

Basel III Leverage Ratio: U.S. Proposes American Add-on; Basel Committee Proposes Important Denominator Changes

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On the heels of publishing the U.S. Basel III final rule, the U.S. banking agencies have proposed higher leverage capital requirements for the eight U.S. global systemically important banks (G-SIBs) and their insured depository institution subsidiaries. The higher leverage capital requirements, which we are calling the American Add-on, build upon the minimum Basel III supplementary leverage ratio in the U.S. Basel III final rule.

Recently, the Basel Committee on Banking Supervision has proposed important changes to the Basel III leverage ratio. As expected, most of these changes relate to the denominator of the ratio, including how derivatives and securities financing transactions should be taken into account and the scope of consolidation for inclusion of exposures in the denominator. If adopted, the Basel Committee's proposed changes may ultimately be reflected in U.S. Basel III.

Using **visuals, tables and formulas**, this memorandum discusses key aspects of the proposed American Add-on and the Basel Committee's proposed revisions to the Basel III leverage ratio.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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