

# RESCINDED

OCC Bulletin 2019-24 | May 16, 2019

## Revisions to the Supplementary Leverage Ratio for Custodial Banking Organizations and Custody Banks: Notice of Proposed Rulemaking

Replaced - See OCC 2020-53

### Summary

On April 30, 2019, the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the agencies) issued a notice of proposed rulemaking that would exclude from the supplementary leverage ratio (SLR) certain central bank deposits of banking organizations predominantly engaged in custody, safekeeping, and asset servicing activities consistent with section 402 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA).

### Note for Community Banks

The proposed rule would not apply to community banks.

### To

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

### Highlights

- Consistent with section 402 of EGRRCPA, the agencies are proposing to revise the SLR to exclude certain funds of “custodial banking organizations” and “custody banks” that are deposited with certain central banks, subject to a specific limit.
- Under the proposed rule, a depository institution holding company would be designated as a “custodial banking organization” and considered predominantly engaged in custody, safekeeping, and asset servicing activities if the U.S. top-tier depository institution holding company in the organization has a ratio of average assets under custody (AUC)-to-average total assets of at least 30:1 over the previous four calendar quarters. Similarly, under the provisions in the proposed rule applicable to national banks and federal savings associations (FSA), the OCC would designate as a “custody bank” any national bank or FSA that is a subsidiary under a custodial banking organization. The agencies are also contemplating applying the proposed rule to depository institutions (which for the OCC would include any national bank or FSA) that are not controlled by a bank holding company or savings and loan holding company but would otherwise satisfy the 30:1 AUC-to-average total assets ratio. The agencies have requested comment on this issue.
- Consistent with section 402, the proposed rule defines a qualifying central bank as a Federal Reserve Bank, the European Central Bank, or a central bank of a member country of the Organisation for Economic Co-operation and Development if an exposure to the member country receives a 0 percent risk weight under the capital

rule and the sovereign debt of such member country is not in default or has not been in default during the previous five years.

- Under the proposed rule, the amount of the deposits with a qualifying central bank that a custodial banking organization is permitted to exclude from the SLR would be limited to the amount of on-balance sheet deposit liabilities that are linked to fiduciary or custody and safekeeping accounts. Specifically, the proposed rule would provide that a custodial banking organization would be able to exclude from its total leverage exposure the lesser of
  - the amount of central bank deposits placed at qualifying central banks by the custodial banking organization (including deposits placed by consolidated subsidiaries), or
  - the amount of on-balance sheet deposit liabilities of the custodial banking organization (including consolidated subsidiaries) that are linked to fiduciary or custodial and safekeeping accounts.

## Background

On May 24, 2018, the EGRRCPA became law. Section 402 of the EGRRCPA directs the agencies to amend the capital rule to specify that funds of a “custodial bank” that are deposited with certain central banks shall not be taken into account when calculating the SLR, subject to a specified limit. The SLR applies to advanced approaches banking organizations and measures a bank’s tier 1 capital relative to its total leverage exposure, which includes on-balance sheet assets (including deposits at central banks) and certain off-balance sheet exposures.

## Further Information

Please contact Venus Fan, Risk Expert, or Guowei Zhang, Risk Expert, Capital and Regulatory Policy, (202) 649-6370; or Rima Kundnani, Attorney, or Christopher Rafferty, Attorney, Chief Counsel’s Office, at (202) 649-5490.

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## Related Link

- [Custody Banks SLR Regulation](#)