



Basel III Endgame, recalibrated
Decoding the Fed's NPR proposal for
a more resilient financial landscape

March 2026

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Background and key takeaways

On 19 March 2026, the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) released a recalibrated Notice of Proposed Rulemaking (NPR) package comprising three capital reform proposals:

- Basel III Expanded Risk Based Approach (ERBA) proposal
- Revised Standardised Approach (SA) for Risk-Weighted Assets
- Revised G-SIB surcharge proposal

Collectively, these proposals reshape the post-crisis US capital framework by introducing a single, simplified methodology for large banks, refining systemic risk measurement and improving alignment between capital requirements and underlying economic risk. The updated package reflects supervisory intent to simplify the framework, address concerns raised during the 2023 comment cycle and enhance comparability across institutions.

The OCC encourages stakeholders to review the proposed rules and provide comments before the close of the comment period on 18 June 2026.

This revised proposal represents a meaningful shift from the July 2023 Basel III NPR, also referred to as the 'Basel III Endgame', which was projected to significantly increase capital requirements.

- Regulators now estimate a 4.8 percent decrease in CET 1 requirements for Category I and II firms, driven largely by recalibration of the G-SIB surcharge and reduced stress test based losses, offsetting higher capital under the ERBA.
- The current proposal adopts a more proportional approach, reducing risk weights for certain traditional banking activities (corporate exposures and other assets), refining mortgage capital treatment and maintaining a more risk sensitive but operationally feasible framework for market and operational risk.

• In line with this recalibration, advanced approaches would now be retained only for market risk. The proposals formally discontinue the use of advanced approaches for credit, equity, operational risk and securitisation exposures, consistent with the direction set in the July 2023 proposal.

• The proposals also introduce inflation indexation (CPI W) across a wide set of regulatory thresholds, including thresholds for regulatory retail classification, SME borrower qualification, the definition of a financial institution, business indicator buckets for operational risk coefficients, operational loss materiality, the US\$5 billion trading activity test for market risk applicability, the US\$1 trillion derivatives exposure threshold for CVA scope, the US\$20 million net short position threshold and the US\$2 billion threshold for classifying large capitalisation equity exposures. These thresholds would adjust periodically to maintain consistency with economic conditions.

• For the broader industry, the standardised approach proposal is positioned to support credit intermediation by reducing aggregate CET1 requirements for Category III and IV firms by 3.0 percent (net of a +3.1 percent impact from newly required AOCI recognition) and by 7.8 percent for smaller institutions, primarily through more calibrated risk weights for mortgages, commercial exposures and retail portfolios. Per the Fed, these changes aim to strengthen on balance sheet lending, curb further migration of activity to nonbanks and simplify implementation for firms without complex trading operations.

Proposed changes in Capital Framework for Category I–IV banks

The table summarises the proposed capital framework across Categories I–IV, outlining impacts on regulatory capital, RWA components and key risk stripes, including credit, counterparty credit risk, market, CVA and operational risk.

- The proposed NPR reflects a shift toward a more standardised, risk-based capital framework, significantly limiting the use of advanced internal models and establishing standardised approaches as the primary basis for prudential capital, except in market risk.

- Under the proposal, firms would no longer perform dual risk-based capital calculations for prudential purposes; only the expanded risk-based approach or the revised standardised approach would apply, largely depending on the firm's category.

- The framework also introduces changes to stress-testing methodology and G-SIB surcharge calculations, with capital outcomes affected by updated modelling assumptions and the

(ERBA is optional for banks on Revised SA)

	Category I	Category II	Category III	Category IV	Comments
Default approach for risk-based capital	ERBA	ERBA	Revised SA	Revised SA	
Credit risk	Y	Y	Y	Y	<ul style="list-style-type: none"> • ERBA: Granular standard Risk weights (RW) • Revised standardised approach: standard RW
Counterparty credit risk	Y	Y	Y	Y	<ul style="list-style-type: none"> • ERBA: Only the SA-CCR method allowed • Revised SA: CEM allowed; SA-CCR-optional
Equity risk	Y	Y	Y	Y	Consistent with the current US standardised approach
Securitisation	Y	Y	Y	Y	Consistent with the current US standardised approach
Operational risk	Y	Y	NA	NA	<ul style="list-style-type: none"> • ERBA: Standard approach for operational risk allowed • Revised SA: Operational Risk capital is not applicable
Market risk	Y	Y	Conditional ¹	Conditional ¹	<ul style="list-style-type: none"> • ERBA: SA is required; IMA is subject to approval. • Revised SA: Market risk (MR) capital is not applicable (Unless the bank meets the MR threshold)
CVA	Y	Y	Conditional ²	Conditional ²	<ul style="list-style-type: none"> • ERBA: BA-CVA is required; SA-CVA is subject to approval • Revised SA: CVA capital is not applicable (Unless the bank meets the CVA threshold)

Capital buffers	Counter Cyclical Capital Buffer (CCyB)	Y	Y	Y	Y	Unchanged in the March 2026 proposal
	SCB ³	Y	Y	Y	NA	Unchanged in the March 2026 proposal
	G-SIB surcharge	Y	NA	NA	NA	
AOCI	AOCI recognition in CET 1	Y	Y	Y	Y	Same applicability as the July 2023 proposal; transition period lengthened to five years
Leverage ratio	Leverage ratio ⁴	Y	Y	Y	NA	Unchanged in the March 2026 proposal
	Enhanced supplementary leverage ratio ⁵	Y	NA	NA	NA	Unchanged in the March 2026 proposal

- Re-calibrated by the 2026 NPR proposal (March 2026) compared with the July 2023

Notes

1. MR threshold: [Trading activity ≥US\$5 billion (4Q avg) or ≥10 percent of total assets]
2. CVA threshold: [Trading activity ≥US\$5 billion (4Q avg) or ≥10 percent of total assets] and Average aggregate OTC derivatives gross notional ≥ US\$1 trillion
3. Proposals to revise the Board's stress testing framework and the Stressed Capital Buffer (SCB) requirement 90 FR 16843 (22 April 2025) and 90 FR 51856 (18 November 2025)
4. Proposal to revise the community bank leverage ratio proposal 90 FR 55048 (1 December 2025)
5. Proposal to revise the enhanced supplementary leverage ratio for US G-SIBs 90 FR 55248 (1 December 2025)

Credit risk and counterparty credit risk

The 2026 NPR introduces the most significant set of credit-risk revisions since the original US Basel III implementation. Across both the expanded risk-based approach (applicable to Cat I/II banks) and the standardised approach revisions (applicable to Cat III/IV and other smaller banks), the proposals significantly increased risk sensitivity, modernised exposure measurement and tightened eligibility for credit risk mitigants, while simplifying or reducing capital in lower-risk asset classes.

Key enhancements include investment-grade differentiation, more granular Loan-to-value (LTV)-based real estate risk weights, revised and more conservative Credit Conversion Factors (CCFs) and a graded bank exposure framework, alongside targeted additions such as the retail transactor category. At the same time, core elements such as the retail structure, LTV-based approach and standardised methodologies are largely retained from the 2023 NPR.

The key categories of change are summarised below:

3.1 Credit risk

Key considerations for credit risk

Areas	Category I/ II	Category III/ IV
Corporate exposures - investment grade versus general	<ul style="list-style-type: none"> ERBA: Retains the Basel-aligned, risk-sensitive corporate grid, with a 65 percent risk weight for investment-grade corporates, higher risk weights for non-investment-grade exposures, and a 150 percent risk weight for subordinated debt. This may result in lower capital for high-quality wholesale portfolios relative to a flat corporate risk weight. 	<ul style="list-style-type: none"> Revised SA: Moves away from 2023's universal-ERBA plan and sets a simple flat RW of 95 percent for all corporate exposures (down from 100 percent under current standardised rules)
Retail exposures new tiered structure	<ul style="list-style-type: none"> ERBA: Keeps the segmented retail framework (for example, transactors with lower RWs), with roughly 45–100 percent depending on product/behaviour; eliminates internal models for credit risk (as 2023 proposed). Capital can be lower than 90 percent for prime/transactor retail, reflecting borrower behaviour. 	<ul style="list-style-type: none"> Revised SA: No dedicated retail grid; most unsecured retail falls into “other assets” at 90 percent RW unless captured elsewhere (for example, mortgages/ securitisations). Simpler than ERBA; may be higher than ERBA for high-quality retail, but lower than legacy 100 percent “other assets”
Off-balance sheet exposures: Revised CCFs	<ul style="list-style-type: none"> ERBA: Uses the Basel-style hierarchy of CCFs (for example, 20 percent/50 percent/100 percent depending on maturity/conditionality), with granular treatment for derivatives and netting; this is broadly in line with the 2023 NPR's ERBA design. 	<ul style="list-style-type: none"> Revised SA: Introduces a single 40 percent CCF for all non-cancellable commitments (replacing the prior 20 percent/50 percent split) and clarifies “commitment” (including unconditionally cancellable) For risk-based capital, unconditionally cancellable commitments remain at 0 percent CCF (note: 10 percent applies only in the supplementary leverage ratio, not credit risk)



Real estate exposures LTV- Based risk weights	<ul style="list-style-type: none"> Moves away from 50 percent/100 percent risk weights to LTV-based grids, with separate tables for properties dependent versus nondependent on property cash flows. For ‘cash flow independent’ CRE with LTV < 60 percent, the collateral acts as a partial credit enhancer with RW <= 60 percent even for risky obligors; LTV > 60 percent, the obligor’s own creditworthiness drives the capital charge, consistent with the view that the property collateral alone is insufficient protection at higher leverage. In ‘cash flow independent’ RRE, six granular risk tiers with respective RW percents are introduced, decreasing in comparison to the current SA method, with only “marginal increase” for LTVs>100 percent. In ‘cash flow dependent’ RRE and CRE, RWs have become “highly granular” with “continuous gradient of risk sensitivity” through LTVs with six and three risk tiers for RRE and CRE, respectively. <ul style="list-style-type: none"> In RRE for all LTVs <=100 percent RW has decreased “substantially” in 2026 NPR from current SA rules. For LTV>100 percent, RW percent increased marginally. CRE has undergone granular risk-sensitive RWs (70–110 percent) from a flat 100 percent. In RRE and ‘cash flow dependent’ CRE, for 90+ DPD exposures, RW increased from 100 percent to 150 percent. Cash flow dependent CRE with LTV >80 percent has RW =110 percent- 10pp ABOVE the ADC rate of 100 percent. This is a new disincentive that did not exist under the current SA (flat 100 percent regardless). <ul style="list-style-type: none"> Developers seeking permanent financing above 80 percent LTV face reduced economic viability under the 2026 NPR, which has made low-leverage “originate-to-hold” development more capital-efficient, while “penalising thin-equity high-leverage” completion. 	<ul style="list-style-type: none"> Owner-occupied RREs follow a granular tier structure similar to Category I and II banks, with RW set 5 percentage points above the corresponding Category I and II levels, except for defaulted exposures (90+ days past due) In the current SA implementation, CRE has flat RW=100 percent. The 2023 NPR and 2026 NPR remain unchanged and apply LTV-based treatment consistent with Category I and II banks For cash-flow-independent CRE with loan-to-value ratios below 60 percent, collateral provides partial credit enhancement, resulting in risk weights of up to 60 percent even for higher-risk obligors. For loan-to-value ratios above 60 percent, the capital charge is driven by the obligor’s standalone creditworthiness, with this treatment applied consistently across Category I, II, III and IV banks. For ‘cash-flow-dependent’ CRE, LTV tiers granularity is the same across 2023 and 2026 NPR, with marginal variation in RWs. This is a “substantial” change from the current flat 100 percent RW. With respect to ‘cash flow dependent’ CRE with LTV >80 percent the rules are aligned across each bank category.
New tiered structure for bank exposures	<ul style="list-style-type: none"> ERBA: Introduces a graded bank-exposure framework: Grade A (30 percent if highly capitalised; otherwise, 40 percent), Grade B (75 percent), Grade C (150 percent); includes a sovereign-based floor for certain foreign-bank exposures and retains 20 percent for short-term self-liquidating trade items. 	<ul style="list-style-type: none"> Across the three frameworks, bank exposure RW moves from a preferential 20 percent treatment under the current rule, to a ratings based spectrum under the NPR 2023 ERBA proposal, and finally to a flat 95 percent corporate RW under the 2026 Revised Standardised Approach.
Mortgage Servicing Assets (MSAs)	<ul style="list-style-type: none"> Mortgage Servicing Assets (MSAs) are subject to a uniform 250 percent risk weight (the prior deduction from the CET 1 basis threshold eliminated) 	

3.2 Counterparty credit risk

Relative to the 2023 NPR, the 2026 NPR leaves SA-CCR unchanged but embeds CCR into a single standardised framework, adding recognition of cross-margining, cross-product netting rules and minimum haircut/margin mechanics while retaining the no-IMM rule, commercial end-user alpha relief and the 8 percent FX mismatch haircut.

Key considerations for CCR	
Methodology	<ul style="list-style-type: none"> For Category I and II banks, the proposal retains the 2023 proposal but diverges materially from Basel and PRA standards. It mandates SA-CCR for derivatives exposures and certain repo-style transactions under qualified cross-product master netting agreements, applies ERBA for the supplementary leverage ratio and removes IMM for capital purposes. Per the proposal, Cat III-IV banks can now elect to adopt SA-CCR or use existing approaches. Additionally, the rule invites comments on applying a universal alpha of 1.4 and shifting away from the NPR July 2023 proposed alpha of 1.0 for commercial end users.
Haircuts	<ul style="list-style-type: none"> The 2026 NPR retains the 2023 netting set exposure formula but permits standalone trades (not in a netting set) to use the existing collateral haircut approach, and it extends mutual fund haircut rules to ETFs, allowing a look through option for underlying assets. The entire minimum haircut floor framework is removed in 2026, creating a material divergence from PRA and Basel standards, which still retain haircut floors.
Cross-product netting	<ul style="list-style-type: none"> The 2026 NPR allows firms to use SA-CCR to calculate exposure for certain non-cleared repo-style transactions. This applies when these transactions are part of a qualifying cross-product netting set that includes derivatives. Where the organisation does not make such an election, it would use the collateral haircut approach to calculate the exposure amount for a repo-style transaction. This materially diverges from PRA and Basel rules, which do not allow cross-product netting.
Collateral and margining	<ul style="list-style-type: none"> The 2026 NPR revises SA-CCR to allow clearing member banking organisations the option to treat Settled to Market (STM) and Collateralised to Market (CTM) derivative contracts in the same netting set for PFE calculations. This change will impact the replacement cost component, thereby reducing EAD and capital. The new rule has proposed potential modifications related to default fund contributions to recognise cross-margining arrangements with QCCPs that meet certain criteria. It also restores the requirement that corporate debt collateral must be investment grade, reversing the 2023 proposal. Additionally, it introduces eligible prepaid credit protection arrangements as a new credit risk mitigant and expands the simple approach to allow maturity and currency mismatch recognition.
Large exposure/Single counterparty credit limit	<ul style="list-style-type: none"> Current version preserves the 2023 stance mandating SA-CCR for Single Counterparty Credit Limit (SCCL) and revokes the use of IMM, which also aligns with PRA and Basel. However, NPR enforces calculated SA-CCR exposure for SCCL as a hard stop for trading and expects continuous monitoring, whereas other jurisdictions still treat this as supervisory in nature.

3.3 Securitisation and equity exposure frameworks

The 2026 NPR primarily tightens standardisation and reduces flexibility, including stricter data requirements (making the 1,250 percent fallback more binding for Cat I/II) and applying broader CCF simplifications for Cat III/IV.

Key considerations for securitisation and equity		
Areas	Cat I/ II	Cat III/ IV
Securitisation	<ul style="list-style-type: none"> The 2026 NPR retains the Securitisation Standardised Approach (SEC-SA) risk weights, which are dependent on attachment/detachment points, tranche subordination, adjusted capital of the underlying pool (K) and related parameters, with due diligence rules. Failure to meet requirements results in a 1,250 percent risk weight 	<ul style="list-style-type: none"> The 2026 NPR also extends SEC-SA(replacing SSFA), but with floors: minimum 15 percent RW for non-resecuritisations, 100 percent RW for resecuritisations and NPL (Non-Performing Loan) securitisations If due diligence requirements are not met, fallback RW of 1,250 percent applies
Equity exposures	<ul style="list-style-type: none"> Equity exposures under ERBA continue to be capitalised under the Simple Risk-Weight Approach (SRWA) using the Adjusted Carrying Value (ACV) methodology Equity risk-weight calibrations are unchanged; 2026 NPR retains the 2023 NPR approach 	<ul style="list-style-type: none"> Equity treatment under RSA also remains largely unchanged from Cat I/ II (SRWA with adjusted carrying value) Conditional commitments to acquire an equity exposure now fall under the RSA's simplified off-balance-sheet CCF rule: a uniform 40 percent CCF applies to these conditional equity commitments (replacing the 2023 NPR maturity-based split)

Operational risk: New standardised requirement


The March 2026 proposal makes major changes to operational risk capital, representing a complete reset of how large US banks calculate, manage and disclose operational risk. While it retains a standardised framework for the largest banks (Category I and II), it removes the Pillar 1 operational risk capital requirement entirely for Category III and IV banks, reversing the earlier proposal. Essentially, large banks face higher and more stable operational risk capital, while regional banks gain optionality with no mandatory operational risk charge unless they adopt the expanded approach.

Key considerations for operational risk	
Standardised and other simplified approaches	<ul style="list-style-type: none"> The proposal amends the standardised approach and introduces two simplified alternatives, the income-based approach and the asset-based approach. These are similar to the former Basic Indicator Approach, where a scalar is applied to gross income or total consolidated assets. These simplified approaches are not included in the current Basel 3.1 guidelines.


<p>Changes in the standardised approach</p>	<p>In 2026, the Proposed Business Indicator and operational loss materiality dollar thresholds are indexed to the CPI-W consumer price index and adjusted every two years. The Internal Loss Multiplier (ILM) is entirely removed (equivalent to setting up ILM = 1 for all banks). The capital requirement is now purely a function of the business indicator component with no loss-history scalar.</p> <p>Business Indicator now has two components instead of three:</p> <ul style="list-style-type: none"> • Interest, lease and dividend component • New Noninterest Component (replaces both services and financial components). The merger into a single non-interest component is a fundamental structural simplification. <p>All inputs to business indicators are based on three-year rolling averages. One exception is interest-earning assets, which would be calculated as the average of the quarter-end values for the previous 12 quarters.</p> <ul style="list-style-type: none"> • Consistent with the Basel standards, the business indicator would exclude expenses that do not relate to financial services received by banking organisations, loss provisions and reversal of provisions (except for those related to operational loss events) or changes in goodwill. • With prior supervisory approval, the proposal would allow organisations to exclude activities that they have ceased to conduct, whether directly or indirectly, from the calculation of the business indicator, provided the organisation demonstrates that such activities do not carry legacy legal exposure. • Nearly 70 percent of downscaling is to be applied to net income from investment management, investment services and non-lending treasury services in non-interest components.
<p>Strengthened governance, controls and data requirements</p>	<ul style="list-style-type: none"> • Banks must maintain an independent operational risk management function • 10 years of loss event data is not required, which reduces data infrastructure complexities, formal internal processes, and documentation.

Market risk: Standardised and advanced approaches

The proposal substantially revises the market risk framework to align with the Basel Committee's Fundamental Review of the Trading Book (FRTB), while preserving the option to use internal models at the trading desk level where appropriate. It also deviates materially from the 2023 proposal, reflecting updated calibrations, enhanced netting/collateral treatment and stronger alignment across market, CVA and securitisation rules. The market risk framework applies to:



Category I and II banking organisations



Banks with ≥ US\$5 billion trading assets/liabilities or ≥10 percent of total assets in trading positions, based on a four-quarter average of trading assets and liabilities. Thresholds are indexed to inflation.

Key considerations for capitalisation of market risk capital	
Market risk covered positions	<ul style="list-style-type: none"> • Clarifies treatment of fair-valued underlying credit and equity exposures linked to embedded derivatives in instruments issued by a banking organisation • Calls for desk-level 'independent' monitoring of trading-desk positions and classifications
Structural changes to the capital framework	<ul style="list-style-type: none"> • Default risk to be calculated on a standalone basis across trading desks • Reduces duplication and operational complexity across desks
Diversification between the Standardised Approach (SA) and the Internal Model Approach (IMA)	<ul style="list-style-type: none"> • Introduces a revised aggregation approach recognising diversification between standardised (SA) and internal model approach (IMA) positions
IMA capital cap at SA	<ul style="list-style-type: none"> • With supervisory approval, the non-default capital requirement under the Internal Model approach (IMA) is capped at Market Risk capital calculated under Standardised Approach (SA)

Key considerations for SA	
Defaulted and distressed positions	<ul style="list-style-type: none"> • Defaulted and distressed positions are excluded from non-default risk models • Distressed positions may be treated as defaulted positions for market risk capital purposes
Commodity index treatment	<ul style="list-style-type: none"> • Provides more appropriate and targeted treatment for commodity index positions (introduces new Bucket 12), assigned RW of 30 percent for commodity index exposures
Onshore versus offshore currency	<ul style="list-style-type: none"> • Proposed rules do not address the treatment of onshore and offshore currency curves. The earlier rule required treating them as two distinct curves, subject to prior approval from the Fed supervisor
Future realised volatility and Simple Spread Options (Risk Residual addon)	<ul style="list-style-type: none"> • Retains exclusions of future realised volatility from exotic exposures • Retains exclusions for simple spread options where payoff can be replicated using traded instruments
Covered bonds mapping	<ul style="list-style-type: none"> • Non-securitised covered bonds are mapped into two buckets: Bucket 8 (investment grade) with a 1.5 percent risk weight, and the new Bucket 16 (speculative grade) with a 2.5 percent risk weight. • Correlation Trading Portfolios (CTP): No bucket classification for covered bonds • Enhances risk sensitivity in credit spread treatment
Proportional LTA for EQ investments in funds	<ul style="list-style-type: none"> • If only a proportion of a fund can be looked through, the equity fund exposure is split into two proportional positions (look-through and non-look-through), each treated as a separate market risk position

Key considerations for IMA	
Profit and loss attribution test (P&L attribution) changes	<ul style="list-style-type: none"> • Spearman correlation metric removed (Kolmogorov-Smirnov (K-S) test part of PLAT) • PLA consequences delayed by three years • The consequences of Amber and Red Zones apply only after three years • Allows time to stabilise models and improve performance before regulatory penalties
Modellability Framework Redesign	<ul style="list-style-type: none"> • Modellability test redesigned and made more granular, with risk-factor-level requirements explicitly linked to liquidity horizons: <ul style="list-style-type: none"> – 24 Real Price Observations (RPO) required for risk factors with a liquidity horizon ≤ 20 days – 16 RPOs required for risk factors with longer liquidity horizons

Type A and Type B Non Modelling Risk Factors (NMRF)	<ul style="list-style-type: none"> • More nuanced treatment of non-modellable risk factors: Type A (Low RPO count and passes qualitative criteria) and Type B (Low RPO count and fails qualitative criteria)
Diversification treatment in Stressed Expected Shortfall (SES)	<ul style="list-style-type: none"> • Type A Non-Modellable Risk Factors (NMRF): <ul style="list-style-type: none"> – Included in both IMCC and SES – Receive favourable diversification (zero correlation) in SES • Type B Non-Modellable Risk Factors (NMRF): <ul style="list-style-type: none"> – Included only in SES – Subject to supervisory correlation parameter of $\rho = 0.36$ <p>Aims to reduce capital severity for higher-quality NMRFs</p>
Expected Shortfall (ES) calibration	<ul style="list-style-type: none"> • Retains both approaches: <ul style="list-style-type: none"> – Direct approach – Indirect approach

CVA risk framework

A comprehensive, standalone Credit Valuation Adjustment (CVA) risk capital requirement is introduced, aligned with the broader overhaul of the market and counterparty credit risk rules. Currently, the standardised approach does not require a separate CVA capital charge. The 2026 NPR proposal restricts this requirement to Category I and II firms and the largest derivative users (\geq US\$1 trillion notional, CPI-W adjusted), reducing the burden on mid-sized and regional banks.

In the 2023 NPR proposal, CVA was a more conservative binding capital constraint, while the 2026 NPR proposed rules ease this through targeted scope adjustments, exemptions and better calibration, designed to reduce capital inflation and improve usability. In the 2026 NPR proposal, CVA capital is estimated to rise by ~96 percent because the US is adopting capital binding and a full Basel CVA framework (BA-CVA/SA-CVA), replacing minimal prior CVA requirements, and using SA-CCR-based exposure inputs, combined with stricter governance, broader applicability and more conservative sensitivity calculations.

Key considerations for CVA

CVA framework and approaches	<ul style="list-style-type: none"> • 2026 NPR Proposal retains the 2023 NPR proposal largely and adopts Basel 3.1 BA-CVA and SA-CVA approaches, along with guidelines on governance and risk management requirements.
Use of internal models	<ul style="list-style-type: none"> • Discontinuing use of advanced or internal approaches for regulatory capital calculations, retained from the 2023 NPR Proposal.
Pillar 3: New CVA-specific disclosure requirements	<ul style="list-style-type: none"> • Compared with the 2023 NPR proposal, the 2026 NPR requires more streamlined disclosures, including robust Pillar 3-style reporting on a quarterly and annual basis, covering approach breakdowns, hedging activity and bucketed exposure details.
Exemptions for client cleared transactions	<ul style="list-style-type: none"> • Material relaxation from 2023 NPR Proposal, CCPs and client cleared legs are exempted from CVA calculations. Basel suggests calculating CVA RWA for all non-QCCP legs, thereby NPR aims at reducing CVA RWA and making client hedging less expensive.
Cross product netting	<ul style="list-style-type: none"> • Allows cross-product netting for SA-CVA inputs, in order to enhance SA-CCR integration. Basel and PRA don't allow cross-product netting. SA-CCR provides the exposure inputs needed to compute CVA sensitivities and risk capital.
Hedge recognition	<ul style="list-style-type: none"> • Retains the 2023 NPR proposal of an explicit CVA hedging framework requirement, taking cues from Basel guidelines. Earlier hedge recognition happened via Market risk rules. Partial CVA hedges cannot be carved out and used for other market risk purposes, such as FRTB SA.

Disclosure requirements

The proposal repositions the disclosure regime away from a broad Pillar 3-style quantitative framework towards a hybrid model of targeted qualitative disclosures and expanded regulatory reporting.

Key considerations for disclosure requirements

Scope and application	<ul style="list-style-type: none"> • Applies to: <ul style="list-style-type: none"> – Category I and II banks – Banks are electing an expanded risk-based approach – Disclosures required at top-tier consolidated level only (no subsidiary-level requirement)
Public disclosures versus regulatory reporting	<ul style="list-style-type: none"> • Removes most quantitative public disclosures. • Relies on enhanced regulatory reporting for granular capital and risk data. • Anticipated revisions to key reporting templates: <ul style="list-style-type: none"> – Call reports – FFIEC 101/102 – FR Y-9C – FR Y-14A/Q – FR Y-15
Market risk disclosures	<ul style="list-style-type: none"> • Expanded qualitative disclosures, including: <ul style="list-style-type: none"> – Market risk governance and organisational structure – Policies for identifying market risk covered positions – Risk measurement, monitoring and reporting systems – Trading desk structure, including: <ul style="list-style-type: none"> ◦ Model-eligible desks ◦ Changes in the scope of model-ineligible desks • Additional requirements: <ul style="list-style-type: none"> – Quarterly report of market risk measure (agency-defined format) – Confidential supervisory reporting (IMA banks): <ul style="list-style-type: none"> ◦ Back testing ◦ Profit and Loss Attribution (PLA)
CVA disclosures	<ul style="list-style-type: none"> • Introduction of CVA qualitative disclosure tables, covering: <ul style="list-style-type: none"> – CVA risk management objectives and policies – Governance and control framework – Identification, measurement, monitoring and control processes – Effectiveness of CVA hedging strategies • Additional (for SA-CVA banks): <ul style="list-style-type: none"> – Senior management oversight – Model governance and documentation • Independent risk control and review
Credit risk	<ul style="list-style-type: none"> • Detailed quantitative public disclosures (for example, RW and tranche-level data), with granularity shifted to regulatory reporting (FR Y-14, call reports, Y-9C) • IRB-related disclosures (PD, LGD, EAD) eliminated
Securitisation	<p>Securitisation disclosures to have high-level exposure, strategy and risk profile, whereas detailed tranche, RW and overlap information shifted to supervisory reporting</p>

Capital ratios

The proposal streamlines the capital framework by establishing a single, binding approach for capital calculations, removing the standardised approach as a constraint, aligning capital deductions across banks to strengthen loss-absorbing capacity and eliminating the output floor.

Key considerations for capital ratios

The standardised approach is not binding for minimum risk-based capital requirements for Category I and II banks	<ul style="list-style-type: none"> Eliminated the advanced approach for capital calculations Expanded risk-based approach is mandatory Need to compute capital ratios only based on the expanded risk-based approach <p>However, in the current capital regime, firms are required to compute capital ratios based on both standardised and advanced approaches, and the minimum risk-based capital requirements are the lower of each ratio calculated under the standardised approach and the advanced approach.</p>
MSA deductions from CET1	<ul style="list-style-type: none"> Category I & II banks: Capital deduction for MSAs not required, all MSAs receive a 250 percent risk weight instead Category III and IV banks: MSAs below the 25 percent CET1 threshold receive a 250 percent risk weight, while those above would be eligible for deductions <p>However, per the current capital regime, Banks must deduct MSAs from CET1 once MSAs exceed 25 percent of CET1 capital; below that threshold, MSAs receive a 250 percent risk weight.</p>
The AOCI opt-out is eliminated	<ul style="list-style-type: none"> Category III and IV banks must include AOCI in CET1, except that gains/losses on cash flow hedges are excluded if the hedged item is not a fair value Transition period of 5 years from the effective date to phase in AOCI in the current capital regime Category I & II banks must include AOCI in CET1 Category III and IV banks had the option to opt out of including AOCI in CET1 (Retained from Jul 2023 NPR)
Elimination of the output floor	<ul style="list-style-type: none"> Category I and II banks are mandated to compute capital using the Expanded Risk-Based approach (no output floor of 72.5 percent). In contrast, in the July 2023 NPR, the output floor served as a lower bound on the Risk Weighted Assets under the expanded risk-based approach to limit capital benefit from internal models
Linked the stress capital buffer to the binding capital requirement	<ul style="list-style-type: none"> The Stress Capital Buffer equals a minimum of 2.5 percent of the binding capital requirement under either the expanded risk-based or standardised approach In the current capital regime, even if banks were using an advanced approach for capital ratios, the stress buffer was a minimum of 2.5 percent of the standardised approach Directly constrain the same capital measure that governs regulatory compliance

G-SIB surcharge methodology recalibrated

On 19 March 2026, the Board of Governors of the Federal Reserve System (the Board) issued a Notice of Proposed Rulemaking (NPR) proposing targeted amendments to the US global systemically important bank (G-SIB) surcharge framework and associated FR Y-15 reporting, with the aim of better aligning capital surcharges with system risk, improving measurement accuracy, smoothing cliff effects and enhancing comparability across firms.

The existing dual-method structure is retained, under which G-SIB capital surcharges are determined by the higher of the outcomes generated by Method 1 and Method 2. The principal elements of the proposal are summarised below.

Key considerations

Coefficient recalibration and indexation	<ul style="list-style-type: none"> One-time downward recalibration of Method 2 coefficients by a factor of 1.2, anchored to updated balance-sheet data and nominal GDP benchmarks, and intended to reflect structural changes in the financial system and the broader macroeconomic environment. Introduction of automatic, GDP-based indexation of Method 2 coefficients, capturing real economic growth and inflation, with annual rescaling to mitigate future drift in systemic risk scores.
Short-Term Wholesale Funding (STWF): measurement redesign	<ul style="list-style-type: none"> Redefinition of STWF as an absolute exposure measure through removal of the RWA-based scaling factor, strengthening alignment with funding fragility risk. Recalibration of STWF weight to ~20 percent of the Method 2 score, restoring its intended contribution within the framework. Alignment of STWF maturity buckets with FR 2052a and NSFR, ensuring consistency across capital and liquidity regimes.
Averaging framework for indicator measurement	<ul style="list-style-type: none"> Replacement of year-end point-in-time measures with annual averages (daily or monthly) to reduce volatility and window-dressing incentives. Standardised averaging windows and calculation mechanics to improve transparency, consistency and supervisory comparability.
Surcharge function and score bucket specification	<ul style="list-style-type: none"> Revision of Global Systemically Important Bank (G-SIB) score thresholds and bucket intervals, introducing narrower score bands and smaller surcharge steps (10 basis points) to enhance granularity in capital outcomes. Refinement of the score-to-surcharge mapping, reducing non-linear cliff effects.
Indicator measurement specification enhancements	<ul style="list-style-type: none"> Indicator definitions revised to reflect economic substance, rather than legal structure, accounting treatment or booking form. Calculation methodologies refined to align each indicator with its intended systemic risk channel. Intragroup transactions are separated from third-party activity to avoid overstating systemic importance. FR Y-15 reporting guidance clarified and standardised to improve consistency, comparability and auditability.
Foreign Banking Organisation Reporting Requirements (FR Y-15)	<ul style="list-style-type: none"> FBO FR Y-15 reporting streamlined by eliminating FBO-specific Schedules H-N and consolidating reporting onto standard Schedules A-G.

(Method 1 and Method 2 rely on the same set of systemic-risk indicators; under Method 2, the substitutability indicator used in Method 1 is replaced with a measure of reliance on short-term wholesale funding risk, with the binding capital surcharge set to the higher of the two.)

Proposed next steps

Regulatory engagement and industry advocacy



- Identify areas requiring clarification for the 18 June 2026 comment window
- Coordination with industry groups and regulators on interpretive topics

Review impacts and alignment with business strategy



- Review capital and RWA impacts under revised rules
- Check alignment with business strategy, product mix and portfolio plans

Data



- Review data availability for revised classifications and indicators
- Check consistency, completeness and lineage across sources

Models' usage (Fit for purpose)



- Reassess alignment, calibration, NMRP's changes, etc., for market risk models
- Assessment of models' applicability/purpose across a) internal financial planning, b) risk appetite and management and c) regulatory capital reporting purposes

Technology/Systems



- Identify system updates needed for revised RWA and exposure calculations
- Review interfaces supporting reporting, measurement and data flows

Implementation roadmap



- Outline cross-functional workstreams: FO, risk, finance, treasury, IT and reporting
- Plan design, build, implement, test and dry-run cycles

Regulatory and management reporting



- Review impacts on regulatory reporting templates (FR Y-9C, FR Y-14, FR Y-15, etc.)
- Re-assess documentation, reporting controls

Operating model: Policies, processes, procedures and governance



- Review policies and procedures for consistency with new requirements
- Recheck governance, controls and oversight frameworks

Key links

- US Capital NPR 2023 - [Regulatory Capital Rule: Category I and II Banking Organizations, Banking 2023](#)
- US Capital NPR 2026 - [Regulatory Capital Rule: Category I and II Banking Organizations, Banking 2026](#)
- G-SIB Surcharge 2023 - [Risk-Based Capital Surcharges for Global Systemically 2023](#)
- G-SIB Surcharge 2026 - [Risk-Based Capital Surcharges for Global Systemically 2026](#)
- Standardised Approach for RWA - [Regulatory Capital and Standardised Approach for Risk-Weighted Assets](#)

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