U.S. Regulatory Capital Rule Proposals

Category I U.S. GSIBs

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Category II (+FBOs)

≥$700b Total Assets or ≥$75b in Cross-Jurisdictional Activity

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Category III

≥$250b Total Assets or ≥$75b in NBA, w/STWF, or Off-balance sheet exposure

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Category IV

Other firms with $100b to $250b Total Assets

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Risk-Weighted Assets (RWAs)

In general, FBAs expect RWAs to increase at Cat. I and Cat. II firm BHCs by 25%. (494, n. 463) Although minimum risk-based capital ratios would not change, an increase in RWAs means that more regulatory capital would be needed to maintain the same risk-based capital ratio.

RWAS FOR CREDIT RISK

All Cat. I–IV firms would be required to apply the current standardized approach to certain exposures, and for other exposures they would be required to apply a new "expanded risk-based approach" (ERBA). The proposal eliminates internal models-based advanced approaches for credit risk RWAs.

- Given various FRB Governor and FDIC Board member dissents to the proposal, we expect pushback on both the residential real estate and corporate exposures to non-investment grade or non-publicly traded firm aspects of the proposal. In particular, the proposal would significantly raise capital requirements for residential mortgages and retail credit exposures through higher risk weights.[2] (75)

- The FBAs project aggregate credit risk RWAs for Cat. I and Cat. II holding companies to be $6.7 trillion. (495)

RWAS FOR MARKET RISK

All Cat. I-III firms are currently subject to the market risk capital rule; the proposal would also apply to any holding company subsidiary if it has "engaged in trading activity over any of the four most recent quarters." (229) The proposal describes a standardized methodology and a new models-based methodology. (225, 228)

- A trading desk would only be able to use internal models if it "can appropriately capture the risk of market risk covered . . ." (222)

- The FBAs project aggregate market risk RWAs for Cat. I and II holding companies to be $760 billion (up from $430 billion for both U.S. standardized and advanced approaches). (495)

[2] See, e.g., FDIC: Speeches, Statements & Testimonies - 7/27/2023 - Statement by Jonathan McKernan, Member, FDIC Board of Directors, on the Proposed Amendments to the Capital Framework ("Despite the U.S. bank regulators' role at the Basel Committee in developing a more empirically informed risk-sensitive approach, we have now reversed course and decided not to adopt the Basel III credit-risk-capital requirements for residential real estate exposures. Instead, the proposal adds 20 percentage points to each of the corresponding Basel III risk weights (a 160-basis-point surcharge7), such that the credit-risk-capital requirements for a residential real estate exposure would be up to twice as large as that contemplated by the Basel III standards.").

RWAS FOR OPERATIONAL RISK

The operational risk definition remains unchanged—it is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. It includes legal risk but excludes strategic and reputational risk. Cat. I firms would be required to calculate RWAs for operational risk using a standardized measurement approach (SMA). (221) The SMA would be based on a Cat. III firm's income and history of operational risk losses.

- The SMA is comprised of two components, including an income component or "Business Indicator," which is the sum of (i) an interest, leases, and dividends component; (ii) a services component; and (iii) a financial component. (187) A Cat. I firm's op risk capital requirement would be equal to its Business Indicator component multiplied by its internal loss multiplier (which floor would be no less than 1). (187)

- We expect the services component to have a meaningful impact on many Cat I firms—in particular, on firms that rely on advisory and financial services fees (e.g., custody, wealth management, credit card interchange fees).

- The FBAs project aggregate op risk RWAs for Cat. I and Cat. II holding companies to be $1.4 trillion (down from $1.7 trillion). (495)

CREDIT VALUATION ADJUSTMENT (CVA) RISK

CVA is the change in fair value of an OTC derivative contract to reflect counterparty credit risk. (431-32) CVA risk has two components: a counterparty credit spread component and an exposure component. The proposal would require a Cat. I – IV banking organization to reflect in RWAs the potential losses on OTC derivatives contracts resulting from increases of CVA for all OTC derivative counterparties, subject to certain exceptions (433, n. 428).

- The proposal describes both a basic measure and a standardized measure for calculating CVA risk RWAs.

- The FBAs project aggregate CVA risk RWAs for Cat. I and Cat. II firms to be $260 billion (up from $240 billion). (495)

Stress Capital Buffer (SCB)

Currently, a banking organization's stress capital buffer requirement cannot be less than 2.5 percent of standardized total RWAs. The proposal would amend the SCB framework by incorporating both the standardized approach and the new expanded risk-based approach. (27) SCB would be calculated using a banking organization's binding CET 1 capital ratio as of the final quarter of the previous capital plan cycle, regardless of whether that binding CET 1 ratio is the result of a standardized approach or the expanded risk-based approach. (28)

SA-CCR

Under the ERBA, all Cat. I–IV firms would be required to calculate RWAs based on the exposure amount of derivative contracts using SA-CCR. (98)

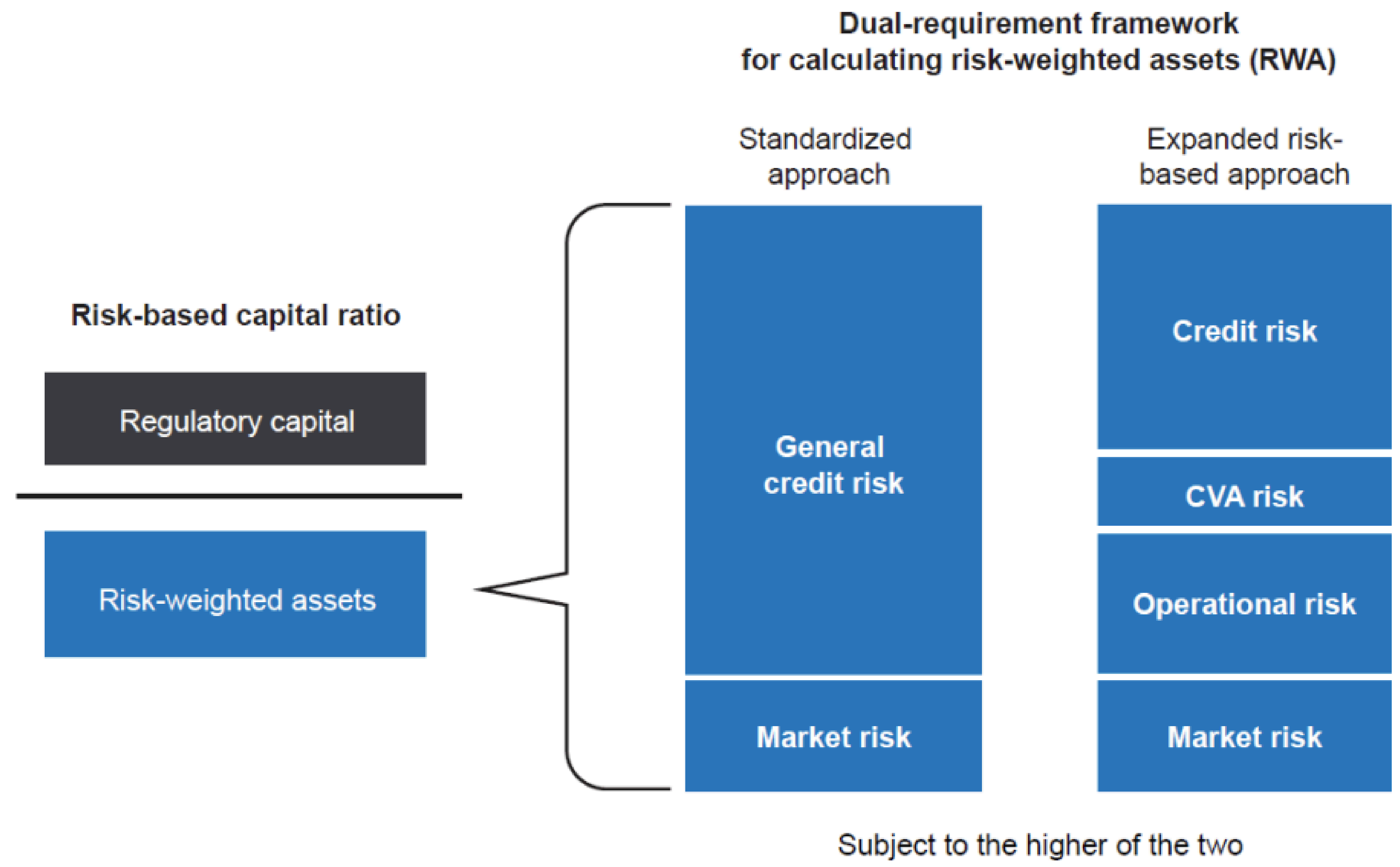
Basel III's New Output Floor and Interaction With Collins Amendment

The FBAs propose adopting the existing "dual stack" approach under the Collins Amendment, but this approach would be updated to reflect a standardized approach stack and an ERBA stack (rather than the existing standardized and advanced approaches stack). The stack that produces the higher amount of RWAs is what would be required to satisfy minimum risk-based capital requirements.

- The RWA calculation under the ERBA would be subject to an output floor equal to 72.5% of the sum of a banking organization's RWAs for credit risk, equity risk, operational risk, CVA risk, and market risk (using the standardized measure), adjusted for credit losses not included in Tier 2 capital and allocated transfer risk reserves. (24)
- As noted in the Interagency Overview:

Figure 1: Standardized Approach and Expanded Risk-Based Approach

Banking organizations subject to the expanded risk-based approach would calculate two risk-weighted asset amounts and be subject to the higher of the two.



[5] The enhanced supplementary leverage ratio is a higher supplementary leverage ratio applicable to Category I banking organizations.

Phase In

The proposal would phase in calculation of the expanded total RWAs over the period from July 1, 2025, to June 20, 2028. (488, chart)

G-SIB Surcharge Proposal

The G-SIB Surcharge proposal seeks to improve the precision of the G-SIB surcharge and better measure systemic risk under the framework.

- For certain systemic indicators currently measured only as of a single date, the G-SIB Surcharge proposal would change to reporting of the average of daily or monthly values to reduce the effects of temporary changes to indicator values around measurement dates.
- The G-SIB Surcharge proposal would change how Method 2 surcharges are calculated to score bands that are 20-basis point, and scores would increase in 10-basis point increments. (G-SIB Surcharge proposal, 15)
- This proposal would include two new systemic indicators: "trading volume – fixed income" and "trading volume – equity and other." (G-SIB Surcharge proposal, 28) and would make several amendments to the FR Y-15 to improve the consistency of data reporting and systemic indicator measurement.
- Considering all proposed changes, the FRB estimates that "the combined effect would increase method 2 G-SIB scores by about 27 points on average across firms, which corresponds to about a 13-basis-point increase in the average method 2 G-SIB capital surcharge. At the end of 2022, the combined effect of the proposed changes would correspond to about a $13 billion aggregate increase in the risk-based capital requirements of domestic G-SIBs." (G-SIB Surcharge proposal, 45)

US Firms

Risk-Weighted Assets (RWAs)

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RWAS FOR CREDIT RISK

All Cat. I–IV firms would be required to apply the current standardized approach to certain exposures, and for other exposures they would be required to apply a new "expanded risk-based approach" (ERBA). The proposal eliminates internal models-based advanced approaches for credit risk RWAs.

- Given various FRB Governor and FDIC Board member dissents, we expect pushback on both the residential real estate and corporate exposures to non-investment grade or non-publicly traded firm aspects of the proposal. In particular, the proposal would significantly raise capital requirements for residential mortgages and retail credit exposures through higher risk weights.[3] (75)

- The FBAs project aggregate credit risk RWAs for Cat. I and Cat. II holding companies to be $6.7 trillion. (495)

RWAS FOR MARKET RISK

All Cat. I-III firms are currently subject to the market risk capital rule; the proposal would also apply to any holding company subsidiary if it has "engaged in trading activity over any of the four most recent quarters." (229) The proposal describes a standardized methodology and a new models-based methodology. (225, 228)

- A trading desk would only be able to use internal models if it "can appropriately capture the risk of market risk covered . . ." (222)

- The FBAs project aggregate market risk RWAs for Cat. I and II holding companies to be $760 billion (up from $430 billion for both U.S. standardized and advanced approaches). (495)

[3] See, e.g., FDIC: Speeches, Statements & Testimonies - 7/27/2023 - Statement by Jonathan McKernan, Member, FDIC Board of Directors, on the Proposed Amendments to the Capital Framework ("Despite the U.S. bank regulators' role at the Basel Committee in developing a more empirically informed risk-sensitive approach, we have now reversed course and decided not to adopt the Basel III credit-risk-capital requirements for residential real estate exposures. Instead, the proposal adds 20 percentage points to each of the corresponding Basel III risk weights (a 160-basis-point surcharge[7]), such that the credit-risk-capital requirements for a residential real estate exposure would be up to twice as large as that contemplated by the Basel III standards.").

US Firms

RWAS FOR OPERATIONAL RISK

The operational risk definition remains unchanged—it is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. It includes legal risk but excludes strategic and reputational risk. Cat. II firms would be required to calculate RWAs for operational risk using a standardized measurement approach (SMA). (221) The SMA would be based on a Cat. III firm's income and history of operational risk losses.

- The SMA is comprised of two components, including an income component or "Business Indicator" which is the sum of (i) an interest, leases, and dividends component; (ii) a services component; and (iii) a financial component. (187) A Cat. II firm's op risk capital requirement would be equal to its Business Indicator component multiplied by its internal loss multiplier (which floor would be no less than 1). (187)
- We expect the services component to have a meaningful impact on Northern Trust (currently the only Cat. II firm) given its reliance on advisory and financial services fees (e.g., custody, wealth management services).
- The FBAs project aggregate op risk RWAs for Cat. I and Cat. II holding companies to be $1.4 trillion (down from $1.7 trillion). (495)

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CVA is the change in fair value of an OTC derivative contract to reflect counterparty credit risk. (431-32) CVA risk has two components: a counterparty credit spread component and an exposure component. The proposal would require a Cat. I – IV banking organization to reflect in RWAs the potential losses on OTC derivatives contracts resulting from increases of CVA for all OTC derivative counterparties, subject to certain exceptions (433, n. 428).

- The proposal describes both a basic measure and a standardized measure for calculating CVA risk RWAs.
- The FBAs project aggregate CVA risk RWAs for Cat. I and Cat. II firms to be $260 billion (up from $240 billion). (495)

US Firms

Stress Capital Buffer (SCB)

Currently, a banking organization's stress capital buffer requirement cannot be less than 2.5 percent of standardized total RWAs. The proposal would amend the SCB framework by incorporating both the standardized approach and the new expanded risk-based approach. (27) SCB would be calculated using a banking organization's binding CET 1 capital ratio as of the final quarter of the previous capital plan cycle, regardless of whether that binding CET 1 ratio is the result of a standardized approach or the expanded risk-based approach. (28)

SA-CCR

Under the ERBA, all Cat. I–IV firms would be required to calculate RWAs based on the exposure amount of derivative contracts using SA-CCR. (98)

US Firms

Basel III's New Output Floor and Interaction with Collins Amendment

The FBAs propose adopting the existing "dual stack" approach under the Collins Amendment, but this approach would be updated to reflect a standardized approach stack and an ERBA stack (rather than the existing standardized and advanced approaches stack). The stack that produces the higher amount of RWAs is what would be required to satisfy minimum risk-based capital requirements.

- The RWA calculation under the ERBA would be subject to an output floor equal to 72.5% of the sum of a banking organization's RWAs for credit risk, equity risk, operational risk, CVA risk, and market risk (using the standardized measure), adjusted for credit losses not included in Tier 2 capital and allocated transfer risk reserves. (24)
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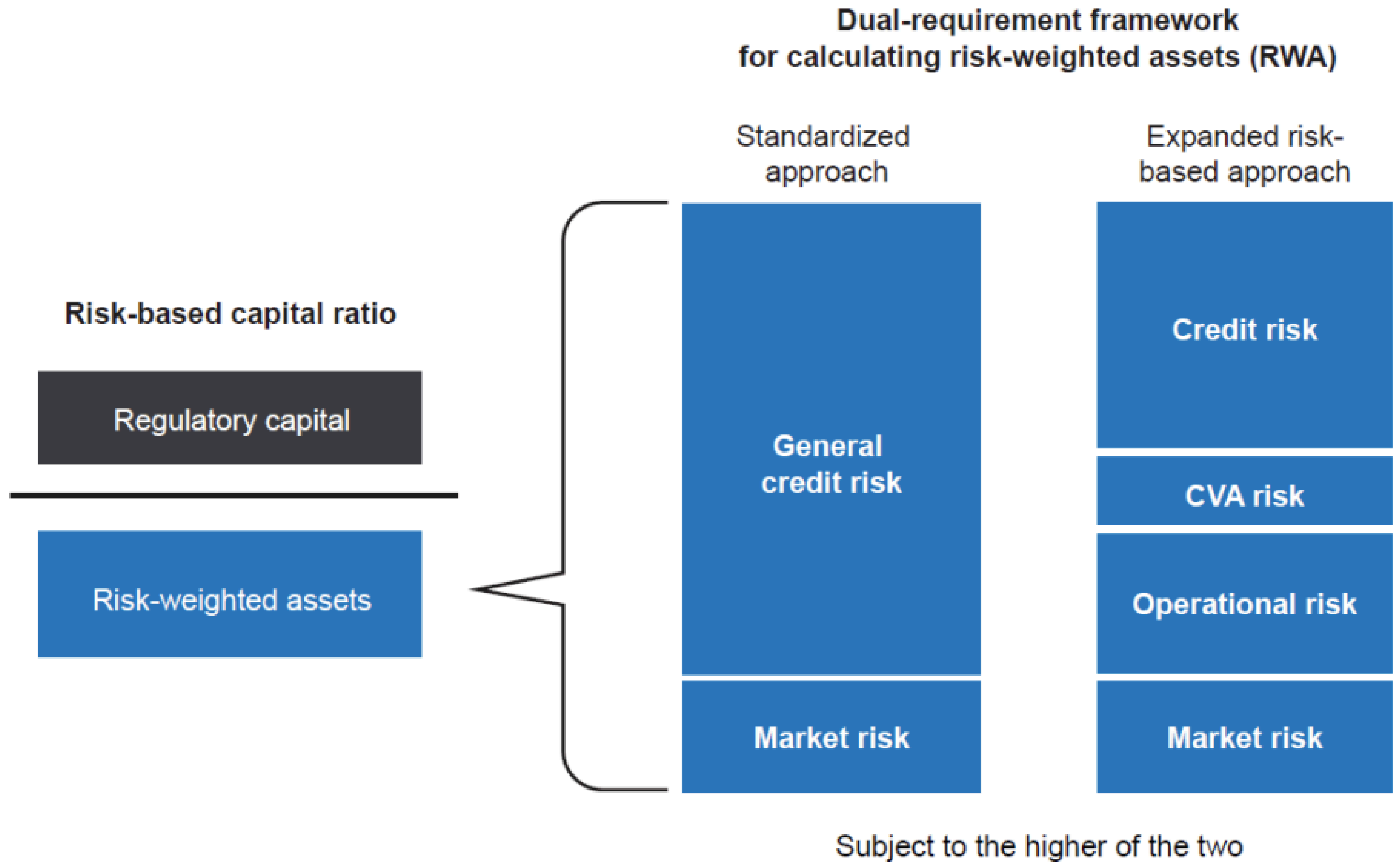

[5] The enhanced supplementary leverage ratio is a higher supplementary leverage ratio applicable to Category I banking organizations.

US Firms

Phase In

The proposal would phase in calculation of the expanded total RWAs over the period from July 1, 2025, to June 20, 2028. (488, chart)

FBOs

Risk-Weighted Assets (RWAs)

In general, FBAs expect RWAs to increase at intermediate holding companies of FBOs subject to Cat. III and Cat. IV standards by 25%. (494, n. 463) Although minimum risk-based capital ratios would not change, an increase in RWAs means that more regulatory capital would be needed to maintain the same risk-based capital ratio.

Changes to Calculation of Cross-Jurisdictional Activity

- Risk-based indicators are designed to assist in determining a banking organization's enhanced prudential requirements and were finalized under ECRRCPA and its implementing rules. One risk-based indicator is Category II's "cross-jurisdictional activity."
- Under the existing framework, Category II capital standards apply to banking organizations with at least $700 billion in total consolidated assets or at least $75 billion in cross-jurisdictional activity, which is the sum of cross-jurisdictional claims and cross-jurisdictional liabilities (excluding derivatives exposures) relating to a holding company's global profile considering its activity and exposures outside the U.S., calculated in accordance with the instructions to the FR Y–15 or equivalent reporting form.
- Under the FRB's separate G-SIB surcharge proposal, the calculation of cross-jursidictional activity would no longer exclude derivatives exposures (G-SIB Surcharge Proposal 34).
  - For the combined U.S. operations of most FBOs that have combined U.S. assets of $100 billion or more, the reported value of cross-jurisdictional activity would increase above $75 billion, resulting in "seven foreign banking organizations that are currently subject to Cat. III or IV standards becoming subject to Category II standards" (G-SIB Surcharge Proposal 46)
    - These seven FBOs would be subject to all Category II standards, including daily liquidity reporting, monthly internal liquidity stress testing, and full (rather than reduced) liquidity risk management. (G-SIB Surcharge Proposal 46)
  - For the U.S. IHCs of FBOs, it is estimated that the increase in reported value of cross-jurisdictional activity would move two firms that are currently subject to Category III standards to Category II, making them subject to the same more stringent capital and liquidity requirements noted directly above.

Risk-Weighted Assets (RWAs)

In general, FBAs expect RWAs to increase at U.S. regional BHCs by 6%. (494, n. 463) Although minimum risk-based capital ratios would not change, an increase in RWAs means that more regulatory capital would be needed to maintain the same risk-based capital ratio.

RWAS FOR CREDIT RISK

All Cat. I–IV firms would be required to apply the current standardized approach to certain exposures, and for other exposures they would be required to apply a new "expanded risk-based approach" (ERBA). The proposal eliminates internal models-based advanced approaches for credit risk RWAs.

- Given various FRB Governor and FDIC Board member dissents, we expect pushback on both the residential real estate and corporate exposures to non-investment grade or non-publicly traded firm aspects of the proposal. In particular, the proposal would significantly raise capital requirements for residential mortgages through higher risk weights.[4] (75)
- The FBAs project aggregate credit risk RWAs for Cat. III and IV holding companies to be $3.8 trillion (down from $4 trillion). (495)

RWAS FOR MARKET RISK

All Cat. I-III firms are currently subject to the market risk capital rule; the proposal would also apply to any holding company subsidiary if it has "engaged in trading activity over any of the four most recent quarters." (229) The proposal describes a standardized methodology and a new models-based methodology. (225, 228)

- A trading desk would only be able to use internal models if it "can appropriately capture the risk of market risk covered . . ." (222)
- The FBAs project aggregate market risk RWAs for Cat. III and IV holding companies to be $220 billion (up from $130 billion).

[4] See, e.g., FDIC: Speeches, Statements & Testimonies - 7/27/2023 - Statement by Jonathan McKernan, Member, FDIC Board of Directors, on the Proposed Amendments to the Capital Framework ("Despite the U.S. bank regulators' role at the Basel Committee in developing a more empirically informed risk-sensitive approach, we have now reversed course and decided not to adopt the Basel III credit-risk-capital requirements for residential real estate exposures. Instead, the proposal adds 20 percentage points to each of the corresponding Basel III risk weights (a 160-basis-point surcharge7), such that the credit-risk-capital requirements for a residential real estate exposure would be up to twice as large as that contemplated by the Basel III standards.").

NEW RWAS FOR OPERATIONAL RISK

The operational risk definition remains unchanged—it is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. It includes legal risk but excludes strategic and reputational risk. Cat. III firms would be required to calculate RWAs for operational risk using a standardized measurement approach (SMA). (221) The SMA would be based on a Cat. III firm's income and history of operational risk losses.

- The SMA is comprised of two components, including an income component or "Business Indicator" which is the sum of (i) an interest, leases, and dividends component; (ii) a services component; and (iii) a financial component. (187) A Cat. III firm's op risk capital requirement would be equal to its Business Indicator component multiplied by its internal loss multiplier (which floor would be no less than 1). (187)

- We expect the services component to have a meaningful impact on many Cat III firms—in particular, on firms that rely on advisory and financial services fees and credit card interchange fees.

- Subjecting Cat III and IV firms to op risk capital requirements is estimated to add $550 billion of aggregate RWAs. (495)

NEW CREDIT VALUATION ADJUSTMENT (CVA) RISK

CVA is the change in fair value of an OTC derivative contract to reflect counterparty credit risk. (431-32)

- Cat. III and IV firms would become subject to the CVA Risk RWA requirement, using either a basic or a standardized measure. (433)
- The FBAs project aggregate CVA risk RWA for Cat. III and IV firms to be $28 billion. (495)

EQUITY EXPOSURE RWAS (AS APPLIED TO INVESTMENT FUNDS)

For investment funds, the proposal replaces a simple modified look-through approach with a "full look-through approach"—i.e., the risk-weighted amount for an equity exposure to an investment fund is equal to the adjusted carrying value multiplied by a flat 1250 percent risk weight. (667)

SA-CCR

Under the ERBA, all Cat. III firms (as with all Cat. I, II, and IV firms) would be required to calculate RWAs based on the exposure amount of derivative contracts using SA-CCR. (98)

Basel III's New Output Floor and Interaction With Collins Amendment

The FBAs propose adopting the existing "dual stack" approach under the Collins Amendment, but this approach would be updated to reflect a standardized approach stack and an ERBA stack (rather than the existing standardized and advanced approaches stack). The stack that produces the higher amount of RWAs is what would be required to satisfy minimum risk-based capital requirements.

- The RWA calculation under the ERBA would be subject to an output floor equal to 72.5% of the sum of a banking organization's RWAs for credit risk, equity risk, operational risk, CVA risk, and market risk (using the standardized measure), adjusted for credit losses not included in Tier 2 capital and allocated transfer risk reserves. (24)
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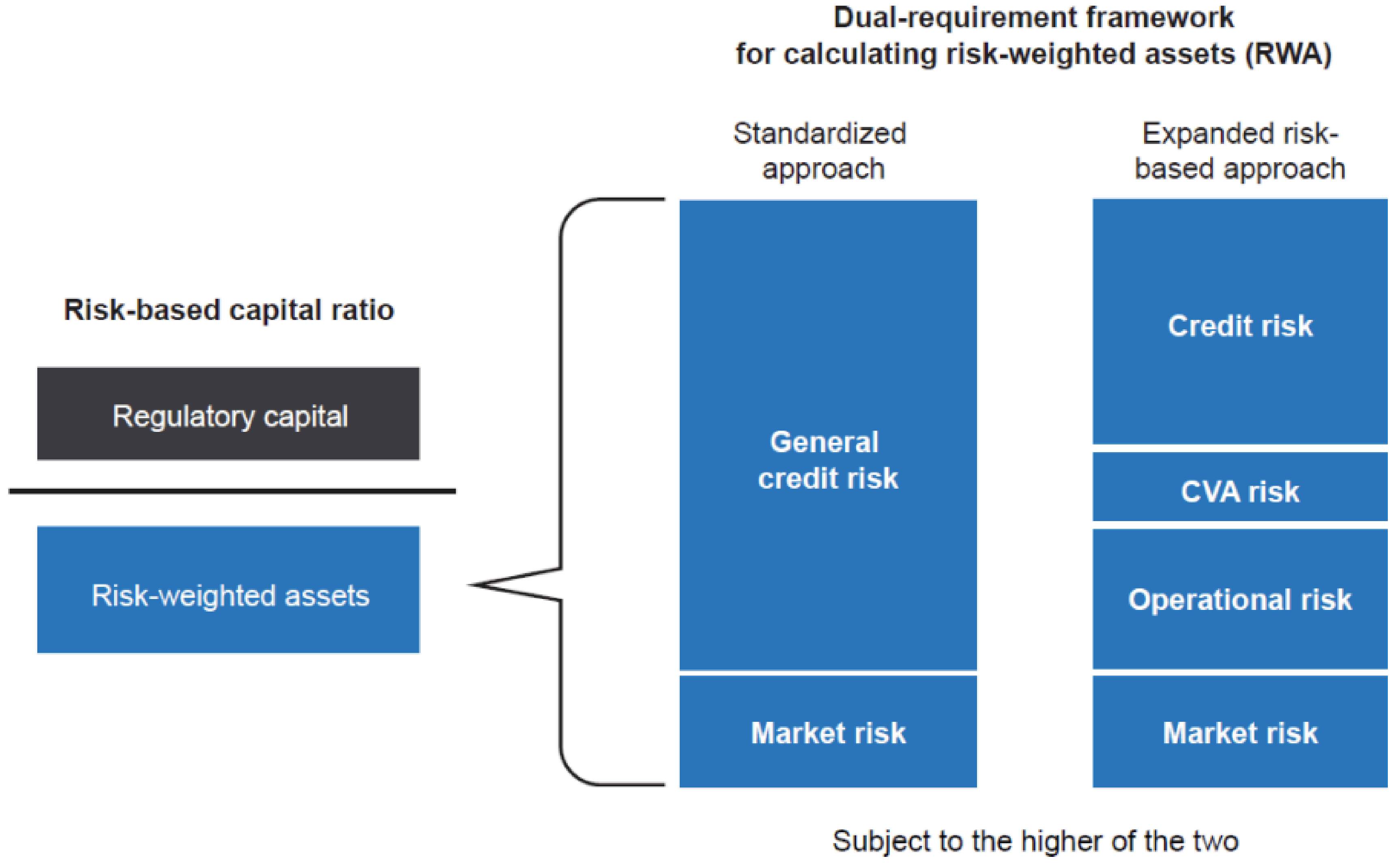

[5] The enhanced supplementary leverage ratio is a higher supplementary leverage ratio applicable to Category I banking organizations.

Phase In

The proposal would phase in calculation of the expanded total RWAs over the period from July 1, 2025, to June 20, 2028. (488, chart)

Stress Capital Buffer (SCB)

The proposal would amend the SCB framework allowing the SCB to take into account both the standardized approach and the new ERBA. All capital buffer requirements, including the SCB, would apply regardless of whether the ERBA or the existing standardized approach produces the lower ratio. (14)

Binding CET 1

The FBAs expect binding CET 1 capital requirements for Category III and IV U.S. holding companies to increase by 6%. (496, n. 465)

Elimination of AOCI opt-out election for available for sale (AFS) securities (subject to a three-year transition period)(956)

To the extent a Cat. III firm's securities are held AFS and the firm has exercised the opt-out election: the proposal would eliminate the opt-out, meaning unrealized losses (and gains) would need to be reflected in regulatory capital calculations. This change could result in such a firm's either transitioning securities from AFS to be held to maturity (HTM) or raising **or** retaining additional capital (e.g., trimming buybacks, retaining earnings) to meet the same risk-based capital ratios.

- It is anticipated that the average long-run effect of these proposed changes to U.S. regionals subject to Category III standards "would be equivalent to a 4.6 percent and 3.8 percent relative increase" in the CET 1 and leveraged capital requirements, respectively. (505)

Risk-Weighted Assets (RWAs)

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- Given various FRB Governor and FDIC Board member dissents, we expect pushback on both the residential real estate and corporate exposures to non-investment grade or non-publicly traded firm aspects of the proposal. In particular, the proposal would significantly raise capital requirements for residential mortgages through higher risk weights.[5] (75)

- The FBAs project aggregate credit risk RWAs for Cat. III and IV holding companies to be $3.8 trillion (down from $4 trillion). (495)

RWAS FOR MARKET RISK

For the subset of Cat. IV firms subject to the market risk capital rule, the proposal would also apply to any holding company subsidiary if it has "engaged in trading activity over any of the four most recent quarters." (229) The proposal describes a standardized methodology and a new models-based methodology. (225, 228)

- A trading desk would only be able to use internal models if it "can appropriately capture the risk of market risk covered . . ." (222)

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- The SMA is comprised of two components, including an income component or "Business Indicator" which is the sum of (i) an interest, leases, and dividends component; (ii) a services component; and (iii) a financial component. (187) A Cat. IV firm's op risk capital requirement would be equal to its Business Indicator component multiplied by its internal loss multiplier (which floor would be no less than 1). (187)
- We expect the services component to have a meaningful impact on many Cat. IV firms—in particular, on firms that rely on advisory and financial services fees and credit card interchange fees.
- Subjecting Cat. III and IV firms to op risk capital requirements is estimated to add $550 billion of aggregate RWAs. (495)

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CVA is the change in fair value of an OTC derivative contract to reflect counterparty credit risk. (431-32)

- Cat. IV firms would become subject to the CVA Risk RWA requirement, using either a basic or a standardized measure. (433)
- The FBAs project aggregate CVA risk RWA for Cat. III and IV firms to be $28 billion. (495)

EQUITY EXPOSURE RWAS (AS APPLIED TO INVESTMENT FUNDS)

For any equity exposures to investment funds, the proposal replaces a simple modified look-through approach with a "full look-through approach"—i.e., the risk weighted amount for an equity exposure to an investment fund is equal to the adjusted carrying value multiplied by a flat 1250 percent risk weight. (157-8; 667)

SA-CCR

Under the ERBA, all Cat. I–IV firms would be required to calculate RWAs based on the exposure amount of derivative contracts using SA-CCR. (98)

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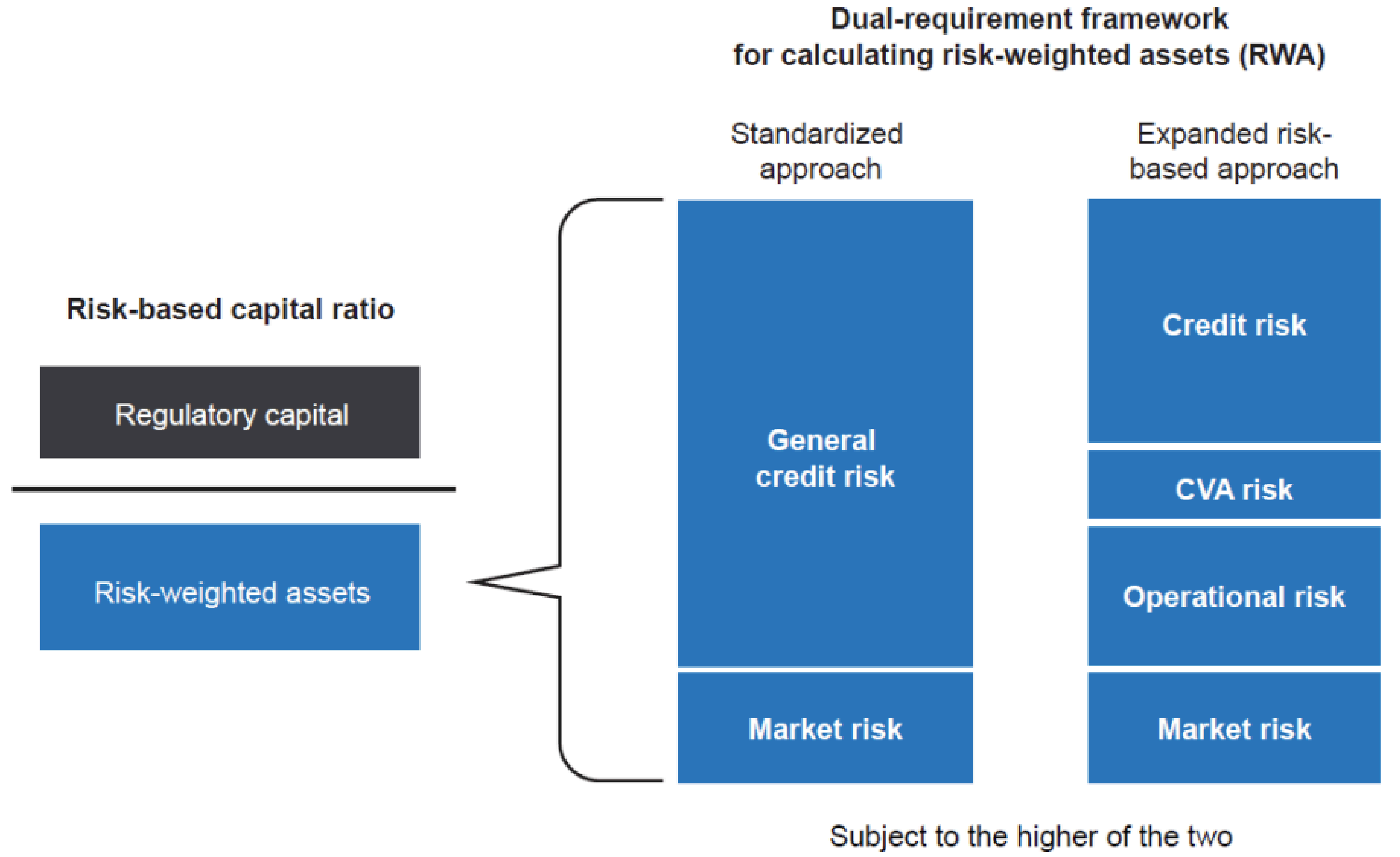

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Phase In

The proposal would phase in calculation of the expanded total RWAs over the period from July 1, 2025, to June 20, 2028. (488, chart)

Stress Capital Buffer (SCB)

The proposal would amend the SCB framework allowing the SCB to take into account both the standardized approach and the new ERBA. All capital buffer requirements, including the SCB, would apply regardless of whether the ERBA or the existing standardized approach produces the lower ratio. (14)

Note: The proposal does not change the current cadence of supervisory stress testing for Cat. IV firms (currently on a two year cycle). It is possible the FBAs decided not to change this to an annual requirement (as is currently the case for Cat. I–III) because they would need Congress. EGRRCPA (12 USC Section 5365(e)) says firms with between $100 billion and $250 billion should be subject to supervisory stress tests on a "periodic" basis, as compared to the "annual" supervisory stress test to which EGRRCPA dictates that firms above $250 billion be subject.

Binding CET 1

The FBAs expect binding CET 1 capital requirements for Cat. III and IV U.S. holding companies to increase by 6%. (496, n. 465)

New Countercyclical Capital Buffer (CCyB) Requirement

The CCyB is an additional capital buffer that Cat. I–III firms are subject to. The CCyB ranges from 0% (currently) to 2.5% of total RWAs, and it has not ever been set above zero in the US. Under the proposal, Cat. IV firms would be subject to the CCyB, if and when it is set above zero. (20)

While inclusion of Cat. IV is not altogether surprising given other aspects of proposal, most U.S. large regionals would not have been subject to CCyB (and the supplementary leverage ratio discussed below) under the original 2013 capital rule, which applied the CCyB to banking organizations subject to the advanced approaches capital rules (Cat. I and II) (i.e., generally those with more than $250 billion in assets or $10 billion in on-balance-sheet foreign exposures, and to any depository institutions subsidiary of such banking organizations).

New Supplementary Leverage Ratio (SLR)

Cat. IV firms would become subject to the SLR, which is an additional leverage ratio requirement of 3%. The SLR denominator is a total leverage exposure, which takes into account certain off-balance sheet exposures. (There has been an ongoing debate regarding potentially excluding central bank reserves/and or Treasuries from the SLR denominator, as some banks contend SLR acts as a binding constraint.)

Elimination of AOCI opt-out election for available for sale (AFS) securities (subject to a three-year transition period)(956)

The proposal would eliminate the opt-out election for Cat. III and IV firms, meaning unrealized losses (and gains) would need to be reflected in regulatory capital calculations. This change could result in such firms either transitioning securities from AFS to HTM **or** raising or retaining additional capital (e.g., trimming buybacks, retaining earnings) to meet the same risk-based capital ratios.

- It is anticipated that for the holding companies of banking organizations subject to Cat. IV capital standards, "the average long-run effect of these proposed changes would be equivalent to a 2.6% and 2.5% relative increase in the respective capital requirements." (505)

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