

# Chapman Client Alert

April 2, 2020

Current Issues Relevant to Our Clients

## Federal Reserve Temporarily Removes Treasuries and Reserves from Supplementary Leverage Ratio

Yesterday the Federal Reserve announced it was temporarily removing Treasury securities and deposits at Federal Reserve Banks (i.e., “reserves”) from the supplementary leverage ratio applicable to Category I-III bank holding companies (BHC) or US intermediate holding companies of foreign banks (IHC).

The temporary exclusion is specified through an amendment to Regulation Q that inserts the new Section 217.303:

§217.303 Temporary Exclusions from Total Leverage Exposure. (a) In general. Subject to the limitations in paragraphs (b) and (c) of this section and notwithstanding any other requirement in this part, a Board-regulated institution that is a depository institution holding company or a U.S. intermediate holding company, when calculating on-balance sheet assets as of each day of a reporting quarter for purposes of determining the Board-regulated institution’s total leverage exposure under §217.10(c)(4), must exclude the balance sheet carrying value of the following items:

- (1) U.S. Treasury securities; and
- (2) Funds on deposit at a Federal Reserve Bank.

(b) Termination of exclusions. The exclusions required pursuant to paragraph (a) of this section terminate after the calendar quarter ending on March 31, 2021.

(c) Custodial banking organizations. A custodial banking organization that is a depository institution holding company or a U.S. intermediate holding company must reduce the amount in §217.10(c)(4)(ii)(J)(1) (to no less than zero) by any amount excluded under paragraph (a)(2) of this section.

The interim final rule takes effect immediately. In the preamble, the Board explained:

For purposes of reporting the supplementary leverage ratio as of June 30, 2020, banking organizations subject to this interim final rule must reflect the exclusion of Treasuries and deposits at Federal Reserve Banks from total leverage exposure, as if this interim final rule had been in effect for the entire second quarter of 2020.

The exclusion applies only to BHCs and IHCs, not to subsidiary banks.

The press release announcing this action is available at this link:

<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200401a.htm>

The full interim final rule is available at this link:

<https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20200401a1.pdf>

### [For More Information](#)

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