

On March 19, 2026, the federal banking agencies issued three proposals to revise the bank capital framework: (1) a re-proposal implementing the Basel III capital standards, known as Basel III Endgame (**B3E Proposal**); (2) a proposal modifying the standardized approach for risk weighted assets (**SA Proposal**); and (3) a proposal modifying the Global Systemically Important Bank (GSIB) capital surcharge (**GSIB Proposal**).<sup>1</sup> The proposals are expected to decrease Common Equity Tier 1 (CET1) capital levels for Category I and II firms by 4.8%, for Category III and IV firms by 5.2%, and for banks under \$100 billion in total assets by 7.8%. The B3E Proposal makes several material changes from the agencies' original 2023 proposal, which was originally projected to have increased aggregate CET1 capital levels by 16%.<sup>2</sup>

### 5 insights you should know

1

**A simplified, recalibrated capital architecture with meaningful relief for Category I-II banks:** The B3E Proposal would eliminate the duplicative capital calculations, commonly referred to as “dual stack,” which currently require Category I and II firms to prepare two separate risk-based capital calculations, replacing it with a single “expanded risk-based approach” (ERBA) that other banking organizations may opt-into. Meanwhile the GSIB Proposal would (i) update the method 2 coefficients and index these coefficients to economic growth, (ii) restructure the short-term wholesale funding component, (iii) narrow surcharge increments from 50 basis points (bps) to 10 bps, and (iv) replace year-end point-in-time measurement with daily and monthly averaging.

2

**Standardized approach modernization delivers broad-based relief and incorporates AOCI for Category III-IV banks:** The SA Proposal would recalibrate and, in many cases, lower risk weights across major lending categories, particularly in mortgage and retail portfolios, improving risk sensitivity and reducing risk-weighted assets (RWA) for a wide range of exposures. As a result, most covered banks would see a decline in capital requirements through reduced credit RWA, supporting lending capacity and balance sheet efficiency. However, the proposal also requires Category III and IV banks to include accumulated other comprehensive income (AOCI) in CET1 capital, aligning them with Category I and II firms, with a five-year phase-in period. This AOCI inclusion is the primary element of the proposal that could otherwise increase capital requirements for affected banks, as it introduces mark-to-market fluctuations from securities portfolios into regulatory capital, partially offsetting the relief from lower risk weights.

3

**Revised credit risk weighting for mortgage and retail lending:** The B3E Proposal would revise credit risk capital requirements to better align with the International Basel Committee on Banking Supervision (BCBS) standards by removing excess risk weightings (“gold-plating”) from mortgage and retail lending, which were present in the 2023 proposal. Mortgage capital requirements would incorporate loan-to-value (LTV) ratios, and retail lending exposures would introduce more granular risk weights related to creditworthiness and transaction type to improve the framework’s sensitivity to credit quality. Both the B3E Proposal and SA Proposal would also remove requirements to deduct mortgage servicing assets (MSA) from regulatory capital and, instead, would assign a 250% risk weight to such assets.

4

**New standardized operational risk framework:** The proposals introduce a standardized operational risk charge and replace the advanced measurement approach for Category I and II firms. The B3E Proposal would calculate operational risk capital based on income indicators. Fee service income would be on a net basis (vs. the 2023 proposal on a gross basis), with the contribution of income and expenses arising from investment management, investment services, and non-lending treasury services being reduced by 70% relative to the international Basel standard. This change is intended to reflect the historically lower operational risk of these segments.

5

**Modified market and CVA risk capital treatment:** Under the proposals, the ERBA would replace the market risk framework and introduce a new standardized measure for market risk, a new models-based measure for market risk, and a new framework for the credit valuation adjustment (CVA) for derivative exposures. The agencies have proposed increasing the threshold applicable for market risk capital requirements from banks with \$1 billion in trading activity to \$5 billion in trading activity. The CVA framework would apply to (i) Category I and II depository institution holding companies; (ii) Category I and II depository subsidiaries with significant trading activity; and (iii) other banking organizations with significant trading activity that also have at least \$1 trillion in notional derivative exposure.

The federal banking agencies' proposals would be the most significant change to the US bank capital framework since the agencies first implemented the Basel III standards in 2013.<sup>3</sup> Together, these proposals introduce broad and sweeping changes across the capital regime for banking organizations and are expected to have meaningful implications for banks' profitability, product and service offerings, and long-term growth strategies. Given the scale and complexity of these changes, banking institutions should proactively assess and understand the potential impacts across their businesses.

### 5 considerations to evaluate

- 1 Review capital planning and strategy:** Banks should evaluate how the proposed revisions to the capital framework affect their overall capital planning strategies, including the impact of the single risk-based capital approach for large institutions and updates to credit, operational, and market risk calculations. Institutions may want to revisit capital allocation across business lines, reassess capital buffers, refine accounting strategies (i.e., for AFS/HTM securities) and evaluate the implications for growth strategies and product offerings. Given the B3E Proposal differs in some respects from international Basel standards, globally active banks should assess implications for capital planning, regulatory reporting, and the competitiveness of their global operations.
- 2 Assess implications for lending portfolios and underwriting strategies:** Changes to credit risk requirements may influence portfolio composition and underwriting strategies, particularly in mortgage 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. Banks should ensure readiness to capture needed data within their capital calculation processes. Additionally, banks should analyze how the revised framework affects capital efficiency across different 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. Additional data requirements may necessitate enhancements to on-boarding and credit management processes. Market risk systems will require updates to incorporate the new standardized calculations and the revised models-based approach. 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:** The expansion of CVA capital requirements to Category III and IV banks and updates to market risk calculations may affect the economics of certain trading and derivatives activities. Banks with significant derivatives portfolios should evaluate the capital impact of CVA requirements and consider potential adjustments to counterparty exposures, hedging strategies, or product offerings. Firms should also assess whether their trading risk management systems and models remain appropriate under the revised framework and whether additional validation or model development may be required. Finally, banks may have an incentive to utilize the internal models approach (IMA) for market risk given the lengthened timeline of implementation and potential increase in RWA benefits.
- 5 Analyze impact of GSIB surcharge changes and reevaluate systemic footprint management:** GSIBs should undertake a targeted analysis of how the proposed surcharge methodology revisions may affect their capital requirement. The move to daily or monthly averages for systemic indicators will significantly diminish the effectiveness of point-in-time balance sheet management strategies, requiring GSIBs to embed surcharge management into ongoing business and funding decisions rather than relying on periodic optimization. At the same time, the proposed introduction of more granular surcharge increments from 50 bps to 10 bps and recalibration of certain components would increase the likelihood of more frequent, incremental changes in surcharge levels and sensitivity to changes in firm activities. As a result, GSIBs should consider enhancing their real-time monitoring of surcharge drivers and develop more refined forecasting capabilities to assess how strategic decisions may affect their systemic scores and associated capital requirements.

## Endnotes

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.
2. FRB, Office of the Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), "[Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity](#)," Federal Register, September 18, 2023. See Deloitte, "[US Basel III Endgame: Key changes, impacts and where to begin](#)," August 2023.
3. FRB, OCC, FDIC, "[Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action, Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements, Advanced Approaches Risk-Based Capital Rule, and Market Risk Capital Rule](#)," *Federal Register*, October 11, 2013.

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