



Insights

Agencies Propose Revisions to Supplementary Leverage Ratio Denominator

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On April 8, the OCC, the Federal Reserve Board and the FDIC (collectively, the "Agencies") adopted a notice of proposed rulemaking (the "Proposed Rule") to implement revisions to the denominator measure for the supplementary leverage ratio ("SLR").

In July 2013, in response to Basel III and the Dodd-Frank Act, the Agencies adopted final rules implementing Basel III in the U.S. (the "Final Basel III Rule"), which included SLR regulations for advanced approaches banking organizations and, in August 2013, the Agencies proposed an amendment to the SLR regulations (the "Proposed Amendment"). In both the Final Rule and the Proposed Amendment, the Agencies expressed an intent to continue to review and consider amendments to the SLR denominator in response to revisions made to the Basel leverage ratio. In January 2014, the Basel Committee on Banking Supervision published its final leverage ratio framework and disclosure requirements and, through the Proposed Rule, the Agencies seek to more closely align their SLR regulation with the Basel leverage ratio.

The Proposed Rule introduces graduated credit conversion factors ("CCFs") in the treatment of off-balance sheet commitments that would reduce the portion of total leverage exposure associated with these commitments. More specifically, under the Proposed Rule, off-balance sheet exposures would be multiplied by the appropriate CCF under the standardized approach for risk-weighted assets as set forth in Section 33 of the Final Basel III Rule. Under Section 33(b) of the Final Basel III Rule, commitments with an original maturity of one year or less that are not unconditionally cancelable by the bank are assigned a 20% CCF and commitments with an original maturity of more than one year are assigned a 50% CCF. The Proposed Rule does not distinguish between unfunded securitization credit and liquidity commitments and other commitments in applying these CCFs.

Comments on the Proposed Rule are due no later than June 13, 2014.

For a copy of the Proposed Rule in draft form, please [click here](#).