**Comparison of Minimum Regulatory Capital Ratios**

<http://www.newyorkfed.org/education/pdf/2012/Yang_bank_capital_regulation.pdf>

|  |  |  |
| --- | --- | --- |
| **Ratios** | **Basel I and II** | **Basel III\*\*** |
| **RISKED BASED CAPITAL (RBC) RATIOS – MINIMUM CAPITAL REQUIREMENTS** | | |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Tier 1 Common Ratio | 5% | | 4.5% + 2.5% (buffer) +  GSIBs surcharge (firm specific) | |
| Tier 1 Capital Ratio | 4% | | 6.0% + 2.5% (buffer) +  GSIBs surcharge (firm specific) | |
| Total Capital Ratio | 8% | | 8.0% + 2.5% (buffer) +  GSIBs surcharge (firm specific) | |
| **LEVERAGE RATIOS – MINIMUM CAPITAL REQUIREMENTS** | | | | |
| Total Average Leverage Ratio | | 5% | | 5% |
| Tier 1 Leverage Ratio | | 4% | | 4% |
| Supplemental Leverage Ratio | | 3% | | 3% \*\*\* |

Basel III phase in period starting January 2016. Requirements include additional surcharges required by the Federal Reserve.

US GSIBs = Currently the eight are: JPMC, Bank of America, Citi, Goldman Sachs, Morgan Stanley, BNY Mellon, State Street, and Wells Fargo.

\*\*\* Supplemental Leverage Ratio: 3% for banks with over $250 B in consolidated total assets and 5% for banks with over $700 B, including the 8 US GSIBs.

<https://www.federalreserve.gov/newsevents/pressreleases/bcreg20200810a.htm#:~:text=August%2010%2C%202020-,Federal%20Reserve%20Board%20announces%20individual%20large%20bank%20capital%20requirements%2C%20which,be%20effective%20on%20October%201&text=Minimum%20capital%20requirements%2C%20which%20are,at%20least%202.5%20percent%3B%20and>

\*\*Federal Reserve announces individual large banks capital requirements effective October 1, 2020:

Under its framework for large banks—**those with more than $100 billion in total assets—**capital requirements are in part determined by stress test results, which provide a risk-sensitive and forward-looking assessment of capital needs. The total common equity tier 1, or CET1, capital requirements for each large bank, which is comprised of several components, including:

* Minimum capital requirements, which are the same for each firm and are 4.5 percent;
* The stress capital buffer, or SCB, which is determined from the stress test results, and is at least 2.5 percent; and
* If applicable, a capital surcharge for **global systemically important banks**, or GSIBs, which is at least 1.0 percent.

Capital buffers, such as the SCB and GSIB surcharge, are different than minimum capital requirements for each firm.

**Stress Tests/CCAR**

**Summary Definitions of Capital and Ratios:**

**Denominator: Risk Weighted Assets (RWA) Ratios:**

1.) Tier 1 Common ratio = Common Stock Instruments + Retained Earnings – Goodwill – Other Intangible Assets

(Breaks out certain instruments from T1 Capital ratio)

2.) T1 Capital ratio = Common Equity T1 + additional T1 (e.g., qualifying non-cumulative perpetual preferred stock)

3.) Total Capital ratio= T1 + T2 (tier1, tier2)

T2 = Capital Investments including qualifying subordinate debt instruments + ALLL (Allowance for losses also called provisions or reserves for losses)

**Denominator: Average Total Assets Ratios:**

4.) Total Leverage Ratio = Capital/Average Total Assets