DEPARTMENT OF TREASURY

Office of the Comptroller of the Currency

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12 CFR Parts 208 and 217

[Regulation H and Q; Docket No. R–1460]

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FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 324

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Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and Their Subsidiary Insured Depository Institutions

AGENCIES: Office of the Comptroller of the Currency, Treasury; the Board of Governors of the Federal Reserve System; and the Federal Deposit Insurance Corporation.

ACTION: Final rule.

SUMMARY: The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) are adopting a final rule that strengthens the agencies' supplementary leverage ratio standards for large, interconnected U.S. banking organizations (the final rule). The final rule applies to any U.S. top-tier bank holding company (BHC) with more than $700 billion in total consolidated assets or more than $10 trillion in assets under custody (covered BHC) and any insured depository institution (IDI) subsidiary of these BHCs (together, covered organizations). In the revised regulatory capital rule adopted by the agencies in July 2013 (2013 revised capital rule), the agencies established a minimum supplementary leverage ratio of 3 percent, consistent with the minimum leverage ratio adopted by the Basel Committee on Banking Supervision (BCBS), for banking organizations subject to the agencies' advanced approaches risk-based capital rules. The final rule establishes enhanced supplementary leverage ratio standards for covered BHCs and their subsidiary IDIs. Under the final rule, an IDI that is a subsidiary of a covered BHC must maintain a supplementary leverage ratio of at least 6 percent to be well capitalized under the agencies' prompt corrective action (PCA) framework. The Board also is adopting in the final rule a supplementary leverage ratio buffer (leverage buffer) for covered BHCs of 2 percent above the minimum supplementary leverage ratio requirement of 3 percent. The leverage buffer functions like the capital conservation buffer for the risk-based capital ratios in the 2013 revised capital rule. A covered BHC that maintains a leverage buffer of tier 1 capital in an amount greater than 2 percent of its total leverage exposure is not subject to limitations on distributions and discretionary bonus payments under the final rule.

Elsewhere in today's **Federal Register**, the agencies are proposing changes to the 2013 revised capital rule's supplementary leverage ratio, including changes to the definition of total leverage exposure, which would apply to all advanced approaches banking organizations and thus, if adopted, would affect banking organizations subject to this final rule.

DATES: The final rule is effective January 1, 2018.

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SUPPLEMENTARY INFORMATION:

I. Background

On August 20, 2013, the agencies published in the **Federal Register**, for public comment, a joint notice of proposed rulemaking (the 2013 NPR) to strengthen the agencies' supplementary leverage ratio standards for large, interconnected U.S. banking organizations.[1] As noted in the 2013 NPR, the recent financial crisis showed that some financial companies had grown so large, leveraged, and interconnected that their failure could pose a threat to overall financial stability. The sudden collapses or near-collapses of major financial companies were among the most destabilizing events of the crisis. As a result of the imprudent risk taking of major financial companies and the severe consequences to the financial system and the economy associated with the disorderly failure of these companies, the U.S. government (and many foreign governments in their home countries) intervened on an unprecedented scale to reduce the impact of, or prevent, the failure of these companies and the attendant consequences for the broader financial system.

A perception persists in the markets that some companies remain ''too big to fail,'' posing an ongoing threat to the financial system. First, the perception that certain companies are ''too big to fail'' reduces the incentives of shareholders, creditors and counterparties of these companies to discipline excessive risk-taking by the companies. Second, it produces competitive distortions because those companies can often fund themselves at a lower cost than other companies. This distortion is unfair to smaller companies, damaging to fair competition, and may artificially encourage further consolidation and concentration in the financial system.

An important objective of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) is to mitigate the threat to financial stability posed by systemically-

[1] 78 FR 51101 (August 20, 2013).

important financial companies.[2] The agencies have sought to address this concern through enhanced supervisory programs, including heightened supervisory expectations for large, complex institutions and stress testing requirements. In addition, the Dodd-Frank Act mandates the implementation of a multi-pronged approach to address this concern: A new orderly liquidation authority for financial companies (other than banks and insurance companies); the establishment of the Financial Stability Oversight Council, empowered with the authority to designate nonbank financial companies for Board supervision (designated nonbank financial companies); stronger regulation of large BHCs and designated nonbank financial companies through enhanced prudential standards; and enhanced regulation of over-the-counter (OTC) derivatives, other core financial markets and financial market utilities.

This final rule builds on these efforts by adopting enhanced supplementary leverage ratio standards for the largest and most interconnected U.S. banking organizations. The agencies have broad authority to set regulatory capital standards.[3] As a general matter, the agencies' authority to set regulatory capital requirements and standards for the institutions they regulate derives from the International Lending Supervision Act (ILSA) [4] and the PCA provisions [5] of the Federal Deposit Insurance Act (FDIA). In enacting ILSA, Congress codified its intentions, providing that ''it is the policy of the Congress to assure that the economic health and stability of the United States and the other nations of the world shall not be adversely affected or threatened in the future by imprudent lending practices or inadequate supervision.'' [6] ILSA encourages the agencies to work with their international counterparts to establish effective and consistent supervisory policies, standards, and practices and specifically provides the agencies authority to set broadly applicable minimum capital levels [7] as well as individual capital requirements.[8] Additionally, ILSA specifically directs U.S. regulators to encourage governments, central banks, and bank regulatory authorities in other major banking countries to work toward maintaining and, where appropriate, strengthening the capital bases of banking institutions involved in international banking.[9] With its focus on international lending and the safety of the broader financial system, ILSA provides the agencies with the authority to consider an institution's interconnectedness and other systemic factors when setting capital standards.

As part of the overall prudential framework for bank capital, the agencies have long expected institutions to maintain capital well above regulatory minimums and have monitored banking organizations' capital adequacy through the supervisory process in accordance with this expectation. This expectation is also codified for IDIs in the statutory PCA framework, which requires the agencies to establish capital ratio thresholds for both leverage and risk-based capital that banking organizations must satisfy to be considered well capitalized.

Additionally, section 165 of the Dodd-Frank Act requires the Board to develop enhanced prudential standards for BHCs with total consolidated assets of $50 billion or more and for designated nonbank companies (together, section 165 covered companies).[10] The Dodd-Frank Act requires that prudential standards for section 165 covered companies include enhanced leverage standards. In general, the Dodd-Frank Act directs the Board to implement enhanced prudential standards that strengthen existing micro-prudential supervision and regulation of individual companies and incorporate macro-prudential considerations to reduce threats posed by section 165 covered companies to the stability of the financial system as a whole. The enhanced prudential standards must increase in stringency based on the systemic footprint and risk characteristics of individual companies. When differentiating among companies for purposes of applying the standards established under section 165, the Board may consider the companies' size, capital structure, riskiness, complexity, financial activities, and any other risk-related factors the Board deems appropriate.[11]

In the agencies' experience, strong capital is an important safeguard that helps financial institutions navigate periods of financial or economic stress. Maintenance of a strong capital base at the largest, systemically important institutions is particularly important because capital shortfalls at these institutions can contribute to systemic distress and can have material adverse economic effects. Higher capital standards for these institutions would place additional private capital at risk, thereby reducing the risks for the Deposit Insurance Fund while improving the ability of these institutions to serve as a source of credit to the economy during times of economic stress. Furthermore, the agencies believe that the enhanced supplementary leverage ratio standards would reduce the likelihood of resolutions, and would allow regulators to tailor resolution efforts were a resolution to become necessary. By further enhancing the capital strength of covered organizations, the enhanced supplementary leverage ratio standards could counterbalance possible funding cost advantages that these organizations may enjoy as a result of being perceived as ''too big to fail.''

A. The Supplementary Leverage Ratio

The 2013 revised capital rule comprehensively revises and strengthens the capital regulations applicable to banking organizations.[12] It strengthens the definition of regulatory capital, increases the minimum risk-based capital requirements for all banking organizations, and modifies the requirements for how banking organizations calculate risk-weighted assets. The 2013 revised capital rule also retains the generally applicable leverage ratio requirement (generally applicable leverage ratio) that the agencies believe to be a simple and transparent measure of capital adequacy that is credible to market participants and ensures a meaningful amount of capital is available to absorb losses. The minimum generally applicable leverage

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[2] *See, e.g.,* Public Law 111–203, 124 Stat. 1376, 1394, 1571, 1803 (2010).

[3] The agencies have authority to establish capital requirements for depository institutions under the prompt corrective action provisions of the Federal Deposit Insurance Act (12 U.S.C. 1831o). In addition, the Federal Reserve has broad authority to establish various regulatory capital standards for BHCs under the Bank Holding Company Act and the Dodd-Frank Act. *See,* for example, sections 165 and 171 of the Dodd-Frank Act (12 U.S.C. 5365 and 12 U.S.C. 5371).

[4] 12 U.S.C. 3901–3911.

[5] 12 U.S.C. 1831o.

[6] 12 U.S.C. 3901(a).

[7] ''Each appropriate Federal banking agency shall cause banking institutions to achieve and maintain adequate capital by establishing levels of capital for such banking institutions and by using such other methods as the appropriate Federal banking agency deems appropriate.'' 12 U.S.C. 3907(a)(1).

[8] ''Each appropriate Federal banking agency shall have the authority to establish such minimum level of capital for a banking institution as the appropriate Federal banking agency, in its discretion, deems to be necessary or appropriate in light of the particular circumstances of the banking institution.'' 12 U.S.C. 3907(a)(2).

[9] 12 U.S.C. 3907(b)(3)(C).

[10] *See* 12 U.S.C. 5365; 77 FR 593 (January 5, 2012); and 77 FR 76627 (December 28, 2012).

[11] 12 U.S.C. 5365(a)(2)(A).

[12] 78 FR 55340 (September 10, 2013) (FDIC) and 78 FR 62018 (October 11, 2013) (OCC and Board). On April 8, 2014, the FDIC adopted as final the 2013 revised capital rule, with no substantive changes.

ratio requirement[13] of 4 percent applies to all IDIs, and is the ''generally applicable'' leverage ratio for purposes of section 171 of the Dodd-Frank Act. Accordingly, the minimum tier 1 leverage ratio requirement for depository institution holding companies is also 4 percent.[14]

In the 2013 revised capital rule, the agencies established a minimum supplementary leverage ratio requirement of 3 percent for banking organizations subject to the banking agencies' advanced approaches rules (advanced approaches banking organizations)[15] based on the BCBS's Basel III leverage ratio (Basel III leverage ratio) as it was established at the time.[16] The agencies believe the introduction of the leverage ratio by the BCBS is an important step in improving the framework for international capital standards. The Basel III leverage ratio is a non-risk-based measure of tier 1 capital relative to an exposure amount that includes both on- and off-balance sheet exposures. The agencies implemented the Basel III leverage ratio through the supplementary leverage ratio, which the agencies believe to be particularly relevant for large, complex organizations that are internationally active and often have substantial off-balance sheet exposures.

The agencies' supplementary leverage ratio is the arithmetic mean of the ratio of an advanced approaches banking organization's tier 1 capital to total leverage exposure (each as defined in the 2013 revised capital rule) calculated as of the last day of each month in the reporting quarter. In contrast to the denominator of the agencies' generally applicable leverage ratio, which includes only on-balance sheet assets, the denominator for the supplementary leverage ratio is based on a banking organization's total leverage exposure, which includes all on-balance sheet assets and many off-balance sheet exposures. The 2013 revised capital rule requires that an advanced approaches banking organization calculate and report its supplementary leverage ratio beginning in 2015 and maintain a supplementary leverage ratio of at least 3 percent beginning in 2018.

Because total leverage exposure includes off-balance sheet exposures, for any given company with material off-balance sheet exposures the amount of capital required to meet the supplementary leverage ratio will exceed the amount of capital that is required to meet the generally applicable leverage ratio, assuming that both ratios are set at the same level. To illustrate, as the agencies noted in the 2013 NPR, based on supervisory estimates for a group of advanced approaches banking organizations using supervisory data as of third quarter 2012,[17] a 5 percent supplementary leverage ratio corresponds to roughly a 7.2 percent generally applicable leverage ratio and a 6 percent supplementary leverage ratio corresponds to roughly an 8.6 percent generally applicable leverage ratio. According to supervisory estimates, 2013 data yield similar results. These estimates represent averages and the numbers vary from institution to institution.

The agencies noted in the 2013 revised capital rule and in the 2013 NPR that the BCBS planned to collect additional data from institutions in member countries and potentially make adjustments to the Basel III leverage ratio requirement. The agencies indicated that they would review any modifications to the Basel III leverage ratio made by the BCBS and consider proposing to modify the supplementary leverage ratio consistent with those revisions, as appropriate.

In June 2013, the BCBS published and requested comment on a consultative paper that proposed significant modifications to the denominator of the Basel III leverage ratio (consultative paper).[18] The consultative paper proposed a number of approaches that generally would increase the denominator of the leverage ratio originally set out in the 2010 Basel III framework. Based on its review of comments on the consultative paper, in January 2014, the BCBS adopted certain aspects of the proposals in the consultative paper as well as other changes to the denominator (BCBS 2014 revisions).[19] The BCBS has indicated that it will continue to study the Basel III leverage ratio through the implementation phase into 2017 and will consider further modifications to the ratio.

As discussed further below, several commenters raised concerns about the agencies' intention to adopt the proposed enhanced supplementary leverage ratio standards while the BCBS continues to revise the Basel III leverage ratio. The agencies believe that it is important to maintain consistency with international standards, as appropriate, for internationally active banking organizations and, accordingly, have published a separate notice of proposed rulemaking elsewhere in today's **Federal Register** that seeks public comment on revisions to the denominator of the supplementary leverage ratio that would be applicable to advanced approaches banking organizations (2014 NPR). These proposed revisions are generally consistent with the BCBS 2014 revisions.

The agencies also believe that it is important to establish enhanced supplementary leverage ratio standards for the largest, most interconnected banking organizations to strengthen the overall regulatory capital framework in the United States. Therefore, after reviewing comments on the 2013 NPR, the agencies are finalizing the enhanced supplementary leverage ratio standards substantially as proposed, based on the methodology for determining the supplementary leverage ratio in the 2013 revised capital rule. As discussed further below, the agencies believe the proposed changes to the supplementary leverage ratio denominator in the 2014 NPR would be responsive to some of the concerns that commenters raised in connection with the 2013 NPR. The agencies will carefully consider all comments received on the proposed revisions to the supplementary leverage

[13] The generally applicable leverage ratio under the 2013 revised capital rule is the ratio of a banking organization's tier 1 capital to its average total consolidated assets as reported on the banking organization's regulatory report minus amounts deducted from tier 1 capital.

[14] 12 U.S.C. 5371.

[15] A banking organization is subject to the advanced approaches rule if it has consolidated assets of at least $250 billion, if it has total consolidated on-balance sheet foreign exposures of at least $10 billion, if it elects to apply the advanced approaches rule, or it is a subsidiary of a depository institution, bank holding company, or savings and loan holding company that uses the advanced approaches to calculate risk-weighted assets. *See* 78 FR 62018, 62204 (October 11, 2013); 78 FR 55340, 55523 (September 10, 2013).

[16] The BCBS is a committee of banking supervisory authorities, which was established by the central bank governors of the G–10 countries in 1975. It currently consists of senior representatives of bank supervisory authorities and central banks from Argentina, Australia, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Indonesia, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, Russia, Saudi Arabia, Singapore, South Africa, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. Documents issued by the BCBS are available through the Bank for International Settlements Web site at *http://www.bis.org. See* BCBS, ''Basel III: A global regulatory framework for more resilient banks and banking systems'' (December 2010 (revised June 2011)), available at *http://www.bis.org/publ/bcbs189.htm.*

[17] The supervisory estimates were generated using CCAR September 2012 and CCAR September 2013 data.

[18] *See* BCBS ''Revised Basel III leverage ratio framework and disclosure requirements—consultative document'' (June 2013) available at *http://www.bis.org/publ/bcbs251.htm.*

[19] *See* BCBS ''Basel III leverage ratio framework and disclosure requirements'' (January 2014) available at *http://www.bis.org/publ/bcbs270.htm.*

ratio calculation in the 2014 NPR, including those related to the impact of the proposed changes on advanced approaches banking organizations' capital requirements.

B. The Proposed Enhanced Supplementary Leverage Ratio Standards

The 2013 NPR proposed applying enhanced supplementary leverage standards to any U.S. top-tier BHC that has more than $700 billion in total consolidated assets or more than $10 trillion in assets under custody and any IDI subsidiary of such a BHC.[20] As explained in the 2013 NPR, the list of covered BHCs identified by these thresholds is consistent with the list of banking organizations that meet the BCBS definition of a global systemically important bank (G–SIB), based on year-end 2011 data.[21] In November 2011, the BCBS released a document entitled, *Global Systemically Important Banks (G–SIBs): Assessment methodology and the additional loss absorbency requirement,* which sets out a framework for a new capital surcharge for G–SIBs (BCBS G–SIB framework).[22] The BCBS G–SIB framework incorporates five broad characteristics of a banking organization that the agencies consider to be good proxies for, and correlated with, systemic importance: Size, complexity, interconnectedness, lack of substitutes, and cross-border activity. Further, the Board believes that the criteria and methodology used by the BCBS to identify G–SIBs are consistent with the criteria it must consider under the Dodd-Frank Act when tailoring enhanced prudential standards based on the systemic footprint and risk characteristics of individual section 165 covered companies.[23]

Under the 2013 NPR, a covered BHC would have been subject to a leverage buffer composed of tier 1 capital, in addition to the minimum 3 percent supplementary leverage ratio requirement established in the 2013 revised capital rule. Under the 2013 NPR, a covered BHC that maintains a leverage buffer of tier 1 capital in an amount greater than 2 percent of its total leverage exposure would not have been subject to limitations on its distributions and discretionary bonus payments. If a covered BHC were to maintain a leverage buffer of 2 percent or less, it would have been subject to increasingly strict limitations on its distributions and discretionary bonus payments. The proposed leverage buffer followed the same general mechanics and structure as the capital conservation buffer contained in the 2013 revised capital rule. Any constraints on distributions and discretionary bonus payments resulting from a covered BHC maintaining a leverage buffer of 2 percent or less would have been independent of any constraints imposed by the capital conservation buffer or other supervisory or regulatory measures.

As noted in the 2013 NPR, the 2013 revised capital rule incorporated the 3 percent supplementary leverage ratio minimum requirement into the PCA framework as an adequately capitalized threshold for IDIs subject to the advanced approaches risk-based capital rules, but did not establish a well-capitalized threshold for this ratio. Under the 2013 NPR, an IDI that is a subsidiary of a covered BHC would have been required to satisfy a 6 percent supplementary leverage ratio to be considered well-capitalized for PCA purposes.

II. Summary of Comments on the 2013 NPR

The agencies sought comment on all aspects of the 2013 NPR and received approximately 30 public comments from banking organizations, trade associations representing the banking or financial services industry, supervisory authorities, public interest advocacy groups, private individuals, members of Congress, and other interested parties. In general, comments from financial services firms, banking organizations, banking trade associations and other industry groups were critical of the 2013 NPR, while comments from organizations representing smaller banks or their supervisors, public interest advocacy groups and the public generally were supportive of the 2013 NPR. A detailed discussion of commenters' concerns and the agencies' response follows.

A. Timing of the Final Rule

A number of commenters made reference to the BCBS consultative paper that proposed to revise the denominator for the Basel III leverage ratio.[24] While the proposals outlined in the BCBS consultative paper were not part of the 2013 NPR, commenters stated that they believe the final BCBS changes eventually will be incorporated into the U.S. supplementary leverage ratio, and that it would be premature to finalize the 2013 NPR before the BCBS process is complete. Commenters recommended that a final rule adopting the proposed enhanced supplementary leverage ratio standards be delayed until the BCBS finalized the consultative paper and the Board adopted a final rule implementing enhanced prudential standards under section 165 of the Dodd Frank Act.[25] In addition, these commenters argued that the proposed enhanced supplementary leverage ratio standards, if applied in conjunction with the denominator changes proposed in the BCBS consultative paper, would result in inappropriately high capital charges.

The agencies emphasize that the 2013 NPR did not propose or seek comment on the revisions to the supplementary leverage ratio denominator that were being considered by the BCBS. The agencies are moving forward with the finalization of the proposed enhanced supplementary leverage ratio standards to further enhance the capital position of covered organizations and to strengthen financial stability. As noted earlier, the agencies are seeking comment elsewhere in today's **Federal Register** on the 2014 NPR, which proposes revisions to the definition of total leverage exposure in the 2013 revised capital rule as well as other proposed requirements relating to the supplementary leverage ratio that would reflect the BCBS 2014 revisions. The

[20] Under the 2013 NPR, applicability of the proposed enhanced supplementary leverage ratio standards would have been determined based on assets reported on a BHC's most recent Consolidated Financial Statement for Bank Holding Companies (FR Y–9C) or based on assets under custody as reported on a BHC's most recent Banking Organization Systemic Risk Report (FR Y–15).

[21] In November 2012, the Financial Stability Board and BCBS published a list of banks that meet the BCBS definition of a G–SIB based on year-end 2011 data. A revised list based on year-end 2012 data was published November 11, 2013 (available at *http://www.financialstabilityboard.org/publications/r_131111.pdf*). The U.S. top-tier bank holding companies that are currently identified as G–SIBs are Bank of America Corporation, The Bank of New York Mellon Corporation, Citigroup Inc., Goldman Sachs Group, Inc., JP Morgan Chase & Co., Morgan Stanley, State Street Corporation, and Wells Fargo & Company.

[22] *Available at http://www.bis.org/publ/bcbs207.pdf.* The BCBS published a revised version of this document in July 2013, available at *http://www.bis.org/publ/bcbs255.pdf.*

[23] *See* 12 U.S.C. 5365(a).

[24] *See* BCBS, ''Revised Basel III leverage ratio framework and disclosure requirements—consultative document'' (June 2013), available at *http://www.bis.org/publ/bcbs251.htm.*

[25] The Board's proposed rules to implement the provisions of sections 165 and 166 of the Dodd-Frank Act for bank holding companies with total consolidated assets of $50 billion or more and for nonbank financial firms supervised by the Board (domestic proposal) and for foreign banking organizations with total consolidated assets of $50 billion or more and foreign nonbank financial companies supervised by the Board (foreign proposal) can be found at 77 FR 594 (January 5, 2012) and 77 FR 76628 (December 28, 2012) for the domestic proposal and foreign proposal, respectively. The Board's final rule implementing these provisions is available at *http://www.federalreserve.gov/newsevents/press/bcreg/20140218a.htm.*

agencies believe that the proposed revisions to the definition of total leverage exposure in the 2014 NPR are responsive to a number of concerns that commenters expressed about the relationship between the BCBS process and the supplementary leverage ratio. As noted above, the agencies will carefully review all comments received on the 2014 NPR.

B. Scope of Application

The 2013 NPR would have applied enhanced supplementary leverage ratio standards to the largest, most interconnected U.S. BHCs and their subsidiary IDIs (specifically, to any U.S. top-tier BHC with more than $700 billion in total consolidated assets or more than $10 trillion in assets under custody and any IDI subsidiary of these BHCs).[26] Several commenters criticized the 2013 NPR's scope of application, including the proposed quantitative thresholds for determining applicability of the enhanced supplementary leverage ratio standards. These commenters stated that tying the application of the 2013 NPR to size alone would not be appropriate, as size is not always a reliable indicator of the degree of risk to financial stability. In addition, commenters stated that the quantitative thresholds may capture the G–SIBs today, but there is no assurance that this will be the case in the future. A few commenters asserted that applicability should be based on the systemic risk posed by an institution's failure and not just on quantitative thresholds. For instance, one commenter suggested extending the applicability of the final rule beyond the largest financial institutions to institutions that are smaller, but nonetheless are integral parts of the financial system. A few commenters favored expanding the quantitative thresholds of the 2013 NPR to include additional banking organizations, for example, by applying the proposed enhanced supplementary leverage ratio standards to all advanced approaches banking organizations. Some commenters asserted that using assets under custody as one of the metrics to determine the 2013 NPR's applicability significantly overstates the risk of the custody bank business model. In addition, several commenters suggested that it is not clear that the enhanced supplementary leverage ratio standards are necessary or appropriate for any organization. These commenters stated that substantial steps have been taken toward addressing ''too big to fail'' concerns, and that the 2013 NPR should not be extended to banking organizations that, in the commenters' view, may not present systemic risk.

The agencies have decided to finalize the proposed enhanced supplementary leverage ratio standards, including the proposed applicability thresholds, substantively as proposed. In the agencies' view, the proposed asset thresholds capture banking organizations that are so large or interconnected that they pose substantial systemic risk. As explained above, these banking organizations have also been identified by the BCBS as G–SIBs, which are subject to heightened risk-based capital standards under the Basel framework. The agencies believe the application of the enhanced supplementary leverage ratio standards to covered organizations is an appropriate way to further strengthen the ability of the these organizations to remain a going concern during times of economic stress and to minimize the likelihood that problems at these organizations would contribute to financial instability.

The agencies continue to believe that the benefits to financial stability of the enhanced supplementary leverage ratio standards are most pronounced for these large and systemically important institutions, and have decided not to extend these enhanced standards to smaller institutions. In addition, as also discussed in the 2013 NPR, it is anticipated that over time, as the BCBS G–SIB framework is implemented in the United States or revised by the BCBS, the agencies may consider modifying the scope of application of the enhanced supplementary leverage ratio standards to align more closely with the scope of application of the BCBS G–SIB framework. In addition, the agencies will otherwise continue to evaluate the applicability thresholds and may consider revising them in the future to ensure they remain appropriate.

C. Calibration of the Enhanced Supplementary Leverage Ratio Standards

The agencies received several comments expressing concern with the proposed calibration of the enhanced supplementary leverage ratio standards. Commenters stated that the proposed enhanced supplementary leverage ratio standards should be set no higher than those that would apply to banking organizations in other jurisdictions to maintain the competitive position of covered organizations with respect to their foreign competitors. A number of commenters viewed the proposed calibration as arbitrary, stating that it should be supported by quantitative studies of the cumulative impact of the enhanced supplementary leverage ratio standards and other financial reforms on the ability of U.S. banking organizations to provide financial services to customers and businesses. A number of commenters stated that the 2013 NPR would cause the supplementary leverage ratio to become the binding regulatory capital constraint, rather than a backstop to the risk-based capital measures, and expressed concern that an unintended consequence of a binding supplementary leverage ratio could be that covered organizations would divest lower risk assets and instead assume more risk, to the detriment of financial stability.

Some commenters expressed concern that a binding supplementary leverage ratio could have negative consequences, including the creation of disincentives for banking organizations to engage in robust risk assessment and management practices. Furthermore, according to commenters, the 2013 NPR could incentivize banking organizations to engage in financial activities with a higher risk-reward profile as there would be no regulatory capital benefit for holding low-risk assets, potentially resulting in institutions that are less stable. For instance, one commenter stated that unsecured commercial loans would be more attractive than secured lines of credit because the former have a stronger return on assets and both would require equal amounts of regulatory capital under the supplementary leverage ratio framework. The commenter warned that in the mortgage banking industry, this could constrain warehouse lines of credit needed to finance the production of new mortgages and mortgage-backed securities. Another commenter stated that the proposed enhanced supplementary leverage ratio standards could make it uneconomical for covered organizations to hold or provide unfunded revolving lines of credit with maturities of less than one year, cash, U.S. Treasuries, reverse repurchase agreements, certain traditional interest rate swaps, and credit default swaps on corporate bonds. Other commenters maintained that the 2013 NPR could incentivize banking organizations to hold the lowest quality assets possible within the constraints of the other credit quality regulations and, thus, would be fundamentally at odds with the

[26] Under the 2013 revised capital rule, a ''subsidiary'' is defined as a company controlled by another company, and a person or company ''controls'' a company if it: (1) Owns, controls, or holds with power to vote 25 percent or more of a class of voting securities of the company; or (2) consolidates the company for financial reporting purposes. *See* section 2 of the 2013 revised capital rule.

agencies' proposed liquidity coverage ratio (LCR) by encouraging banking organizations to divest low-risk assets above the minimum required by the proposed LCR.[27] In addition, according to commenters, banking organizations would find high-volume, low-risk and low-return, client-driven financial activities less profitable, such as deposit taking. As such, commenters stated that a binding leverage ratio would result in higher prices, less liquidity, and reduction of business lines that have lower returns on assets.

Some commenters recommended that the agencies use a more tailored approach to calibrate the proposed enhanced supplementary leverage ratio standards, for example by proposing a leverage buffer for covered BHCs that would be aligned with the capital surcharges provided in the BCBS G–SIB framework. These commenters asserted that there is significant diversity among G–SIBs in risk profile, operating structure, and approaches to balance sheet management and that a one-size-fits-all approach is unduly punitive for banking organizations with significant amounts of highly liquid, low-risk assets.

In contrast, a few commenters stated that the supplementary leverage ratio is a more accurate measure of regulatory capital than the risk-based capital ratios, easier to understand, comparable across firms, less prone to manipulation and, therefore, should be the binding capital standard. Commenters supported a revised calibration as strong, or stronger, than the one set forth in the 2013 NPR. For example, some commenters suggested substantially increasing the proposed enhanced supplementary leverage ratio standards for covered organizations (for example, by implementing an 8 percent well-capitalized threshold for any IDI subsidiary of a covered BHC and a 4 or 5 percent leverage buffer (in addition to the minimum 3 percent) for covered BHCs). These commenters argued that incentivizing covered organizations to be better capitalized as a group through the proposed standards would improve their ability to provide credit during periods of economic stress. Others supported either increasing or maintaining the proposed calibration of the enhanced supplementary leverage ratio standards by emphasizing the importance of constraining the risks large institutions pose to the financial system. Other commenters supported strengthening the supplementary leverage ratio standards based on their view that the risk-based capital framework is subjective and may excessively rely on the use of models.

With regard to the concerns raised by commenters about potential competitive disadvantages for covered organizations as a result of the proposed enhanced supplementary leverage ratio standards, in the agencies' experience, a strong regulatory capital base is a competitive strength for banking organizations, rather than a competitive weakness. Specifically, strong capital promotes confidence among banking organizations' market counterparties and bolsters the ability of banking organizations to lend and otherwise serve customers during stressed market conditions. The agencies are of the view that a strongly capitalized banking system also promotes the resilience of the broader economy because it promotes the stability of the financial system, which allows a wide range of firms to efficiently access funding and liquidity to meet their business needs. The agencies also note that banking organizations in the U.S. have long been subject to a leverage ratio framework, whereas banking organizations in other jurisdictions generally have not been subject to any leverage requirement. The agencies do not believe this longstanding difference has adversely affected the competitive strength of U.S. banking organizations. Finally, the agencies believe that the benefits to the banking and financial system from more resilient systemically important banking organizations outweigh any potential competitive disadvantages of related implementation costs that covered organizations may face.

With regard to the comments asserting that the proposed enhanced supplementary leverage ratio standards were arbitrary, the 2013 NPR described the agencies' approach to calibration. According to the agencies' analysis, a 3 percent minimum supplementary leverage ratio would have been too low to have meaningfully constrained the buildup of leverage at the largest institutions in the years leading up to the financial crisis. To address this issue the agencies proposed the enhanced supplementary leverage ratio standards.

The agencies believe that the leverage and risk-based capital ratios play complementary roles, with each offsetting potential weaknesses of the other. The 2013 revised capital rule implemented the capital conservation buffer framework (which is only applicable to risk-based capital ratios) and increased risk-based capital requirements more than it increased leverage requirements, reducing the ability of the leverage requirements to act as an effective complement to the risk-based requirements, as they had historically. As a result, the degree to which covered organizations could potentially benefit from active management of risk-weighted assets before they breach the leverage requirements may be greater. As described in the 2013 NPR, such potential behavior suggests that the increase in stringency of the leverage and risk-based standards should be more closely calibrated to each other so that they remain in an effective complementary relationship. These considerations were important in calibrating the enhanced supplementary leverage ratio standards. Specifically, the 2013 NPR noted that the proposed enhanced supplementary leverage ratio's well-capitalized threshold for IDI subsidiaries of covered BHCs and the proposed leverage buffer for covered BHCs would retain a degree of proportionality with the stronger tier 1 risk-based capital standards (including the minimum risk-based capital requirements and the capital conservation buffer) under the 2013 revised capital rule.

Consistent with the calibration goals described in the 2013 NPR, the agencies believe that the proposed enhanced supplementary leverage ratio standards should broadly preserve the historical relationship between the tier 1 leverage and risk-based capital levels for covered organizations, rather than fundamentally alter such a relationship as several commenters suggest. With respect to IDI subsidiaries of covered BHCs, the increase in stringency in terms of the additional tier 1 capital that would be required to be well capitalized under the enhanced supplementary leverage ratio standards is roughly equivalent to the increase in stringency resulting from the application of the 2013 revised capital rule's risk-based capital standards.

Moreover, in response to comments suggesting that the supplementary leverage ratio well-capitalized threshold for an IDI subsidiary of a covered BHC should result in the same amount of capital needed by a covered BHC to meet the minimum supplementary ratio requirement plus the proposed leverage buffer, the agencies note that the PCA framework and the proposed leverage buffer were designed for different purposes. The PCA framework is intended to ensure that problems at depository institutions are addressed promptly and at the least cost to the Deposit Insurance Fund. The leverage buffer (as well as the capital

[27] On November 29, 2013, the agencies issued a joint notice of proposed rulemaking that would implement quantitative liquidity requirements for certain banking organizations. *See* 78 FR 71818 (November 29, 2013).

conservation buffer) was designed and calibrated to provide incentives to banking organizations to hold sufficient capital to reduce the risk that their capital levels would fall below their minimum requirements during times of economic and financial stress. In addition, as discussed in the 2013 NPR, the relationship between the 5 percent supplementary leverage ratio for covered BHCs (resulting from the 3 percent minimum supplementary leverage ratio plus the 2 percent leverage buffer) and the 6 percent supplementary leverage ratio's well-capitalized threshold for IDI subsidiaries of covered BHCs is generally structurally consistent with the relationship between the 4 percent minimum leverage ratio for BHCs and the 5 percent well-capitalized leverage ratio threshold for IDIs under the generally applicable regulatory capital framework, including as revised under the 2013 revised capital rule.

The agencies note that the maintenance of a complementary relationship between the leverage and risk-based capital ratios is designed to mitigate any regulatory capital incentives for covered organizations to inappropriately increase their risk profile in response to a binding supplementary leverage ratio. Similarly, stress testing provides another mechanism to counterbalance the risk that these institutions could potentially increase their risk profile in response to a binding supplementary leverage ratio. If the supplementary leverage ratio is binding and covered organizations acquire more higher-risk assets, risk weights should increase until the risk-based capital framework becomes binding. Conversely, if a binding risk-based capital ratio induces an institution to expand portfolios whose risk is insufficiently addressed by the risk-based capital framework, its total leverage exposure would increase until the leverage ratio becomes binding. Moreover, the agencies believe that banking organizations choose their asset mix based on a variety of factors, including yields available relative to the overall cost of funds, the need to preserve financial flexibility and liquidity, revenue generation and the maintenance of market share and business relationships, and the likelihood that principal will be repaid.

The agencies also believe that the enhanced supplementary leverage ratio standards, together with the strong risk-based regulatory capital framework in the 2013 revised capital rule, will increase stability and improve safety and soundness in the banking system. In particular, the agencies believe that the complementary relationship between the enhanced supplementary leverage ratio standards and the risk-based capital framework under the 2013 revised capital rule will strengthen capital positions at covered organizations, thereby reducing the likelihood that they fail or experience severe difficulties.

With regard to the comments suggesting that the calibration of the enhanced supplementary leverage ratio should vary in accordance with the specific systemic footprint of a covered organization, the agencies note that such issues are addressed in part by the risk-differentiation that exists within the risk-based capital framework. The agencies believe that all covered organizations, despite differences in business models, are systemically important and highly interconnected and, therefore, uniformly-applied leverage capital standards across these organizations are warranted.

D. Economic Impact of the 2013 NPR on Specific Types of Securities and Credit Transactions and on the Custody Bank Business Model

Commenters also expressed concern about the effect the 2013 NPR would have for particular types of transactions and business models. Commenters asserted that the 2013 NPR would directly affect short-term securities financing transactions, including repurchase agreements, reverse repurchase agreements, and revolving lines of credit, among other similar transactions, by imposing additional capital requirements on low-risk exposures held by covered organizations when they enter into these arrangements. Some commenters argued that the enhanced supplementary leverage ratio standards may encourage covered organizations to reduce their participation in securities financing transactions. One commenter also indicated that the 2013 NPR would result in the entrance into the securities financing transactions market of smaller, less-experienced, and less well-capitalized counterparties who may fall outside existing regulatory oversight, resulting in additional systemic risk due to insufficient oversight of these counterparties. That commenter argued that the 2013 NPR may result in the overexposure to individual counterparties, because covered organizations could conclude that securities financing transactions are more costly to them and, as a result, may limit the availability (or the best terms) of this financing to only those asset managers to whom they provide other lines of service. In addition, commenters asserted that asset managers might respond by directing business to a single large banking organization in order to receive the best terms for securities financing transactions.

Several commenters argued that there would be less flexibility for mutual fund managers and insurance companies to execute certain transactions with covered organizations as a result of the enhanced supplementary leverage ratio standards, which could give rise to less liquid markets at the time that liquidity is needed the most. These commenters indicated that when mutual fund redemptions rise because individual investors desire liquidity, investment managers are required to meet those redemption requests immediately, and that if many requests come at once, the investment manager will use securities financing arrangements to smooth out the flow of capital, rather than be forced to sell investments in a rapid or disorderly fashion. Commenters also noted that if securities financing arrangements are less accessible, an investment manager may incur higher costs related to the forced sale of underlying securities.

Some commenters suggested that the agencies recalibrate the enhanced supplementary leverage ratio standards to better reflect the business model and risk profile of custody banks, either through an approach tied to each covered company's G–SIB risk-based capital surcharge (which incorporates various measures to identify systemic risk) or an adjustment specific to these organizations, because a one-size-fits-all approach would be unduly punitive for covered organizations with significant amounts of highly liquid, low-risk assets. One commenter asserted that custody banks have balance sheets that are uniquely constructed as they are built around client deposits derived from the provision of core safekeeping and fund administration services, whereas most other covered organizations feature extensive commercial and investment banking operations. Some commenters asserted that the enhanced supplementary leverage ratio standards would significantly punish or effectively limit important custody bank functions such as those which are associated with central bank deposits and committed facilities. These commenters also noted that the enhanced supplementary leverage ratio standards may limit the ability of custody banks to accept deposits, particularly during periods of systemic stress. One commenter asserted that global payment systems could be adversely affected by a

reduction in central bank balances, which are broadly used by banking organizations to reduce the risk of payment failures and facilitate consistent and smooth payment flows. In addition, some commenters asserted that the enhanced supplementary leverage ratio standards would reduce incentives to hold low-risk assets and would increase the cost to comply with increased margin requirements, particularly initial margin, for derivatives transactions. The agencies note that several of the commenters' concerns were related to aspects of the BCBS consultative paper.

With regard to the comments expressing concern about the impact of the enhanced supplementary leverage ratio standards on securities financing transactions, the agencies believe that certain provisions of the 2014 NPR would address several of these concerns. In addition, the agencies believe it is important to consider that counterparties may view favorably a banking organization's maintenance of a meaningfully higher supplementary leverage ratio. To the extent this occurs, there might be some reduction in a banking organization's cost of funds that potentially offsets any costs related to holding more regulatory capital. In this regard, the agencies also note that any change in regulatory capital costs would affect a banking organization's overall cost of funds only to the extent it affects the weighted average cost of its deposits, debt, and equity.

The agencies believe that using daily average balance sheet assets, rather than requiring the average of three end-of-month balances in the calculation of the supplementary leverage ratio under the 2013 revised capital rule would be an appropriate way to address the commenters' concerns on the impact of spikes in deposits and, in the 2014 NPR, are proposing changes to the calculation of total leverage exposure that would incorporate this concept.

Likewise, for purposes of determining total leverage exposure, the 2014 NPR would permit cash variation margin that satisfies certain requirements to reduce the positive mark-to-fair value of derivative contracts. The agencies believe this proposed revision in the 2014 NPR would address the commenters' concerns regarding the potential increase in the cost to comply with increased margin requirements.

E. Measure of Capital Used as the Numerator of the Supplementary Leverage Ratio

The agencies sought comment on the appropriate measure of capital for the numerator of the supplementary leverage ratio. Many commenters supported tier 1 capital as the appropriate measure of capital for the numerator of the supplementary leverage ratio because it is designed specifically to absorb losses on a going concern basis and has been meaningfully strengthened under the 2013 revised capital rule.

One commenter encouraged the agencies to allow covered banking organizations to include the amount of a covered organization's allowance for loan and lease losses (ALLL) because it is available to absorb losses. A few commenters, however, asserted that the numerator of the supplementary leverage ratio should be common equity tier 1 (CET1) capital. One commenter supported this assertion with the observation that CET1 capital is the standard most likely to keep an institution solvent and able to lend during periods of market distress, and suggested it would be the only measure of capital strength trusted by the markets during a financial crisis. Another commenter asserted that a tangible equity measure is preferable because it is the most simple, transparent, and useful measure of loss-absorbing capital.

One commenter recognized the importance of having a single definition of tier 1 capital for both risk-based and leverage requirements, but urged the agencies to revisit the treatment of unrealized gains and losses included in accumulated other comprehensive income (AOCI) for large banking organizations under the 2013 revised capital rule.

The agencies have considered the comments and have decided to retain tier 1 capital as the numerator of the supplementary leverage ratio. The agencies agree that CET1 capital is the most conservative measure of capital defined in the 2013 revised capital rule and has the highest capacity to absorb losses, similar to most common descriptions of ''tangible common equity.'' However, as a practical matter for U.S. banking organizations, tier 1 capital consists of CET1 capital plus non-cumulative perpetual preferred stock, a form of preferred stock that the agencies believe has strong loss-absorbing capacity. Accordingly, the agencies believe that tier 1 capital, as defined in the 2013 revised capital rule, is an appropriately conservative measure of capital for the purposes of the supplementary leverage ratio. Furthermore, tier 1 capital incorporates substantial regulatory adjustments and deductions that are not typically made from market measures of tangible equity. Moreover, using tier 1 capital as the numerator of the supplementary leverage ratio has the advantage of maintaining consistency with the numerator of the leverage ratio that has long applied broadly to U.S. banking organizations and that now applies to banking organizations in other jurisdictions adopting the Basel III leverage ratio.

With respect to allowing covered banking organizations to include ALLL as part of the capital measure for the numerator, the agencies note that ALLL is partially includable in tier 2 capital under the risk-based capital framework and under the 2013 revised capital rule. However, ALLL is not includable in tier 1 capital and the agencies believe that such an inclusion would weaken the quality of tier 1 capital as it relates to the supplementary leverage ratio when compared to the risk-based capital framework.

The agencies considered comments on the recognition of unrealized gains and losses in AOCI in connection with the development of the 2013 revised capital rule, which requires advanced approaches banking organizations to recognize unrealized gains and losses in AOCI for purposes of determining CET1 capital.[28] The agencies believe that requiring a banking organization to reflect unrealized gains and losses in regulatory capital provides a more accurate depiction of its loss-absorption capacity at a specific point in time, which is particularly important for large, internationally active banking organizations. For this reason and the reasons discussed above, the agencies are retaining tier 1 capital as the numerator of the enhanced supplementary leverage ratio standards under this final rule.[29]

F. Total Leverage Exposure Definition

The 2013 NPR would not have amended the definition of total leverage exposure (the denominator of the supplementary leverage ratio) under the 2013 revised capital rule. However, a significant number of commenters criticized the components and methodology for calculating total leverage exposure.

[28] Banking organizations that are not subject to the advanced approaches rule may elect to opt out of the requirement to recognize unrealized gains and losses in AOCI for purposes of determining CET1 capital.

[29] *See* section III.C. of the preamble in the 2013 final capital rule issued by the Board and OCC for a discussion of accumulated other comprehensive income. 78 FR 62018, 62026–62027 (October 11, 2013). *See* section V.B.2.c. of the preamble in the 2013 interim final capital rule issued by the FDIC for a discussion of accumulated other comprehensive income. 78 FR 55340, 55377–55380 (September 10, 2013).

Many commenters asserted that total leverage exposure should be more risk-sensitive. For instance, commenters encouraged the agencies to exclude highly liquid assets, such as cash on hand and claims on central banks, and sovereign securities, particularly U.S. Treasuries, from total leverage exposure. Commenters maintained that, if the agencies opt to not exclude risk-free or very low-risk, highly liquid assets from total leverage exposure, then these assets should be discounted according to their relative levels of liquidity similar to the categories of eligible assets under the standardized approach in the 2013 revised capital rule. In addition, commenters stated that bank deposits with central banks such as the Federal Reserve Banks should be excluded in order to accommodate increases in banks' assets, both temporary and sustained, that occur as a result of macroeconomic factors and monetary policy decisions, particularly during periods of financial market stress. Commenters urged the agencies to exclude assets such as U.S. government obligations securing public sector entity (PSE) deposits from total leverage exposure. Commenters argued that a banking organization holding PSE deposits is required to pledge U.S. Treasuries to collateralize the deposits, and that if U.S. Treasuries are not excluded from total leverage exposure, the cost of additional capital would result in higher costs being passed on to the PSEs. Another commenter, however, asked that the agencies not introduce any risk-based capital measure into the supplementary leverage ratio.[30]

Several commenters encouraged the agencies not to include in total leverage exposure the notional amount of all off-balance sheet assets, particularly for undrawn commitments. Commenters stated that using the notional value is inaccurate, particularly for trade finance and committed credit lines. Commenters encouraged the agencies to use the more granular standardized approach credit conversion factors (CCF) in the 2013 revised capital rule.

With respect to the commenters' request for more risk-sensitivity in the supplementary leverage ratio calculation, the agencies believe that excluding categories of assets from the denominator of the supplementary leverage ratio is generally inconsistent with the intended role of this ratio as an overall limitation on leverage that does not differentiate across asset types. Accordingly, the agencies have decided not to exempt any categories of balance sheet assets from the denominator of the supplementary leverage ratio in the final rule. Thus, for example, cash, U.S. Treasuries, and deposits at the Federal Reserve are included in the denominator of the supplementary leverage ratio, as has been the case in the agencies' generally applicable leverage ratio. The agencies recognize the low risk of these assets under the agencies' risk-based capital rules, which complement the minimum supplementary leverage ratio requirement and the enhanced supplementary leverage ratio standards, as discussed above. Excluding specific categories of assets from the supplementary leverage ratio denominator would in effect allow banking organizations to finance these assets exclusively with debt, potentially resulting in a significant increase in a banking organizations' ability to deploy financial leverage.

With regard to the comments criticizing the use of the notional amounts of off-balance sheet commitments for purposes of the supplementary leverage ratio, the agencies are seeking comment on proposed changes to the denominator in the 2014 NPR that would include the use of standardized approach CCFs for most off-balance sheet commitments.

G. Proposed Basel III Leverage Ratio Revisions

A number of commenters were concerned about the relationship between the enhanced supplementary leverage ratio standards and the revisions to the Basel III leverage ratio framework proposed by the BCBS consultative paper, which proposed a leverage ratio exposure measure that would result in greater reported exposure than the total leverage exposure as defined in the 2013 revised capital rule.

A number of commenters were concerned that covered organizations would be placed at a competitive disadvantage relative to foreign competitors if the enhanced supplementary leverage ratio standards in the U.S. are set at a higher level than the Basel III leverage ratio. Some commenters also expressed concern that the proposed BCBS revisions to the denominator would be inappropriately restrictive and might be incorporated into the U.S. supplementary leverage ratio. However, another commenter argued that a stronger leverage ratio standard would enhance the competitive position of U.S. banking organizations by improving the relative stability and financial strength of the U.S. banking system.

One commenter included a study of the impact of the revisions proposed in the BCBS's consultative paper, and, where relevant, the U.S. enhanced supplementary leverage ratio standards, on the U.S. banking industry, products offered by U.S. banks, and U.S. markets. The study concludes that, on average, U.S. advanced approaches banking organizations (including U.S. G-SIBs) exceed the 3 percent supplementary leverage ratio threshold based both on the ratio as formulated in the Basel III leverage ratio framework and after giving effect to the BCBS proposed revisions, but when measured against the proposed enhanced supplementary leverage ratio standards, U.S. advanced approaches banking organizations would have substantial tier 1 capital shortfalls. Specifically, the study suggests that if the revisions proposed in the consultative paper and the proposed enhanced supplementary leverage ratio standards were both implemented, the U.S. advanced approaches banking organizations would need $202 billion in additional tier 1 capital or a reduction in exposures of $3.7 trillion to meet those standards, and to meet the proposed enhanced supplementary leverage ratio standards without giving effect to the BCBS consultative paper changes, these banking organizations would need to raise $69 billion in additional capital or reduce exposures by $1.2 trillion. The study suggests that if the agencies adopted the Basel proposed total leverage exposure as contemplated in the consultative paper in combination with the proposed enhanced supplementary leverage ratio standards, the leverage ratio would become the binding constraint for banking organizations holding 67 percent of U.S. G–SIB assets.

One commenter, on the other hand, encouraged the agencies to revise the denominator of the supplementary leverage ratio in accordance with the BCBS's consultative paper. This commenter further encouraged the agencies to restrict derivatives netting permitted under the BCBS consultative paper and to substantially increase the standardized measurement of the potential future exposure for derivative transactions. Similarly, another commenter asked the agencies to consider the use of International Financial Reporting Standards (IFRS) for purposes of measuring off-balance sheet derivatives exposures.

Neither the 2013 NPR nor the final rule includes the changes to total leverage exposure described in the

[30] One commenter also noted that retaining the proposal to include U.S. Treasury debt securities in total leverage exposure could present certain national security concerns.

BCBS consultative paper. Therefore, the agencies' supplementary leverage ratio is consistent with the international leverage ratio established by the BCBS in 2010. The agencies' analysis of the impact of this final rule is summarized in the next section of this preamble.

As discussed above, in January 2014 the BCBS adopted certain aspects of the proposals outlined in the BCBS consultative paper as well as other changes to the denominator. The changes to the denominator included, among other items, revising CCFs for certain off-balance sheet exposures, incorporating the notional amount of sold credit protection (that is, credit derivatives sold by a banking organization acting as a credit protection provider) in total leverage exposure, and modifying the measure of exposure for derivatives and repo-style transactions, including changes to the criteria for recognizing netting for repo-style transactions and cash collateral for derivatives. The agencies believe that the changes introduced by the BCBS strengthen the Basel III leverage ratio in important ways. In the 2014 NPR, published elsewhere in today's **Federal Register**, the agencies are proposing revisions to the supplementary leverage ratio that are generally consistent with the BCBS 2014 revisions. The agencies believe that the proposed revisions to the definition of total leverage exposure published in the 2014 NPR are responsive to a number of concerns that commenters expressed about the relationship between the BCBS process and the supplementary leverage ratio. In this regard, the agencies will carefully review all comments received on these aspects of the definition of total leverage exposure in the 2014 NPR.

H. Impact Analysis

Commenters suggested that, in addition to waiting for the BCBS to finalize the denominator of the Basel leverage ratio, the agencies should conduct a quantitative impact study to assess the cumulative impact of bank capital and other financial reform regulations on the ability of U.S. banking organizations to provide financial services to consumers and businesses.

In the 2013 NPR, the agencies cited data from the Board's Comprehensive Capital Analysis and Review (CCAR) process in which all of the agencies participate. This information reflects banking organizations' own projections of their supplementary leverage ratios under the supervisory baseline scenario, including institutions' own assumptions about earnings retention and other strategic actions.

As noted in the 2013 NPR, in the 2013 CCAR, all 8 covered BHCs met the 3 percent supplementary leverage ratio as of third quarter 2012, and almost all projected that their supplementary leverage ratios would exceed 5 percent at year-end 2017. If the enhanced supplementary leverage ratio standards had been in effect as of third quarter 2012, covered BHCs under the 2013 NPR that did not exceed a minimum supplementary leverage ratio requirement of 3 percent plus a 2 percent leverage buffer would have needed to increase their tier 1 capital by about $63 billion to meet that ratio.

Because CCAR is focused on the consolidated capital of BHCs, BHCs did not project future Basel III leverage ratios for their IDIs. To estimate the impact of the 2013 NPR on the lead subsidiary IDIs of covered BHCs, the agencies assumed that an IDI has the same ratio of total leverage exposure to total assets as its BHC. Using this assumption and CCAR 2013 projections, all 8 lead subsidiary IDIs of covered BHCs were estimated to meet the 3 percent supplementary leverage ratio as of third quarter 2012. If the enhanced supplementary leverage ratio standards had been in effect as of third quarter 2012, the lead subsidiary IDIs of covered BHCs that did not meet a 6 percent supplementary leverage ratio would have needed to increase their tier 1 capital by about $89 billion to meet that ratio.

In finalizing the rule, the agencies updated their supervisory estimates of the amount of tier 1 capital that would be required for covered BHCs and their lead subsidiary IDIs to meet the enhanced supplementary leverage ratio standards. Using updated CCAR estimates, all 8 covered BHCs meet the 3 percent supplementary leverage ratio as of fourth quarter 2013. If the enhanced supplementary leverage ratio standards had been in effect as of fourth quarter 2013, CCAR data suggests that covered BHCs that would not have met a 5 percent supplementary leverage ratio would have needed to increase their tier 1 capital by about $22 billion to meet that ratio.

Assuming that an IDI has the same ratio of total leverage exposure to total assets as its BHC to estimate the impact at the IDI level, the updated CCAR data indicates that all 8 lead subsidiary IDIs of covered BHCs meet the 3 percent supplementary leverage ratio as of fourth quarter 2013. If the enhanced supplementary leverage ratio standards had been in effect as of fourth quarter 2013, the updated CCAR data suggests that the lead subsidiary IDIs of covered BHCs that did not meet a 6 percent ratio would have needed to increase their tier 1 capital by about $38 billion to meet that ratio. The agencies believe that the affected covered BHCs and their subsidiary IDIs would be able to effectively manage their capital structures to meet the enhanced supplementary leverage ratio standards in the final rule by January 1, 2018. The agencies believe that this transition period should help to reduce any short-term consequences and allow covered organizations to adjust smoothly to the new supplementary leverage ratio standards.

I. Advanced Approaches Framework

The agencies sought comment on whether in light of the proposed enhanced supplementary leverage ratio standards and ongoing standardized risk-based capital floors, the agencies should consider, in some future regulatory action, simplifying or eliminating portions of the advanced approaches rule if they are unnecessary or duplicative. One commenter stated that mandatory application of the advanced approaches rule is based on an outdated size-based threshold, and that the agencies should review the thresholds for mandatory application of the advanced approaches risk-based capital rules and consider whether, in light of recently implemented reforms to the regulatory capital framework, the criteria remain appropriate or whether they should be refined given the purpose of those rules. Another commenter recommended delaying consideration of the proposed enhanced supplementary leverage ratio standards pending the review and completion of regulatory initiatives based on the BCBS's discussion paper entitled, *The regulatory framework: balancing risk sensitivity, simplicity and comparability.*[31]

The agencies are not proposing any changes to the advanced approaches rule in connection with the final rule. As with any aspect of the regulatory capital framework, the agencies will continue to evaluate the appropriateness of the requirements of the advanced approaches rule in light of this final rule and the ongoing evolution of the U.S. financial regulatory framework.

III. Description of the Final Rule

For the reasons discussed above, and consistent with the transition provisions set forth in subpart G of the 2013 revised capital rule, the agencies have decided to adopt the 2 percent leverage buffer for covered BHCs and the 6

[31] Available at *http://www.bis.org/publ/bcbs258.pdf.*

percent well-capitalized threshold for subsidiary IDIs of covered BHCs effective on January 1, 2018. The final rule implements the provisions in the 2013 NPR as proposed. Accordingly, the final rule applies to any U.S. top-tier BHC with more than $700 billion in total consolidated assets or more than $10 trillion in assets under custody and any advanced approaches IDI subsidiary of such BHCs.

As further discussed above, the agencies are proposing elsewhere in the **Federal Register** changes to the calculation of the supplementary leverage ratio that would amend the 2013 revised capital rule and change the basis for calculating the supplementary leverage ratio.

Under the final rule, a covered BHC that maintains a leverage buffer greater than 2 percent of its total leverage exposure is not subject to the rule's limitations on its distributions and discretionary bonus payments.[32] If the covered BHC maintains a leverage buffer of 2 percent or less, it is subject to increasingly stricter limitations on such payouts. An IDI that is a subsidiary of a covered BHC is required to satisfy a 6 percent supplementary leverage ratio to be considered well capitalized for PCA purposes. The leverage ratio PCA thresholds under the 2013 revised capital rule and this final rule are shown in Table 1.

TABLE 1—LEVERAGE RATIO PCA LEVELS

PCA category	Generally applicable leverage ratio (percent)	Supplementary leverage ratio for advanced approaches banking organizations (percent)	Supplementary leverage ratio for subsidiary IDIs of covered BHCs (percent)
Well Capitalized	≥5	Not applicable	≥6.
Adequately Capitalized	≥4	≥3	≥3.
Undercapitalized	<4	<3	<3.
Significantly Undercapitalized	<3	Not applicable	Not applicable.
Critically Undercapitalized	Tangible equity (defined as tier 1 capital plus non-tier 1 perpetual preferred stock) to Total Assets ≤2.	Not applicable	Not applicable.

Note: The supplementary leverage ratio includes many off-balance sheet exposures in its denominator; the generally applicable leverage ratio does not.

All advanced approaches banking organizations must calculate and begin reporting their supplementary leverage ratios beginning in the first quarter of 2015. However, the enhanced supplementary leverage ratio standards for covered organizations set forth in the final rule do not become effective until January 1, 2018.

IV. Regulatory Analysis

A. Paperwork Reduction Act (PRA)

There is no new collection of information pursuant to the PRA (44 U.S.C. 3501 *et seq.*) contained in this final rule. The agencies did not receive any comment on their PRA analysis.

B. Regulatory Flexibility Act Analysis

OCC

The Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.* (RFA) requires an agency, in connection with a final rule, to prepare a Final Regulatory Flexibility Act analysis describing the impact of the rule on small entities (defined by the Small Business Administration for purposes of the RFA to include banking entities with total assets of $500 million or less) or to certify that the rule will not have a significant economic impact on a substantial number of small entities.

Using the SBA's size standards, as of December 31, 2013, the OCC supervised 1,195 small entities.[33]

As described in the SUPPLEMENTARY INFORMATION section of the preamble, the final rule strengthens the supplementary leverage ratio standards for covered BHCs and their IDI subsidiaries. Because the final rule applies only to covered BHCs and their IDI subsidiaries, it does not impact any OCC-supervised small entities. Therefore, the OCC certifies that the final rule will not have a significant economic impact on a substantial number of OCC-supervised small entities.

Board

The Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.* (RFA) requires an agency to provide a final regulatory flexibility analysis with a final rule or to certify that the rule will not have a significant economic impact on a substantial number of small entities (defined for purposes of the RFA beginning on July 22, 2013, to include banks with assets less than or equal to $500 million)[34] and publish its analysis or a summary, or its certification and a short, explanatory statement, in the **Federal Register** along with the final rule.

The Board is providing a final regulatory flexibility analysis with respect to this final rule. As discussed above, this final rule is designed to enhance the safety and soundness of U.S. top-tier bank holding companies with at least $700 billion in consolidated assets or at least $10 trillion in assets under custody (covered BHCs), and the insured depository institution subsidiaries of covered BHCs. The Board received no public comments on the proposed rule from members of the general public or from the Chief Counsel for Advocacy of the Small Business Administration. Thus, no issues were raised in public comments relating to the Board's initial regulatory flexibility act analysis and no changes are being made in response to such comments.

Under regulations issued by the Small Business Administration, a small entity includes a depository institution or

[32] *See* section 11(a)(4) of the 2013 revised capital rule.

[33] The OCC calculated the number of small entities using the SBA's size thresholds for commercial banks and savings institutions, and trust companies, which are $500 million and $35.5 million, respectively. 78 FR 37409 (June 20, 2013). Consistent with the General Principles of Affiliation 13 CFR 121.103(a), the OCC counted the assets of affiliated financial institutions when determining whether to classify a national bank or Federal savings association as a small entity. The OCC used December 31, 2013, to determine size because a ''financial institution's assets are determined by averaging the assets reported on its four quarterly financial statements for the preceding year.'' See footnote 8 of the U.S. Small Business Administration's *Table of Size Standards*.

[34] *See* 13 CFR 121.201. Effective July 22, 2013, the Small Business Administration revised the size standards for banking organizations to $500 million in assets from $175 million in assets. 78 FR 37409 (June 20, 2013).

bank holding company with total assets of $500 million or less (a small banking organization). As of December 31, 2013, there were 627 small state member banks. As of December 31, 2013, there were approximately 3,676 small bank holding companies. No small top-tier bank holding company would meet the threshold provided in the final rule, so there would be no additional projected compliance requirements imposed on small bank holding companies. One covered bank holding company has one small state member bank subsidiary, which would be covered by the final rule. The Board expects that any small banking organization covered by the final rule would rely on its parent banking organization for compliance and would not bear additional costs.

The Board believes that the final rule will not have a significant economic impact on small banking organizations supervised by the Board and therefore believes that there are no significant alternatives to the final rule that would reduce the economic impact on small banking organizations supervised by the Board.

FDIC

The RFA requires an agency to provide an FRFA with a final rule or to certify that the rule will not have a significant economic impact on a substantial number of small entities (defined for purposes of the RFA to include banking entities with total assets of $500 million or less).[35]

As described in sections I and III of this preamble, the final rule strengthens the supplementary leverage ratio standards for covered BHCs and their advanced approaches IDI subsidiaries. As of December 31, 2013, 1 (out of 3,394) small state nonmember bank and no (out of 303) small state savings associations were advanced approaches IDI subsidiaries of a covered BHC. Therefore, the FDIC does not believe that the final rule will result in a significant economic impact on a substantial number of small entities under its supervisory jurisdiction.

The FDIC certifies that the final rule does not have a significant economic impact on a substantial number of small FDIC-supervised institutions.

C. OCC Unfunded Mandates Reform Act of 1995 Determination

Section 202 of the Unfunded Mandates Reform Act of 1995, Public Law 104–4 (Unfunded Mandates Reform Act) provides that an agency that is subject to the Unfunded Mandates Act must prepare a budgetary impact statement before promulgating a rule that includes a Federal mandate that may result in expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of $100 million (adjusted for inflation) or more in any one year. The current inflation-adjusted expenditure threshold is $141 million. If a budgetary impact statement is required, section 205 of the UMRA also requires an agency to identify and consider a reasonable number of regulatory alternatives before promulgating a rule. The OCC has determined this proposed rule is likely to result in the expenditure by the private sector of $141 million or more. The OCC has prepared a budgetary impact analysis and identified and considered alternative approaches. When the final rule is published in the **Federal Register**, the full text of the OCC's analyses will available at: *http://www.regulations.gov,* Docket ID OCC–2013–0008.

D. Plain Language

Section 722 of the Gramm-Leach-Bliley Act requires the Federal banking agencies to use plain language in all proposed and final rules published after January 1, 2000. The agencies have sought to present the final rule in a simple and straightforward manner. The agencies did not receive any comment on their use of plain language.

List of Subjects

12 CFR Part 6

National banks.

12 CFR Part 208

Confidential business information, Crime, Currency, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements, Securities.

12 CFR Part 217

Administrative practice and procedure, Banks, Banking, Capital, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

12 CFR Part 324

Administrative practice and procedure, Banks, banking, Capital Adequacy, Reporting and recordkeeping requirements, Savings associations, State non-member banks.

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Chapter I

Authority and Issuance

For the reasons set forth in the preamble and under the authority of 12 U.S.C. 93a, 1831o, and 5412(b)(2)(B), the Office of the Comptroller of the Currency amends part 6 of chapter I of title 12, Code of Federal Regulations as follows:

PART 6—PROMPT CORRECTIVE ACTION

■ 1. The authority citation for part 6 continues to read as follows:

Authority: 12 U.S.C. 93a, 1831o, 5412(b)(2)(B).

■ 2. Amend § 6.4 by revising paragraph (c)(1)(iv) to read as follows:

§ 6.4 Capital measures and capital category definition.

* * * * *

(c) * * *

(1) * * *

(iv) Leverage Measure:

(A) The national bank or Federal savings association has a leverage ratio of 5.0 percent or greater; and

(B) With respect to a national bank or Federal savings association that is a subsidiary of a U.S. top-tier bank holding company that has more than $700 billion in total assets as reported on the company's most recent Consolidated Financial Statement for Bank Holding Companies (FR Y–9C) or more than $10 trillion in assets under custody as reported on the company's most recent Banking Organization Systemic Risk Report (Y–15), on January 1, 2018 and thereafter, the national bank or Federal savings association has a supplementary leverage ratio of 6.0 percent or greater; and

* * * * *

Board of Governors of the Federal Reserve System

12 CFR Chapter II

Authority and Issuance

For the reasons set forth in the preamble, chapter II of title 12 of the Code of Federal Regulations is amended as follows:

PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (REGULATION H)

■ 3. The authority citation for part 208 is revised to read as follows:

[35] Effective July 22, 2013, the SBA revised the size standards for banking organizations to $500 million in assets from $175 million in assets. 78 FR 37409 (June 20, 2013).

Authority: 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1816, 1818, 1820(d)(9), 1833(j), 1828(o), 1831, 1831o, 1831p–1, 1831r–1, 1831w, 1831x, 1835a, 1882, 2901–2907, 3105, 3310, 3331–3351, 3905–3909, and 5371; 15 U.S.C. 78b, 78I(b), 78l(i), 780–4(c)(5), 78q, 78q–1, and 78w, 1681s, 1681w, 6801, and 6805; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106 and 4128.

■ 4. In § 208.41, redesignate paragraphs (c) through (j) as paragraphs (d) through (k), and add a new paragraph (c) to read as follows:

§ 208.41 Definitions for purposes of this subpart.

* * * * *

(c) *Covered BHC* means a covered BHC as defined in § 217.2 of Regulation Q (12 CFR 217.2).

* * * * *

■ 5. Amend § 208.43 as follows:
■ a. Add paragraph (a)(2)(iv)(C).
■ b. Revise paragraph (c)(1)(iv).

§ 208.43 Capital measures and capital category definitions.

(a) * * *
(2) * * *
(iv) * * *
(C) With respect to any bank that is a subsidiary (as defined in § 217.2 of Regulation Q (12 CFR 217.2)) of a covered BHC, on January 1, 2018, and thereafter, the supplementary leverage ratio.

* * * * *

(c) * * *
(1) * * *
(iv) Leverage Measure:
(A) The bank has a leverage ratio of 5.0 percent or greater; and
(B) Beginning on January 1, 2018, with respect to any bank that is a subsidiary of a covered BHC under the definition of ''subsidiary'' in section 217.2 of Regulation Q (12 CFR 217.2), the bank has a supplementary leverage ratio of 6.0 percent or greater; and

* * * * *

PART 217—CAPITAL ADEQUACY OF BOARD-REGULATED INSTITUTIONS

■ 6. The authority citation for part 217 is revised to read as follows:

Authority: 12 U.S.C. 248(a), 321–338a, 481–486, 1462a, 1467a, 1818, 1828, 1831n, 1831o, 1831p–l, 1831w, 1835, 1844(b), 1851, 3904, 3906–3909, 4808, 5365, 5368, 5371.

■ 7. Amend § 217.1 by revising paragraph (f)(4) to read as follows:

§ 217.1 Purpose, applicability, reservations of authority, and timing.

* * * * *

(f) * * *
(4) Beginning January 1, 2018, a covered BHC (as defined in § 217.2) is subject to limitations on distributions and discretionary bonus payments in accordance with the lower of the maximum payout amount as determined under § 217.11(a)(2)(iii) and the maximum leverage payout amount as determined under § 217.11(a)(2)(vi).

■ 8. In § 217.2 add a definition of ''covered BHC'' in alphabetical order to read as follows:

§ 217.2 Definitions.

* * * * *

Covered BHC means a U.S. top-tier bank holding company that has more than $700 billion in total assets as reported on the company's most recent Consolidated Financial Statements for Holding Companies (FR Y–9C) or more than $10 trillion in assets under custody as reported on the company's most recent Banking Organization Systemic Risk Report (FR Y–15).

* * * * *

■ 9. In § 217.11
■ A. Add new paragraphs (a)(2)(v) and (a)(2)(vi), and (c);
■ B. Revise paragraph (a)(4); and
■ C. Add Table 2 to read as follows.

§ 217.11 Capital conservation buffer and countercyclical capital buffer amount.

(a) * * *
(2) * * *
(v) *Maximum leverage payout ratio.* The maximum leverage payout ratio is the percentage of eligible retained income that a covered BHC can pay out in the form of distributions and discretionary bonus payments during the current calendar quarter. The maximum leverage payout ratio is based on the covered BHC's leverage buffer, calculated as of the last day of the previous calendar quarter, as set forth in Table 2 of this section.

(vi) *Maximum leverage payout amount.* A covered BHC's maximum leverage payout amount for the current calendar quarter is equal to the covered BHC's eligible retained income, multiplied by the applicable maximum leverage payout ratio, as set forth in Table 2 of this section.

* * * * *

(4) *Limits on distributions and discretionary bonus payments.* (i) A Board-regulated institution shall not make distributions or discretionary bonus payments or create an obligation to make such distributions or payments during the current calendar quarter that, in the aggregate, exceed the maximum payout amount or, as applicable, the maximum leverage payout amount.

(ii) A Board-regulated institution that has a capital conservation buffer that is greater than 2.5 percent plus 100 percent of its applicable countercyclical capital buffer, in accordance with paragraph (b) of this section, and, if applicable, that has a leverage buffer that is greater than 2.0 percent, in accordance with paragraph (c) of this section, is not subject to a maximum payout amount or maximum leverage payout amount under this section.

(iii) *Negative eligible retained income.* Except as provided in paragraph (a)(4)(iv) of this section, a Board-regulated institution may not make distributions or discretionary bonus payments during the current calendar quarter if the Board-regulated institution's:

(A) Eligible retained income is negative; and

(B) Capital conservation buffer was less than 2.5 percent, or, if applicable, leverage buffer was less than 2.0 percent, as of the end of the previous calendar quarter.

* * * * *

(c) *Leverage buffer*—(1) *General.* A covered BHC is subject to the lower of the maximum payout amount as determined under paragraph (a)(2)(iii) of this section and the maximum leverage payout amount as determined under paragraph (a)(2)(vi) of this section.

(2) *Composition of the leverage buffer.* The leverage buffer is composed solely of tier 1 capital.

(3) *Calculation of the leverage buffer.* (i) A covered BHC's leverage buffer is equal to the covered BHC's supplementary leverage ratio minus 3 percent, calculated as of the last day of the previous calendar quarter based on the covered BHC's most recent Consolidated Financial Statement for Bank Holding Companies (FR Y–9C).

(ii) Notwithstanding paragraph (c)(3)(i) of this section, if the covered BHC's supplementary leverage ratio is less than or equal to 3 percent, the covered BHC's leverage buffer is zero.

TABLE 2 TO § 217.11—CALCULATION OF MAXIMUM LEVERAGE PAYOUT AMOUNT

Leverage buffer	Maximum leverage payout ratio (as a percentage of eligible retained income)
Greater than 2.0 percent	No payout ratio limitation applies.
Less than or equal to 2.0 percent, and greater than 1.5 percent	60 percent.
Less than or equal to 1.5 percent, and greater than 1.0 percent	40 percent.
Less than or equal to 1.0 percent, and greater than 0.5 percent	20 percent.
Less than or equal to 0.5 percent	0 percent.

Federal Deposit Insurance Corporation

12 CFR Chapter III

Authority and Issuance

For the reasons stated in the preamble, the Federal Deposit Insurance Corporation is amending part 324 of chapter III of Title 12, Code of Federal Regulations as follows:

PART 324—CAPITAL ADEQUACY OF FDIC–SUPERVISED INSTITUTIONS

■ 10. The authority section for part 324 continues to read as follows:

Authority: 12 U.S.C. 1815(a), 1815(b), 1816, 1818(a), 1818(b), 1818(c), 1818(t), 1819(Tenth), 1828(c), 1828(d), 1828(i), 1828(n), 1828(o), 1831o, 1835, 3907, 3909, 4808; 5371; 5412; Pub. L. 102–233, 105 Stat. 1761, 1789, 1790 (12 U.S.C. 1831n note); Pub. L. 102–242, 105 Stat. 2236, 2355, as amended by Pub. L. 103–325, 108 Stat. 2160, 2233 (12 U.S.C. 1828 note); Pub. L. 102–242, 105 Stat. 2236, 2386, as amended by Pub. L. 102–550, 106 Stat. 3672, 4089 (12 U.S.C. 1828 note); Pub. L. 111–203, 124 Stat. 1376, 1887 (15 U.S.C. 78o–7 note).

■ 11. Revise § 324.403(b)(1)(v) to read as follows:

§ 324.403 Capital measures and capital category definitions.

* * * * *

(b) * * *

(1) * * *

(v) Beginning on January 1, 2018 and thereafter, an FDIC-supervised institution that is a subsidiary of a covered BHC will be deemed to be well capitalized if the FDIC-supervised institution satisfies paragraphs (b)(1)(i) through (iv) of this section and has a supplementary leverage ratio of 6.0 percent or greater. For purposes of this paragraph, a covered BHC means a U.S. top-tier bank holding company with more than $700 billion in total assets as reported on the company's most recent Consolidated Financial Statement for Bank Holding Companies (FR Y–9C) or more than $10 trillion in assets under custody as reported on the company's most recent Banking Organization Systemic Risk Report (FR Y–15); and

* * * * *

Dated: April 8, 2014.

Thomas J. Curry,

Comptroller of the Currency.

By order of the Board of Governors of the Federal Reserve System, April 10, 2014.

Robert deV. Frierson,

Secretary of the Board.

Dated at Washington, DC, this 8th day of April, 2014.

By order of the Board of Directors.

Robert E. Feldman,

Executive Secretary, Federal Deposit Insurance Corporation.

[FR Doc. 2014–09367 Filed 4–30–14; 8:45 am]

BILLING CODE P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2010–1160; Directorate Identifier 2010–NM–148–AD; Amendment 39–17698; AD 2013–25–02]

RIN 2120–AA64

Airworthiness Directives; The Boeing Company Airplanes

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: We are superseding Airworthiness Directive (AD) 2000–11–06 for certain The Boeing Company Model 767 airplanes. AD 2000–11–06 required repetitive inspections to detect discrepancies of the wiring and surrounding Teflon sleeves of the fuel tank boost pumps and override/jettison pumps; replacement of the sleeves with new sleeves, for certain airplanes; and repair or replacement of the wiring and sleeves with new parts, as necessary. This new AD requires reducing the initial compliance time and repetitive inspection interval in AD 2000–11–06; mandates a terminating action for the repetitive inspections to eliminate wire damage; removes certain airplanes from the applicability; and requires revising the maintenance program to incorporate changes to the airworthiness limitations section. This AD was prompted by fleet information indicating that the repetitive inspection interval in AD 2000–11–06 is too long, because excessive chafing of the sleeving continues to occur much earlier than expected between scheduled inspections. We are issuing this AD to detect and correct chafing of the fuel pump wire insulation and consequent exposure of the electrical conductor, which could result in electrical arcing between the wires and conduit and consequent fire or explosion of the fuel tank.

DATES: This AD is effective June 5, 2014.

The Director of the Federal Register approved the incorporation by reference of certain publications listed in this AD as of June 5, 2014.

ADDRESSES: For service information identified in this AD, contact Boeing Commercial Airplanes, Attention: Data & Services Management, P.O. Box 3707, MC 2H–65, Seattle, Washington 98124–2207; telephone 206–544–5000, extension 1; fax 206–766–5680; Internet *https://www.myboeingfleet.com.* You may view this referenced service information at the FAA, Transport Airplane Directorate, 1601 Lind Avenue SW., Renton, WA. For information on the availability of this material at the FAA, call 425–227–1221.

Examining the AD Docket

You may examine the AD docket on the Internet at *http://www.regulations.gov* by searching for and locating Docket No. FAA–2010–1160; or in person at the Docket Management Facility between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this AD, the regulatory evaluation, any comments received, and other information. The address for the