

Statement by Chairman Travis Hill on Risk-Based Capital Proposals

March 19, 2026

I support strong capital requirements, which I view as a critical tool to ensuring a safe and sound banking system. At the same time, calibrating capital requirements always involves balancing a number of competing objectives, including resiliency against unexpected shocks and driving economic growth.

Today, we are voting on two proposals to modernize the risk-based capital framework. The first proposal, which would generally implement the 2017 Basel agreement (now almost a decade old), would generally be mandatory for the largest banks and optional for the remainder.¹ The proposal would improve the risk-sensitivity of the capital framework, in particular in key areas such as mortgage lending and corporate lending, and would simplify the framework by adopting a “single stack” for calculating risk-based capital.

The proposal would also introduce a standardized approach for calculating operational risk, with several modifications to avoid some of the overly punitive aspects of the 2023 proposal.² Consistent with my Board statement on the 2023 proposal, I continue to have some skepticism that regulators can accurately measure operational risk through a complex standardized formula,³ and am interested in comments on the merits of exploring a simpler approach.⁴

With respect to trading activities, the proposal reflects the fact that the United States is home to the world’s largest and most robust capital markets, and U.S. banks play a critical role in the functioning of those markets. The proposed market risk framework would incentivize banks to pursue a more risk-sensitive models-based approach by recognizing the risk-mitigating benefits of diversification and hedging, and would provide for a three-year transition period for a

¹ Consistent with the objectives of the 2017 Basel agreement, this proposal would not significantly raise capital requirements. *See, e.g.*, Basel Committee on Banking Supervision, [Global Heads of Supervision \(GHOS\) Media Conference](#) (Dec. 7, 2017) (statement by then-GHOS Chair Mario Draghi that the “focus of the [2017 Basel agreement] was not to increase capital. As a matter of fact, the GHOS almost a year ago endorsed this review by the Basel Committee, provided it wouldn’t create a significant capital increase in the aggregate of the banking system...The main focus was on reducing the unwarranted variability in risk weights.”).

² Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, [Regulatory Capital Rule: Large Banking Organizations and Banking Organizations with Significant Trading Activity](#), 88 Fed. Reg. 64028 (Sep. 18, 2023).

³ *See* Travis Hill, [Proposal to Revise the Regulatory Capital Requirements for Large Banks](#) (July 27, 2023). (“Overall, I understand the merits of having some consideration for operational risk in the capital framework, but am skeptical that a risk-sensitive operational risk charge is actually sensitive to the underlying risk.”).

⁴ *See* Office of the Comptroller of the Currency, Federal Reserve System, Federal Deposit Insurance Corporation, [Notice of Proposed Rulemaking: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations with Significant Trading Activity, and Optional Adoption for Other Banking Organizations](#), Section IV. D. 3 (“The agencies invite comments on the use of a simple approach for determining a banking organization’s operational risk capital requirement.”).

new model testing requirement to ensure it is functioning as intended before it comes into full effect.

The second proposal under consideration today would update the current standardized approach, which would apply to all banks except those that opt in to the community bank leverage ratio or are subject to the first proposal. This proposal is informed by the analysis conducted for the first proposal, which supports a moderately reduced calibration of risk weights for certain important lending categories, including residential mortgages and consumer loans. For example, the treatment of residential mortgages would closely follow the treatment in the first proposal and assign risk weights based on the loan-to-value ratio and repayment source for loans. The proposal would also remove the punitive deduction treatment for mortgage servicing assets across the capital framework.

Additionally, to further enhance comparability across large and smaller banks, key areas such as derivatives and securitizations are aligned. The proposal also would provide a path for recognizing the risk-reducing benefits of certain risk transfer arrangements, something I've long believed should be included in this rulemaking effort.⁵

As many of you know, these proposals have been many years in the making. Unlike prior efforts, I fully expect that, following a robust comment period, we will bring this process to a swift conclusion.

I would like to thank FDIC staff, along with Federal Reserve and OCC staff, for the dedication and hard work that went into developing these proposals, and I look forward to receiving comments.

⁵ See, e.g., Travis Hill, [Charting a New Course: Preliminary Thoughts on FDIC Policy Issues](#) (January 10, 2025) (“I also believe that, if the capital rule is being reopened, the agencies should consider expanding the scope of the rule to address other longstanding capital issues. For example, interagency discussions earlier in this process included consideration of credit risk transfers and the supplementary leverage ratio. Tackling the capital treatment of credit risk transfers is particularly ripe given the growing interest from institutions in engaging in these types of transactions. Addressing the issue holistically and transparently through a notice-and-comment rulemaking process would be a much better approach than the current approach of considering transactions on a one-off basis, and will ensure consistent treatment across the agencies.”).