflicts with the liquidity coverage ratio (LCR), which assigns a 0% outflow rate to similar transactions. To better align with actual risk and support market liquidity, the weighting for Treasury-backed repos in the wSTWF calculation should be reduced, and the \$75 billion threshold for enhanced regulatory requirements should be adjusted to reflect economic growth.