

**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**

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## I. Introduction

The Enhanced Supplementary Leverage Ratio (eSLR) has been a central part of U.S. bank regulation since it was adopted after the 2008 financial crisis. It was designed to ensure that the largest and most complex banks hold enough capital to absorb losses without endangering the financial system. In July 2025, the Federal Reserve, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) proposed changes to the eSLR standards for U.S. global systemically important banks (G-SIBs) and their subsidiaries. This new rule, often referred to as the “2025 eSLR law,” is meant to balance financial stability with the ability of banks to support lending and market activity (Board of Governors of the Federal Reserve, OCC, & FDIC, 2025; ABA Banking Journal, 2025).

The eSLR was originally set at higher levels than international standards, requiring U.S. G-SIBs to maintain a minimum leverage ratio of 5 percent at the holding company level and 6 percent at the insured depository institution level. Regulators believed these higher buffers were necessary to guard against systemic risk (Paulson & others, 2018). Over time, banks argued that these rules discouraged them from engaging in low-risk activities such as repo markets and government bond trading. The 2025 proposal responds to these concerns by adjusting calibration of the eSLR and aligning it more closely with other regulatory capital requirements. The agencies emphasize that the changes do not weaken safeguards, but are intended to make capital standards more consistent and less distortive (Federal Register, 2025; FDIC press release, 2025).

While the legal and technical framework of the 2025 eSLR law is clear, the main challenge lies in how markets interpret it. Market sentiment – the way investors, depositors, and counterparties react – can amplify or undermine the rule’s effects. If sentiment turns negative, even well-capitalized banks can face funding stress. If sentiment is stable, banks and regulators can achieve the intended balance between resilience and efficiency. The problem, then, is not only the design of the law but also how it is perceived.

This piece aims to show how market sentiment interacts with the 2025 eSLR law. It explains why regulators and banks should manage perception as carefully as they manage balance sheets. The objective is not only to describe the rule but also to outline a high-level strategic recommendation: regulators and banks must proactively manage market sentiment to ensure that the intended outcomes – stability, confidence, and effective intermediation – are realized.

When new capital rules are introduced, investors often question whether they signal hidden risks or tighter constraints. A perception that banks will be forced to raise capital quickly could trigger sell-offs, widening funding spreads, and depositor anxiety. On the other hand, clear communication that the rule aligns with global standards and avoids penalizing safe activities could strengthen confidence. Market sentiment thus acts as a multiplier. A neutral adjustment can be read as either stabilizing or destabilizing, depending on tone, timing, and transparency.

Regulators and banks should not assume that technical accuracy alone will guide market reaction. They should coordinate communication, emphasize the long-term stability goals, and show how the rule supports credit availability. Banks should explain capital positions clearly and avoid mixed messages. Regulators should use forward-looking supervision to reassure markets. Proactive sentiment management is not cosmetic; it is essential to achieving the outcomes the law is designed to secure.

## II. Context

The proposed rule modifies the calibration of the enhanced supplementary leverage ratio for the eight U.S. G-SIBs and their insured depository institutions. It seeks to adjust the additional leverage buffer so that it remains a backstop to risk-based capital requirements rather than a binding constraint that distorts activity. The FDIC, together with the Federal Reserve and the OCC, plays a central oversight role. The FDIC's responsibility is not only to supervise compliance at insured depository institutions but also to monitor how changes affect depositor protection and systemic stability. In practice, the FDIC must ensure that capital remains sufficient to protect the Deposit Insurance Fund and to maintain confidence in the banking system (Federal Register, 2025; FDIC press release, 2025).

The stability of the financial system does not rest only on formal ratios; it depends on confidence. Investor confidence shapes the cost of capital for banks. Depositor behavior can shift quickly in response to rumors or uncertainty, as recent bank runs have shown. Systemic stability requires that rules are not just technically sound but also perceived as credible and balanced. If markets believe the eSLR changes weaken safeguards, sentiment could drive funding stress and flight to safety. If markets understand the changes as aligning U.S. standards with global norms while preserving resilience, confidence will grow. Managing this perception is central to the FDIC's oversight role and to the effectiveness of the rule.

## III. Strategic Recommendations

### A. Communication of Compliance

One of the central concerns in the proposed revisions is whether lowering enhanced supplementary leverage ratio (eSLR) buffers could be misinterpreted as weakening prudential safeguards. To mitigate this, covered firms should publicly and proactively disclose their compliance with the new buffer requirements and highlight FDIC supervisory oversight. By publishing accessible compliance updates – such as periodic capital adequacy reports and explanatory statements – firms can help assure both depositors and investors that the safety and soundness of U.S. global systemically important banks (GSIBs) remain intact. Transparent communication can convert what may appear to be a regulatory relaxation into a positive signal of resilience, thereby stabilizing market sentiment even under thinner buffers (FDIC, 2025).

### A. Parent-Subsidiary Alignment

The proposed rule emphasizes consistent capital treatment between GSIB parent holding companies and their insured depository institution (IDI) subsidiaries. Firms should leverage this provision to communicate that alignment across organizational tiers reduces the probability of differential stress outcomes. Public commentary emphasizing that depositor protections are bolstered – not diluted – by these revisions can further counteract skepticism. By drawing attention to the uniformity of capital and long-term debt standards across parents and subsidiaries, covered firms can credibly argue that systemic risk is better contained under the revised framework, strengthening depositor confidence (FDIC, 2025).

### B. Buffer Reductions

The revisions are explicitly designed to avoid discouraging low-risk intermediation, particularly in markets such as U.S. Treasury securities and secured lending. Banks should frame reduced eSLR buffers not as regulatory leniency but as a deliberate measure to free balance sheet capacity for low-risk activities. By communicating this intent, firms can reinforce the FDIC's stated objective of promoting market

liquidity while preserving resilience. For investors, this reframing positions capital flexibility as a structural efficiency gain rather than an erosion of prudence, thus generating constructive sentiment around operational adaptability (FDIC, 2025).

### C. Market Feedback

Even with proactive communication, investor and depositor perceptions may shift in response to market volatility. Covered firms should establish structured monitoring of sentiment signals—including equity pricing, credit default swap (CDS) spreads, and media coverage—to detect early signs of negative interpretation. By integrating these signals into disclosure strategies, institutions can issue timely clarifications that reinforce their compliance posture and the robustness of FDIC oversight. This responsiveness directly complements the supervisory intent of the rule, which underscores ongoing monitoring as a safeguard against unintended market destabilization (FDIC, 2025).

### D. Deployment Strategy

Finally, the rulemaking underscores the flexibility granted to GSIBs under the revised leverage ratio framework. Institutions should take the additional step of linking capital allocation decisions—such as the pace of share repurchases, dividend policies, or Treasury intermediation volumes—to real-time market sentiment. If sentiment indicators suggest rising concerns, firms can adopt conservative capital deployment as a confidence-restoring measure. Such integration of market signals into capital strategy not only supports investor trust but also reinforces the FDIC’s regulatory objectives of balancing resilience with efficiency (FDIC, 2025).

## IV. Conclusion

The 2025 eSLR rule is more than a technical recalibration—it is a test of confidence. Its effectiveness will depend not only on compliance with revised leverage standards but on how markets perceive the changes. By treating sentiment management as a strategic priority, regulators and banks can ensure that the law achieves its purpose: maintaining resilience, protecting depositors, and supporting efficient financial intermediation.

## V. References

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