

Capital and Liquidity Requirements Notice of Proposed Rulemaking

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Summary

The Office of the Comptroller of the Currency (OCC) and the Federal Reserve System (FRS)

(together, the agencies) are issuing a notice of proposed rulemaking that would establish a revised framework for determining requirements under the regulatory capital rule, the liquidity coverage ratio (LCR) rule, and the proposed net stable funding ratio (NSFR) rule for large U.S. banking organizations based on their risk profile.

Replaced: See OCC 2019-52

To

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

Note for Community Banks

This proposed rule would not apply to community banks. It would revise the thresholds for application of certain capital and liquidity requirements for banking organizations with more than \$100 billion in total consolidated assets.

Highlights

- The proposal would divide banking organizations with more than \$100 billion in total consolidated assets into four categories based on asset size, cross-jurisdictional activity, off-balance-sheet exposures, reliance on short-term wholesale funding, and other risk factors.
 - Category I standards would apply to banking organizations identified as global systemically important banking organizations (GSIB).
 - Category II standards would apply to banking organizations that have \$700 billion or more in total assets or \$75 billion or more in cross-jurisdictional activity and that are not subject to Category I standards.
 - Category III standards would apply to banking organizations that have \$250 billion or more in total assets or \$75 billion or more in any of the following indicators: nonbank assets, weighted short-term wholesale funding, or off-balance-sheet exposures, and that are not subject to Category I or II standards.
 - Category IV standards would apply to banking organizations that have at least \$100 billion in total assets and do not meet any of the thresholds specified for Categories I through III.
- The new framework would limit the application of the advanced approaches risk-based capital rules and the full LCR and full proposed NSFR requirements to Category I and II banking organizations.

- Category III banking organizations would be subject to standardized approach risk-based capital requirements and the supplementary leverage ratio. Category III banking organizations with less than \$75 billion of weighted short-term wholesale funding would be subject to reduced liquidity buffer requirements (between 70 and 85 percent of the requirements under the LCR rule and the proposed NSFR rule). Category III banking organizations with more than \$75 billion of weighted short-term wholesale funding would be subject to the full LCR and full proposed NSFR requirements.
- Category IV banking organizations would be subject to standardized approach risk-based capital requirements but they would not be subject to supplementary leverage ratio requirements or liquidity buffer requirements set forth in the LCR and NSFR rules.

Background

Many of the agencies' current rules, including the capital rule, the LCR rule, and the proposed NSFR rule, differentiate among banking organizations based on one or more risk indicators, such as total asset size and foreign exposure.

Specifically, the capital rule categorizes banking organizations into two groups: (i) banking organizations subject solely to the standardized approach risk-based capital rules, which have total consolidated assets of less than \$250 billion and total on-balance-sheet foreign exposure of less than \$10 billion (standardized approach banking organizations); and (ii) banking organizations that use the advanced approaches risk-based capital rules, which generally have \$250 billion or more in total consolidated assets or \$10 billion or more in total on-balance-sheet foreign exposure, together with depository institution subsidiaries of banking organizations meeting those thresholds (advanced approaches banking organizations).

Standardized approach banking organizations must calculate risk-weighted assets using the relatively simple standardized approach and calculate a leverage ratio that measures regulatory capital relative to on-balance-sheet assets.

Advanced approaches banking organizations must use both the internal models-based advanced approaches and the standardized approach to determine their risk-based capital ratios. They also must calculate a supplementary leverage ratio, which measures regulatory capital relative to on-balance-sheet and certain off-balance-sheet exposures.

With respect to the liquidity rules, the LCR rule currently distinguishes between banking organizations based on total asset size and foreign exposure. The full LCR requirement generally applies to advanced approaches banking organizations and to their depository institutions with total consolidated assets equal to \$10 billion or more. The proposed NSFR requirement would apply to the same banking organizations as the current LCR requirement.

Further Information

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Related Link

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

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