Press Release

April 01, 2020

Federal Reserve Board announces temporary change to its supplementary leverage ratio rule to ease strains in the Treasury market resulting from the coronavirus and increase banking organizations' ability to provide credit to households and businesses

For release at 4:45 p.m. EDT

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To ease strains in the Treasury market resulting from the coronavirus and increase banking organizations' ability to provide credit to households and businesses, the Federal Reserve Board on Wednesday announced a temporary change to its supplementary leverage ratio rule. The change would exclude U.S. Treasury securities and deposits at Federal Reserve Banks from the calculation of the rule for holding companies, and will be in effect until March 31, 2021.

Liquidity conditions in Treasury markets have deteriorated rapidly, and financial institutions are receiving significant inflows of customer deposits along with increased reserve levels. The regulatory restrictions that accompany this balance sheet growth may constrain the firms' ability to continue to serve as financial intermediaries and to provide credit to households and businesses. The change to the supplementary leverage ratio will mitigate the effects of those restrictions and better enable firms to support the economy.

As the Board has previously stated, financial institutions have more than doubled their capital and liquidity levels over the past decade and are encouraged to use that strength to support households and businesses. The Board is providing the temporary exclusion in the interim final rule to allow banking organizations to expand their balance sheets as appropriate to continue to serve as financial intermediaries, rather than to allow banking organizations to increase capital distributions, and will administer the interim final rule accordingly.

The supplementary leverage ratio generally applies to financial institutions with more than $250 billion in total consolidated assets. It requires them to hold a minimum ratio of 3 percent, measured against their total leverage exposure, with more stringent requirements for the largest and most systemic financial institutions. The change would temporarily decrease tier 1 capital requirements of holding companies by approximately 2 percent in aggregate.

The change will be effective immediately and the public comment period will be 45 days.

For media inquiries, call 202-452-2955.

Federal Register notice: Regulatory Capital Rule: Temporary Exclusion of U.S. Treasury Securities and Deposits at Federal Reserve Banks from the Supplementary Leverage Ratio (PDF)

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