



TOPICS:

Banking System

SOURCE:

Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency

FED-FDIC-OCC: Agencies Request Comment on Proposals to Modernize the Regulatory Capital Framework and Maintain the Strength of the Banking System

- The federal bank regulatory agencies requested comment on **three proposals to modernize the regulatory capital framework for banks of all sizes**: the proposals would modernize the regulatory capital framework, aiming to improve risk sensitivity, reduce complexity and address overlaps in existing requirements. Comments on all three proposals must be received **by June 18, 2026**.
- First, the agencies propose a **streamlined risk-based capital regime for large banking organizations (Category I and II)**. These firms would adopt a single “expanded risk-based approach,” replacing multiple parallel frameworks. **This unified approach integrates credit, operational, market, and credit valuation adjustment (CVA) risks into one set of capital ratios**. It also eliminates the advanced approaches framework and limits use of the standardized approach for these firms. Enhanced market risk rules would apply to banks with significant trading activity, incorporating improved methodologies such as expected shortfall (replacing value-at-risk) to better capture tail risk. Operational risk capital would be standardized and linked to business volume, while credit risk measures would become more granular, incorporating factors such as loan-to-value ratios and borrower creditworthiness.
- Second, a **revised standardized approach for other banking organizations** focuses on improving calibration and risk sensitivity without sacrificing simplicity. Key changes include **adjusting risk weights for major exposure categories, introducing loan-to-value metrics for residential mortgages, and modestly reducing certain baseline risk weights** (e.g., corporate exposures). The proposal also removes deductions for mortgage servicing assets (MSAs), instead applying a 250% risk weight, and requires certain mid-sized banks (Category III and IV) to incorporate accumulated other comprehensive income (AOCI) into regulatory capital, subject to a transition period.
- Third, the Federal Reserve proposes **enhancements to the GSIB surcharge framework**. These changes aim to **better align capital surcharges with systemic risk** by recalibrating indicators, introducing inflation-adjusted coefficients, and increasing sensitivity through smaller surcharge increments. The methodology would also shift toward averaging systemic indicators over time to reduce volatility and potential manipulation.

