
OCC BULLETIN 2013-18

**Subject: Regulatory Capital-Enhanced
Supplementary Leverage Ratio
Date: August 20, 2013**

**To: Chief Executive Officers of National Banks
and Federal Savings Associations, All
Department and Division Heads, All Examining
Personnel, and Other Interested Parties**

Transmittal - See OCC Bulletin 2014-18

Description: Notice of Proposed Rulemaking

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) are seeking comment on a notice of proposed rulemaking (NPR) to strengthen the leverage ratio standards for the largest, most systemically significant U.S. banking organizations. The NPR was published in the *Federal Register* on August 20, 2013, with a 60-day comment period.

Background

Under the revised capital regulations, which the OCC approved on July 9, 2013 (new capital rule), the agencies established a minimum supplementary leverage ratio of 3 percent (supplementary leverage ratio). This requirement, which applies to banking organizations that are subject to the advanced approaches risk-based capital rules, is consistent with the minimum leverage ratio adopted by the Basel Committee on Banking Supervision.

Importantly, the calculation of the supplementary leverage ratio differs from the calculation of the current U.S. generally applicable leverage ratio. The generally applicable leverage ratio is the ratio of an institution's tier 1 capital to its *total on-balance-sheet assets*. The supplementary leverage ratio, however, is the ratio of an institution's tier 1 capital to its *total leverage exposure*, which includes all on-balance-sheet assets and many off-balance-sheet exposures. For banks with material off-balance-sheet exposures, the minimum amount of tier 1 capital required to meet the supplementary leverage ratio would substantially exceed the amount of capital that would be required to meet the generally applicable leverage ratio, assuming that both ratios were set at the same level.

Under the new capital rule, banks subject to the supplementary leverage ratio requirement are required to calculate and report their supplementary leverage ratios beginning in the first quarter of 2015. The new minimum requirement, however, does not apply until 2018.

Summary

In this NPR, the agencies propose to further increase the leverage capital requirements for the largest, most systemically significant U.S. banking organizations. The NPR applies to any bank holding company (BHC) with more than \$700 billion in consolidated total assets or \$10 trillion in assets under custody (covered BHC) and any insured depository institution subsidiary of these BHCs (covered IDI). Using these asset thresholds, the NPR currently would apply to the eight largest, most systemically significant U.S. banking organizations.¹

The agencies propose to establish a "well-capitalized" threshold of 6 percent for the supplementary leverage ratio under the agencies' respective prompt corrective action regulations for any covered IDI. In addition, the agencies propose to establish a leverage buffer for covered BHCs, which would require them to maintain at least 2 percentage points above the minimum supplementary leverage ratio requirement of 3 percent, for a total of 5 percent. Failure to maintain this buffer would result in limitations on dividend distributions and discretionary bonus payments.

The proposal, if adopted, will take effect on January 1, 2018, concurrent with the 3 percent minimum supplementary leverage ratio requirement in the new capital rule.

Comments on the NPRM are due by October 21, 2013.

Further Information

You may direct questions or comments to Roger Tufts, Senior Economic Advisor, Capital Policy Division, at (202) 649-6981; Nicole Blum, Policy Expert, Capital Policy Division, at (202) 649-7932; Ron Shimabukuro, Senior Counsel, Legislative and Regulatory Activities Division, at (202) 649-6282; or Carl Kaminski, Senior Attorney, Legislative and Regulatory Activities Division, at (202) 649-5869.

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Related Link

- [Notice of Proposed Rulemaking \(PDF\)](#)

¹The U.S. banking organizations that currently would be subject to the proposal are Citigroup, Inc.; JPMorgan Chase & Co.; Bank of America Corporation; The Bank of New York Mellon Corporation; Goldman Sachs Group, Inc.; Morgan Stanley; State Street Corporation; and Wells Fargo & Company.