KPMG

Regulatory Alert

Regulatory Insights for Financial Services

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Enhanced Supplementary Leverage Ratio (eSLR): Final Amendments

KPMG Regulatory Insights:

— ***Recalibrate:*** *Though recalibrated, the agencies estimate the overall capital requirements for GSIBs will remain similar to current levels and will not "materially alter" a GSIB's ability to distribute capital to shareholders.*

— ***Modify:*** *Overall capital requirements for covered depository institutions are expected to decline, supported in part by the eSLR cap that is intended to limit impacts from its' affiliates' activities.*

— ***"First Step:"*** *Continued public statements regarding tailoring and potential rule changes, including those related to stress testing, Basel III, and applicable thresholds, suggest the eSLR final rule is a "first step" to be followed by additional actions.*

The federal banking agencies (Federal Reserve Board, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation) jointly issue final amendments to the enhanced supplementary leverage ratio (eSLR) standard, and associated long-term debt (LTD) and total loss-absorbing capacity (TLAC) requirements.

In final form, the rule is substantially similar to the proposal issued in June 2025 (see KPMG Regulatory Alert here), modifying the eSLR standard applicable to U.S. bank holding companies identified as global systemically important bank holding companies (GSIBs) and their subsidiary depository institutions subject to the eSLR standard (covered depository institutions). In a change from the proposal, the agencies have adopted a cap of one percent for the eSLR applicable to covered depository institutions. The agencies state the changes are intended to "serve as a backstop to risk-based capital requirements" and to encourage these organizations to engage in low-risk/balance-sheet intensive activities, including during periods of economic or financial market stress.

Effective April 1 2026, the final rule will:

1. Recalibrate the eSLR for GSIBs
2. Modify the eSLR for covered depository institutions
3. Amend the LTD and TLAC requirements to reflect adopted changes to the eSLR standard

1. GSIB eSLR Changes

As proposed, the final rule recalibrates the current fixed two percent eSLR buffer standard for GSIBs to equal 50 percent of a GSIB's method 1 surcharge calculated under the GSIB surcharge framework.

Note: The agencies state that the use of the GSIB's method 1 surcharge "produces a generally lower calibration that meets the objective for leverage capital requirements to act as a backstop to risk-based capital requirements and is consistent with the leverage ratio framework published by the Basel Committee."

2. Covered Depository Institution eSLR Changes

The agencies have adopted an eSLR buffer standard applicable to covered depository institutions equal to 50 percent of a covered depository institution's parent GSIB's method 1 surcharge, capped at one percent. The introduction of the cap is a change from the proposal. The agencies state the cap "recognizes that the method 1 surcharge of a parent GSIB may be in part driven by activities outside of the covered depository institution" and as such, "consider it appropriate to limit the role that a depository institution's affiliates play in sizing capital requirements applicable to the depository institution itself."

The eSLR buffer standard will apply in addition to the three percent minimum supplementary leverage ratio requirement and covered depository institutions will be required to maintain both measures to avoid restrictions on capital distributions and certain discretionary bonus payments. Additionally, insured depository institutions must maintain the three percent minimum supplementary leverage ratio to be considered "adequately capitalized" under the prompt corrective action framework.

3. LTD and TLAC Changes

Conforming amendments to the LTD and TLAC requirements have been finalized as proposed:

LTD. The minimum leverage-based external long-term debt requirement for GSIBs will be total leverage exposure multiplied by 2.5 percent (the minimum supplementary leverage ratio of three percent minus 0.5 percentage points to allow for balance sheet depletion) plus the eSLR buffer standard under the final rule.

TLAC. The current two percent TLAC leverage buffer will be replaced with a new TLAC leverage buffer equal to the eSLR buffer standard under the final rule.

Note: The agencies reiterate that the final rule does not change the minimum level of TLAC that a GSIB is required to maintain or change the general structure of the LTD and TLAC frameworks.

Effective date. The final rule will take effect on April 1, 2026, though banking organizations subject to the final rule may elect to adopt the modified eSLR standard beginning January 1, 2026.

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