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# A TEMPORARY RELAXATION OF LEVERAGE STANDARDS

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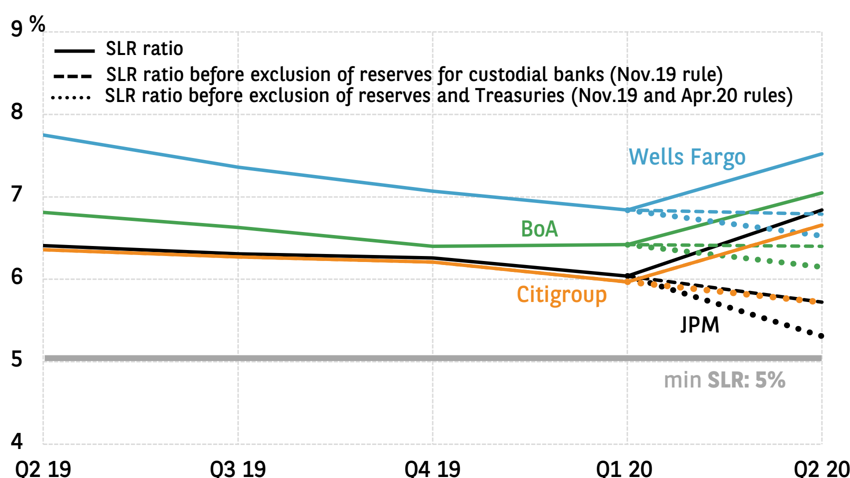
On 16 September, the Single Supervisory Mechanism (SSM) for the euro zone announced the temporary exclusion of reserves with the Eurosystem from the calculation of leverage ratios at major banks. Similar relaxations had been introduced a few months earlier in the USA, Switzerland and the UK.

The exceptional measures taken by public authorities to bolster liquidity have resulted in a significant expansion of banks' balance sheets. Fearing that leverage requirements could hamper the transmission of monetary policy and affect banks' abilities to lend to the economy, first regulators and then supervisors have temporarily relaxed such requirements. With little prospect of central banks reducing their balance sheets (and therefore automatically central bank reserves) in the short term, the exclusion of reserves from leverage exposure might be required for a lengthy period.

In the USA, where the relaxation of the requirement has gone further than in the euro zone (temporary exclusion of Treasury securities in addition to reserves, lasting deduction of reserves for custodial banks ), it allowed a marked improvement in leverage ratios at the very big banks in Q2 2020. Granted, the measure of leverage exposure used in calculating scores for systemic importance has not changed. However, targeted measures to rationalise balance sheets, by the end of 2020 or 2021, could help avoid an increase in G-SIB capital surcharges.

EFFECT OF RELAXATIONS ON SLR RATIOS OF THE US G-SIBS



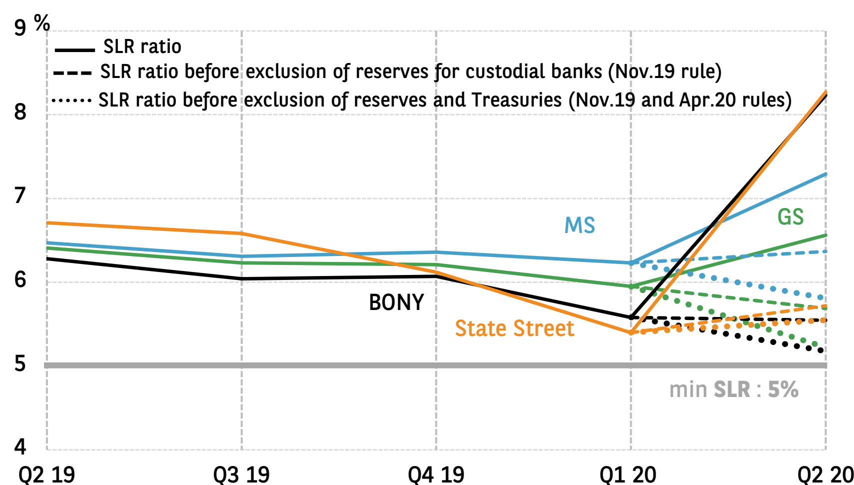




CHART 1

SOURCE: FFIEC 101, FR Y-9C, SEC 10Q REPORTS, BNP PARIBAS CALCULATIONS

Note: with the exception of Wells Fargo, US G-SIBs reported their third quarter SLR ratios last week (JP Morgan: 7%; Bank of America: 6.9% ; Citigroup: 6.8% ; Goldman Sachs: 6.8% ; Morgan Stanley: 7.4% ; Bank of New York Mellon: 8.5%; State Street: 8.2%).

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# EURO ZONE: A TEMPORARY RELAXATION TO THE RULE... BEFORE IT WAS EVEN INTRODUCED

In September[1], the SSM, as the single banking supervisor, announced that it had allowed the euro zone banks under its direct supervision to exclude from the calculation of their leverage ratios cash (notes and coins) and reserves with the Eurosystem (deposits made under the deposit facility and balances held in Eurosystem reserve accounts, including required reserves)[2]. This decision was taken after the single supervisor established, after consultation with the ECB (as the monetary authority), the existence of *"exceptional circumstances"* that justify such an exclusion. The banks will benefit from this relaxation from 30 September 2020 until 27 June 2021, the eve of the planned introduction of the leverage constraint. The supervisor has reserved the right to extend this exclusion beyond June 2021, by means of a possible recalibration of the leverage requirement.

At present, in the European Union, the leverage ratio is not a binding requirement (Box 1). However, banks are obliged to declare and report it. The public disclosure requirement has created an implied market requirement, at the minimum level of 3% recommended by the Basel Committee since 2011.

On the basis of figures to end-March 2020, the ECB estimates that the exclusion would have increased the aggregate leverage ratio for "significant" banks (112 banks in Q1 2020) by around 30 basis points, from 5.36% to 5.66%. We calculate that in Q2 2020, the improvement in the ratio would have been 42 basis points, from 5.32% to 5.74%[3]. Setting aside its temporary nature, the effect of this relaxation is thus likely to be less than that estimated for the major US banks (see below)[4].

## THE LEVERAGE REQUIREMENT IN THE EU REGULATORY CORPUS

Initially, the Basel leverage requirement (Tier 1 capital relative to leverage exposure) was introduced into European law through the Capital Requirements Regulation (CRR – EU575/2013). This set out the rules for the calculation of the leverage ratio, and required credit institutions to submit to the relevant authorities certain information on their leverage ratio and its components. Following an observation period, it was planned that the ratio would become a binding requirement from 1 January 2018. The Commission made initial modifications to the calculation methodology through a delegated act on 10 October 2014, which came into force in 2015. Since the beginning of 2015, credit institutions have been required to publish their leverage ratio in accordance with the delegated act of 2014.

However, the finalisation of the Basel III agreements in December 2017 delayed the application of the requirement as such. CRR2, in June 2019 (EU2019/876), amended the 2013 CRR to incorporate adjustments to the standard made by the Basel Committee at the end of 2017 (changes to the definition of leverage exposure, recommendation of tougher standards for Global Systemically Important Banks (G-SIBs), whose failure would threaten the global system). CRR2 set a binding requirement (at 3%) to come into force from 28 June 2021. It also established an additional leverage buffer for banks identified as G-SIBs, applicable from 1 January 20221.

In accordance with the Basel Committee's recommendations of December 2017, CRR2 also allows the relevant national authorities, under exceptional circumstances, to temporarily exclude (for a period of no more than a year) some central bank exposure from the denominator of the leverage ratio calculation, in order to facilitate the implementation of targeted monetary policy measures (and after consultation with the central bank). To reduce any threat to financial stability, an offsetting mechanism is set out. This consists of recalibrating the leverage requirement (expressed as a percentage) for each institution in a proportionate way, so as to neutralise the effects of this exclusion on Tier 1 capital requirements. This discretionary measure should be applied at the same time as the leverage requirement, from 28 June 2021.

**Changes to the leverage requirement in the context of the Covid-19 pandemic**

In order to mitigate the economic crisis caused by the Covid-19 pandemic, the Commission published a package of banking measures on 28 April 2020. These proposed certain targeted changes to CRR/CRD, with a view to supporting the supply of credit to households and businesses2. EU regulation EU2020/873, the so-called 'Quick-fix regulation', was adopted on 24 June 2020 by the European Parliament and Council and came into force on 27 June 2020. Concerned that the offsetting mechanism could *"result in hampering the effective transmission of monetary policy measures [by discouraging banks from participating in refinancing operations] and, ultimately, forcing an institution to deleverage by selling assets or reducing the level of lending to the real economy, or both, given its limited leeway to control the extent of these reserves during a crisis,"* the Commission proposed its modification.

During the remaining part of the observation period (from 27 June 2020 to 27 June 2021), the exclusion of reserves with the Eurosystem can be authorised without an offsetting mechanism (because the calibration of the requirement will not come into force until 28 June 2021). From 28 June 2021, *"a credit institution will be required to calculate the adjusted leverage ratio only once and based on the value of the institution's eligible central bank reserves and total exposure measure on the day when the institution's competent authority declares that exceptional circumstances exist. The adjusted leverage ratio will apply throughout the full period during which the discretion is exercised and will not change,"* unlike the situation under the CRR2 offsetting mechanism. The start date of the exceptional circumstances period can be set retrospectively. The 'Quick fix' also delayed the introduction of the supplementary leverage buffer for G-SIBs by one year (to 1 January 2023).

1 The buffer is set at 50% of the G-SIB surcharge (which is expressed as a proportion of risk-weighted assets).
2 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020PC0310

BOX 1

1 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020D1306
2 The new definition of leverage exposure will also apply to the calculation of total loss-absorbing capacity (TLAC).
3 The volume of reserves excluded from leverage calculations in Q2 2020 is approximated on the basis of outstanding current accounts and the deposit facility at end-June 2020.
4 The analysis is focused on the 8 US G-SIBs, which have communicated more broadly on the effect of the April 2020 rule (temporary exclusion of reserves at the Fed and Treasury securities for the calculation of the leverage ratio).

# UNITED STATES: A RELAXATION THAT FAVOURS BANK HOLDING COMPANIES MORE THAN THEIR DEPOSITORY INSTITUTION SUBSIDIARIES

## A 120 basis points improvement in leverage ratios at the 8 US G-SIBs

In the USA, the translation into US law of the Basel requirement, the Supplementary Leverage Ratio (SLR)[5], has been relaxed under two rules[6]:

- The rule, finalised in November 2019, excluded, from the definition of the leverage exposure of custodial banks (banks predominantly engaged in custody, safekeeping and asset servicing activities), part of their excess reserves held with the central bank[7] (equivalent to the proportion of client deposits linked to these business areas). This exclusion covers not only deposits at the Fed, but also those with central banks in other OECD countries. The rule came into force on 1 April 2020. To qualify as a 'custodial banking organisation' and be eligible for this measure, a bank holding company must have a ratio of assets under custody to total assets of at least 30:1 (as an average over the preceding four quarters). This relaxation allowed a significant improvement in SLR ratios for Bank of New York Mellon (BONY) and State Street in Q2 2020 (of 270bp and 260bp respectively). The other US G-SIBs have seen differing levels of benefit from these measures, depending on the make-up of their businesses. Overall, the November 2019 rule reduced the average leverage exposure of the 8 US G-SIBs by 11% and increased their average SLR ratio by 78 basis points. Without this exclusion, the average SLR ratio for these G-SIBs would have been 6.2%, against a published figure of 7% (Table 1 and Chart 1).
- The temporary rule finalised in April 2020 went on to exclude Treasury securities and reserves held with the Fed from the definition of leverage exposure for all US bank holding companies subject to the Basel leverage ratio. The rule will be in force from 1 April 2020 to 31 March 2021. Taken in isolation, we calculate[8] that the April 2020 rule reduced the average leverage exposure of the 8 US G-SIBs by 14% and increased their average SLR ratio by 100 basis points. Overall, the benefits of excluding deposits with the Fed is similar to that from the exclusion of Treasuries. Looking at individual banks, however, there are discernable discrepancies (Table 2).

The benefits from the two rules are not cumulative, as part of the reserves that can be excluded under the April 2020 rule can also be so under the November 2019 rule. Using the information available, we have estimated the maximum benefit available to each bank from these two relaxations. Overall, the November 2019 and April 2020 rules reduced the leverage exposure of the 8 US G-SIBs by 18% and increased their average SLR ratio by 124 basis points (Table 3 and Chart 1). In Q2 2020, the margin over the minimum requirement (5% for US G-SIBs) was, on average, 202 basis points; it would have been 78 basis points without the relaxations (124 basis points lower).

## With a few exceptions, depository institutions have not excluded their reserves and Treasuries from the calculation of their ratios

Whilst the temporary exclusion of reserves and Treasuries from leverage exposure (April 2020 rule) is automatic for bank holding companies, it is optional for depository institutions. In May, US regulators effectively extended the new SLR calculation method to all depository institutions with balance sheets of more than USD250 billion (the Category II and III banks) and subsidiaries of US G-SIBs – on the condition, however, that they submitted their dividend payment programmes (including intra-group dividends) to their supervisors.

SLR RATIOS OF THE MAIN DEPOSITORY INSTITUTION SUBSIDIARIES OF US G-SIBS

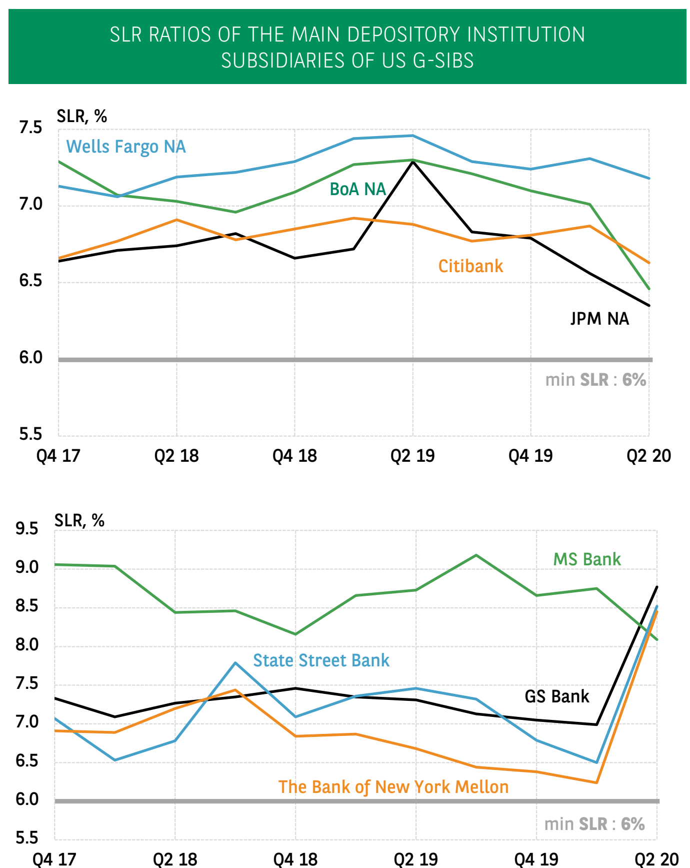


CHART 2 SOURCE: FFIEC CALL REPORTS

5 See Choulet C (2020), *US banks: leverage ratios under pressure, Eco Conjoncture, June 2020*, for a summary of leverage ratios in force in the USA and the relaxations introduced over the past year.
6 The three banking regulators have also been able to neutralise the impact of participation on two specific schemes introduced in response to the pandemic: the Money Market Mutual Fund Liquidity Facility (MMLF) and the Paycheck Protection Program Lending Facility (PPPLF). Under temporary rules, published respectively on 19 March and 9 April 2020, assets used as collateral for the MMLF and the PPP loans used as collateral for the PPPLF can be excluded from the calculation of leverage ratios. According to the rather fragmented information released by banks, these measures have not allowed a noticeable improvement in leverage ratios. Of the G-SIBs, JP Morgan has indicated that it has subtracted USD7.8 billion of assets purchased from money market funds and used as collateral under MMLF (giving a 2 basis point improvement in its leverage ratio).
7 Figures for reserves held in excess of the required minimum no longer have meaning as the Fed announced the removal of its minimum reserve requirement as part of its updated monetary policy of 15 March (reduction in required reserve coefficient to 0%, effective from 26 March).
8 Wells Fargo and BONY have not reported the effect of the April 2020 rule on their Basel ratios. We have estimated the impact on the basis of balance sheet data to end-March and end-June 2020 (interest-earning deposits at US depository institutions and portfolios of Treasuries).

Although the new rule has clear attractions with regard to the prudential leverage requirement (depository institution subsidiaries of G-SIBs generally carry on their balance sheets the bulk of central bank reserves for the consolidated group, whilst their minimum leverage requirement is more severe, at 6%), it also limits the payment of dividends from G-SIB subsidiaries to their holding companies (and thus from the holding companies to their shareholders[9]).

As a result, amongst depository institution subsidiaries of G-SIBs, only Goldman Sachs Bank has opted for a change in the definition of its leverage exposure (improving its SLR ratio in the process by 220 basis points in Q2 2020, Chart 2). The depository institution subsidiaries of BONY and State Street are also exceptions in that they took fairly full advantage of the November 2019 rule change (depository institution subsidiaries of bank holding companies designated as custodial banks can, like their parent companies, exclude part of their excess central bank reserves).

As a consequence of these three exceptions (GS Bank, The Bank of New York Mellon et State Street Bank), the SLR ratio of the main depository institution subsidiaries of the 8 G-SIBs declined by only 20 basis points on average between Q4 2019 and Q2 2020. In Q2 2020, the average ratio was 78 basis points above the minimum level of 6%.

## LIMITED ROOM FOR MANOEUVRE

Although the relaxations have automatically improved leverage ratios, there are still significant constraints on balance sheets.

Bank balance sheets have expanded considerably since mid-March. Drawings against confirmed credit lines and issuance of guaranteed loans under the schemes introduced by the authorities have increased balance sheet assets. Although like central bank reserves, loans covered by a government guarantee come with a zero risk weighting (in the calculation of risk-weighted capital ratios) they are included in full in the calculation of leverage exposure.

Banks have also seen their central bank reserves increase substantially following the amplification of monetary policy measures. However, the changes made only allow for a temporary exclusion of reserves from the calculation of leverage exposure (other than for the US rule specific to custodial banks). Given the lasting nature of the reserves created, unless the central banks reduce the size of their balance sheets (which looks unlikely in the short term) there would be justification for excluding them from the denominators of leverage ratios for an extended period.

Lastly, the assessment of systemic importance scores will remain a function of total leverage exposure (i.e. not corrected for reserves). Growth in bank balance sheets as a result of the exceptional measures introduced to support business could thus result, towards the end of the year, in an increase in G-SIB scores and hence in higher CET1 capital requirements. This would then require efforts to rationalise balance sheets.

## TOWARDS AN INCREASE IN G-SIB SURCHARGES?

In the USA, the April 2020 rule explicitly seeks to neutralise the effect of exclusions applied to total exposure in the calculation of the G-SIB surcharge. In the euro zone, the SSM has not discussed the issue of the G-SIB surcharge, suggesting alignment with the US position. In other words, unless there are changes to the US SLR rule and to European regulations before the end of this year (or a recommendation in this direction from the Basel Committee), the assessment of the systemic importance of banks and the determination of their capital surcharges will continue to be based on total exposures, that is to say including central bank reserves (and Treasuries in the case of US banks).

**THE G-SIB SCORING METHODOLOGY**

It is worth remembering that in Europe the additional capital requirement imposed on G-SIBs is calculated using the method developed by the Financial Stability Board, whilst in the USA two methods are used. The less favourable of the two results is used. The first method, that developed by the FSB, is based on five criteria used in identifying G-SIBs: size; interdependence; absence of direct substitutes or financial infrastructure for the services they supply; global cross-border activity; and complexity. Using a series of bands, each banking group is subject to additional capital requirements as a function of their relative score. The second method replaces the absence of substitutes criterion with a measurement of dependence on short-term market finance and favours an absolute measurement of the systemic importance of each bank. The second method is systematically more severe than the first. The measure of total exposure used as the denominator of the Basel leverage ratio is used as a measure of size in the calculation of the G-SIB surcharge.

G-SIB scores are calculated annually at the year end. Scores and the corresponding surcharges for each banking group are announced in November of the following year. Thus the surcharges calculated on data at end-2020 will not be released until November 2021.

BOX 2

### Higher systemic importance scores

In the USA, the calculation method for G-SIB scores allows us to follow their quarter-on-quarter movements (Box 2). In Q1 2020, the systemic importance scores for US G-SIBs all rose, with the notable exceptions of Wells Fargo (where balance sheet growth is capped[10]) and Morgan Stanley. Most noticeably, the total score for JP Morgan increased by 100 basis points over the quarter, against 56 basis points in the same period last year, due to a sharp rise in its complexity score[11] and its international lending and commitments.

On the basis of Q2 2020 data, published on 22 September, the scores at JP Morgan, Bank of America, Citigroup and Goldman Sachs could move up a level at the end of the year, which would result in a 50-basis-point increase in their surcharges (from 3.5% to 4% for JPM, 3% to 3.5% for Citigroup and 2.5% to 3% for BoA and GS; Figure 3). Only two basis points separate State Street's current score from the threshold of the upper tranche (at 1.5%).

9 Moreover, since Q3 2020, the Fed has imposed restrictions on dividend payments on holding companies with balance sheets over USD100 billion.
10 In February 2018, the Fed prohibited Wells Fargo from increasing its balance sheet beyond its end-2017 level (USD1,951 billion) until it sufficiently improves its governance and controls. The bank has, however, been authorised to allow its balance sheet to expand where this growth comes from its participation in government support schemes (Paycheck Protection Program and Main Street Lending Program) introduced in response to the pandemic.
11 Notional value of OTC derivatives, level 3 assets, value of portfolios of securities held for trading or available for sale.

## There is scope to avoid an increase in surcharges between now and 2023

In practice, US institutions have two options to avoid an increase in their G-SIB surcharge[12]. The first would be to reduce their overall score over the course of the final quarter of 2020. In effect, the score for the fourth quarter determines the level of the G-SIB surcharge. This could be a possible option as indicators of complexity, interdependence and cross-border business are assessed on the basis of the position at 31 December of the year in question[13].

In the light of past experience, most G-SIBs should be able to avoid an increase in their surcharge. Only JP Morgan seems too far above the threshold for the next band down (by 65 basis points, whereas the biggest reduction over a single half-year period in the last three years has been no more than 42 basis points). Indeed, JPM has already announced that its surcharge will probably be higher at the year end. The reclassification of part of its securities portfolio as "held to maturity" should, it claims, help it minimise its CET1 capital requirement[14] by reducing its Stress Capital Buffer[15] and thus offsetting any possible increase in its G-SIB surcharge.

The second solution, for US banks, would be to minimise their overall score at the end of 2021. When the overall score for a G-SIB increases, taking it over the threshold between two bands (on the basis of scores at the end of year n), the new surcharge is only applied two years after the announcement that the threshold has been exceeded (announced in November of year n+1, applied on 1 January of year n+3). In other words, the possible increase in the G-SIB surcharge for JP Morgan to 4%, based on 2020 data, would not be effective until 1 January 2023. However, when the overall score falls to an extent that warrants a reduction in the surcharge, the new lower surcharge is applied a year after the announcement that the threshold has been crossed (announced in November of year n+1, applied on 1 January in year n+2). Thus, targeted measures to reduce its overall score at the end of 2021 would allow JP Morgan to retain an unchanged G-SIB surcharge of 3.5% from 1 January 2023.

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**A RATIONALISATION OF BALANCE SHEETS IN PROSPECT**

G-SIB scores (method 2) and corresponding thresholds and surcharges

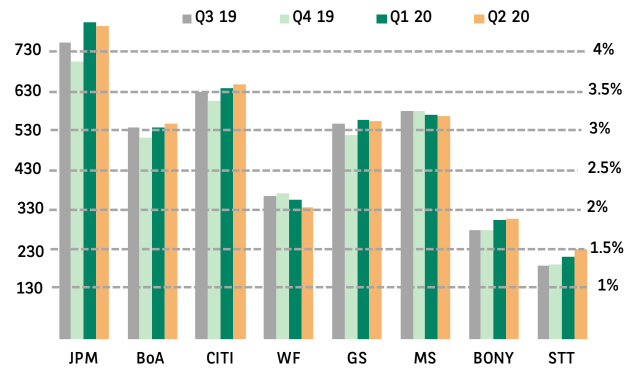


CHART 3 SOURCE: FR Y-15, FEDERAL RESERVE, BNP PARIBAS CALCULATIONS

12 European G-SIBs seem to have less room for manoeuvre, however, as their systemic importance scores are evaluated by comparing their exposures to those of other banks (relative scoring).

13 The non-renewal, at the year end, of overnight lending and borrowing on the repo markets and forex swap lines is generally an effective means of reducing these indicators. The size indicator corresponds to average leverage in the fourth quarter (daily average of balance sheet exposure over the fourth quarter and monthly average of non-balance sheet exposure over the fourth quarter). Only the indicator of dependence on short-term market borrowing is calculated on the basis of average daily values over the previous 12 months.

14 CET1 requirements include a minimum of 4.5% of risk-weighted assets + the G-SIB surcharge + the countercyclical capital buffer + the Stress Capital Buffer (the level of which is set by the Fed following CCAR stress tests).

15 And, most likely, its complexity score as well.

**IMPACT OF NOVEMBER 2019 RULE FOR SLR AT BANK HOLDING COMPANIES**

| Q2 2020 data | Tier 1 capital, USD billion | Total exposure, USD billion | SLR % | Exposure deducted(I) from total exposure, USD billion | Improvement in SLR, basis points | SLR before relaxation, % |
|---|---|---|---|---|---|---|
| JP Morgan (BHC) | 220.7 | 3,228.4 | 6.84 | 626.7 | 112 | 5.72 |
| Bank of America (BHC) | 194.4 | 2,756.8 | 7.05 | 281.9 | 65 | 6.4 |
| Citigroup (BHC) | 157.6 | 2,367.6 | 6.66 | 0.0 | 0 | 6.66 |
| Wells Fargo (BHC) | 152.9 | 2,032.2 | 7.52 | 219.0 | 73 | 6.79 |
| Goldman Sachs (BHC) | 85.8 | 1,308.2 | 6.56 | 200.0 | 87 | 5.69 |
| Morgan Stanley (BHC) | 77.4 | 1,062.1 | 7.29 | 153.3 | 92 | 6.37 |
| US Bancorp (BHC) | 42.8 | 602.6 | 7.10 | 0.0 | 0 | 7.10 |
| Truist Financial (BHC) | 44.2 | 518.0 | 8.54 | 40.4 | 62 | 7.92 |
| PNC Financial (BHC) | 42.0 | 452.0 | 9.28 | 70.8 | 126 | 8.02 |
| Capital One (BHC) | 41.1 | 422.0 | 9.74 | 41.6 | 88 | 8.86 |
| TD Group US (IHC) | 37.9 | 403.2 | 9.41 | 84.9 | 164 | 7.77 |
| Charles Schwab (BHC) | 22.3 | 383.0 | 5.81 | 0.0 | 0 | 5.81 |
| HSBC North America (IHC) | 19.6 | 306.0 | 6.4 | 0.0 | 0 | 6.40 |
| Bank of New York Mellon (BHC) | 24.5 | 297.3 | 8.23 | 144.2 | 269 | 5.54 |
| Barclays US LLC (IHC) | 17.0 | 208.6 | 8.16 | 0.0 | 0 | 8.16 |
| State Street (BHC) | 15.6 | 189.0 | 8.27 | 84.5 | 255 | 5.72 |
| UBS Americas Holdings (IHC) | 16.6 | 147.7 | 11.25 | 20.2 | 135 | 9.89 |
| Credit Suisse Holdings (IHC) | 17.4 | 138.0 | 12.59 | 0.3 | 3 | 15.56 |
| DB USA Corp. (IHC) | 14.3 | 119.2 | 11.99 | 30.3 | 243 | 9.56 |
| Northern Trust (BHC) | 10.6 | 117.2 | 9.01 | 0.0 | 0 | 9.01 |
| 20 Holding Companies (II) | 1,254.6 | 17,059.2 | 7.36 | 1,998.1 | 75 | 6.61 |
| of which 8 G-SIBs (II) | 928,9 | 13,241.8 | 7.02 | 1,709.6 | 78 | 6.24 |
| of which 6 non-G-SIB BHCs (II) | 202.9 | 2,494.8 | 8.13 | 152.9 | 50 | 7.63 |
| of which 6 IHCs (II) | 122.8 | 1,322.7 | 9.29 | 135.6 | 88 | 8.41 |

SLR: Supplementary Leverage Ratio (enactment in US law of Basel leverage ratio); BHC: Bank Holding Companies, IHC: Intermediate Holding Companies (US subsidiaries of foreign banks); G-SIB: Global systemically important banks; (I) part of excess reserves held with OECD central banks (equivalent to the amount of deposit liabilities linked to fiduciary or custody and safekeeping accounts); (II) ratios expressed as a weighted average.

TABLE 1

SOURCE: FFIEC 101, S&P GLOBAL MARKET INTELLIGENCE, BNP PARIBAS CALCULATIONS

**IMPACT OF APRIL 2020 RULE FOR SLRS AT G-SIBS**

| Q2 2020 data | Tier 1 capital, USD billion | Total exposure, USD billion | SLR % | Exposure deducted from total exposure, USD billion | Improvement in SLR in basis points by excluding... | | Estimated SLR before relaxation, % |
|---|---|---|---|---|---|---|---|
| | | | | | ...reserves at the Fed(I)(II) | ...Treasuries portfolio(III) | |
| JP Morgan (BHC) | 220.7 | 3,228.4 | 6.84 | 618.9 | 57 | 53 | 5.74 |
| Bank of America (BHC) | 194.4 | 2,756.8 | 7.05 | 404.8 | 65 | 25 | 6.15 |
| Citigroup (BHC) | 157.6 | 2,367.6 | 6.66 | 388.2 | 45 | 49 | 5.72 |
| Wells Fargo (BHC) | 152.9 | 2,032.2 | 7.52 | 258.5 | 54 | 30 | 6.67 |
| Goldman Sachs (BHC) | 85.8 | 1,308.2 | 6.56 | 183.2 | 23 | 58 | 5.75 |
| Morgan Stanley (BHC) | 77.4 | 1,062.1 | 7.29 | 152.9 | 23 | 69 | 6.37 |
| Bank of New York Mellon (BHC) | 24.5 | 297.3 | 8.23 | 110.0 | 153 | 69 | 6.01 |
| State Street (BHC) | 15.6 | 189.0 | 8.27 | 92.9 | 220 | 52 | 5.55 |
| **8 G-SIBs (IV)** | **928.9** | **13,241.8** | **7.02** | **2,209.4** | **54** | **46** | **6.02** |

SLR: Supplementary Leverage Ratio (enactment in US law of Basel leverage ratio); BHC: Bank Holding Companies; G-SIB: Global systemically important bank; (I) difference between the total effect of the April 2020 rule (as reported by banks) and the improvement in the ratio from exclusion of Treasuries held on the balance sheet; (II) in the case of Wells Fargo and BONY, average at 31 March 2020 and 30 June 2020 of interest-bearing deposits with US depository institutions and US central bank; (III) average at 31 March 2020 and 30 June 2020 of Treasuries held on the balance sheet: held to maturity (HTM, at amortised cost), available for sale (AFS, at fair value) and held for trading purposes; (IV) ratios expressed as a weighted average.

TABLE 2

SOURCE: FFIEC 101, FR Y-9C, SEC 10Q REPORTS, S&P GLOBAL MARKET INTELLIGENCE, BNP PARIBAS CALCULATIONS

**ESTIMATED IMPACT OF RELAXATIONS ON G-SIB SLRS**

| Q2 2020 data | Tier 1 capital, USD billion | Total exposure, USD billion | SLR, % | Exposure(I) deducted from total exposure, USD billion | Improvement in SLR, basis points | Estimated SLR before relaxation, % |
|---|---|---|---|---|---|---|
| JP Morgan (BHC) | 220.7 | 3,228.4 | 6.84 | 925.3 | 153 | 5.31 |
| Bank of America (BHC) | 194.4 | 2,756.8 | 7.05 | 404.8 | 90 | 6.15 |
| Citigroup (BHC) | 157.6 | 2,367.6 | 6.66 | 388.2 | 94 | 5.72 |
| Wells Fargo (BHC) | 152.9 | 2,032.2 | 7.52 | 310.0 | 99 | 6.53 |
| Goldman Sachs (BHC) | 85.8 | 1,308.2 | 6.56 | 333.6 | 134 | 5.22 |
| Morgan Stanley (BHC) | 77.4 | 1,062.1 | 7.29 | 270.2 | 148 | 5.81 |
| Bank of New York Mellon (BHC) | 24.5 | 297.3 | 8.23 | 175.4 | 305 | 5.18 |
| State Street (BHC) | 15.6 | 189.0 | 8.27 | 98.7 | 283 | 5.44 |
| **8 G-SIBs (II)** | **928.9** | **13,241.8** | **7.02** | **2,906.2** | **124** | **5.78** |

SLR: Supplementary Leverage Ratio (enactment in US law of Basel leverage ratio); BHC: Bank Holding Companies; G-SIB: Global systemically important banks; (I) excluding reserves under November 2019 rule + Treasuries excluded under April 2020 rule, except for Bank of America and Citigroup (exclusion of reserves and Treasuries under April 2020 rule); (II) ratios expressed as a weighted average.

TABLE 3

SOURCE: FFIEC 101, FR Y-9C, SEC 10Q REPORTS, S&P GLOBAL MARKET INTELLIGENCE, BNP PARIBAS CALCULATIONS

| | | |
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