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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 6

[Docket ID OCC–2018–0002]

RIN 1557–AE35

FEDERAL RESERVE SYSTEM

12 CFR Parts 208, 217, and 252

[Docket No. R–1604]

RIN 7100 AF–03

Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and Certain of Their Subsidiary Insured Depository Institutions; Total Loss-Absorbing Capacity Requirements for U.S. Global Systemically Important Bank Holding Companies

AGENCY: Office of the Comptroller of the Currency, Treasury, and the Board of Governors of the Federal Reserve System.

ACTION: Joint notice of proposed rulemaking.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) and the Office of the Comptroller of the Currency (OCC) are seeking comment on a proposal that would modify the enhanced supplementary leverage ratio standards for U.S. top-tier bank holding companies identified as global systemically important bank holding companies, or GSIBs, and certain of their insured depository institution subsidiaries. Specifically, the proposal would modify the current 2 percent leverage buffer, which applies to each GSIB, to equal 50 percent of the firm's GSIB risk-based capital surcharge. The proposal also would require a Board- or OCC-regulated insured depository institution subsidiary of a GSIB to maintain a supplementary leverage ratio of at least 3 percent plus 50 percent of the GSIB risk-based surcharge applicable to its top-tier holding company in order to be deemed ''well capitalized'' under the Board's and the OCC's prompt corrective action rules. Consistent with this approach to establishing enhanced supplementary leverage ratio standards for insured depository institutions, the OCC is proposing to revise the methodology it uses to identify which national banks and Federal savings associations are subject to the enhanced supplementary leverage ratio standards to ensure that they apply only to those national banks and Federal savings associations that are subsidiaries of a Board-identified GSIB. The Board also is seeking comment on a proposal to make conforming modifications to the GSIB leverage buffer of the Board's total loss-absorbing capacity and long-term debt requirements and other minor amendments to the buffer levels, covered intermediate holding company conformance period, methodology for calculating the covered intermediate holding company long-term debt amount, and external total loss-absorbing capacity risk-weighted buffer.

DATES: Comments must be received by May 21, 2018.

ADDRESSES: Comments should be directed to:

OCC: Because paper mail in the Washington, DC area and at the OCC is subject to delay, commenters are encouraged to submit comments through the Federal eRulemaking Portal or email, if possible. Please use the title ''Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for U.S. Global Systemically Important Bank Holding Companies and their Subsidiary Insured Depository Institutions'' to facilitate the organization and distribution of the comments. You may submit comments by any of the following methods:

- *Federal eRulemaking Portal—''Regulations.gov'':* Go to *www.regulations.gov.* Enter ''Docket ID OCC–2018–0002'' in the Search Box and click ''Search.'' Click on ''Comment Now'' to submit public comments.
- Click on the ''Help'' tab on the *Regulations.gov* home page to get information on using *Regulations.gov*, including instructions for submitting public comments.
- *Email: regs.comments@occ.treas.gov.*
- *Mail:* Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 400 7th Street SW, suite 3E–218, Washington, DC 20219.
- *Hand Delivery/Courier:* 400 7th Street SW, suite 3E–218, Washington, DC 20219.
- *Fax:* (571) 465–4326.

Instructions: You must include ''OCC'' as the agency name and ''Docket ID OCC–2018–0002'' in your comment. In general, the OCC will enter all comments received into the docket and publish them on the *Regulations.gov* website without change, including any business or personal information that you provide such as name and address information, email addresses, or phone numbers. Comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not include any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

You may review comments and other related materials that pertain to this rulemaking action by any of the following methods:

- *Viewing Comments Electronically:* Go to *www.regulations.gov.* Enter ''Docket ID OCC–2018–0002'' in the Search box and click ''Search.'' Click on ''Open Docket Folder'' on the right side of the screen and then ''Comments.'' Comments can be filtered by clicking on ''View All'' and then using the filtering tools on the left side of the screen.
- Click on the ''Help'' tab on the *Regulations.gov* home page to get information on using *Regulations.gov.* Supporting materials may be viewed by clicking on ''Open Docket Folder'' and then clicking on ''Supporting Documents.'' The docket may be viewed after the close of the comment period in the same manner as during the comment period.
- *Viewing Comments Personally:* You may personally inspect and photocopy comments at the OCC, 400 7th Street SW, Washington, DC 20219. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 649–6700 or, for persons who are deaf hearing impaired, TTY, (202) 649–5597. Upon arrival, visitors will be

required to present valid government-issued photo identification and submit to security screening in order to inspect and photocopy comments.

Board: You may submit comments, identified by Docket No. R–1604 and RIN 7100 AF–03, by any of the following methods:

- *Agency website: http://www.federalreserve.gov.* Follow the instructions for submitting comments at *http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm.*
- *Email: regs.comments@federalreserve.gov.* Include docket number and RIN in the subject line of the message.
- *Fax:* (202) 452–3819 or (202) 452–3102.
- *Mail:* Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551. All public comments are available from the Board's website at *http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm* as submitted, unless modified for technical reasons or to remove sensitive PII at the commenter's request. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street NW (between 18th and 19th Streets NW), Washington, DC 20006 between 9 a.m. and 5 p.m. on weekdays.

FOR FURTHER INFORMATION CONTACT:

OCC: Venus Fan, Risk Expert (202) 649–6514, Capital and Regulatory Policy; or Carl Kaminski, Special Counsel; Allison Hester-Haddad, Counsel, or Christopher Rafferty, Attorney, Legislative and Regulatory Activities Division, (202) 649–5490 or, for persons who are deaf or hearing impaired, TTY, (202) 649–5597, Office of the Comptroller of the Currency, 400 7th Street SW, Washington, DC 20219.

Board: Constance M. Horsley, Deputy Associate Director, (202) 452–5239; Elizabeth MacDonald, Manager, (202) 475–6316, Holly Kirkpatrick, Supervisory Financial Analyst, (202) 452–2796, or Noah Cuttler, Senior Financial Analyst (202) 912–4678, Capital and Regulatory Policy, Division of Banking Supervision and Regulation; or Benjamin W. McDonough, Assistant General Counsel, (202) 452–2036; David Alexander, Counsel, (202) 452–2877, Greg Frischmann, Counsel, (202) 452–2803, Mark Buresh, Senior Attorney, (202) 452–5270, or Mary Watkins, Attorney, (202) 452–3722, Legal Division, Board of Governors of the Federal Reserve System, 20th and C Streets NW, Washington, DC 20551. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), (202) 263–4869.

SUPPLEMENTARY INFORMATION:

I. Background

A. Post-Crisis Reforms

In 2013, the Board of Governors of the Federal Reserve System (Board), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) (together, the agencies) adopted a revised regulatory capital rule (capital rule) to address weaknesses that became apparent during the financial crisis of 2007–08.[1] The capital rule strengthened the capital requirements applicable to banking organizations [2] supervised by the agencies by improving both the quality and quantity of regulatory capital and increasing the risk-sensitivity of the agencies' capital requirements.[3] The capital rule requires banking organizations to maintain a minimum leverage ratio of 4 percent, measured as the ratio of a banking organization's tier 1 capital to its average total consolidated assets. For a banking organization that meets the capital rule's criteria for being considered an advanced approaches banking organization, the agencies also established a minimum supplementary leverage ratio of 3 percent, measured as the ratio of a firm's tier 1 capital to its total leverage exposure.[4] The supplementary leverage ratio strengthens the capital requirements for advanced approaches banking organizations by including in the definition of total leverage exposure many off-balance sheet exposures in addition to on-balance sheet assets.

In 2014, the agencies adopted a final rule that established enhanced supplementary leverage ratio (eSLR) standards for the largest, most interconnected U.S. bank holding companies (eSLR rule) in order to strengthen the overall regulatory capital framework in the United States.[5] The eSLR rule, as adopted in 2014, applied to U.S. top-tier bank holding companies with consolidated assets over $700 billion or more than $10 trillion in assets under custody, and insured depository institution (IDI) subsidiaries of holding companies that meet those thresholds.

The eSLR rule requires the largest, most interconnected U.S. top-tier bank holding companies to maintain a supplementary leverage ratio greater than 3 percent plus a leverage buffer of 2 percent to avoid limitations on the firm's distributions and certain discretionary bonus payments.[6] The eSLR rule also provides that any IDI subsidiary of those bank holding companies must maintain a 6 percent supplementary leverage ratio to be deemed ''well capitalized'' under the prompt corrective action (PCA) framework of each agency (collectively, the eSLR standards).[7]

Subsequently, in 2015, the Board adopted a final rule establishing a methodology for identifying a firm as a global systemically important bank holding company (GSIB) and applying a risk-based capital surcharge on such an institution (GSIB surcharge rule).[8] Under the GSIB surcharge rule, a U.S. top-tier bank holding company that is not a subsidiary of a foreign banking organization and that is an advanced approaches banking organization must determine whether it is a GSIB by applying a multifactor methodology based on size, interconnectedness, substitutability, complexity, and cross-jurisdictional activity.[9] As part of the

[1] The Board and the OCC issued a joint final rule on October 11, 2013 (78 FR 62018), and the FDIC issued a substantially identical interim final rule on September 10, 2013 (78 FR 55340). In April 2014, the FDIC adopted the interim final rule as a final rule with no substantive changes. 79 FR 20754 (April 14, 2014).

[2] Banking organizations subject to the agencies' capital rule include national banks, state member banks, insured state nonmember banks, savings associations, and top-tier bank holding companies and savings and loan holding companies domiciled in the United States, but exclude banking organizations subject to the Board's Small Bank Holding Company Policy Statement (12 CFR part 225, appendix C), and certain savings and loan holding companies that are substantially engaged in insurance underwriting or commercial activities or that are estate trusts, and bank holding companies and savings and loan holding companies that are employee stock ownership plans.

[3] 12 CFR part 3 (OCC); 12 CFR part 217 (Board); 12 CFR part 324 (FDIC).

[4] A banking organization is an advanced approaches banking organization if it has consolidated assets of at least $250 billion or if it has consolidated on-balance sheet foreign exposures of at least $10 billion, or if it is a subsidiary of a depository institution, bank holding company, savings and loan holding company, or intermediate holding company that is an advanced approaches banking organization. *See* 78 FR 62018, 62204 (October 11, 2013), 78 FR 55340, 55523 (September 10, 2013).

[5] *See* 79 FR 24528 (May 1, 2014).

[6] The leverage buffer in the eSLR rule follows the same general mechanics and structure as the capital conservation buffer that applies to all banking organizations subject to the capital rule. Specifically, similar to the capital conservation buffer, a GSIB that maintains a leverage buffer of more than 2 percent of its total leverage exposure would not be subject to limitations on its distributions and certain discretionary bonus payments. If the GSIB maintains a leverage buffer of 2 percent or less, it would be subject to increasingly stricter limitations on such payouts. *See* 12 CFR 217.11(a).

[7] *See* 12 CFR part 6 (national banks) and 12 CFR part 165 (Federal savings associations) (OCC), and 12 CFR part 208, subpart D (Board).

[8] 12 CFR 217.402; 80 FR 49082 (August 14, 2015).

[9] 12 CFR part 217, subpart H. The methodology provides a tool for identifying as GSIBs those banking organizations that pose elevated risks.

GSIB surcharge rule, the Board revised the application of the eSLR standards to apply to any bank holding company identified as a GSIB and to each Board-regulated IDI subsidiary of a GSIB.[10]

The OCC's current eSLR rule applies to national banks and Federal savings associations that are subsidiaries of U.S. top-tier bank holding companies with more than $700 billion in total consolidated assets or more than $10 trillion total in assets under custody.

B. Review of Reforms

Post-crisis regulatory reforms, including the capital rule, the eSLR rule, and the Board's GSIB surcharge rule, were designed to improve the safety and soundness and reduce the probability of failure of banking organizations, as well as to reduce the consequences to the financial system if such a failure were to occur. For large banking organizations in particular, the Board's and the OCC's objective has been to establish capital and other prudential requirements at a level that not only promotes resilience at the banking organization and protects financial stability, but also maximizes long-term through-the-cycle credit availability and economic growth. In reviewing the post-crisis reforms both individually and collectively, the Board and the OCC have sought comment on ways to streamline and tailor the regulatory framework, while ensuring that such firms have adequate capital to continue to act as financial intermediaries during times of stress.[11] Consistent with these efforts, the Board and the OCC are proposing modifications to the calibration of the eSLR standards to make the calibration more consistent with the risk-based capital measures now in effect for GSIBs. The proposed recalibration, described further below, assumes that the components of the supplementary leverage ratio use the capital rule's current definitions of tier 1 capital and total leverage exposure. Significant changes to either of these components would likely necessitate reconsideration of the proposed recalibration as the proposal is not intended to materially change the aggregate amount of capital in the banking system.

II. Revisions to the Enhanced Supplementary Leverage Ratio Standards

The 2007–08 financial crisis demonstrated that robust regulatory capital standards are necessary for the safety and soundness of individual banking organizations, as well as for the financial system as a whole. Within the regulatory capital framework, leverage and risk-based capital requirements play complementary roles, with each offsetting potential risks not addressed by the other. Research shows that risk-based and leverage capital measures contain complementary information about a bank's condition.[12] Risk-based capital requirements encourage prudent behavior by requiring banking organizations to increase capital as risk-taking and the overall risk profile at the firm increases. Risk-based measures generally rely on either a standardized set of risk weights that are applied to exposure categories or on more granular risk weights based on firm-specific data and models. However, as observed during the crisis, risk-based measures alone may be insufficient in mitigating risks to financial stability posed by the largest, most interconnected banking organizations.

In contrast, a leverage ratio does not differentiate the amount of capital required by exposure type. Rather, a leverage ratio puts a simple and transparent lower bound on banking organization leverage. A leverage ratio protects against underestimation of risk both by banking organizations and by risk-based capital requirements. It also counteracts the inherent tendency of banking organization leverage to increase in a boom and fall in a recession.[13]

Leverage capital requirements should generally act as a backstop to the risk-based requirements. If a leverage ratio is calibrated at a level that makes it generally a binding constraint through the economic and credit cycle, it can create incentives for firms to reduce participation in or increase costs for low-risk, low-return businesses. At the same time, a leverage ratio that is calibrated at too low of a level will not serve as an effective complement to a risk-based capital requirement.[14]

In 2014, consistent with these goals, the agencies adopted a final eSLR rule that increased leverage capital requirements. The standards in the final eSLR rule were designed and calibrated to strengthen the largest and most interconnected banking organizations' capital base and to preserve the complementary relationship between risk-based and leverage capital requirements in recognition that risk-based capital requirements had increased in stringency and amount. As the agencies observed in the preamble to the proposed eSLR rule, approximately half of the bank holding companies subject to the eSLR rule that were bank holding companies in 2006 would have met or exceeded a 3 percent supplementary leverage ratio, suggesting that the minimum leverage standard in the eSLR rule should be greater than 3 percent to constrain pre-crisis buildup of leverage at the largest banking organizations.[15] Based on experience during the financial crisis of 2007–08, the agencies determined that there could be benefits to financial stability and reduced costs to the Deposit Insurance Fund if the largest and most interconnected banking organizations were required to meet an eSLR standard in addition to the 3 percent minimum supplementary leverage ratio requirement. Accordingly, the eSLR rule required the largest banking organizations to maintain a leverage buffer of 2 percent to avoid limitations on distributions and certain discretionary bonus payments, and established a 6 percent ''well capitalized'' threshold for IDI subsidiaries of these banking organizations.

Over the past few years, banking organizations have raised concerns that in certain cases, the standards in the eSLR rule have generally become a binding constraint rather than a backstop to the risk-based standards. Thus, the current calibration of the eSLR rule may create incentives for banking organizations bound by the eSLR standards to reduce participation in or increase costs for lower-risk, lower-return businesses, such as secured repo financing, central clearing services for market participants, and

[10] The eSLR rule does not apply to intermediate holding companies of foreign banking organizations as such firms are outside the scope of the GSIB surcharge rule and cannot be identified as U.S. GSIBs.

[11] For example, in 2017, the agencies and the National Credit Union Administration (NCUA) submitted a report to Congress pursuant to the *Economic Growth and Regulatory Paperwork Reduction Act* in which the agencies and the NCUA committed to meaningfully reducing regulatory burden, especially on community banking organizations, while at the same time maintaining safety and soundness and the quality and quantity of regulatory capital in the banking system. Consistent with that commitment, the agencies issued a notice of proposed rulemaking in 2017 that would simplify certain aspects of the capital rule. 82 FR 49984 (October 27, 2017).

[12] *See, e.g.,* Arturo Estrella, Sangkyun Park, and Stavros Peristiani (2000): ''Capital Ratios as Predictors of Bank Failure,'' Federal Reserve Bank of New York Economic Policy Review.

[13] *See, e.g.,* Galo Nuño and Carlos Thomas (2017): ''Bank Leverage Cycles,'' American Economic Journal: Macroeconomics.

[14] 78 FR 51101, 51105–6 (August 20, 2013); 78 FR 57725, 57727–8 (September 26, 2014).

[15] This analysis was based on fourth quarter 2006 data compiled from the FR Y–9C report (consolidated bank holding companies), the FFIEC 031 report (banks), the FDIC failed banks list, and attributes data for bank holding companies from the National Information Center.

taking custody deposits, notwithstanding client demand for those services. Accordingly, in light of the experience gained since the initial adoption of the eSLR standards, and to avoid potential negative outcomes, the Board and the OCC are proposing to recalibrate the standards in the eSLR rule.

A. GSIB Surcharge Rule and Firm-Specific Surcharges

The GSIB surcharge rule is designed both to ensure that a GSIB holds capital commensurate with its systemic risk and to provide a GSIB with an incentive to adjust its systemic footprint.[16] Under the GSIB surcharge rule, a firm's GSIB surcharge varies according to the firm's systemic importance as measured using the methodology outlined in the rule. Accordingly, the framework set forth in the GSIB surcharge rule, which had not yet been proposed at the time the agencies adopted the eSLR rule, would provide a mechanism for tailoring the eSLR standards based on measures of systemic risk.

B. Prompt Corrective Action Requirements

The PCA framework establishes levels of capitalization at which an IDI will become subject to limits on activities or to closure.[17] While the capital rule incorporated the 3 percent supplementary leverage ratio minimum requirement into the PCA framework as an ''adequately capitalized'' threshold for any IDI subsidiary that is an advanced approaches banking organization, it did not specify a corresponding supplementary leverage ratio threshold at which such an IDI subsidiary would be considered ''well capitalized.'' The eSLR rule subsequently established a 6 percent supplementary leverage ratio threshold at which IDI subsidiaries of the largest and most complex banking organizations would be considered ''well capitalized.'' [18] However, since adoption of the eSLR rule, banking organizations have raised concerns that the calibration of the eSLR standard at the IDI subsidiary level has created incentives, similar to those created at the GSIB holding company level, for IDI subsidiaries to reduce participation in or increase costs for low-risk, low-return businesses. Specifically, banking organizations have stated that the eSLR standard as applied at the IDI subsidiary level may create disincentives for firms bound by the eSLR standard to provide certain banking functions, such as secured repo financing, central clearing services for market participants, and taking custody deposits. In order to decrease incentives for firms to reduce participation in or increase costs for low-risk, low-return businesses, which may have an adverse effect on safety and soundness, and to help ensure that leverage requirements generally serve as a backstop to risk-based capital requirements, the Board and the OCC are proposing to modify the eSLR standards applicable to Board- and OCC-regulated IDI subsidiaries. In order to be consistent with the Board's regulations for identifying GSIBs and measuring the eSLR standards for holding companies and their IDI subsidiaries, the OCC also is proposing to revise its eSLR rule to ensure that it will apply to only those national banks and Federal savings associations that are subsidiaries of holding companies identified as GSIBs under the GSIB surcharge rule.

III. Proposed Revisions to the eSLR Standards

Under the current eSLR rule, all GSIBs are required to maintain a supplementary leverage ratio greater than 3 percent plus a leverage buffer of 2 percent to avoid limitations on distributions and certain discretionary bonus payments. The proposal would replace each GSIB's 2 percent leverage buffer with a leverage buffer set equal to 50 percent of the firm's GSIB surcharge, as determined according to the Board's GSIB surcharge rule.[19]

Under the current rule, IDI subsidiaries of the largest and most complex banking organizations are required to maintain a 6 percent supplementary leverage ratio to be considered ''well capitalized'' under the PCA framework. As discussed above, the Board and the OCC believe that the leverage requirements should be calibrated such that they are generally the backstop to risk-based capital requirements. Consistent with that view and with the treatment of GSIBs, the proposal would replace the 6 percent supplementary leverage ratio threshold for a Board- or OCC-regulated IDI subsidiary subject to the eSLR standards (covered IDI) to be considered ''well capitalized'' under the PCA framework with a supplementary leverage ratio threshold of 3 percent plus 50 percent of the GSIB surcharge applicable to the covered IDI's GSIB holding company. Thus, for a covered IDI, the ''well capitalized'' threshold would depend on the GSIB surcharge applicable at the holding company. These modifications to the PCA framework would help to maintain the complementarity of the risk-based and leverage standards at the covered IDI in a manner consistent with the proposed changes to the leverage buffer at the GSIB holding company.

The ''well capitalized'' threshold is used to determine eligibility for a variety of regulatory purposes, such as streamlined application procedures, status as a financial holding company, the ability to control or hold a financial interest in a financial subsidiary, and in interstate applications.[20] The Board and the OCC recognize that tying a banking organization's eSLR standards to its systemic footprint, as measured under the Board's GSIB surcharge rule,[21] may mean that the ''well capitalized'' threshold could change from year-to-year depending on the activities of the particular organization. Consistent with the requirements for GSIBs, a covered IDI would have one full calendar year after the year in which its eSLR threshold increased to meet the new threshold.[22] Nonetheless, in order to facilitate long-term capital and business planning, some institutions may prefer for the Board and the OCC to maintain a static ''well capitalized'' threshold.

[16] As laid out in the white paper accompanying the GSIB surcharge rule, the risk-based GSIB surcharges were calibrated to equalize the expected impact on the stability of the financial system of the failure of a GSIB with the expected systemic impact of the failure of a large bank holding company that is not a GSIB (expected impact approach). 80 FR 49082 (August 14, 2015).

[17] The levels are critically undercapitalized, significantly undercapitalized, undercapitalized, adequately capitalized, and well capitalized. *See* 12 CFR part 6 (national banks); 12 CFR part 165 (Federal savings associations) (OCC); and 12 CFR part 208, subpart D (Board).

[18] The eSLR rule also applied these standards to covered state nonmember banks.

[19] On April 10, 2018, the Board requested comment on a proposal to integrate the Board's capital rule with the supervisory post-stress capital assessment conducted as part of the Board's annual Comprehensive Capital Analysis and Review. That proposal would amend the Board's capital plan rule, capital rule, and stress testing rules, and make further amendments to the stress testing policy statement that was proposed for public comment on December 15, 2017. *See* 12 CFR 225.8; 12 CFR 252; 88 FR 59529 (December 15, 2017). *See https://www.federalreserve.gov/newsevents/pressreleases/bcreg20180410a.htm*

See 12 CFR 217.403. Under the GSIB surcharge rule, a firm identified as a GSIB must calculate its GSIB surcharge under two methods and be subject to the higher surcharge. The first method (method 1) is based on five categories that are correlated with systemic importance—size, interconnectedness, cross-jurisdictional activity, substitutability, and complexity. The second method (method 2) uses similar inputs, but replaces substitutability with the use of short-term wholesale funding and is calibrated in a manner that generally will result in surcharge levels for GSIBs that are higher than those calculated under method 1.

[20] *See, e.g.,* 12 U.S.C. 24a(a)(2)(C); 12 U.S.C. 1831u(b)(4)(B); 12 U.S.C. 1842(d); 12 CFR 5.33(j), 5.34(e)(5)(ii), 5.35(f), 5.39(g); 12 CFR 225.8(f)(2); 225.82; 225.4(b), 225.14, 225.23; 211.24(c)(3).

[21] *See* 12 CFR part 217, subpart H.

[22] 12 CFR 217.403(d)(1).

Additionally, treating the eSLR standard as a buffer, which an IDI subsidiary may use during times of economic stress, may have less pro-cyclical effects.

Therefore, as an alternative to revising the eSLR threshold for a covered IDI to be considered ''well capitalized,'' the Board and the OCC are considering applying the eSLR standard as a capital buffer requirement. Under this approach, the PCA framework would retain the 3 percent supplementary leverage ratio requirement to be considered ''adequately capitalized,'' but there would no longer be a supplementary leverage ratio threshold for a covered IDI to be considered ''well capitalized.'' Instead, the eSLR standard would be applied to a covered IDI alongside the existing capital conservation buffer [23] in the same manner that the eSLR standard applies to GSIBs. Thus, under this alternative approach, GSIBs and covered IDIs would be required to maintain a leverage buffer set to 50 percent of the GSIB surcharge applicable to the GSIB or the GSIB holding company of the covered IDI, as applicable, over the 3 percent supplementary leverage ratio minimum to avoid limitations on distributions and certain discretionary bonus payments. The Board and the OCC are requesting comment on whether it would be more appropriate to apply the eSLR standard to a covered IDI as a capital buffer requirement, rather than as part of the PCA threshold for ''well capitalized.''

The proposed recalibration of the eSLR standards for GSIBs and covered IDIs would continue to provide a meaningful constraint on leverage while ensuring a more appropriate complementary relationship between these firms' risk-based and leverage capital requirements. Specifically, the proposal would help ensure that the leverage capital requirements generally serve as a backstop to risk-based capital requirements. In addition, the proposed calibration would reinforce incentives created by the GSIB surcharge for GSIBs to reduce their systemic footprint by providing less systemic firms with a lower GSIB surcharge and a parallel lower ''well capitalized'' threshold in the PCA framework. Setting the leverage buffer in the eSLR rule to 50 percent of the GSIB surcharge also would mirror the relationship between the minimum tier 1 risk-based capital ratio of 6 percent and the minimum supplementary leverage ratio of 3 percent.

[23] *See* 12 CFR 3.11 and 12 CFR 217.11.

IV. Impact Analysis

Based on third quarter 2017 data, and assuming fully phased-in GSIB surcharges were in effect, one of the eight GSIBs would currently have its most binding capital requirement under the capital rule set by the proposed eSLR, compared with four of eight GSIBs that are bound by the eSLR under the current eSLR rule.[24] Under the proposed eSLR standards, the amount of tier 1 capital required to avoid restrictions based on the capital buffers in the capital rule would decrease by approximately $9 billion across the eight GSIBs.[25] Each of the GSIBs subject to the eSLR rule would have met the minimum supplementary leverage ratio of 3 percent plus a 2 percent leverage buffer had the eSLR rule been in effect third quarter 2017, and assuming fully phased-in GSIB surcharges were applicable in that quarter, each of the eight GSIBs would have also met the minimum supplementary leverage ratio, plus a leverage buffer set to 50 percent of the GSIB surcharge, had the proposal been in effect. The GSIBs held in aggregate nearly $955 billion in tier 1 capital as of third quarter 2017.

The Board's capital plan rule also requires certain large bank holding companies, including the GSIBs, to hold capital in excess of the minimum capital ratios by requiring them to demonstrate the ability to satisfy the capital requirements under stressful conditions.[26] Taking into account the capital buffer requirements in the capital rule together with estimates of the capital required under the capital plan rule, the proposal would reduce the amount of tier 1 capital required across the GSIBs by approximately $400 million.[27]

[24] Analysis reflects data from the Consolidated Financial Statements for Holding Companies (FR Y–9C), the Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices (FFIEC 031), and the Regulatory Capital Reporting for Institutions Subject to the Advanced Capital Adequacy Framework (FFIEC 101), as reported by the GSIBs and the covered IDIs as of third quarter 2017.

[25] The $9 billion figure is approximately 1 percent of the amount of tier 1 capital held by the GSIBs as of third quarter 2017. The $9 billion figure represents the aggregate decrease in the amount of tier 1 capital required across the GSIBs under the proposed eSLR standards relative to the amount of capital required for such firms to exceed a 5 percent supplementary leverage ratio, as well as the minimum tier 1 risk-based capital ratio plus applicable capital conservation buffer requirement, which includes each firm's applicable GSIB surcharge.

[26] 12 CFR 225.8(e)(2).

[27] The $400 million figure is approximately 0.04 percent of the amount of tier 1 capital held by the GSIBs as of third quarter 2017. The $400 million figure represents the aggregate decrease in the amount of tier 1 capital required across the GSIBs under the proposed eSLR standards relative to the amount of capital required for such firms to exceed a 5 percent supplementary leverage ratio, as well as the minimum tier 1 risk-based capital ratio plus applicable capital conservation buffer requirement, which includes each firm's applicable GSIB surcharge, and post-stress minimum tier 1-based capital requirements (*i.e.,* tier 1 risk-based capital ratio, leverage ratio, and supplementary leverage ratio).

Analysis therefore indicates that the proposed eSLR recalibration would reduce the capital required to be held by the GSIBs for purposes of meeting the eSLR standards, but the more firm-specific and risk-sensitive approach to the eSLR buffer in the proposal would more appropriately align each GSIB's leverage buffer with its systemic footprint. Importantly, under the proposal, to the extent a firm's systemic footprint and GSIB surcharge increases, the amount of tier 1 capital required to meet its applicable eSLR standard also would increase. Further, and notwithstanding the proposed recalibration, GSIBs remain subject to the most stringent regulatory standards, including in particular the risk-based GSIB surcharge and total loss-absorbing capacity standards.

For covered IDIs, the proposed rule would replace the current 6 percent eSLR standard in the ''well capitalized'' threshold with a new standard equal to 3 percent plus 50 percent of the GSIB's surcharge. The current eSLR standard tends to be more binding than risk-based capital requirements at the IDI level than at the holding company level because the eSLR standard is calibrated higher and the agencies have not imposed a GSIB surcharge at the IDI level. Based on data as of third quarter 2017, the eSLR standard is the most binding tier 1 capital requirement for all eight lead IDI subsidiaries of the GSIBs. Under the proposal, the eSLR standard would be the most binding tier 1 capital requirement for three of these covered IDIs.[28] The amount of tier 1 capital required under the proposed eSLR standard across the lead IDI subsidiaries would be approximately $121 billion less than what is required under the current eSLR standard to be considered well-capitalized.[29] The proposed eSLR

[28] The Board and the OCC estimate that the proposed eSLR standard would be the most binding tier 1 capital requirement for a total of eight covered IDIs that reported their total leverage exposure on the FFIEC 031 report, five of which are non-lead IDI subsidiaries. 12 U.S.C. 1841(o)(8); 12 CFR 225.2(h).

[29] The $121 billion figure represents the aggregate decrease in the amount of tier 1 capital required across the lead IDI subsidiaries of the GSIBs to meet the proposed eSLR well-capitalized standard relative to the amount of capital required for such firms to meet the current 6 percent well-capitalized standard, as well as the tier 1 risk-based capital ratio plus applicable capital conservation buffer

Continued

standards along with current risk-based capital standards and other constraints applicable at the holding company level would continue to limit the amount of capital that GSIBs could distribute to investors, thus supporting the safety and soundness of GSIBs and helping to maintain financial stability.

Question 1: To what extent would the proposed eSLR standards appropriately balance the need for regulatory standards that enhance systemic stability with the long-term goal of credit availability, efficiency, and business growth? What alternatives, if any, should the Board and the OCC consider that would more appropriately strike this balance?

Question 2: How would the proposed calibration of the eSLR standards affect business decisions of GSIBs and covered IDIs? How, if at all, would the proposal change the incentives for GSIBs and covered IDIs to participate in or increase costs for low-risk, low-return businesses? Alternatively, how would a reduction in tier 1 capital across the GSIBs resulting from the proposed calibration impact the overall resilience of the financial system?

Question 3: What, if any, beneficial or negative consequences for market participants, consumers, and financial stability are likely to result from the proposed calibration? Please provide examples and data where feasible.

Question 4: What, if any, alternative methods would be more appropriate to determine the level of firm-specific eSLR standards? For example, what other approaches using publicly reported data, such as the systemic risk data collected on the FR Y–15, would be appropriate? Please provide examples and data where feasible.

Question 5: Should the Board and the OCC consider alternative approaches to address the relative bindingness of leverage requirements to risk-based capital requirements for certain firms? Specifically, what are the benefits and drawbacks of excluding central bank reserves from the denominator of the supplementary leverage ratio as an alternative to the proposal? In comparison to the proposal, how would such an exclusion affect the business decisions of firms supervised by the Board and the OCC?

Question 6: Would it be more appropriate to apply the eSLR standard to a covered IDI as capital buffer requirement, rather than as part of the PCA ''well capitalized'' threshold?

requirement. The amount of tier 1 capital required across all covered IDIs that reported their total leverage exposure on the FFIEC 031 report would decrease by approximately $122 billion under the proposal.

Question 7: The Board has issued for comment a separate proposal that, among other changes, would use the results of its annual supervisory stress test to size buffer requirements applicable to U.S. bank holding companies that are subject to the Board's capital plan rule. How would that proposal affect the responses to the questions above or other aspects of the proposed modifications to the eSLR standards?

V. Amendments to Total Loss-Absorbing Capacity Standards

The Board's final rule regarding total loss-absorbing capacity, long-term debt, and clean holding company requirements for GSIBs and intermediate holding companies of systemically important foreign banking organizations [30] (TLAC rule) applies a 2 percent supplementary-leverage-ratio-based TLAC buffer in addition to the 7.5 percent leverage component of a GSIB's external TLAC requirement. The adoption of this buffer was designed to parallel the leverage buffer applicable to these firms under the eSLR rule and applies on top of the minimum TLAC leverage requirement.[31] Accordingly, the Board is proposing to amend the TLAC rule to replace each GSIB's 2 percent TLAC leverage buffer with a buffer set to 50 percent of the firm's GSIB surcharge. This change would conform the TLAC leverage buffer with the proposed revised eSLR standard for GSIBs.

The Board's TLAC rule also establishes a minimum leverage-based external long-term debt (LTD) requirement for a GSIB equal to the GSIB's total leverage exposure multiplied by 4.5 percent. As described in the preamble to the final TLAC rule, this component of the LTD requirement was calibrated by subtracting a 0.5 percent balance sheet depletion allowance from the amount required to satisfy the combined supplementary leverage ratio requirement and eSLR (*i.e.,* 5 percent).[32] Accordingly, the Board is proposing to amend the minimum LTD standard to reflect the proposed change to the eSLR. The proposed amended leverage-based external LTD standard would be total leverage exposure multiplied by 2.5 percent (*i.e.,* 3 percent minus 0.5 percent to allow for balance sheet depletion) plus 50 percent of the GSIB's applicable GSIB surcharge.

[30] 12 CFR 252.60–.65, .153, .160–.167; 82 FR 8266 (January 24, 2017).

[31] Under the TLAC rule, a GSIB's external TLAC leverage buffer requirement is equal to 2 percent of total leverage exposure, which is the same buffer set under the eSLR rule.

[32] 82 FR 8266, 8275 (January 24, 2017).

In addition, the Board is proposing to make certain minor amendments to the TLAC rule, including amendments to ensure that LTD is calculated the same way for all TLAC requirements. Specifically, the proposal provides that the external TLAC risk-weighted buffer level, TLAC leverage buffer level, and the TLAC buffer level for U.S. intermediate holding companies of foreign GSIBs (covered IHCs) would be amended to use the same haircuts applicable to LTD that are currently used to calculate outstanding minimum required TLAC amounts, which do not include a 50 percent haircut on LTD instruments with a remaining maturity of between one and two years. These minor amendments also include changes such that the term ''External TLAC risk-weighted buffer'' is used consistently in the TLAC rule, to provide that a new covered IHC will in all cases have three years to conform to most of the requirements of the TLAC rule, and to align the articulation of the methodology for calculating the covered IHC LTD amount with the same methodology used for GSIBs.

Question 8: What, if any, concerns would the proposed modification of the external TLAC leverage buffer requirement (that is, replacing the fixed 2 percent external TLAC leverage buffer with an external TLAC leverage buffer set to 50 percent of a firm's GSIB surcharge) pose? What if any alternative approach should the Board consider and why?

Question 9: The Board is considering, for purposes of any final rule, whether it also should modify the requirement at 12 CFR 252.63(a)(2) that a GSIB maintain an external loss-absorbing capacity amount that is no less than 7.5 percent of the GSIB's total leverage exposure (7.5 percent requirement). What, if any, modifications to the 7.5 percent requirement would be appropriate to address the changes proposed above, such as the proposed changes to the eSLR requirement and the related changes to the TLAC requirement, or to address other changes in circumstances since the TLAC rule was finalized, such as new foreign or international standards related to total loss absorbing capacity or capital? What, if any, modifications to the 7.5 percent requirement would be appropriate for other reasons, including modifications to match or better align with the TLAC rule's supplementary leverage ratio requirements for covered IHCs (*i.e.,* a TLAC amount no less than 6 to 6.75 percent of the covered IHC's total leverage exposure)[33] or with similar foreign or international standards or expectations? Should any such modification revise the 7.5 percent requirement to be dynamic, such as a requirement linked to a GSIB's risk-based capital surcharge and, if so, should that revised requirement be based on the same percentage as the proposed calibration of the eSLR standard and minimum LTD standard (*i.e.,* 50 percent of the GSIB's risk-based capital surcharge) or a higher (*e.g.,* 100 percent) or lower percentage (*e.g.,* 25 percent)?

In responding to this question, commenters are invited to describe the rationale for any suggested modifications to the 7.5 percent requirement and how such rationale relates to the Board's overall rationale for the proposal, the rationale for the capital refill framework described in the preamble to the final TLAC rule,[34] or other rationales for establishing or calibrating TLAC requirements. For example, a response could explain what, if any, modifications to the requirement should be made based on the proposed modifications to the eSLR standard, the minimum LTD standard, and the capital refill framework (such as revising the 7.5 percent requirement to require TLAC in an amount no less than 5.5 percent, plus 50 percent of the firm's GSIB risk-based capital surcharge, of the GSIB's total leverage exposure).

V. Additional Requests for Comment

The Board and the OCC seek comment on all aspects of the proposed modifications to the eSLR standards for GSIBs and covered IDIs, as well as on amendments made to the calculation of the external TLAC leverage buffer, and other minor changes to the TLAC rule. Comments are requested about the potential advantages of the proposal in ensuring the individual safety and soundness of these banking organizations as well as on the stability of the financial system. Comments are also requested about the calibration and capital impact of the proposal, including whether the proposal appropriately maintains a complementary relationship between the risk-based and leverage capital requirements, and the nature and extent of costs and benefits to the affected institutions or the broader economy.

VII. Regulatory Analyses

A. Paperwork Reduction Act

In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3521) (PRA), the Board and the OCC may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Board and the OCC reviewed the proposed rule and determined that it does not create any new or revise any existing collection of information under section 3504(h) of title 44.

B. Regulatory Flexibility Act Analysis

OCC: The Regulatory Flexibility Act, 5 U.S.C. 601 *et seq.,* (RFA), requires an agency, in connection with a proposed rule, to prepare an Initial Regulatory Flexibility Analysis describing the impact of the rule on small entities (defined by the Small Business Administration (SBA) for purposes of the RFA to include commercial banks and savings institutions with total assets of $550 million or less and trust companies with total assets of $38.5 million of less) or to certify that the proposed rule would not have a significant economic impact on a substantial number of small entities.

The OCC currently supervises 956 small entities.[35]

As described in the **SUPPLEMENTARY INFORMATION** section of the preamble, the proposed rule would revise the eSLR rule, which applies to GSIBs and their IDI subsidiaries. Because the proposed rule would apply only to GSIBs and their IDI subsidiaries, it would not impact any OCC-supervised small entities. Therefore, the OCC certifies that the proposed rule would not have a significant economic impact on a substantial number of OCC-supervised small entities

Board: The RFA, 5 U.S.C. 601 *et seq.,* requires an agency to consider whether the rules it proposes will have a significant economic impact on a substantial number of small entities.[36] In connection with a proposed rule, the RFA requires an agency to prepare an Initial Regulatory Flexibility Analysis describing the impact of the rule on small entities or to certify that the proposed rule would not have a significant economic impact on a substantial number of small entities. An Initial Regulatory Flexibility Analysis must contain (1) a description of the reasons why action by the agency is being considered; (2) a succinct statement of the objectives of, and legal basis for, the proposed rule; (3) a description of, and, where feasible, an estimate of the number of small entities to which the proposed rule will apply; (4) a description of the projected reporting, recordkeeping, and other compliance requirements of the proposed rule, including an estimate of the classes of small entities that will be subject to the requirement and the type of professional skills necessary for preparation of the report or record; and (5) an identification, to the extent practicable, of all relevant Federal rules which may duplicate, overlap with, or conflict with the proposed rule.

The Board has considered the potential impact of the proposed rule on small entities in accordance with the RFA. Based on its analysis and for the reasons stated below, the Board believes that this proposed rule will not have a significant economic impact on a substantial number of small entities. Nevertheless, the Board is publishing and inviting comment on this initial regulatory flexibility analysis. A final regulatory flexibility analysis will be conducted after comments received during the public comment period have been considered.

As discussed in detail above, the Board and the OCC are proposing to recalibrate the eSLR requirements to provide improved incentives and to better ensure that the eSLR serves as a backstop to risk-based capital requirements rather than the binding constraint. Consistent with these objectives, the proposal would make corresponding changes the Board's TLAC requirements, along with other technical and minor changes to the Board's TLAC rule.

The Board has broad authority under the International Lending Supervision Act (ILSA)[37] and the PCA provisions of the Federal Deposit Insurance Act[38] to establish regulatory capital requirements for the institutions it regulates. For example, ILSA directs each Federal banking agency to cause banking institutions to achieve and maintain adequate capital by establishing minimum capital

[33] 12 CFR 252.165(a)(2), (b)(2).

[34] 82 FR 8266 (January 24, 2017).

[35] The OCC calculated the number of small entities using the SBA's size thresholds for commercial banks and savings institutions, and trust companies, which are $550 million and $38.5 million, respectively. Consistent with the General Principles of Affiliation, 13 CFR 121.103(a), the OCC counted the assets of affiliated financial institutions when determining whether to classify a national bank or federal savings association as a small entity.

[36] Under regulations issued by the Small Business Administration, a small entity includes a depository institution, bank holding company, or savings and loan holding company with total assets of $550 million or less and trust companies with total assets of $38.5 million or less. As of June 30, 2017, there were approximately 3,451 small bank holding companies, 224 small savings and loan holding companies, and 566 small state member banks.

[37] 12 U.S.C. 3901–3911.

[38] 12 U.S.C. 1831o.

requirements as well as by other means that the agency deems appropriate.[39] The PCA provisions of the Federal Deposit Insurance Act direct each Federal banking agency to specify, for each relevant capital measure, the level at which an IDI subsidiary is well capitalized, adequately capitalized, undercapitalized, and significantly undercapitalized.[40] In addition, the Board has broad authority to establish regulatory capital standards for bank holding companies under the Bank Holding Company Act and the Dodd-Frank Reform and Consumer Protection Act (Dodd-Frank Act).[41] Section 165 of the Dodd-Frank Act provides the legal authority for the Board's proposed revisions to the TLAC rule.[42]

The proposed changes to the eSLR rule would apply only to entities that are GSIBs, as identified by the GSIB surcharge rule, and any IDI subsidiary of a GSIB that is regulated by the Board. Currently, no small top-tier bank holding company would meet the threshold criteria for application of the eSLR standards provided in this proposal. Accordingly, the proposed changes to the eSLR rule would not have a significant economic impact on a substantial number of small entities. However, one bank holding company covered under the proposal has a state member bank subsidiary with assets of $550 million or less. The Board does not expect, however, that this entity would bear any additional costs as it would rely on its parent banking organization for compliance.

Under the proposal, the TLAC rule would continue to apply only to a top-tier bank holding company domiciled in the United States with $50 billion or more in total consolidated assets and that has been identified as a GSIB, and to covered IHCs. Bank holding companies and covered IHCs that are subject to the proposed rule therefore substantially exceed the $550 million asset threshold at which a banking entity would qualify as a small banking organization. Accordingly, the proposed changes to the TLAC rule would not have a significant economic impact on a substantial number of small entities.

The proposed changes to the eSLR rule and TLAC rule would not alter existing reporting, recordkeeping, and other compliance requirements. In addition, the Board is aware of no other Federal rules that duplicate, overlap, or conflict with the proposed changes to the eSLR rule and the TLAC rule. The Board believes that the proposed changes to the eSLR rule and TLAC rule will not have a significant economic impact on small banking organizations supervised by the Board and therefore believes that there are no significant alternatives to the proposed rule that would reduce the economic impact on small banking organizations supervised by the Board.

The Board welcomes comment on all aspects of its analysis. In particular, the Board requests that commenters describe the nature of any impact on small entities and provide empirical data to illustrate and support the extent of the impact.

C. Plain Language

Section 722 of the Gramm-Leach-Bliley Act requires the Federal banking agencies to use plain language in all proposed and final rules published after January 1, 2000. The Board and the OCC have sought to present the proposed rule in a simple and straightforward manner, and invite comment on the use of plain language. For example:

- Have the Board and the OCC organized the material to suit your needs? If not, how could they present the rule more clearly?
- Are the requirements in the rule clearly stated? If not, how could the rule be more clearly stated?
- Do the regulations contain technical language or jargon that is not clear? If so, which language requires clarification?
- Would a different format (grouping and order of sections, use of headings, paragraphing) make the regulation easier to understand? If so, what changes would achieve that?
- Is this section format adequate? If not, which of the sections should be changed and how?
- What other changes can the Board and the OCC incorporate to make the regulation easier to understand?

D. Riegle Community Development and Regulatory Improvement Act of 1994

The Riegle Community Development and Regulatory Improvement Act of 1994 (RCDRIA) requires that each Federal banking agency, in determining the effective date and administrative compliance requirements for new regulations that impose additional reporting, disclosure, or other requirements on IDIs, consider, consistent with principles of safety and soundness and the public interest, any administrative burdens that such regulations would place on depository institutions, including small depository institutions, and customers of depository institutions, as well as the benefits of such regulations. In addition, new regulations and amendments to regulations that impose additional reporting, disclosures, or other new requirements on IDIs generally must take effect on the first day of a calendar quarter that begins on or after the date on which the regulations are published in final form.[43]

Because the proposal would not impose additional reporting, disclosure, or other requirements on IDIs, section 302 of the RCDRIA therefore does not apply. Nevertheless, the requirements of RCDRIA will be considered as part of the overall rulemaking process. In addition, the Board and the OCC also invite any other comments that further will inform the Board's and the OCC's consideration of RCDRIA.

E. OCC Unfunded Mandates Reform Act of 1995 Determination

The OCC analyzed the proposed rule under the factors set forth in the Unfunded Mandates Reform Act of 1995 (2 U.S.C. 1532). Under this analysis, the OCC considered whether the proposal includes a Federal mandate that may result in the expenditure by state, local, and Tribal governments, in the aggregate, or by the private sector, of $100 million or more in any one year (adjusted for inflation). The OCC has determined that this proposed rule would not result in expenditures by state, local, and Tribal governments, or the private sector, of $100 million or more in any one year.[44] Accordingly, the OCC has not prepared a written statement to accompany this proposal.

List of Subjects

12 CFR Part 6

Federal Reserve System, Federal savings associations, National banks.

12 CFR Part 208

Accounting, Agriculture, Banks, banking, Confidential business information, Consumer protection, Crime, Currency, Global systemically

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[39] 12 U.S.C. 3907(a)(1).

[40] 12 U.S.C. 1831o(c)(2).

[41] *See, e.g.,* sections 165 and 171 of the Dodd-Frank Act (12 U.S.C. 5365 and 12 U.S.C. 5371). Public Law 111–203, 124 Stat. 1376 (2010).

[42] 12 U.S.C. 5365.

[43] 12 U.S.C. 4802.

[44] The OCC estimates that under the proposed rule, the minimum amount of required Tier 1 capital would decrease by $109 billion for covered OCC-supervised institutions. The OCC estimates that this decrease in required capital—which could allow these banking organizations to increase their leverage and thus increase their tax deductions for interest paid on debt—would have a total aggregate value of approximately $1.7 billion per year across all directly impacted OCC-supervised entities. The OCC recognizes, however, that affected institutions have several options regarding how they might adjust to changes in minimum required Tier 1 capital levels, only one of which is to reduce their Tier 1 capital levels.

important bank, Insurance, Investments, Mortgages, Reporting and recordkeeping requirements, Securities.

12 CFR Part 217

Administrative practice and procedure, Banks, banking. Holding companies, Reporting and recordkeeping requirements, Securities.

12 CFR Part 252

Administrative practice and procedure, Banks, banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

Office of the Comptroller of the Currency

For the reasons set out in the joint preamble, the OCC proposes to amend 12 CFR part 6 as follows:

PART 6—PROMPT CORRECTIVE ACTION

■ 1. The authority citation for part 6 continues to read as follows:

Authority: 12 U.S.C. 93a, 1831o, 5412(b)(2)(B).

■ 2. Section 6.4 is amended by revising paragraph (c)(1)(iv) to read as follows:

§ 6.4 Capital measures and capital category definitions.

* * * * *

(c) * * *

(1) * * *

(iv) Leverage Measure:

(A) The national bank or Federal savings association has a leverage ratio of 5.0 percent or greater; and

(B) With respect to a national bank or Federal savings association that is controlled by a bank holding company designated as a global systemically important bank holding company pursuant to subpart H of Regulation Q (12 CFR part 217, subpart H), the national bank or Federal savings association has a supplementary leverage ratio greater than or equal to:

(*1*) 3.0 percent; plus

(*2*) 50 percent of the GSIB surcharge calculated in accordance with subpart H of Regulation Q (12 CFR part 217, subpart H) applicable to the global systemically important bank holding company that controls the national bank or Federal savings association; and

* * * * *

Board of Governors of the Federal Reserve System

12 CFR CHAPTER II

Authority and Issuance

For the reasons set forth in the preamble, The Board of Governors of the Federal Reserve System proposes to amend chapter II of title 12 of the Code of Federal Regulations as follows:

PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (REGULATION H)

■ 3. The authority citation for part 208 continues to read as follows:

Authority: 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1816, 1818, 1820(d)(9), 1833(j), 1828(o), 1831, 1831o, 1831p–1, 1831r–1, 1831w, 1831x, 1835a, 1882, 2901–2907, 3105, 3310, 3331–3351, 3905–3909, and 5371; 15 U.S.C. 78b, 78I(b), 78l(i), 780–4(c)(5), 78q, 78q–1, and 78w, 1681s, 1681w, 6801, and 6805; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106 and 4128.

■ 4. Section 208.43, paragraph (b)(1)(iv) is revised to read as follows:

§ 208.43 Capital measures and capital category definitions.

* * * * *

(b) * * *

(1) * * *

(iv) Leverage Measure:

(A) The bank has a leverage ratio of 5.0 percent or greater; and

(B) With respect to any bank that is a subsidiary of a global systemically important BHC under the definition of ''subsidiary'' in section 217.2 of Regulation Q (12 CFR 217.2), the bank has a supplementary leverage ratio greater than or equal to:

(*1*) 3.0 percent; plus

(*2*) 50 percent of the GSIB surcharge calculated in accordance with subpart H of Regulation Q (12 CFR part 217, subpart H) applicable to the global systemically important BHC that controls the bank; and

* * * * *

PART 217—CAPITAL ADEQUACY OF BANK HOLDING COMPANIES, SAVINGS AND LOAN HOLDING COMPANIES, AND STATE MEMBER BANKS (REGULATION Q)

■ 5. The authority citation for part 217 continues to read as follows:

Authority: 12 U.S.C. 248(a), 321–338a, 481–486, 1462a, 1467a, 1818, 1828, 1831n, 1831o, 1831p–l, 1831w, 1835, 1844(b), 1851, 3904, 3906–3909, 4808, 5365, 5368, 5371.

■ 6. Section 217.11, paragraphs (a)(4)(ii) and (a)(4)(iii)(B) and Table 2 to § 217.11 are revised to read as follows:

§ 217.11 Capital conservation buffer, countercyclical capital buffer amount, and GSIB surcharge.

* * * * *

(a) * * *

(4) * * *

(ii) A Board-regulated institution with a capital conservation buffer that is greater than 2.5 percent plus 100 percent of its applicable countercyclical capital buffer in accordance with paragraph (b) of this section, and 100 percent of its applicable GSIB surcharge, in accordance with paragraph (c) of this section, and, if applicable, that has a leverage buffer that is greater than 50 percent of its applicable GSIB surcharge, is not subject to a maximum payout amount under this section.

(iii) * * *

(B) Capital conservation buffer was less than 2.5 percent, or, if applicable, leverage buffer was less than 50 percent of its applicable GSIB surcharge, as of the end of the previous calendar quarter.

* * * * *

TABLE 2 TO § 217.11: CALCULATION OF MAXIMUM LEVERAGE PAYOUT AMOUNT

Leverage buffer	Maximum leverage payout ratio (as a percentage of eligible retained income) (percent)
Greater than 50 percent of the Board-regulated institution's applicable GSIB surcharge	No payout ratio limitation applies.
Less than or equal to 50 percent of the Board-regulated institution's applicable GSIB surcharge, *and* greater than 37.5 percent of the Board-regulated institution's applicable GSIB surcharge.	60.
Less than or equal to 37.5 percent of the Board-regulated institution's applicable GSIB surcharge, *and* greater than 25 percent of the Board-regulated institution's applicable GSIB surcharge.	40.
Less than or equal to 25 percent of the Board-regulated institution's applicable GSIB surcharge, *and* greater than 12.5 percent of the Board-regulated institution's applicable GSIB surcharge.	20.
Less than or equal to 12.5 percent of the Board-regulated institution's applicable GSIB surcharge	0.

* * * * *

PART 252—ENHANCED PRUDENTIAL STANDARDS (REGULATION YY)

■ 7. The authority citation for part 252 continues to read as follows:

Authority: 12 U.S.C. 321–338a, 481–486, 1467a, 1818, 1828, 1831n, 1831o, 1831p–l, 1831w, 1835, 1844(b), 1844(c), 3101 *et seq.,* 3101 note, 3904, 3906–3909, 4808, 5361, 5362, 5365, 5366, 5367, 5368, 5371.

■ 8. In § 252.61:

■ a. Remove the definition ''External TLAC buffer'';

■ b. Add the definition ''External TLAC risk-weighted buffer'' in alphabetical order to read as follows:

§ 252.61 Definitions.

* * * * *

External TLAC risk-weighted buffer means, with respect to a global systemically important BHC, the sum of 2.5 percent, any applicable countercyclical capital buffer under 12 CFR 217.11(b) (expressed as a percentage), and the global systemically important BHC's method 1 capital surcharge.

* * * * *

■ 9. In § 252.62, revise paragraph (a)(2) to read as follows:

§ 252.62 External long-term debt requirement.

(a) * * *

(2) The global systemically important BHC's total leverage exposure multiplied by the sum of 2.5 percent plus 50 percent of the global systemically important BHC's applicable GSIB surcharge (expressed as a percentage).

* * * * *

■ 10. In § 252.63, revise paragraphs (c)(3)(i)(C), (c)(4)(ii), (c)(4)(iii)(B), and (c)(5)(iii)(A)(*2*), and Table 2 to § 252.63 to read as follows:

§ 252.63 External total loss-absorbing capacity requirement and buffer.

* * * * *

(c) * * *

(3) * * *

(i) * * *

(C) The ratio (expressed as a percentage) of the global systemically important BHC's outstanding eligible external long-term debt amount plus 50 percent of the amount of unpaid principal of outstanding eligible debt securities issued by the global systemically important BHC due to be paid in, as calculated in § 252.62(b)(2), greater than or equal to 365 days (one year) but less than 730 days (two years) to total risk-weighted assets.

* * * * *

(4) * * *

(i) * * *

(ii) A global systemically important BHC with an external TLAC risk-weighted buffer level that is greater than the external TLAC risk-weighted buffer and an external TLAC leverage buffer level that is greater than 50 percent of the global systemically important BHC's applicable GSIB surcharge, in accordance with paragraph (c)(5) of this section, is not subject to a maximum external TLAC risk-weighted payout amount or a maximum external TLAC leverage payout amount.

(iii) * * *

(B) External TLAC risk-weighted buffer level was less than the external TLAC risk-weighted buffer as of the end of the previous calendar quarter or external TLAC leverage buffer level was less than 50 percent of the global systemically important BHC's applicable GSIB surcharge as of the end of the previous calendar quarter.

* * * * *

(5) * * *

(iii) * * *

(A) * * *

(*2*) The ratio (expressed as a percentage) of the global systemically important BHC's outstanding eligible external long-term debt amount plus 50 percent of the amount of unpaid principal of outstanding eligible debt securities issued by the global systemically important BHC due to be paid in in, as calculated in § 252.62(b)(2), greater than or equal to 365 days (one year) but less than 730 days (two years) to total leverage exposure.

* * * * *

TABLE 2 TO § 252.63—CALCULATION OF MAXIMUM EXTERNAL TLAC LEVERAGE PAYOUT AMOUNT

External TLAC leverage buffer level	Maximum external TLAC leverage payout ratio (as a percentage of eligible retained income) (percent)
Greater than 50 percent of the global systemically important BHC's applicable GSIB surcharge	No payout ratio limitation applies.
Less than or equal to 50 percent of the global systemically important BHC's applicable GSIB surcharge, *and* greater than 37.5 percent of the global systemically important BHC's applicable GSIB surcharge.	60.
Less than or equal to 37.5 percent of the global systemically important BHC's applicable GSIB surcharge, *and* greater than 25 percent of the global systemically important BHC's applicable GSIB surcharge.	40.
Less than or equal to 25 percent of the global systemically important BHC's applicable GSIB surcharge, *and* greater than 12.5 percent of the global systemically important BHC's applicable GSIB surcharge.	20.
Less than or equal to 12.5 percent of global systemically important BHC's applicable GSIB surcharge	0.

■ 11. In § 252.160, revise paragraph (b)(2) to read as follows:

§ 252.160 Applicability.

* * * * *

(b) * * *

(2) 1095 days (three years) after the later of the date on which:

(i) The U.S. non-branch assets of the global systemically important foreign banking organization that controls the Covered IHC equaled or exceeded $50 billion; and

(ii) The foreign banking organization that controls the Covered IHC became a global systemically important foreign banking organization

* * * * *

■ 12. In § 252.162, revise paragraph (b)(1) to read as follows:

§ 252.162 Covered IHC long-term debt requirement.

* * * * *

(b) * * *

(1) A Covered IHC's outstanding eligible Covered IHC long-term debt amount is the sum of:

(i) One hundred (100) percent of the amount due to be paid of unpaid principal of the outstanding eligible Covered IHC debt securities issued by the Covered IHC in greater than or equal to 730 days (two years); and

(ii) Fifty (50) percent of the amount due to be paid of unpaid principal of the outstanding eligible Covered IHC debt securities issued by the Covered IHC in greater than or equal to 365 days (one year) and less than 730 days (two years); and

(iii) Zero (0) percent of the amount due to be paid of unpaid principal of the outstanding eligible Covered IHC debt securities issued by the Covered IHC in less than 365 days (one year).

* * * * *

■ 13. In § 252.165, revise paragraph (d)(3)(i)(C) to read as follows:

§ 252.165 Covered IHC total loss-absorbing capacity requirement and buffer.

* * * * *

(d) * * *

(3) * * *

(i) * * *

(C) The ratio (expressed as a percentage) of the Covered IHC's outstanding eligible Covered IHC long-term debt amount plus 50 percent of the amount of unpaid principal of outstanding eligible Covered IHC debt securities issued by the Covered IHC due to be paid in, as calculated in § 252.162(b)(2), greater than or equal to 365 days (one year) but less than 730 days (two years) to total risk-weighted assets.

* * * * *

Dated: April 2, 2018.

Joseph M. Otting,

Comptroller of the Currency.

By order of the Board of Governors of the Federal Reserve System, April 11, 2018.

Ann E. Misback,

Secretary of the Board.

[FR Doc. 2018–08066 Filed 4–18–18; 8:45 am]

BILLING CODE 6210–01–P 4810–33–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

[Docket No. FAA–2018–0230; Airspace Docket No. 17–AGL–26]

RIN 2120–AA66

Proposed Amendment of Air Traffic Service (ATS) Routes in the Vicinity of Chicago, IL

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This action proposes to modify two VHF Omnidirectional Range (VOR) Federal airways (V–217 and V–228) in the vicinity of the Chicago O'Hare International Airport, IL. The FAA is proposing this action due to the planned decommissioning of the Chicago O'Hare, IL (ORD), VOR/Distance Measuring Equipment (VOR/DME) navigation aid (NAVAID), which provides navigation guidance for portions of the affected ATS routes. The Chicago O'Hare VOR/DME is being decommissioned to facilitate the construction of a new runway at Chicago O'Hare International Airport.

DATES: Comments must be received on or before June 4, 2018.

ADDRESSES: Send comments on this proposal to the U.S. Department of Transportation, Docket Operations, 1200 New Jersey Avenue SE, West Building Ground Floor, Room W12–140, Washington, DC 20590; telephone: 1(800) 647–5527, or (202) 366–9826. You must identify FAA Docket No. FAA–2018–0230; Airspace Docket No. 17–AGL–26 at the beginning of your comments. You may also submit comments through the internet at *http://www.regulations.gov*.

FAA Order 7400.11B, Airspace Designations and Reporting Points, and subsequent amendments can be viewed online at *http://www.faa.gov/air_traffic/publications/*. For further information, you can contact the Airspace Policy Group, Federal Aviation Administration, 800 Independence Avenue SW, Washington, DC 20591; telephone: (202) 267–8783. The Order is also available for inspection at the National Archives and Records Administration (NARA). For information on the availability of FAA Order 7400.11B at NARA, call (202) 741–6030, or go to *https://www.archives.gov/federal-register/cfr/ibr-locations.html*.

FAA Order 7400.11, Airspace Designations and Reporting Points, is published yearly and effective on September 15.

FOR FURTHER INFORMATION CONTACT: Colby Abbott, Airspace Policy Group, Office of Airspace Services, Federal Aviation Administration, 800 Independence Avenue SW, Washington, DC 20591; telephone: (202) 267–8783.

SUPPLEMENTARY INFORMATION:

Authority for This Rulemaking

The FAA's authority to issue rules regarding aviation safety is found in Title 49 of the United States Code. Subtitle I, Section 106 describes the authority of the FAA Administrator. Subtitle VII, Aviation Programs, describes in more detail the scope of the agency's authority. This rulemaking is promulgated under the authority described in Subtitle VII, Part A, Subpart I, Section 40103. Under that section, the FAA is charged with prescribing regulations to assign the use of the airspace necessary to ensure the safety of aircraft and the efficient use of airspace. This regulation is within the scope of that authority as it would amend the route structure in the Chicago, IL, area as necessary to preserve the safe and efficient flow of air traffic within the National Airspace System.

Comments Invited

Interested parties are invited to participate in this proposed rulemaking by submitting such written data, views, or arguments as they may desire. Comments that provide the factual basis supporting the views and suggestions presented are particularly helpful in developing reasoned regulatory decisions on the proposal. Comments are specifically invited on the overall regulatory, aeronautical, economic, environmental, and energy-related aspects of the proposal.

Communications should identify both docket numbers (FAA Docket No. FAA–2018–0230; Airspace Docket No. 17–AGL–26) and be submitted in triplicate to the Docket Management Facility (see **ADDRESSES** section for address and phone number). You may also submit comments through the internet at *http://www.regulations.gov*.

Commenters wishing the FAA to acknowledge receipt of their comments on this action must submit with those comments a self-addressed, stamped postcard on which the following statement is made: ''Comments to FAA Docket No. FAA–2018–0230; Airspace Docket No. 17–AGL–26.'' The postcard will be date/time stamped and returned to the commenter.

All communications received on or before the specified comment closing date will be considered before taking action on the proposed rule. The proposal contained in this action may be changed in light of comments received. All comments submitted will be available for examination in the public docket both before and after the comment closing date. A report summarizing each substantive public contact with FAA personnel concerned with this rulemaking will be filed in the docket.

Availability of NPRMs

An electronic copy of this document may be downloaded through the internet at *http://www.regulations.gov*. Recently published rulemaking documents can also be accessed through the FAA's web page at *http://www.faa.gov/air_traffic/publications/airspace_amendments/*.

You may review the public docket containing the proposal, any comments received and any final disposition in