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Transmittal – See OCC 2020-11

OCC Bulletin 2014-18| May 1, 2014

Regulatory Capital - Enhanced Supplementary Leverage Ratio: Final Rule

To

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

Summary

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) have adopted a final rule to strengthen the supplementary leverage ratio standards for the largest, most systemically significant U.S. banking organizations. The final rule 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 (IDI) subsidiary of these covered BHCs (covered IDI).

Concurrent with this final rule, the agencies have issued a proposal to revise the calculation of total leverage exposure (the denominator of the supplementary leverage ratio) in a manner generally consistent with revisions to the international leverage ratio framework published by the Basel Committee on Banking Supervision (BCBS) in January 2014. See OCC Bulletin 2014-19, “Regulatory Capital—Proposed Revisions to the Supplementary Leverage Ratio—Notice of Proposed Rulemaking.”

Banking organizations subject to the enhanced supplementary leverage ratio requirements are required to calculate and publicly report their supplementary leverage ratios beginning in the first quarter of 2015. The supplementary leverage ratio requirements are not effective until 2018.

Highlights

The capital conservation buffer applies limitations on capital distributions (i.e., dividends) and discretionary bonus payments to banking organizations that fail to hold a minimum buffer of common equity tier 1 capital above their overall minimum capital requirements. A covered BHC that maintains a supplementary leverage ratio of tier 1 capital in an amount greater than 5 percent of its total leverage exposure will not be subject to limitations on capital distributions and discretionary bonus payments pursuant to this rule.

- The final rule establishes a
  - “well capitalized” supplementary leverage ratio threshold of 6 percent for covered IDIs; and
  - supplementary leverage ratio buffer of 2 percentage points above the minimum supplementary leverage ratio requirement of 3 percent for covered BHCs.
- The supplementary leverage ratio buffer for covered BHCs will function similarly to the capital conservation buffer in the Basel III final rule.[1]

- The capital conservation buffer applies limitations on capital distributions (i.e., dividends) and discretionary bonus payments to banking organizations that fail to hold a minimum buffer of common equity tier 1 capital above their overall minimum capital requirements. A covered BHC that maintains a supplementary leverage ratio of tier 1 capital in an amount greater than 5 percent of its total leverage exposure will not be subject to limitations on capital distributions and discretionary bonus payments pursuant to this rule.

Note for Community Banks

The final rule will not apply to community banks.

Further Information

You may direct questions or comments to Roger Tufts, Senior Economic Advisor, Capital Policy Division, at (202) 649-6981; Nicole Billick, Risk Expert, Capital Policy Division, at (202) 649-7932; or Carl Kaminski, Counsel, or Henry Barkhausen, Attorney, Legislative and Regulatory Activities Division, at (202) 649-5490.

John C. Lyons Jr.
Senior Deputy Comptroller and Chief National Bank Examiner

Related Link

- "Final Rule–Regulatory Capital–Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and Their Subsidiary Insured Depository Institutions" (PDF)

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[1] https://www.occ.gov/news-issuances/federal-register/78fr62018.pdf.