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# US Basel III Endgame 2026

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Center for  
**Regulatory  
Strategy  
US**

# Overview of notices of proposed rulemaking

On March 19, 2026, the federal banking regulators issued a coordinated package of **three notices of proposed rulemaking (NPRs)** to revise the US regulatory capital framework:<sup>1</sup>

- **Expanded risk-based approach (ERBA) and market risk**—required for Category I-II banks with revisions to credit, operational and market risk capital frameworks. Other banks, including Category III-IV banks, have the option to adopt ERBA.
- **Revised standardized approach (SA)**—required for all banking organizations Category III and under with revisions to credit risk capital framework and an explicit requirement for Category III-IV banks to capitalize accumulated other comprehensive income (AOCI).
- **Revised FR Y-15 systemic indicator reporting and global systemically important bank (G-SIB) surcharge**—proposal refines the G-SIB surcharge methodology to align with firms' systemic risk profiles and modifies aspects of the calculations for greater risk sensitivity.

In addition to replacing the 2023 ERBA and GSIB surcharge proposals,<sup>2</sup> the agencies are proposing substantive changes to the SA. Together these proposals represent a marked shift from the prior regulatory trajectory. The agencies estimate the proposed recalibrated capital framework, including updates from the recently proposed revisions to the capital stress testing framework, will reduce aggregate risk-based capital requirements. The table below summarizes the projected cumulative reductions to bank holding company (BHC) common equity tier 1 (CET1) capital requirements based on their analysis.

Category I-II	Category III-IV	BHCs between \$10B and \$100B in assets
<b>-4.8% cumulative</b> +1.4% standalone for ERBA + MR	<b>-5.2% cumulative</b> -6.1% stand-alone for SA	<b>-7.8% cumulative</b>

Source: FRB, [Open board meeting—Special Collection Aggregate Release data](#), March 12, 2026

The agencies have not specified an effective implementation date in any of the three proposals, though the NPRs share a June 18, 2026, comment deadline. Comments previously submitted on the 2023 proposal must be resubmitted to be considered in the final rulemakings. Moreover, the agencies are requesting banks to include impact assessments to support their comments.

As they perform a deep dive into the proposed changes, banks should identify impacts and opportunities based on their own unique balance sheets and portfolio compositions. For example, Category III-IV banks are encouraged to evaluate if ERBA opt-in results in overall capital relief relative to increased operational burden. As another example, banks below \$100 billion in total assets will benefit from understanding both the capital benefits as well as the implementation complexity given the more granular approach to risk-weighting. Further, all banks will likely benefit by evaluating capital impacts on both a standalone basis and in aggregate with other recently proposed regulatory capital changes, including stress testing proposals and the recently finalized community bank leverage ratio (CBLR) rule. This document summarizes proposed changes and provides insights and implications with the aim of helping banks process and understand the vast amount of information included across the three proposals.

1. Federal Reserve Board of Governors (FRB), "[Agencies request comment on proposals to modernize the regulatory capital framework and maintain the strength of the banking system](#)," press release, March 19, 2026. See Deloitte, "[Banking agencies issue Basel III regulatory capital re-proposal](#)," March 2026

2. NPRs replace the Basel III Endgame proposal issued in July 2023, which had proposed replacing internal models for credit risk and operational risk with standardized approaches while retaining a dual stack. That proposal was withdrawn following over 400 substantive comment letters and extensive industry engagement. FRB, "[Agencies request comment on proposed rules to strengthen capital requirements for large banks](#)," press release, July 27, 2023.

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# Key highlights

Included below are notable updates stemming from the three NPRs. These points are discussed in more detail in the detailed rule summary section.

## ERBA (Category I-II and banks opting-in)

- **Dual-stack eliminated:** Standardized and Advanced calculations both replaced by the ERBA, with no internal models for credit risk.
- **More risk-sensitive exposure banding:** More granular risk-weights based on qualification criteria for corporate and retail exposures that generally result in lower risk-weights (except for exposures to depository institutions) but require additional data and establishment of operational processes.
- **Loan-to-value (LTV) based real-estate calculation:** LTV-based calculations for residential and commercial real estate.
- **Revised treatment of commitments:** Expanded definition of commitments with greater capital requirements for unconditionally cancellable exposures.
- **Calculation tweaks and recalibration:** Revisions to securitization and counterparty calculations improve risk sensitivity and allow for greater offsets.
- **Simplified operational risk framework:** Advanced measurement approach (AMA) is eliminated and replaced by a simpler approach using income statement metrics. The proposal would allow for netting for fee income/expenses with additional reductions for certain wealth and treasury services.
- **Mortgage servicing assets (MSAs):** Encouragement of mortgage activity through less punitive treatment for MSAs.

## SA (Category III and below banks)

- **Implicit operational risk charge versus ERBA:** SA excludes explicit operational risk charges but has slightly higher credit risk weights versus ERBA to account for risk.
- **LTV-based mortgage risk weights:** LTV-based risk weights for residential real estate are expected to result in lower capital requirements.
- **Reduced risk weights:** Lower risk weights for corporate and other exposures; updates to securitization and counterparty calculations consistent with ERBA.
- **AOCI:** Category III-IV banks required to capitalize AOCI with a 5-year transition period.
- **ERBA opt-in:** SA banks have the option to adopt ERBA but must adopt it in the entirety, including more conservative capital definitions.
- **MSAs:** Encouragement of mortgage activity through less punitive treatment for MSAs.

## Market risk

- **Market risk (Fundamental Review of the Trading Book [FRTB]) applicability:** The threshold for 'significant trading activity' has increased to \$5 billion in aggregate trading assets and liabilities from \$1 billion under current rules.
- **Revised approach:** Banks must implement a sensitivities-based SA but have the option to apply the more complex models-based approach at a trading desk level.

### Systemic indicators and G-SIB surcharge

- **Indicator updates may impact category qualification:** Shift from year-end calculations to daily or monthly averages for systemic indicators to reduce year-end “window-dressing” may increase banks’ indicator levels resulting in a higher Category designation.
- **Lower G-SIB scores expected:** Reduced method 2 calculation coefficients and limits on the impact of short-term wholesale funding are expected to reduce surcharges.

### Bottom line

- Reduced conservatism in the proposals may enable **risk-weighted assets (RWA)/capital efficiency initiatives to have greater impact** and require refreshed internal target setting.
- Firms that **are able to enhance data and calculation processes may capture benefits faster and with fewer control issues and supervisory friction.**
- Many banks will see **lower binding capital constraints**, potentially changing capital stack decisions, payout capacity, and growth plans.
- The elimination of the dual-stack approach would **free up capital capacity at Category I-II banks and provide opportunities to reduce operational complexity as they consider sunseting or repurposing advanced internal ratings-based approach (A-IRB) models.**
- **Proposals diverge from other jurisdictions** with certain features of the international Basel framework not adopted (e.g., securities financing transactions haircut floor, market risk standardized output floor, MSA deductions, etc.), which may complicate capital management for global banks.

# Scope and applicability

The three NPRs are designed as a **coordinated regulatory package** with interlocking provisions tailored to the size, complexity, and systemic importance of each banking organization category.

Area	Component	Category I-II	Category III-IV	<\$100B total assets and not CBLR
Core standardized approach	SA general credit risk			
Core expanded risk based approach	ERBA general credit risk			
	Operational risk (BIA)			
General securitization and counterparty	Securitization (SEC-SA)			
	Revised collateral haircut approach			
	Revised SA-CCR		CEM retained	CEM retained
Market risk	Updated market risk (FRTB)		Trading ≥ \$5B or 10% of assets	Trading ≥ \$5B or 10% of assets
	Revised credit valuation adjustment (CVA) risk		≥ \$1T notional and MR applicable	≥ \$1T notional and MR applicable
Numerator impacts	AOCI recognition*	Currently applicable	5-yr phase-in	5-yr phase in if opting in to ERBA
	MSA deduction removal			
Ratios, buffers, reporting	G-SIB surcharge	G-SIBs only		
	FR Y-15 revisions			
	Disclosure requirements			≥ \$50B assets

Mandatory under the proposals
  Potentially applicable
  Opt-in
  Not applicable

**Tailoring framework:** Category I: US G-SIBs under method 1 or 2. Category II: ≥\$700B total assets or ≥\$75B in cross-jurisdictional activity. Category III: ≥\$250B total assets or ≥\$75B in nonbank assets, short-term wholesale funding, or off-balance sheet exposure. Category IV: \$100B–\$250B total assets. Eight US BHCs are currently designated as G-SIBs.

CBLR-eligible institutions can opt-out of risk-based capital requirements in favor of less risk-sensitive capital requirements.

\* Non-category I and II firms may currently elect to recognize AOCI within their capital calculation.

# Regulatory capital requirements aggregate impact

The table below provides a breakout of the capital impacts estimated by the Federal Reserve Board of Governors for key rule components:

BHC cumulative impacts	CET1 capital requirements cumulative impact*		
	Category I-II	Category III-IV	Other banks (\$10B-\$100B)
ERBA (including operational risk)	↔		
Market risk and revised CVA	↑		↓
Revised SA		Due to limited applicability of MR framework ↓	
AOCI updates		↑	
MSA updates	↔	↔	↔
Stress-testing buffer updates	↓	↓	
G-SIB surcharge updates	↓ G-SIB only		
<b>CET1 cumulative impact</b>	<b>4.8% reduction</b>	<b>5.2% reduction</b>	<b>7.8% reduction</b>

\*Source: FRB, [Open board meeting – Special Collection Aggregate Release data](#), March 12, 2026

↑ Increase   ↔ Minimal impact   ↓ Decrease

- **ERBA:** While ERBA risk weights are generally lower than the current SA, the addition of an operational risk charge results in capital requirements that are not significantly lower than that under the current SA in aggregate.
- **Market risk:** Aggregate capital requirements for market risk reduced for Category III and below institutions due to the increased threshold for the market risk framework, which reduces applicability.
- **MSA updates:** Removal of the MSA deduction would not have a material capital impact based on current bank portfolios, but is expected to encourage greater mortgage servicing activity.
- **Stress capital buffer updates:** The combination of proposed updates to the stress testing framework and proposed updates to the risk-based capital framework are expected to reduce aggregate capital requirements.

# Expanded risk-based approach (ERBA) summary

The ERBA is mandatory for Category I and II banks, with smaller banks having the option to opt-in. ERBA introduces significant changes to capital calculations, with key updates and related implications noted below by individual asset class.

ERBA		
Component	Updates	Implications
Retail-Non-real estate	<ul style="list-style-type: none"> <li>• <b>Three-tier risk weights replace the current approach:</b> Regulatory retail at 75% (e.g., revolving credit or a term loan or lease), transactor at 45% (e.g., regulatory retail exposures fully repaid at each scheduled date over the past 12 months, or overdraft facilities with no drawdowns during that period), and 100% for other retail.</li> <li>• <b>\$1M per-obligor cap</b> (CPI-W indexed, adjusted biennially) required for regulatory retail classification, qualifying small and medium-sized enterprises (SME) exposures are also now eligible if group revenue is under \$50 million (also inflation adjusted).</li> <li>• <b>10% credit conversion factor (CCF) on unconditionally cancellable commitments (including unused credit card lines and home equity line of credit [HELOC]),</b> up from 0% under the current SA, and new exposure methodology for exposures without preset limits based on a 24-month peak-usage lookback.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Banks should evaluate the consumer loan/ credit card capital shift,</b> including how the varying retail risk weights, 10% CCF on unused revolving lines, and peak-usage lookback for no-preset-limit products may impact RWA.</li> <li>• <b>Banks should assess consumer platform readiness:</b> The 45% transactor weight requires 12-month history from card servicing systems. Installment payment features (e.g. buy now pay later) or promotional 0% annual percentage rate (APR) offers disqualify a facility from transactor treatment. The \$1 million retail cap requires cross-product obligor aggregation across products/platforms.</li> </ul>

ERBA		
Component	Updates	Implications
Residential and commercial real estate (CRE)	<ul style="list-style-type: none"> <li>• <b>Seven LTV-based risk-weight buckets (20%–105%) replace the flat 50% risk weight for eligible first-lien residential mortgages</b>, split by whether repayment depends on property cash flows.</li> <li>• <b>LTV treatment requires meeting prudential criteria to qualify as regulatory real estate</b> (e.g., ability to repay assessment, compliant appraisal, no modifications or restructurings, etc.). Exposures that miss these criteria are assigned risk weights of 100%–150%; acquisition, development, and construction (ADC) loans assigned risk weights of 100% (residential) or 150% for high-volatility commercial real estate (HVCRE) regardless of LTV.</li> <li>• <b>CRE risk weights differ from residential as non-cash flow dependent is assigned the obligor's own risk weight</b> (capped at 60% for <math>LTV \leq 60\%</math>), while cash flow dependent CRE uses a fixed LTV table (70%/90%/110%). Obligor-level credit assessments are a new requirement for CRE capital calculations.</li> <li>• <b>Mortgage-related off-balance sheet commitments carry higher capital charges.</b> Rate locks and construction-to-permanent loan commitments move to a flat 40% CCF (replacing the 20%/50% maturity split), and cancelable HELOC commitments receive the new 10% CCF.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Capital relief is expected on well-collateralized owner-occupied loans</b>, with higher charges on high-LTV and investor exposures.</li> <li>• <b>Private mortgage insurance (PMI) is excluded from the LTV computation for new risk-weighting bands.</b> As a result, loans that appear well-collateralized today may fall into higher LTV buckets, and attract higher risk weights of 80%–100%; technology system's ability to capture of LTV excluding PMI will need to be confirmed.</li> <li>• <b>Cash-flow dependency and prudential criteria introduce new classification requirements at origination and ongoing monitoring</b> to realize preferential LTV-based risk weights.</li> </ul>

ERBA		
Component	Updates	Implications
Operational risk	<ul style="list-style-type: none"> <li>• <b>The advanced measurement approach (AMA) is eliminated and replaced by a SA</b>; Operational risk RWA becomes a function of the business indicator component (BIC), <b>a proxy for business volume/complexity</b> based on financial-statement inputs (3-year rolling averages). The approach emphasizes comparability across banks based on consistent financial-statement inputs and <b>removes modelling discretion</b>.</li> <li>• <b>The non-interest component replaces the service component and financial component</b> from the 2023 proposal.</li> <li>• The BIC non-interest component calculation includes <b>activity-specific calibration for wealth management and custody services and allows netting</b>, which lowers the resulting capital charge. This approach deviates from the international standards.</li> <li>• The current proposal <b>removes the internal loss multiplier (ILM)</b> that was included in the 2023 proposal. The ILM is based on a bank's operational loss history and is included in the international standards.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Given the structure of the BIC calculation, banks will have a higher operational risk charge; however the impact is significantly muted by deviations from the international standards.</b></li> <li>• <b>Fee-heavy and custody/wealth management banks are expected to benefit most</b> from the recalibration, though operational risk RWA for most ERBA banks are expected to decrease relative to the 2023 proposal.</li> <li>• <b>When evaluating the possibility of opting into ERBA, the potential benefits of reduced credit risk RWA should be weighed against adding operational risk RWA, including how operational risk might be allocated internally to business units in a manner that is different from credit risk allocations.</b></li> </ul>

ERBA		
Component	Updates	Implications
Corporate and bank exposures	<p><b>Corporate exposures</b></p> <ul style="list-style-type: none"> <li>• <b>Lower risk weights for investment grade corporate exposures (65% compared to 100%)</b>, with the split hinging on the banking organization's internal credit risk rating system.</li> <li>• <b>Higher risk weights for subordinated exposures (150%) and project finance in pre-operational phase (130%)</b>.</li> <li>• <b>Risk weights for non-investment grade corporate exposures remain at 100%</b>, which is now higher than the proposed risk weights under the revised SA.</li> <li>• <b>CCFs increase for unconditionally cancelable commitments</b> from 0% to 10% and the revised definition of commitment incorporates exposures that may previously have been regarded as uncommitted.</li> <li>• <b>A flat 40% CCF replaces the current maturity-based split (20% versus 50%)</b> for non-unconditionally cancellable commitments.</li> </ul> <p><b>Bank exposures</b></p> <ul style="list-style-type: none"> <li>• <b>Three-tier grading (A/B/C) replaces the current framework</b>. Risk weights span 20% to 150% based on investment grade status and public capital disclosures.</li> <li>• <b>Short-term trade finance keeps preferential treatment</b>, with self-liquidating, trade-related contingent items receiving reduced risk weights of 20% for Grade A and 50% for Grade B.</li> </ul> <p><b>Credit risk mitigation (CRM)</b></p> <ul style="list-style-type: none"> <li>• <b>CRM toolkit expands with broader mitigant recognition</b>, including additional collateral types under the simple approach.</li> <li>• <b>The 40% haircut applicable to credit derivatives that do not reference restructuring is waived</b> where certain conditions are met.</li> <li>• <b>Prepaid credit protection arrangements (e.g., credit-linked notes) are introduced as eligible mitigation</b> across all exposure types, including securitizations.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>65% investment grade risk weighting requires a dual-use rating system</b>, as the same internal credit risk rating system must drive capital classification and material business decisions, which may require alignment across frameworks operating independently.</li> <li>• <b>Banks should size the net RWA impact across the wholesale book to understand the combined effect of changes in CCF assignment</b>, the CRM waiver, and new prepaid credit protection recognition, which may offset hedged exposures.</li> <li>• <b>Bank exposure grading introduces monitoring requirements</b> for counterparties that stop publishing capital ratios or receive an adverse audit opinion, as risk weights could jump from as low as 20% to 150%.</li> </ul>

ERBA		
Component	Updates	Implications
Securitization	<ul style="list-style-type: none"> <li>• <b>Securitization RWA framework has been streamlined</b> with the supervisory formula approach (SFA) and standardized supervisory formula approach (SSFA) being replaced by the new securitization standardized approach (SEC-SA). The SEC-SA framework is largely similar to SSFA and includes minor revisions to inputs for conservatism.</li> <li>• <b>Risk-weight floor lowered to 15%</b> for securitizations; increased to 100% for re-securitizations with no corresponding increase to p-factor (as proposed in 2023 Basel III Endgame proposal).</li> <li>• <b>Additional updates include</b> expanding the definition of synthetic securitizations to include prepaid credit protection amount (PCPA) and, separately, new treatment options for certain exposures such as the “look-through” for senior exposures and explicit treatment for securitizations of non-performing loans (NPLs).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Improved risk sensitivity</b> and <b>reduced securitization capital</b> for banks with higher credit-quality exposures, better alignment with market practice.</li> <li>• Combined with other incentives, may support <b>reviving “private-label” securitizations.</b></li> <li>• <b>Bank should assess potential for added operational complexity under ERBA</b>, as certain SEC-SA inputs may require <b>additional data for underlying exposures.</b></li> </ul>
Other updates	<ul style="list-style-type: none"> <li>• <b>Threshold based capital deduction of MSA is removed</b> but all MSAs would receive a 250% risk weight.</li> <li>• <b>RWA treatment for equity exposures is generally aligned with current approach</b> (including retention of the non-significant carve-out). However, banks with significant trading activity will be required to apply market risk treatment to publicly traded equities and investment funds exposures.</li> <li>• <b>CCF for conditional equity commitments</b> has been simplified <b>to a flat 40%</b> (i.e. regardless of maturity).</li> </ul>	<ul style="list-style-type: none"> <li>• Despite the removal of the capital deduction, <b>MSAs remain capital intensive</b>, with active monitoring and concentration management continuing to be important for capital optimization strategies.</li> <li>• Banks subject to the market risk framework should <b>assess whether identification of covered positions needs to expand to include publicly traded banking book equity exposures.</b></li> </ul>

# Standardized approach (SA) summary

The SA is applicable for all banks Category III and below, except those opting into ERBA or the community bank leverage ratio (CBLR) framework. Noted below are the key updates to the SA by asset class, along with the related implications.

Standardized approach		
Component	Updates	Implications
Mortgages	<ul style="list-style-type: none"> <li>• <b>LTV-based risk weights replace the flat 50% for eligible first-lien residential mortgages.</b> Six LTV bands assign risk weights from 25% to 75% where repayment does not depend on property cash flows, and 35% to 110% where it does.</li> <li>• <b>SA mortgage risk weights are 5 percentage points higher than ERBA</b> across LTV bands, reflecting an embedded operational risk component.</li> <li>• <b>LTV eligibility depends on origination quality and loan performance.</b> Loans must be originated in accordance with agency real estate lending guidelines, secured by owner-occupied or rented property, not 90+ days past due, not in nonaccrual, and not restructured or modified. Junior liens and ADC loans are ineligible; risk weights for exposures failing any criterion remain at 100%.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Banks should evaluate whether existing loan systems can reliably classify cash flow dependency and confirm prudent underwriting eligibility</b> across the book, and size the remediation effort for legacy portfolios where eligibility documentation is incomplete.</li> <li>• Banks comparing frameworks should note that <b>ERBA's separate operational risk charge must be considered alongside its credit risk weights for a true comparison</b>, as the headline risk weight overstates the net capital benefit of opting in.</li> </ul>
Corporate, bank, and other exposures	<ul style="list-style-type: none"> <li>• <b>Corporate risk weight drops 5 points to 95%; "other exposures"</b> not specifically assigned a different risk weight <b>drop to 90%</b> and include non-mortgage retail.</li> <li>• <b>A flat 40% CCF is applied for commitments that are not unconditionally cancellable</b>, aligning with ERBA and eliminating the current 20%/50% maturity-based split.</li> <li>• <b>0% CCF is retained for unconditionally cancellable commitments</b> (lower than ERBA); however, a more expansive definition of commitments has been adopted consistent with ERBA. Under the expanded definition, additional <b>unconditionally cancellable commitments receive 10% CCF for supplementary leverage ratio (SLR) calculations.</b></li> <li>• <b>No change in risk weighting for exposures to depository institutions.</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>The 5-point corporate risk weight reduction is modest but broad-based</b>, and unhedged corporate exposures will benefit with no eligibility criteria or rating system required, unlike ERBA's investment grade carve-out.</li> <li>• <b>The flat 40% CCF removes the maturity advantage for short-dated commitments</b> and raises the cost of capital relative to long-dated commitments, with subsequent impact expected to term-curves, products, and pricing.</li> </ul>

Standardized approach		
Component	Updates	Implications
Counterparty credit risk (CCR)	<ul style="list-style-type: none"> <li>• <b>Current exposure methodology (CEM) stays the default; SA-CCR remains optional</b> but aligns to the revised ERBA framework which would allow for settled-to-market (STM) and collateralized-to-market (CTM) netting and cross-product netting across derivative and repo-style transactions.</li> <li>• <b>Collateral haircut approach is updated</b> to recognize netting and diversification benefits for repo-style netting sets and haircut tables have been recalibrated; banks no longer have the option to use internal estimates of haircuts.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>The revised standardized approach for CCR (SA-CCR) framework strengthens the case to explore opting out of CEM</b> for banks with broader margining arrangements.</li> <li>• <b>Updated SFT collateral haircut approach incentivizes trade consolidation into broader netting sets</b> and encourages transition away from simple approach.</li> </ul>
Securitization	<ul style="list-style-type: none"> <li>• <b>Securitization RWA framework has been streamlined</b> with the SFA and SSFA approaches being replaced by the new SEC-SA approach. The SEC-SA framework is largely similar to SSFA and includes minor revisions to inputs for conservatism.</li> <li>• <b>Risk-weight floor lowered to 15%</b> for securitizations (increased to 100% for re-securitizations) with no corresponding increase to p-factor as in the original 2023 Basel III Endgame proposal.</li> <li>• <b>Additional updates include</b> expanding the definition of synthetic securitizations to include PCPA and, separately, new treatment options for certain exposures such as the “look-through” for senior exposures and explicit treatment for securitizations of non-performing loans (NPLs).</li> </ul>	<ul style="list-style-type: none"> <li>• The proposed revisions are expected to <b>improve risk sensitivity</b> and create better alignment with current market practices.</li> <li>• Combined with other incentives (e.g., removal of MSA deduction), may support <b>reviving the “private-label” residential mortgage-backed security (RMBS) market.</b></li> <li>• For banks considering ERBA opt-in, there is <b>potential for added operational complexity</b>, as certain SEC-SA inputs may require <b>additional underlying collateral data</b> to ensure accurate <math>K_g</math> values (e.g., LTVs for mortgages and number of “transactor” accounts).</li> </ul>

Standardized approach		
Component	Updates	Implications
Other sections	<ul style="list-style-type: none"> <li>• <b>Threshold based capital deduction of MSA is removed</b> but all MSAs would still receive a 250% risk weight.</li> <li>• <b>RWA treatment for equity exposures is generally aligned with current approach</b> (including retention of the non-significant carve-out). However, one major shift (retained from the 2023 proposal) is publicly traded equities and many investment funds exposures are subject to market risk treatment.</li> <li>• <b>CCF for conditional equity commitments has been simplified to a flat 40%</b> (i.e. regardless of maturity).</li> </ul>	<ul style="list-style-type: none"> <li>• Despite the removal of the capital deduction, <b>MSAs remain capital intensive</b>, making active monitoring and concentration management.</li> <li>• Market Risk banks should <b>assess whether identification of covered positions needs to expand to include publicly traded banking book equity exposures</b>, including those within investment fund exposures.</li> </ul>
AOCI recognition	<ul style="list-style-type: none"> <li>• <b>Category III and IV banks lose AOCI opt-out, bringing CET1 treatment in line with Category I and II.</b> All AOCI components such as unrealized gains and losses on available-for-sale (AFS) flow through CET1 (excluding gains and losses on cash flow hedges where the hedged item is not recognized at fair value).</li> <li>• A 5-year phase-in applies for banks currently opted out.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>CET1 ratios become more sensitive to securities portfolio</b>, potentially creating new incentives around duration and liquidity management. The immediate impact is expected to be softened by the 5-year transition period.</li> </ul>

### Considerations of opting into ERBA

The proposed rules provide Category III and below banks with the option to adopt ERBA in place of the SA. The table below shows a side-by-side summary of the ERBA and SA updates, with the incremental impacts associated with ERBA where there is a notable difference in treatment. Because the magnitude of those changes can vary sharply within categories, particularly by LTV band, credit grade, and by transactor mix, the risk-weight break-outs that follow quantify the deltas that can drive an opt-in decision. **Category III and below banks should consider weighing potential benefits of opting into ERBA** for their balance sheet against the added data, governance, and controls burden to execute risk-sensitive calculations.

Exposure types/ topics	Risk weight updates		Expected impact of ERBA opt-in on capital requirements
	ERBA	SA	
Banks	Based on grading dependent on banks' capital ratios	Unchanged	↑
Corporate exposures and other assets	Lower for investment grade corporates; Higher for pre-operational project finance and subordinated debt	Reduced for corporate and other assets	↓
Real estate	Residential real estate: based on LTV and cash flow for qualifying exposures with lower risk weighting for ERBA		↓
	CRE: based on LTV and cash flow for qualifying exposures	CRE: Reduced to 95% (as corporate); HVCRE unchanged at 150%	↓
Retail	Lower risk weight for regulatory retail and transactors	Unchanged	↓
Unconditionally cancelable commitments	10% CCF for unconditionally cancellable	0% CCF for unconditionally cancellable (unchanged)	↑
Derivatives	Cross-product netting allowed under SA-CCR	CEM retained; SA-CCR opt-in	↕
AOCI updates	Unchanged [no AOCI opt-out option]	AOCI opt-out option removed for Category III and IV banks with phase-in	↑
Operational risk	BIA replaces AMA	Not applicable	↑

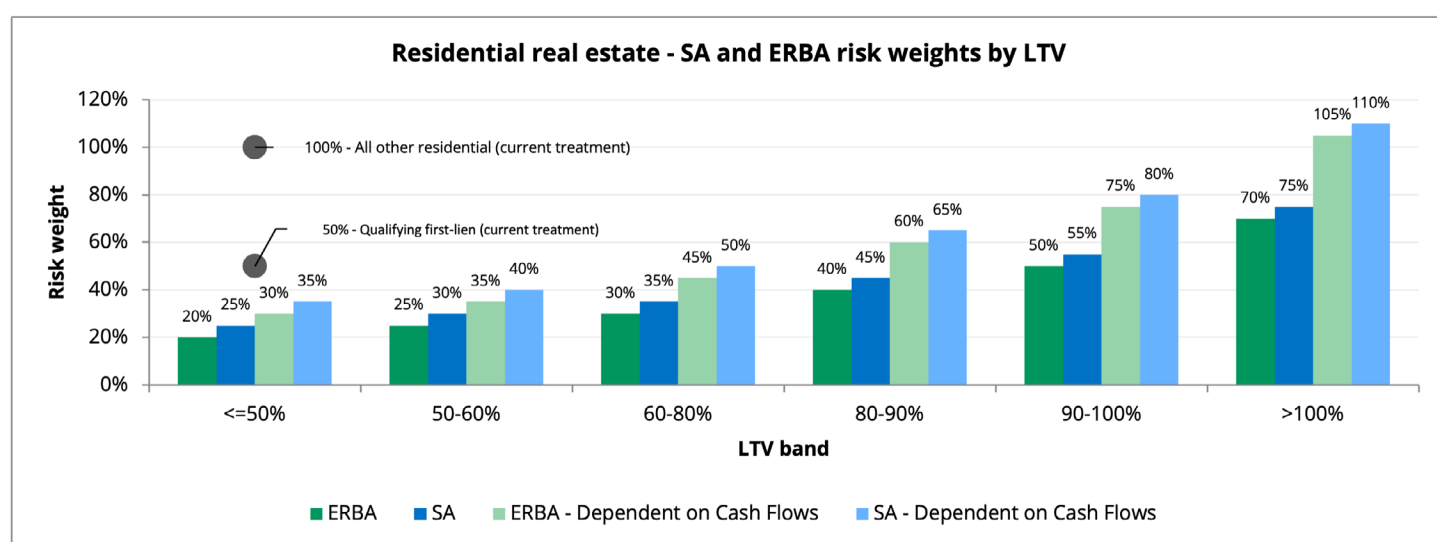
↑ Increase    ↕ Portfolio dependent    ↓ Decrease

The above view understates meaningful differences within each exposure category. Under ERBA, risk-weight outcomes are sensitive to portfolio composition, particularly LTV bands within real estate, credit grade within bank and corporate exposures, and transactor mix within retail. The following tables quantify these differences to help banks assess where ERBA's risk sensitivity creates capital relief versus where it concentrates capital intensity.

## Real estate

Both NPRs replace the current 50%/100% residential split with an LTV-based grid; ERBA also extends LTV granularity to cash-flow-dependent CRE.

### Residential real estate



Source: Deloitte analysis

### Commercial real estate

Exposure Category	ERBA	SA	Current RW
CRE - ≤ 60% LTV	70%	95%	100%
CRE - 60 - 80% LTV	90%		
CRE - > 80% LTV	110%		
90+ days past due/nonaccrual	150%	150%	150%

**Key takeaway:** A CRE book skewed toward ≤ 60% LTV cash-flow-dependent exposures would see the largest ERBA opt-in benefit; the outcome changes for >80% LTV books. Risk weights for pre-sold construction (50%), statutory multifamily (50%), ADC (100%), and HVCRE (150%) are unchanged under both SA and ERBA NPRs.

**Bank and corporate exposures**

ERBA introduces creditworthiness-based grading for banks and a distinct Investment grade bucket for corporates, with noticeable differentiation for project finance and subordinated debt.

**Bank exposures - ERBA**

Proposed risk weights	Grade A (well-capitalized)	Grade A (not meeting criteria)	Grade B	Grade C
Base risk weight	30%	40%	75%	150%
Self-liquidating, trade related contingent items with maturity ≤ 3 months	20%	20%	50%	150%

Bank exposure risk weights are unchanged under SA (20% for US depository institutions; up to 100% for certain foreign banks). ERBA replaces this with creditworthiness-based rating with generally higher minimum risk weights (30% versus 20%).

**Corporate Exposures**

Exposure Category	ERBA	SA	Current RW
Investment grade corporates	65%	95%	100%
Project finance (operational)	100%		
Project finance (pre-operational)	130%		
Subordinated debt	150%		
All other corporates	100%		

Current RW is existing US SA. "Investment Grade" (ERBA) requires listed securities and bank-determined repayment capacity; external ratings prohibited. 90+ DPD / nonaccrual is 150% under current SA and proposed SA/ERBA.

**Key takeaway:** ERBA's 65% investment grade (IG) corporate bucket is one of the larger opt-in benefits for banks with sizeable IG-rated corporate exposure that meet the listed-securities and internal IG-determination criteria. The 30%/40% bank grading floor (versus current 20%) may create a partial offset for interbank-heavy books.

## Retail and credit conversion factors

ERBA introduces the transactor and regulatory retail distinctions along with a 10% CCF on unconditionally cancellable commitments. The latter is the material CCF difference between the two frameworks.

### Retail exposures

Exposure Category	ERBA	SA	Current RW
Regulatory retail – Transactor	45%	90%	100%
Regulatory retail – Non-transactor	75%		
Other retail	100%		




### Credit conversion factors

Commitment category	ERBA	SA	Current CCF
Unconditionally cancellable commitments	10%	0%	0%
Self-liquidating trade-related	20%	20%	20%
Other commitments	40%	40%	20%/50%
Transaction-related contingent items	50%	50%	50%
Financial standby letter of credit (LOC)/guarantees	100%	100%	100%

**Key takeaway:** For card-heavy books, the ERBA transactor 45% risk weight is materially favorable, however the 10% unconditionally cancellable commitments CCF on undrawn lines is an offset that should be modeled together to gauge net opt-in benefit.

### Putting it together

Taken together, the ERBA opt-in decision generally turns on three portfolio questions:

-  What share of the residential and CRE book sits in **favorable LTV bands**?
-  How significant is the **IG-rated corporate** exposure?
-  What is the magnitude of **unconditionally cancellable commitments** that move from 0% to 10% CCF?

Banks should run a portfolio-level pro-forma under both frameworks, **including the operational risk charge and AOCI flow-through** that accompany an ERBA election.

# Market risk summary

Market risk capital requirements are applicable to all Category I and II institutions and other institutions with significant trading activity. The market risk updates replace value-at-risk (VaR)-based models with standardized and revised internal approaches, and introduce an explicit CVA capital requirement.

Market risk		
Component	Updates	Implications
Market risk RWA	<ul style="list-style-type: none"> <li>• <b>The models-based approach for Category I-II institutions is now more achievable and desirable</b> with the output no longer subject to a standardized output floor and instead serving as a cap.</li> <li>• <b>Many Category III-IV institutions may become exempt</b> from market risk capital given the increased \$5 billion threshold for significant trading activity. Those banks that are required to are likely to implement the SA.</li> <li>• <b>Expect market risk RWA to be re-shaped</b> (more risk-sensitive and Expected Shortfall [ES]-based), but the package-level signal from the 2026 proposal is that the 2023-era “step-up” in required capital is being dialed back.</li> <li>• <b>Per agency estimates</b>, the 2026 Basel III proposal is <b>expected to increase minimum requirements</b> for market risk, while recently proposed revisions to the stress test models are estimated to decrease stress test related market risk capital.</li> </ul>	<ul style="list-style-type: none"> <li>• Banks, particularly Category I and II banks, will need to <b>determine how the combination of its trading mix, boundary elections, and model eligibility results in market risk RWAs going up or down relative to today.</b></li> <li>• <b>Banks should consider running a side-by-side impact/quantitative impact study (QIS):</b> (1) current market risk rule, (2) 2023 FRTB-SA-based approach, and (3) 2026 proposed standardized + (where feasible) models-based approach, with particular focus on trading book boundary inventory, diversification recognition, and residual risk/CVA hotspots.</li> </ul>
CVA charge	<ul style="list-style-type: none"> <li>• <b>Introduces an explicit CVA capital requirement for in-scope derivatives activity</b>, implemented via SA CVA (Standardized) and BA CVA (Basic) approaches. The SA-CVA approach is more risk sensitive, whereas the BA-CVA is simpler and more conservative.</li> <li>• <b>Client-cleared trades are exempt from CVA</b>, and client transactions cleared under the agency model are excluded from the G-SIB complexity and interconnectedness indicators used in the G-SIB surcharge calculation (reversing the 2023 direction for clearing services).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Recognizing CVA risk as a standalone capital driver may increase RWAs for derivatives businesses</b>, but, under the 2026 proposal, the impact is concentrated on non-client (e.g., interdealer/bilateral) portfolios rather than client clearing.</li> <li>• The <b>client-clearing exemption is designed to reduce the capital-driven cost of client clearing and address competitiveness and capacity concerns</b> for US clearing services.</li> </ul>

# Systemic indicators and G-SIB surcharge summary

Revision to systemic indicators reported on the FR Y-15 may impact category thresholds for Category II-IV institutions, while the G-SIB score calculation will impact the G-SIB surcharge. Details of the updates are noted below:

Systemic indicators and G-SIB surcharge		
Component	Updates	Implications
<b>Systemic indicators and FR Y-15 changes</b>	<ul style="list-style-type: none"> <li>• <b>Financial institution definition</b> expanded to include additional institutions (exchange-traded funds [ETFs], private equity, asset management companies [AMCs], etc.).</li> <li>• <b>SA-CCR allowed</b> for derivatives reporting where used for regulatory capital calculations, removing the hard-coded current exposure method (CEM) reference.</li> <li>• Exclusion of non-transferable certificates of deposit and inclusion of preferred shares in <b>reporting of securities outstanding</b>.</li> <li>• Two additional <b>trading volume indicators</b> introduced and <b>updated list of currencies</b> for payment activity.</li> <li>• Proposed <b>removal of schedules H through N</b> and aligning foreign banking organization (FBO) reporting with domestic schedules A through G.</li> <li>• <b>Cross-jurisdictional definition</b> made consistent with FFIEC 009.</li> <li>• Proposed <b>different averaging frequencies for different indicators</b>, and exchange rate conversion shifts to average euro-to-USD rates from year-end spot rates.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>The shift to reporting and calculations based on daily/monthly average values will require additional investments across the data supply chain</b> (collection, management, aggregation).</li> <li>• <b>Updates may impact total-loss absorbing capacity (TLAC) and category thresholds</b>, with enhanced monitoring required.</li> </ul>
<b>G-SIB score</b>	<ul style="list-style-type: none"> <li>• <b>Fixed coefficients are replaced by an annually adjusted coefficients</b> with a one-time downward adjustment factor of 1.2.</li> <li>• <b>Annual adjustment is based on the 3-year moving average growth rate of nominal GDP</b>, with no adjustment if GDP growth is negative.</li> <li>• <b>Short-term wholesale funding (STWF) computation is modified</b> to an absolute amount rather than as a ratio of STWF to RWAs; the <b>STWF weight is set to 20% of the overall method 2 score</b>.</li> <li>• Maturity bucketing of STWF is modified to align with FR 2052a.</li> <li>• <b>Method 2 score bands narrow</b> from 100 basis points (bps) (50 bps surcharge increments) to 20 bps (10 bps increments).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>G-SIBs should conduct a detailed analysis of revised surcharge components to understand capital impact</b> (e.g., changes due to expanded definition of financial institutions for the Interconnectedness indicator).</li> <li>• <b>Narrower score bands reduce cliff effects</b> and banks may benefit in capital planning, as a modest change in score will no longer trigger a disproportionate jump in surcharge.</li> </ul>

# Key takeaways and immediate actions

## 1 — Review capital planning and strategy

Banks should revisit capital allocation across business lines, reassess buffers, and evaluate whether opting into ERBA produces further benefit for non-mandatory banks. Category III-IV banks should plan for AOCI recognition in CET1, including AFS/HTM classification and hedge accounting strategies, ahead of the 5-year phase-in. Globally active banks should assess implications for competitiveness of their global operations.

## 2 — Assess implications for lending portfolios and underwriting strategies

Changes to credit risk weights warrants revisiting portfolio composition and underwriting strategies in mortgage, CRE, and retail lending. The incorporation of LTV ratios and borrower repayment history into capital calculations may create incentives for stronger underwriting practices and improved borrower risk differentiation or changes to credit pricing strategies. In retail, the transactor definition links card product features directly to capital costs. Banks should analyze how the revised framework affects capital efficiency across lending segments and identify needed adjustments to product design, pricing, or risk management practices.

## 3 — Prepare for infrastructure, data, and systems investment

More risk-sensitive calculations introduce new data needs, including loan-level LTV data for mortgages, borrower credit quality assessment for corporate exposures, and repayment history tracking for retail exposures. Market risk systems will require updates to incorporate the new standardized calculations and the revised models-based approach. The elimination of the dual-stack approach may free up capacity at Category I-II banks as they look to streamline committed resources. Banks should assess data readiness across risk categories and develop a comprehensive implementation roadmap covering systems, processes, regulatory reporting, and capital models.

## 4 — Evaluate impacts on derivatives portfolio and trading activities

Revisions to CVA capital requirements and market risk calculations may affect the economics of certain trading and derivatives activities, while updates to SA-CCR may increase benefits of opting-in. Banks should run a side-by-side analysis comparing (1) the current market risk rule, (2) the 2023 FRTB-SA approach, and (3) the 2026 proposed standardized and models-based approach, with focus on trading book boundary, diversification recognition, and residual risk/CVA hotspots.

## 5 — Analyze impact of G-SIB surcharge changes and the broader reporting demands

G-SIBs should analyze how the proposed surcharge methodology revisions may affect their capital requirement. The move to daily or monthly averages for systemic indicators will diminish the effectiveness of point-in-time balance-sheet management strategies, requiring G-SIBs to embed surcharge management into ongoing business and funding decisions. The introduction of 10 bps increments (down from 50 bps) and recalibrated coefficients will also increase sensitivity to changes in firm activities. While the surcharge applies only to G-SIBs, the underlying FR Y-15 amendments, including averaged indicators and an expanded financial institution definition, apply to all filers with \$100 billion or more in total consolidated assets. All impacted organizations should assess their reporting infrastructure readiness for the increases in operational burden.

## 6 — Global banks should benchmark rule changes and capital impacts against other jurisdictions

The proposals diverge from international Basel standards in several areas, including the elimination of modelled approaches, the absence of a market risk output floor, and the downscaling of operational risk requirements. Banks with cross-border operations should compare the finalized and proposed frameworks, such as Basel Committee on Banking Supervision (BCBS), European Union (CRR3), and the United Kingdom (Prudential Regulatory Authority [PRA]) to identify divergences that affect competitive positioning, capital allocation, and group-level capital optimization.

# Regulatory insights to action

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# Contacts

## Huup Kicken

Managing Director  
Deloitte & Touche LLP  
[hkicken@deloitte.com](mailto:hkicken@deloitte.com)

## Krishna Blanchard

Principal  
Deloitte & Touche LLP  
[kblanchard@deloitte.com](mailto:kblanchard@deloitte.com)

## Craig Brown

Managing Director  
Deloitte & Touche LLP  
[cbrown@deloitte.com](mailto:cbrown@deloitte.com)

## Pushpam Chatterjee

Managing Director  
Deloitte & Touche India Pvt. Ltd.  
[puchatterjee@deloitte.com](mailto:puchatterjee@deloitte.com)

## Carrie Cheadle

Principal  
Deloitte & Touche LLP  
[ccheadle@deloitte.com](mailto:ccheadle@deloitte.com)

## Courtney Davis

Principal  
Deloitte & Touche LLP  
[coudavis@deloitte.com](mailto:coudavis@deloitte.com)

## Rishin Pandya

Managing Director  
Deloitte & Touche LLP  
[ripandya@deloitte.com](mailto:ripandya@deloitte.com)

## Jeff Mackenthun

Senior Manager  
Deloitte & Touche LLP  
[jmackenthun@deloitte.com](mailto:jmackenthun@deloitte.com)

## Marcel Wijnen

Senior Manager  
Deloitte & Touche LLP  
[marwijnen@deloitte.com](mailto:marwijnen@deloitte.com)

## Ammar Zafar

Senior Manager  
Deloitte & Touche LLP  
[amzafar@deloitte.com](mailto:amzafar@deloitte.com)

## Anshuk Batra

Specialist Leader  
Deloitte & Touche India Pvt. Ltd.  
[abatra@deloitte.com](mailto:abatra@deloitte.com)

## Deloitte Center for Regulatory Strategy, US

### Irena Gecas-McCarthy

*FSI Director, Deloitte Center for Regulatory Strategy, US*  
Principal | Deloitte & Touche LLP  
[igecasmccarthy@deloitte.com](mailto:igecasmccarthy@deloitte.com)

### Lananh Nguyen

*Co-Director, Deloitte Center for Regulatory Strategy, US*  
Managing Director | Deloitte Services LP  
[lananhnguyen@deloitte.com](mailto:lananhnguyen@deloitte.com)

### Jennifer Burns

Managing Director  
Deloitte & Touche LLP  
[jennburns@deloitte.com](mailto:jennburns@deloitte.com)

### Aaron Salerno

Manager  
Deloitte Services LP  
[asalerno@deloitte.com](mailto:asalerno@deloitte.com)

### Kyle Cooke

Manager  
Deloitte Services LP  
[kycooke@deloitte.com](mailto:kycooke@deloitte.com)

# Center for Regulatory Strategy US

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