Federal Reserve and OCC Propose Revisions to Capital Framework for Large Banking Organizations

April 20, 2018

Financial Services

On April 10, 2018, the Board of Governors of the Federal Reserve System (the "Federal Reserve") issued a notice of proposed rulemaking to:

- Implement a stress capital buffer ("SCB") into its capital requirements;
- Revise its capital planning rule for bank holding companies ("BHCs") with $50 billion or more in total consolidated assets and U.S. intermediate holding companies of foreign banking organizations established pursuant to Regulation YY ("U.S. IHCs"); and
- Modify the Comprehensive Capital Analysis and Review ("CCAR") stress test exercise.

The next day, the Federal Reserve and Office of the Comptroller of the Currency ("OCC") issued a notice of proposed rulemaking, which the Federal Deposit Insurance Corporation ("FDIC") notably did not join, to tailor the enhanced Supplementary Leverage Ratio ("eSLR") buffer that applies to U.S. global systemically important banking organizations ("G-SIBs"), and make corresponding changes to the Federal Reserve's total loss-absorbing capacity ("TLAC") requirements for G-SIBs.

The proposals would change the current capital framework for large banking organizations in the following key respects:

- The SCB proposal would more closely align the post-stress capital requirements of CCAR with the "static" ongoing Basel III requirements by replacing the current capital conservation buffer—a flat 2.5 percent of Risk Weighted Assets ("RWAs")—with the SCB within standardized risk-based capital requirements. The SCB would be calculated as the amount of loss of common equity Tier 1 capital incurred by the institution in the severely adverse scenario of the most recent CCAR exercise, using the standardized approach, assuming continued contractual payments on additional Tier 1 and Tier 2 instruments, plus the firm's planned common stock dividends for each of the fourth through seventh quarters of the planning horizon (but not other planned capital distributions), as expressed as a percentage of RWAs. The SCB would be subject to a floor of 2.5 percent of standardized approach RWAs. The advanced approaches risk-based capital requirements would not incorporate a stress buffer.
- The SCB proposal would eliminate the quantitative objection in the CCAR exercise. An institution would instead determine whether it could proceed with its planned capital actions by assessing whether such capital actions would cause a diminution of capital below applicable capital buffers, including its SCB.

- The SCB proposal would alter the CCAR process by relaxing the current assumption in CCAR that an institution will carry out all nine quarters of its planned capital actions (and by instead including only four quarters of planned common stock dividends in the SCB); by replacing the current assumption in CCAR that an institution's balance sheet and RWAs would expand in times of stress with an assumption that they would generally remain the same size; and by eliminating the current 30 percent dividend payout ratio as a criterion for heightened scrutiny of an institution's capital plan.
- The SCB proposal would also introduce a stressed leverage buffer requirement (calculated similarly to the SCB) in addition to the 4 percent minimum Tier 1 leverage ratio requirement, but would not introduce a stress buffer to the Supplementary Leverage Ratio ("SLR").
- The eSLR proposal would eliminate the fixed 2 percent leverage buffer requirement for U.S. G-SIBs and replace it with a firm-specific measure equal to 50 percent of the institution's G-SIB surcharge numerator multiplied by total leverage exposure.
- The eSLR proposal would also eliminate the flat 6 percent eSLR requirement for insured depository institution ("IDI") subsidiaries of the U.S. G-SIBs to be "well capitalized" and replace it for such IDI subsidiaries with an amount equal to the sum of 3 percent plus 50 percent of the parent's G-SIB surcharge numerator multiplied by total leverage exposure.

Cumulatively, the proposals would change both the form and substance of the capital requirements and buffers that apply to large banking organizations. The proposals' ultimate impacts, however, would depend on a banking organization's size and systemic importance. The following table summarizes the expected impacts of the most significant elements of the proposals on banking organizations' capital constraints, assuming that both proposals were finalized as proposed:

Type of Institution	Expected Impacts on Capital Constraints
Institutions subject to CCAR, including top-tier BHCs with $50 billion or more in total consolidated assets and U.S. IHCs	Potential decrease in risk-based and Tier 1 leverage-based capital constraints of holding company due to (1) reduced pre-funding of capital distributions on a post-stress basis from nine quarters of capital distributions to four quarters of planned common stock dividends; (2) elimination of assumption in CCAR that balance sheet and RWAs will increase over the stress horizon; and (3) elimination of "soft" limit of a 30 percent dividend payout ratio
Institutions subject to advanced approaches capital rules, including BHCs with total consolidated assets of $250 billion or more or total consolidated on-balance sheet foreign exposures of at least	Same as above, plus: ▪ potential decrease in leverage-based capital constraints of holding company due to effective elimination of Supplementary Leverage Ratio ("SLR") as a post-stress minimum requirement (through removal of the quantitative objection in CCAR) ▪ reduced likelihood of advanced approaches risk-based capital ratios serving as the binding capital constraint of holding company due to lack of stress

Type of Institution	Expected Impacts on Capital Constraints
$10 billion, and U.S. IHCs meeting these thresholds[1]	buffer in advanced approaches (in comparison to standardized risk-based requirements, which would include the SCB)
U.S. G-SIBs	All of the above, plus: ▪ potential increase in risk-based capital constraints of holding company due to effective incorporation of G-SIB surcharge as a post-stress minimum requirement through introduction of the SCB ▪ further potential decrease in leverage-based capital constraints of holding company and bank subsidiaries due to likely reduction (in the immediate term) in eSLR buffer

Neither proposal would change the capital requirements or buffers that apply to a banking organization that is not subject to CCAR or the advanced approaches and is not a U.S. G-SIB.

This client alert summarizes the most significant aspects of the proposals in greater detail. The deadline for comments on the SCB proposal is 60 days after publication in the Federal Register; the comment deadline for the eSLR proposal is May 21, 2018.

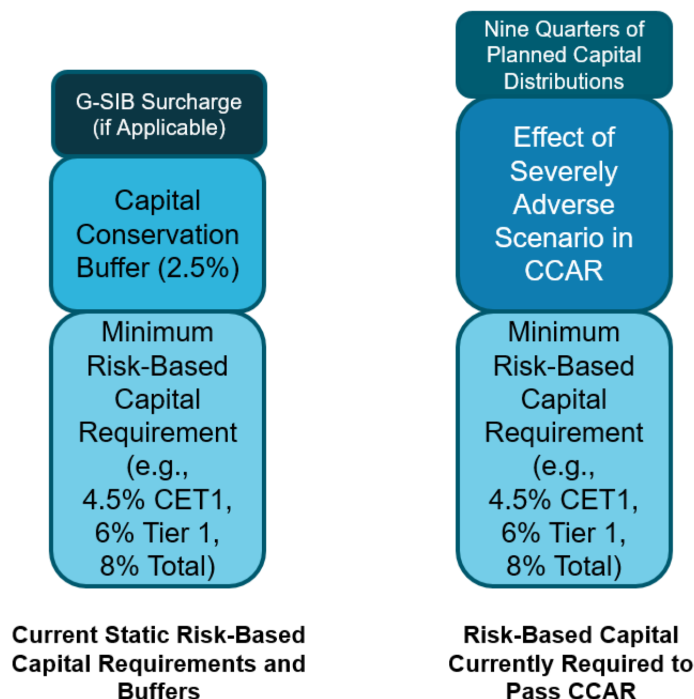
SCB Proposal

Background to the SCB—the Current Static and Post-Stress Requirements

To put the Federal Reserve's SCB proposal in context, it is important to understand that the most stringent capital requirements that currently apply to many banking organizations subject to CCAR generally are not the "static" ongoing Basel III capital requirements, but the minimum capital requirements that apply after application of the severely adverse macroeconomic stress scenario in CCAR. That is, the amount of regulatory capital that such an institution must maintain to pass the quantitative test in CCAR is often greater than the amount it must maintain to satisfy its static capital requirements, and therefore the post-stress requirements of CCAR often serve as the institution's "binding constraint." A simplified representation of these two types of capital requirements in their current form is depicted in Figure 1, below:

[1] In January 2018, Federal Reserve Vice Chair for Supervision Randal K. Quarles publicly indicated his support to revisit the advanced approaches thresholds.

Figure 1—Simplified Representation of Current Capital Requirements[2]



The Federal Reserve currently provides a quantitative objection to an institution's capital plan in CCAR if the institution's capital would decline below regulatory minimums in the severely adverse scenario at any point during CCAR's nine quarter planning horizon, assuming that the institution would make all of the capital distributions (including common stock dividends and share repurchases) contemplated in its capital plan over the nine quarter planning horizon. Effectively, this leads to the result that an institution must maintain sufficient capital to cover the decline in capital ratios caused by the modeled stress event, *plus* nine quarters of planned capital distributions. Moreover, the Federal Reserve's CCAR models currently assume that the total RWAs of an institution will increase over the nine quarter planning horizon, which has the effect of increasing the amount of decline in risk-based capital ratios produced by the stress event.

Adoption of the SCB into Standardized Approach and Elimination of Quantitative Objection

The Federal Reserve's SCB proposal is intended to align the current post-stress test minimum capital requirements with the "static" ongoing capital requirements for institutions subject to CCAR. The proposal would do so by replacing the current capital conservation buffer, which is equal to 2.5 percent of RWAs, with the SCB, which the Federal Reserve would calculate as:

[2] Capital components are not depicted proportionately.

- The amount of loss of common equity Tier 1 capital incurred by the institution in the severely adverse scenario of the most recent CCAR exercise, using the standardized approach, assuming the firm *does not* make its planned capital distributions, but does make continued contractual payments on additional Tier 1 and Tier 2 instruments (expressed as a percentage of RWAs); *plus*
- The firm's planned common stock dividends for each of the fourth through seventh quarters[3] of the planning horizon (expressed as a percentage of RWAs).

The SCB would be subject to a floor of 2.5 percent of the institution's standardized approach RWAs.

Thus, on an ongoing basis, any institution subject to CCAR would need to maintain an amount of risk-based capital equal to the sum of:

- The minimum risk-based capital requirement (common equity Tier 1 capital equal to 4.5 percent of RWAs, Tier 1 capital equal to 6 percent of RWAs, or total capital equal to 8 percent of RWAs, in each case with RWAs calculated under the standardized approach);
- The SCB (2.5 percent of standardized approach RWAs or more, depending on the severity of losses experienced in CCAR, and the amount of planned common stock dividends in quarters four through seven of the planning horizon);
- Any countercyclical capital buffer (which is currently set to zero); and
- For U.S. G-SIBs, any G-SIB surcharge.

An institution would be subject to increasingly stringent limitations on capital distributions and certain discretionary bonus payments if it could not satisfy the SCB, any countercyclical capital buffer, and any G-SIB surcharge.

With the adoption of the SCB, the Federal Reserve would eliminate the quantitative objection in the CCAR exercise. Instead of being subject to a quantitative objection, an institution would become aware of whether it can proceed with its planned capital actions by learning of the size of its prospective SCB at the conclusion of the CCAR exercise. If its planned capital distributions for the fourth through seventh quarters of the planning horizon (the period in which the SCB would apply) would cause a diminution of capital below the SCB, the institution would adjust its capital plan within two business days of its receipt of the SCB to reduce its planned capital distributions accordingly. An institution could also request reconsideration of its SCB calculation within 15 calendar days of its receipt of the SCB. The Federal Reserve would publicly disclose the institution's SCB by June 30th of any given year, and the SCB would apply from October 1 of the same year to September 30 of the following year.

As a result of these changes, the "static" ongoing capital requirements and the post-stress capital requirements for an institution subject to CCAR would be one and the same, as depicted in Figure 2, below:

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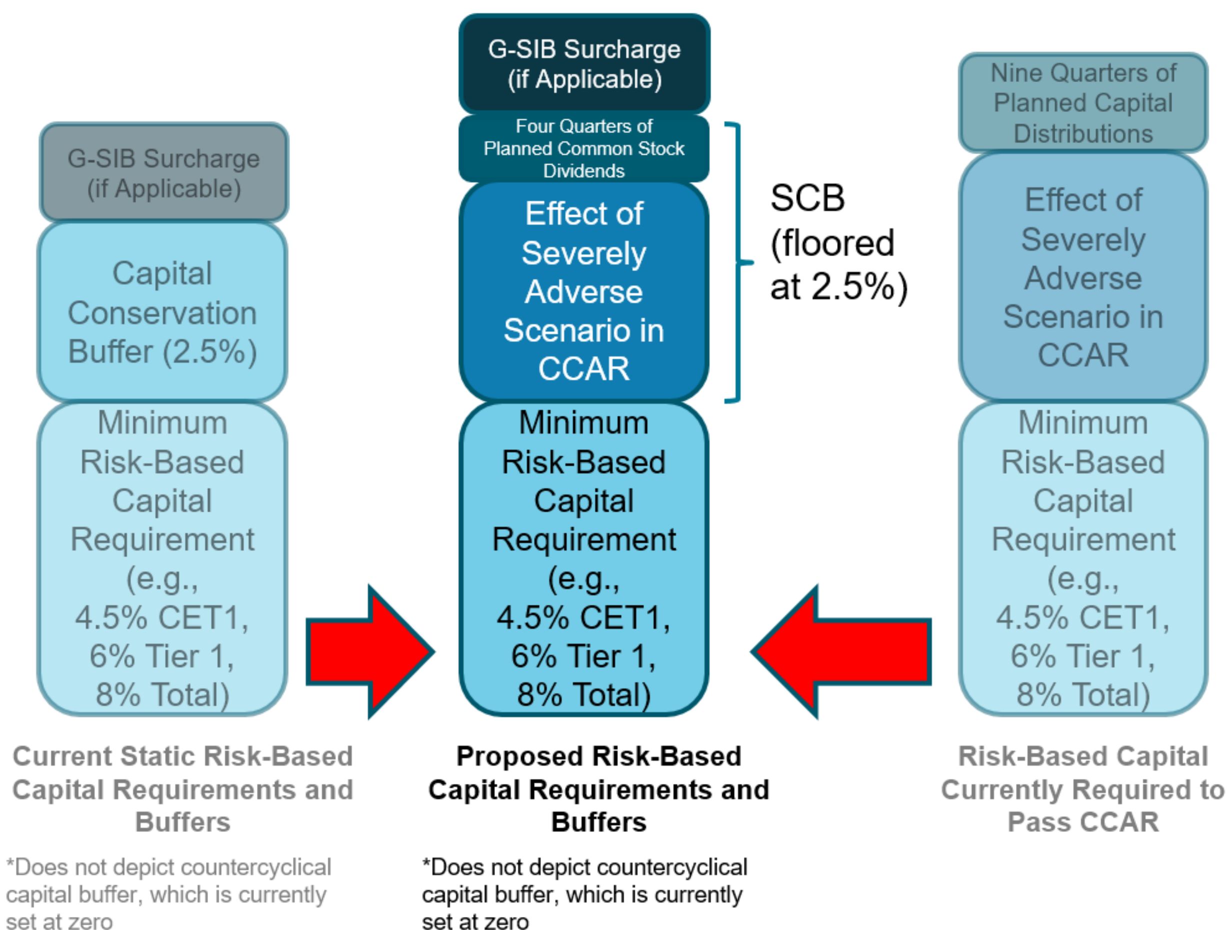
[3] The fourth through seventh quarters of the planning horizon correspond with the quarters in which the SCB would apply, as discussed below.

Figure 2—Alignment of Ongoing Capital Requirements With Post-Stress Test Requirements Through the SCB[4]



As is shown in Figure 2, adopting the proposal would be equivalent to incorporating the G-SIB surcharge into CCAR as a post-stress test requirement. As a result, the proposal is expected to increase the binding capital risk-based constraint of some U.S. G-SIBs.

At the same time, the proposal is expected to *reduce* or keep constant the binding capital constraint of the remaining institutions subject to CCAR, for several reasons:

- By including only four quarters of an institution's planned common stock dividends in the SCB, the proposal would effectively relax the current assumption in CCAR that an institution will carry out all nine quarters of its planned capital actions (including dividends *and* repurchases).
- The proposal would replace the current assumption in CCAR that an institution's balance sheet and RWAs would expand in times of stress with an assumption that the

[4] Capital components are not depicted proportionately.

institution's balance sheet and RWAs would generally remain the same size throughout the nine quarter planning horizon.

- The proposal would eliminate the Federal Reserve's current 30 percent dividend payout ratio as a threshold for heightened scrutiny of an institution's capital plan.

Treatment of Advanced Approaches Risk-Based Capital Requirements

Under the proposal, an advanced approaches institution would continue to be required to calculate its risk-based capital requirements using advanced approaches RWAs. However, these separate risk-based capital requirements would *not* incorporate the SCB, but instead would retain a capital conservation buffer equal to 2.5 percent of advanced approaches RWAs, plus any countercyclical capital buffer, and any G-SIB surcharge.

Because the proposal would apply the SCB to the standardized risk-based capital ratios, but not the advanced approaches risk-based capital ratios, the proposal would make it less likely for the latter to serve as an institution's binding constraint.

Leverage Capital Buffer and Treatment of Supplementary Leverage Ratio

The proposal would also introduce a stressed leverage buffer requirement in addition to the 4 percent minimum Tier 1 leverage ratio requirement, which would remain in place. The leverage buffer would be equal to the amount of loss of Tier 1 capital incurred by the institution in the severely adverse scenario of the most recent CCAR exercise, plus the firm's planned common stock dividends for each of the fourth through seventh quarters of the planning horizon (expressed as a percentage of average total consolidated assets, i.e., the Tier 1 leverage ratio denominator).

The proposal would ***not*** also introduce a stressed leverage buffer to complement the SLR, despite the fact that the SLR is a post-stress test minimum capital requirement for advanced approaches institutions beginning in the 2018 CCAR cycle. By eliminating the quantitative objection in CCAR, the proposal would effectively eliminate the requirement that institutions satisfy the SLR on a post-stress basis. As a result, the proposal would make it less likely that the SLR would serve as an institution's binding capital constraint.

Changes to Capital Plan Rule and CCAR Process

Along with its changes to institutions' capital requirements, the proposal would revise the capital planning and CCAR processes. The proposal's changes to these processes are summarized in the following table:

Current Capital Planning and CCAR Process	Proposed Capital Planning and CCAR Process
An institution submits its capital plan to the Federal Reserve by April 5 of any given year	No change
The capital plan sets forth the institution's planned capital actions through the nine quarter planning horizon	No change

Current Capital Planning and CCAR Process	Proposed Capital Planning and CCAR Process
The Federal Reserve determines the reduction in the institution's capital ratios over the nine quarter planning horizon in the severely adverse macroeconomic stress scenario	No change
The Federal Reserve assumes the institution's balance sheet will increase over the nine quarter planning horizon	The Federal Reserve assumes the institution's balance sheet will stay the same size
By June 30, the Federal Reserve will object to the plan if the institution's capital would decline below regulatory minimums in the severely adverse scenario at any point during the nine quarter planning horizon, assuming all of the institution's planned capital actions throughout the nine quarter planning horizon	By June 30, the Federal Reserve will provide the institution a calculation of its SCB, which reflects the amount of maximum decline in capital the institution would experience in the severely adverse scenario at any point during the nine quarter planning horizon, assuming continued contractual payments on additional Tier 1 and Tier 2 instruments throughout the nine quarter planning horizon plus the institution's proposed common stock dividends for quarters four through seven (but not other planned capital distributions)
If the Federal Reserve provides quantitative objection to the institution's capital plan, the institution may adjust downward its planned capital distributions, and/or request reconsideration of the quantitative objection	If the institution's planned capital distributions for the fourth through seventh quarters of the planning horizon (the period in which the SCB would apply) would result in insufficient capital to cover its SCB, the institution would adjust downward its planned capital distributions; any institution may request reconsideration of the calculation of its SCB
By June 30, the Federal Reserve publicly discloses whether or not it objected to the institution's capital plan on quantitative grounds or, for an institution that remains subject to the qualitative objection, qualitative grounds	By June 30, the Federal Reserve publicly discloses the institution's SCB, which will apply from October 1 of the same year to September 30 of the following year,[5] and, for an institution that remains subject to the qualitative objection, whether or not the Federal Reserve objected to the institution's capital plan on qualitative grounds

[5] It is unclear based on the text of the proposal whether the Federal Reserve would publicly disclose the fact that an institution adjusted its planned capital distributions downward after receiving its SCB.

Along with the proposal's elimination of the quantitative objection in CCAR, the Federal Reserve has sought comment on whether also to eliminate the *qualitative* objection in CCAR for those institutions that remain subject to it. In April 17, 2018 testimony before the House Financial Services Committee, Vice Chair Quarles stated that he believes the Federal Reserve could perform its qualitative review of institutions' capital planning through its normal supervisory program combined with targeted horizontal assessments rather than through CCAR.[6]

Implementation

The proposal would be effective on December 31, 2018. Under the proposal, an institution would learn of its first SCB and stress leverage buffer amounts at the conclusion of the 2019 CCAR exercise, by June 30, 2019, and those buffers would generally be effective on October 1, 2019.

Comments on the proposal will be due 60 days from the date of the proposal's publication in the Federal Register.

eSLR Proposal

The eSLR proposal would potentially reduce leverage-based capital constraints for the U.S. G-SIBs and their Federal Reserve- or OCC-regulated insured depository institution ("IDI") subsidiaries in the immediate term by recalibrating the eSLR standards. According to the agencies, the goal of this recalibration is to restore the leverage ratio's role as a backstop to the risk-based capital requirements rather than acting as a binding constraint, and thereby remove the disincentive that exists under the current regime from participating in low-risk, low-return businesses, such as repo financing, central clearing services, and taking custody deposits.

Background and Current eSLR Requirements

The current eSLR rule, as adopted in 2014 and modified in 2015, subjects U.S. G-SIBs and their IDI subsidiaries to a fixed leverage buffer in addition to the minimum SLR of 3 percent required of all advanced approaches banking organizations. Specifically, the current eSLR rule requires:

- Holding companies of U.S. G-SIBs to maintain a leverage buffer of 2 percent, in addition to the 3 percent minimum SLR, to avoid limitations on capital distributions and certain discretionary bonus payments; and
- IDI subsidiaries of the U.S. G-SIBs to maintain a 6 percent SLR to be deemed "well capitalized" under the prompt corrective action ("PCA") framework.

Proposed eSLR Changes

The Federal Reserve and OCC have recognized that, in certain cases, the eSLR requirement has become a binding constraint rather than a backstop to the risk-based requirements. In an effort to reverse this, the eSLR proposal would eliminate the fixed leverage buffer requirement

[6] The Federal Reserve is seeking comment on other changes to CCAR or the capital plan rule, including the potential advantages and disadvantages of publishing the severely adverse scenario used in calculating the SCB and stress leverage buffer for public comment.

for U.S. G-SIBs and replace it with a firm-specific measure equal to 50 percent of the institution's G-SIB surcharge numerator multiplied by total leverage exposure (the denominator of the SLR), as depicted in the table below:

eSLR Standards: Holding Companies of U.S. G-SIBs

	Supplemental Leverage Ratio (SLR)	Enhanced Supplemental Leverage Ratio (eSLR)	Total Requirement
Current eSLR Rule	3%	2%	5%
eSLR Proposal	3%	50% of G-SIB surcharge numerator	3% plus 50% of G-SIB surcharge numerator

Likewise, the eSLR proposal would eliminate the flat 6 percent SLR requirement for IDI subsidiaries of the U.S. G-SIBs and instead tie the leverage ratio requirement under the PCA framework to the holding company's G-SIB surcharge. Under the proposal, to be considered "well capitalized" under the PCA framework, IDI subsidiaries of U.S. G-SIBs would be required to maintain an SLR equal to the sum of 3 percent plus 50 percent of its parent's G-SIB surcharge numerator multiplied by total leverage exposure. These changes are depicted in the table below:

eSLR Standards: IDI Subsidiaries

	Supplemental Leverage Ratio (SLR)
Current eSLR Rule	6% to be deemed "well capitalized" under PCA framework
eSLR Proposal	3% plus 50% of parent's G-SIB surcharge numerator to be deemed "well capitalized" under PCA framework

According to their most recent year-end disclosures, the eight U.S. G-SIBs have G-SIB surcharge numerators ranging from 1.5 to 3.5 percent on a fully phased-in basis. As a result, the eSLRs for the U.S. G-SIBs and their IDI subsidiaries would range from 3.75 to 4.75 percent under the proposal in the immediate term. However, the eSLRs for the U.S. G-SIBs would fluctuate as their G-SIB surcharge numerators change in the future, and for some of the U.S. G-SIBs, could conceivably increase beyond the current 5 percent total eSLR requirement.

Consistent with their stated goals to adopt a “more firm-specific and risk-sensitive approach,” the Federal Reserve and OCC expect the proposed changes in the eSLR proposal to have the following effects:

- U.S. G-SIBs: According to the preamble of the proposal, the proposed eSLR would be the binding constraint for just one of the eight U.S. G-SIBs as opposed to serving as such for four of the eight U.S. G-SIBs under the existing eSLR regime. Taking into account the interplay between the proposed eSLR and other capital requirements, including post-stress test requirements, the Federal Reserve and the OCC expect the proposal to reduce the amount of Tier 1 capital required across the eight U.S. G-SIBs by approximately $400 million.
- IDI Subsidiaries: According to the agencies, the current eSLR is the most binding Tier 1 capital requirement for all eight lead IDI subsidiaries of the U.S. G-SIBs, but, under the proposed eSLR standards, the eSLR would be the most binding Tier 1 capital requirement for only three of the eight relevant IDI subsidiaries. Moreover, the aggregate amount of Tier 1 capital required under the eSLR proposal for these lead IDI subsidiaries would be approximately $121 billion less than the Tier 1 capital required under the current standard to be deemed “well capitalized” under the PCA framework.

Alternative Proposal

In addition to inviting comments on the eSLR proposal as written, the Federal Reserve and OCC have sought comment on an alternative approach whereby the eSLR would apply to IDI subsidiaries of U.S. G-SIBs as a capital buffer requirement rather than as part of the PCA requirements to be “well capitalized.” In other words, the eSLR would operate the same way for IDI subsidiaries as it would for their holding companies, rather than forming part of the PCA framework. Under this alternative, IDI subsidiaries, like their holding companies, would be required to maintain a leverage buffer set to 50 percent of the G-SIB surcharge numerator applicable to their holding companies over the 3 percent SLR minimum to avoid limitations on distributions and certain discretionary bonus payments.

TLAC Rule Amendments

In addition to changes to the eSLR, the Federal Reserve has proposed to make corresponding revisions to the TLAC requirements for G-SIBs along with other, minor changes to the TLAC rule. These changes include:

- External TLAC Leverage Buffer: The current TLAC rule contains a leverage-based TLAC buffer of 2 percent of total leverage exposure (the denominator of the SLR) in addition to the minimum external TLAC requirement, which is 7.5 percent of total leverage exposure. The proposal would replace the 2 percent leverage-based TLAC buffer with a buffer set at 50 percent of the institution’s G-SIB surcharge numerator, mirroring the leverage buffer applicable to G-SIBs under the proposed eSLR standards.
- Long-Term Debt (“LTD”) Requirement: The current TLAC rule establishes a minimum external LTD requirement for G-SIBs as 4.5 percent of total leverage exposure. The proposal would amend the leverage-based external LTD requirement to equal 2.5 percent, plus 50 percent of the applicable G-SIB surcharge numerator, of total leverage exposure.

- Other TLAC Amendments:
  - The proposal would remove the 50 percent haircut that currently applies to an institution's LTD instruments with remaining maturity of between one and two years when determining the external TLAC risk-weighted buffer level, TLAC leverage buffer level, and the TLAC buffer level for U.S. IHCs. Under the current rule, the 50 percent haircut is used in determining these three TLAC buffer levels but not for purposes of calculating outstanding minimum required TLAC amounts. By removing the haircut from the TLAC buffer calculations, the proposal would eliminate this discrepancy, making it easier for an institution to satisfy the buffers.
  - The proposal would align the methodology for calculating the LTD amount for U.S. IHCs that are subsidiaries of foreign G-SIBs with the methodology used for U.S. G-SIBs. It would also amend the conformance period for U.S. IHCs to comply with most of the TLAC rule requirements. Currently, the TLAC rule requires compliance by U.S. IHCs of foreign G-SIBs within three years of the *earlier* of the date on which (i) the U.S. non-branch assets of the foreign G-SIB equaled or exceeded $50 billion; and (ii) the foreign G-SIB became a G-SIB. The proposal would require compliance within three years of the occurrence of the *later* of these dates.

Implementation

The eSLR proposal does not provide an effective date for its changes, suggesting that it would be made effective immediately or nearly immediately once finalized. Comments on the proposal will be accepted through May 21, 2018.

Observations

The SCB and eSLR proposals are notable in several respects:

- The SCB and eSLR proposals need not be adopted in tandem. Each proposal is written such that it can be finalized independently of the other.
- The proposals would each make it less likely for leverage-based capital requirements to serve as an institution's binding capital constraint. The SCB proposal would do so by effectively eliminating the SLR as a post-stress minimum requirement for all advanced approaches institutions, and the eSLR proposal would do so by reducing the eSLR for the U.S. G-SIBs and their IDI subsidiaries (based on current G-SIB surcharge figures). Moreover, the SCB proposal would increase the likelihood that risk-based capital requirements serve as a U.S. G-SIB's binding capital constraint.
- The eSLR proposal is structurally consistent with the international leverage ratio buffer standard for G-SIBs that the Basel Committee on Banking Supervision introduced in the package of reforms it adopted on December 7, 2017, known commonly as Basel IV. The international leverage ratio buffer, which becomes effective in the year 2022, is similarly expressed as a function of the G-SIB surcharge numerator.
- The Federal Reserve's formal proposal to introduce the SCB, which former Federal Reserve Governor and President Obama appointee Daniel K. Tarullo first introduced as a concept in a September 2016 speech, is a significant step for an agency that is now led by appointees of President Trump, given that the SCB is expected to raise capital constraints overall for some U.S. G-SIBs.

- In testimony before the House Financial Services Committee on April 17, 2018, Vice Chair Quarles stated that if the SLR exemption for custodial bank deposits placed with a central bank set forth in S.2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act, became law, the agencies would need to consider how to recalibrate the eSLR proposal.
- While the Federal Reserve and OCC typically release capital-related proposals that affect insured depository institutions jointly with the FDIC, the FDIC did not join the eSLR proposal. In a written statement, FDIC Chair Martin Gruenberg stated that "[s]trengthening leverage capital requirements for the largest, most systemically important banks in the United States was among the most important post-crisis reforms" and that the current eSLR "has served well in addressing the excessive leverage that helped deepen the financial crisis." The FDIC's failure to join the Federal Reserve and OCC in issuing the proposal is not expected to have a material real world impact, because the Federal Reserve regulates the holding companies of the U.S. G-SIBs, and no U.S. G-SIB currently has a significant IDI subsidiary regulated by the FDIC. Nevertheless, the FDIC could join the Federal Reserve and OCC in adopting the eSLR proposal if and when President Trump's nominee, Jelena McWilliams, is confirmed as Chairperson of the FDIC.

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