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Federal Reserve Releases Large Bank Capital Requirements

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Last week, the Federal Reserve Board ("FRB") announced the individual capital requirements for all large banks, effective on October 1. This announcement follows the June announcement on the results of the supervisory stress test (also known as the Dodd-Frank Act Stress Test or DFAST, as these tests are required by Section 165 of the Dodd-Frank Act), which assesses whether banks are sufficiently capitalized to absorb losses during a severe recession.

The FRB's announcement noted that "[u]nder the Federal Reserve Board's capital framework for bank holding companies, covered savings and loan holding companies, and U.S. intermediate holding companies with $100 billion or more in total consolidated assets, capital requirements are in part determined by the supervisory stress test results." The FRB's announcement includes a table showing the total common equity tier 1 ("CET1") capital ratio requirement for each of the 34 large banks, including the CET1's three components: (1) the minimum CET1 capital ratio requirement of 4.5% for all the 34 banks; (2) the stress capital buffer ("SCB") requirement, which is determined from the supervisory stress test results and is at least 2.5%; and (3) the global systemically important bank ("G-SIB") surcharge for the eight U.S. G-SIBs.

As we noted in June, some of the largest banking organizations saw an increase to their stress SCB this year. The minimum CET1 capital requirements for the 34 large banking organizations range from 7.0%-13.5%.