To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

Agencies Adopt Supplementary Leverage Ratio Notice of Proposed Rulemaking

On Tuesday, July 9, 2013, the Federal Reserve Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) proposed a rule to strengthen the leverage ratio standards for the largest, most systemically significant U.S. banking organizations.

Under the proposed rule, bank holding companies with more than $700 billion in consolidated total assets or $10 trillion in assets under custody (covered BHCs) would be required to maintain a tier 1 capital leverage buffer of at least 2 percent above the minimum supplementary leverage ratio requirement of 3 percent, for a total of 5 percent. Failure to exceed the 5 percent ratio would subject covered BHCs to restrictions on discretionary bonus payments and capital distributions. In addition to the leverage buffer for covered BHCs, the proposed rule would require insured depository institutions of covered BHCs to meet a 6 percent supplementary leverage ratio to be considered "well capitalized" for prompt corrective action purposes. The proposed rule would currently apply to the eight largest, most systemically significant U.S. banking organizations.

The agencies are proposing a substantial phase-in period for the rule with an effective date of January 1, 2018. The NPR will be published in the Federal Register with a 60 day public comment period.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco’s website, at http://www.frbsf.org/banking-supervision/publications/district-circular-letters/.

For additional information, please contact:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
(415) 974-2588

Attachment:

Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and their Subsidiary Insured Depository Institutions (PDF)