

US Basel III Proposal

What the changes mean
March 2026



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Overview

On March 19, 2026, the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC) (collectively, the Regulators or the Agencies) jointly issued¹ three Notices for Proposed Rulemaking (NPRs), rescinding the 2023 Basel III Endgame proposal (B3E) on banking capital requirements and issuing a new Basel III Proposal (B3P). The proposal puts forth the expanded risk-based approach (ERBA or B3P ERBA) for the largest banks, revises the standardized approach (B3P SA for the new standardized approach) for all other banks and adjusts the global systemically important bank (GSIB) surcharge framework (GSIB Proposal). The proposals did not include an exact go-live date, and the Agencies solicited comments with respect to an appropriate compliance date given the substantive changes to the capital regime.

The proposals aim to simplify the US regulatory capital regime while better aligning with international standards and bringing certain activities – such as mortgage servicing – back within the regulatory perimeter. B3P eliminates the advanced approaches (AA) for calculating risk-weighted assets (RWA) and replaces the standardized approach (SA) with the ERBA for Category I and Category II banks, simplifying the risk-based regulatory capital ratio regime. All other banks are subject to the simpler B3P SA, which shares approaches with ERBA for some asset classes, while also allowing them to opt into applying ERBA. Banks with total assets greater than \$100b (Category III and Category IV) will be required to include accumulated other comprehensive income (AOCI) in capital, as well as any bank that elects to apply ERBA. Inclusion of AOCI in capital is subject to a five-year transition period.

Category I and Category II banks and other banks with \$5b or more of gross trading assets and trading liabilities (or with trading assets and trading liabilities greater than 10% of total assets) will be required to implement the Fundamental Review of the Trading Book (FRTB) for market risk. Additionally, banks subject to market risk with over-the-counter (OTC) derivative notional exceeding \$1t will be required to capture credit valuation adjustment (CVA) risk in RWA.

The GSIB Proposal updates the framework and the Systemic Risk Report (FR Y-15) to recalibrate the systemic indicator parameters (both measurements and coefficients), revises the short-term wholesale funding calculations, and amends the FR Y-15 to improve the clarity and consistency of data reporting and streamline the reporting process.

The Agencies estimate that the combined impact of B3P and the GSIB Proposal will reduce common equity tier 1 (CET1) capital requirements by an average of 2.4% for the eight GSIBs and singular Category II bank. Combining this with the recently proposed stress test changes would result in a cumulative decrease of 4.8% for these banks. The proposal would reduce CET1 capital requirements by 3.0% for other banks with \$100b or more in total assets, and a cumulative 5.3% when accounting for proposed stress test changes. Finally, banks with less than \$100b in assets would see capital requirements fall by an average of 7.8%.

The impacts stemming from the enhanced risk sensitivity and granularity of ERBA and aspects of B3P SA, when compared to current SA, will have disparate effects on banks depending on their business models and exposures. Banks with higher-quality mortgage portfolios will realize credit RWA reductions under both B3P ERBA and B3P SA. Diverse retail lending and high-quality corporate lending portfolios will see further credit RWA declines under B3P ERBA. Credit card portfolios may see an increase in their calculated exposure amount but an overall reduction in RWA if they comprise many customers that routinely repay their full balance. The inclusion of operational RWA under B3P ERBA will offset some of these benefits, with impacts varying by bank based on the composition of their balance sheet and income statement.

Realizing the advantages of these new calculations will require detailed data, much of which can be leveraged from existing regulatory reporting. Banks that identify data gaps or challenges will need to identify and address these prior to implementing B3P ERBA or B3P SA. Category I through Category IV banks should review ERBA requirements with respect to their existing implementation programs and the progress they have made in complying with the prior B3E proposal to pivot and build on those efforts. Banks with total assets less than \$100b will need to evaluate their data and system capabilities with respect to the more granular requirements associated with B3P SA. Banks of this size may also want to evaluate if opting in to the greater risk sensitivity in the ERBA credit RWA calculations, when coupled with the inclusion of operational RWA and AOCI effects, will result in lower capital requirements and improved capital attribution for their businesses and exposures.

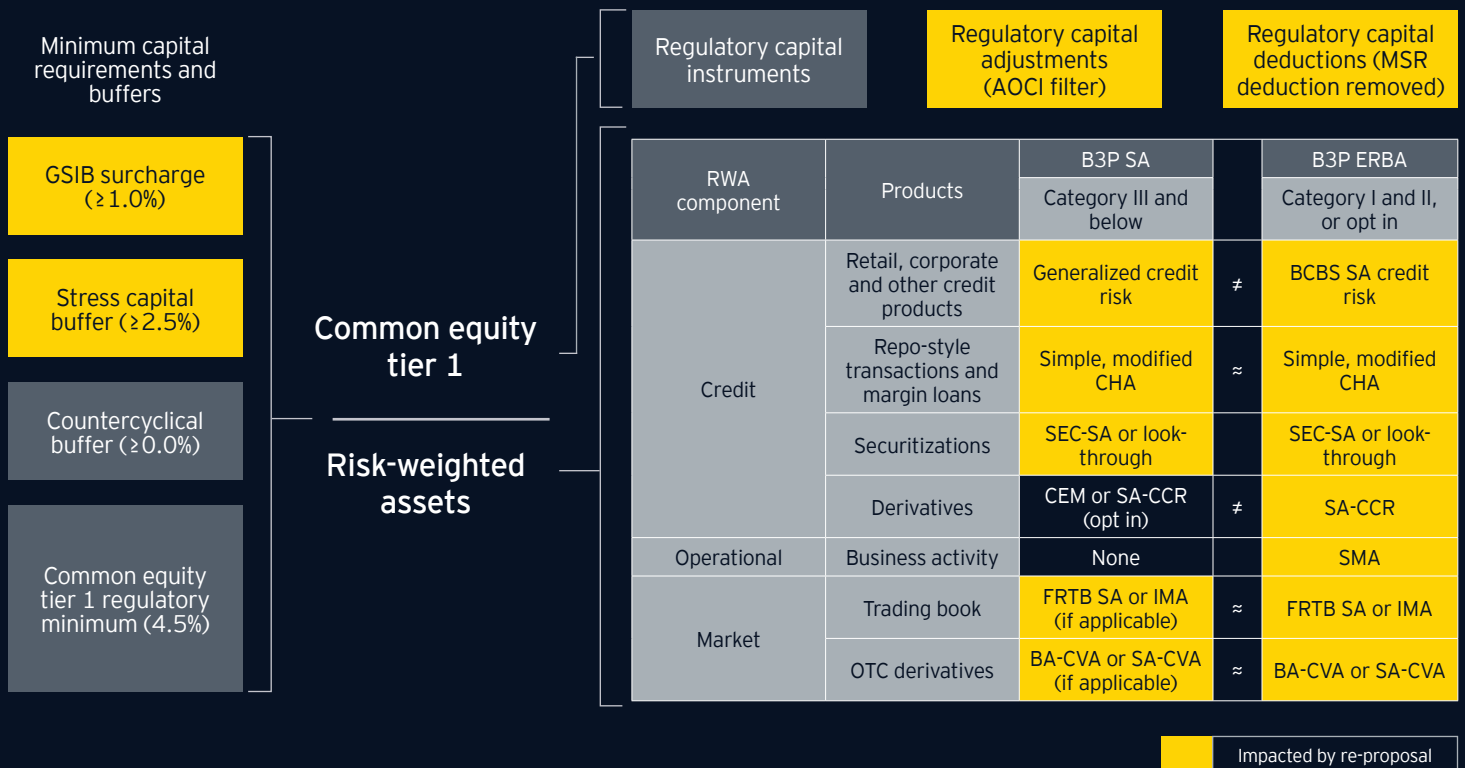
¹ "Agencies request comment on proposals to modernize the regulatory capital framework and maintain the strength of the banking system" Federal Reserve website, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260319a.htm>, March 19, 2026.

Applicability

The key revisions include:

- **ERBA credit RWA:** Category I and Category II banks will be required to calculate credit RWA under ERBA. The proposal removes the requirement to calculate RWA under AA and current SA, alleviating the burden of maintaining two approaches concurrently. Banks below the Category I and Category II thresholds will report B3P SA only, or ERBA only if they opt in.
- **Counterparty credit risk:** Category I and Category II banks will be required to report the standardized approach for counterparty credit risk (SA-CCR) for derivatives. Other banks will continue using the current exposure method (CEM) for such exposures, though they may elect to adopt SA-CCR (which is independent from electing to adopt ERBA). All banks may use the collateral haircut approach (CHA) for repo-style transactions and eligible margin loans.
- **Market and CVA RWA:** Category I and Category II banks must calculate market RWA, as must other banks with average gross trading assets and liabilities of at least \$5b over the previous four quarters or greater than 10% of total consolidated assets. CVA RWA is required for banks subject to market RWA with OTC derivative notional exceeding \$1t on average for the prior four quarters.
- **Operational RWA:** Category I and Category II banks or those electing to adopt ERBA will be required to include operational RWA.
- **AOCI inclusion:** Banks with assets greater than \$100b (Category III and Category IV) will be required to include AOCI in capital, as well as any bank that elects to apply ERBA, subject to a five-year transition period. Changes to a bank's election will take effect 12 months after the date on which it notifies the Agencies.

Figure 1: Capital adequacy framework and minimum capital requirements

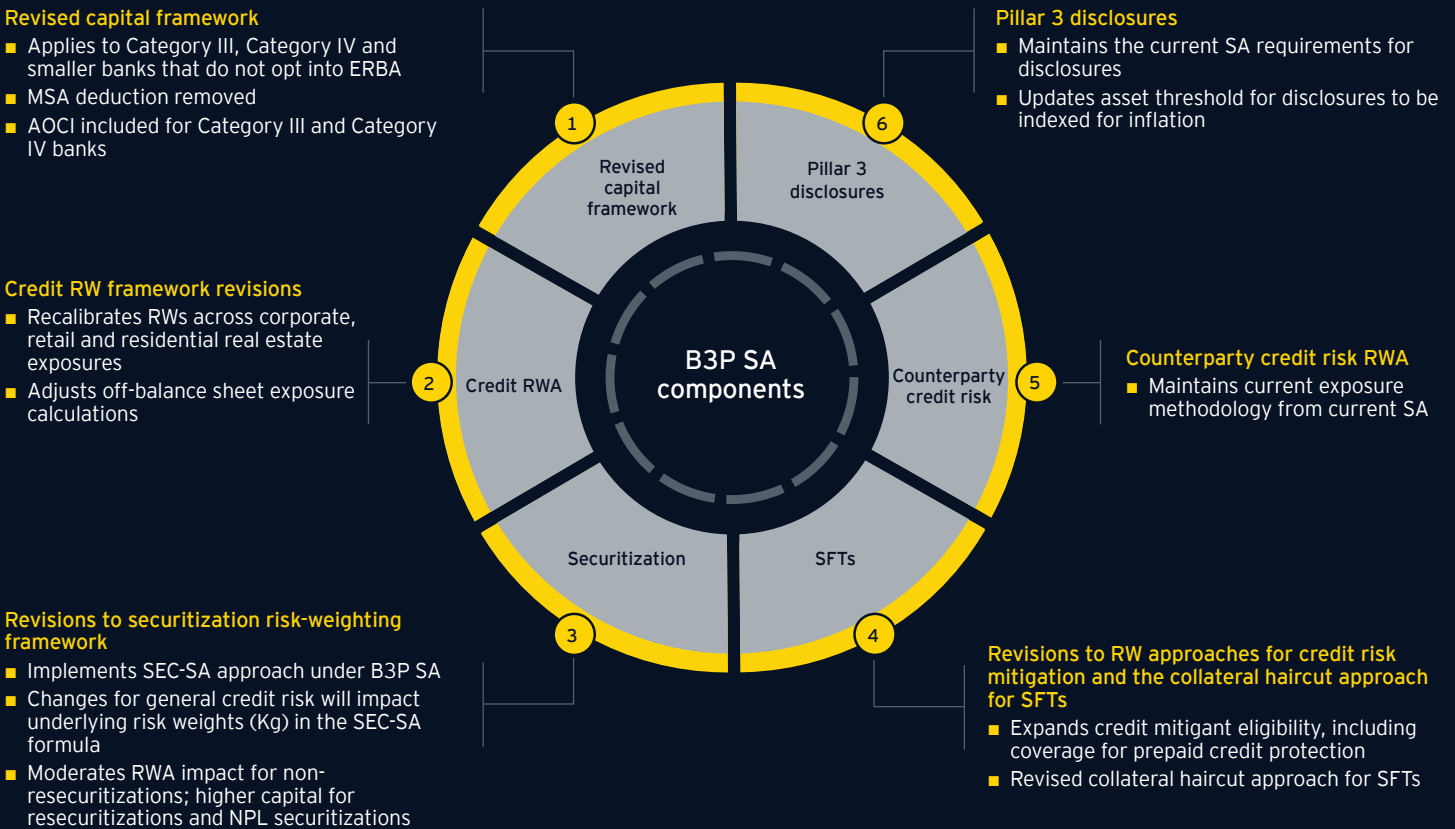


Terms: GSIB - global systemically important bank, AOCI - accumulated other comprehensive income, MSR - mortgage servicing rights, B3P - Basel III Proposal, SA - standardized approach, ERBA - expanded risk-based approach, RWA - risk-weighted assets, BCBS - Basel Committee on Banking Supervision, CHA - collateral haircut approach, SEC-SA - securitization standardized approach, CEM - current exposure method, SA-CCR - SA for counterparty credit risk, SMA - standardized measurement approach, FRTB - Fundamental Review of the Trading Book, IMA - internal models approach, OTC - over the counter, CVA - credit valuation adjustment, BA-CVA - basic approach CVA, SA-CVA - standardized approach CVA.

Applicability (continued)

Under B3P, the revised SA significantly recalibrates risk weights (RWs) across core lending portfolios. The Agencies estimated² that residential mortgages will see a 30.4% reduction in RWA under B3P SA compared with current SA, on average. Commercial real estate and corporate exposures receive a 5% benefit, and retail and other asset exposures receive a 10% benefit; these benefits are commensurate with their linear RW reductions. Adjustments to credit conversion factors (CCFs) yield an average RWA reduction of 12.2% for commitments that did not previously attract a 100% RW. Revisions to the securitization framework, including a reduction of the RW floor from 20% to 15%, result in an 18.0% decline in RWA. In addition, the increase of the market risk framework's applicability threshold from \$1b to \$5b in trading activity removes these requirements for certain banks, reducing market RWA by 39.2% for Category III and below banks that would no longer be subject to market RWA, although the inclusion of CVA for other Category III and below banks that remain subject to market RWA offsets some of the decline and results in a net reduction of 20.3%. Collectively, these changes result in a 3.0% reduction in required CET1 for Category III and Category IV banks after accounting for AOCI, a 7.9% reduction for banks with total assets between \$10b and \$100b, and a 7.5% decline for banks with total assets below \$10b. The impacts to an individual bank will vary based on its unique mix of exposures and counterparties.

Figure 2.1: US Basel III Proposal SA components³



Terms: SA - standardized approach, ERBA - expanded risk-based approach, MSA - mortgage servicing assets, AOCI - accumulated other comprehensive income, RW - risk weight, SEC-SA - securitization standardized approach, Kg - generalized capital charge, RWA - risk-weighted assets, NPL - non-performing loan, SFT - securities financing transaction, CVA - credit valuation adjustment.

² All estimates are included in the NPRs and represent impacts at the holding company level across all Category III and below banks covered by B3P SA NPR.

³ Banks subject to B3P SA may still be required to calculate market and CVA RWA, depending on the level of trading activity. Refer to the FRTB and CVA components of Figure 2.2 for more details.

Applicability (continued)







With respect to ERBA, market RWA increases by approximately 20% compared with the current market risk requirements due to the adoption of FRTB. Operational RWA and CVA are not separately calculated under B3P SA and would be considered additive under ERBA; however, they decline by 46.9% and 26.1%, respectively, when compared with their individual amounts under AA. Stand-alone credit RWA in ERBA falls by 14.8% when compared with credit RWA in current SA. The Agencies estimated that aggregate RWA across Category I and Category II banks for credit, operational and CVA RWA rises from \$7.235t to \$7.229t under current SA.

Figure 2.2: US Basel III Proposal ERBA components













Terms: ERBA - expanded risk-based approach, SA - standardized approach, BCBS - Basel Committee on Banking Supervision, SEC-SA - securitization standardized approach, Kg - generalized capital charge, RWA - risk-weighted assets, RW - risk weight, NPL - non-performing loan, SFTs - securities financing transactions, SA-CCR - standardized approach for counterparty credit risk, CVA - credit valuation adjustment, FRTB - Fundamental Review of the Trading Book, UMBS - uniform mortgage-backed security, IMA - internal models approach, PLAT - portfolio and loss attribution, NMRF - non-modellable risk factor, DRC - default risk charge, AMA - advanced measurement approach, SMA - standardized measurement approach, BI - business indicator, ILM - internal loss multiplier.

Regulatory capital elements

Topic	Summary of current SA	Summary of B3P ERBA changes	Summary of B3P SA changes	Capital impact	
				ERBA impact	SA impact
Accumulated other comprehensive income (AOCI)	AOCI is included for Category I and Category II banks; other banks may opt out.	Banks that are required to calculate ERBA, or elect to calculate ERBA rather than B3P SA, must include AOCI.	B3P SA retains the AOCI opt out for banks with less than \$100b in assets but does not allow Category III or Category IV banks to opt out.	  For banks that opt into ERBA	  For Category III or Category IV banks
Treatment of mortgage servicing assets	MSAs are captured as part of the threshold deductions.	MSA threshold deductions are removed from the deduction framework and subject to full risk weighting at 250%.	It is consistent with ERBA.		

Credit RWA

Risk weight calibrations for certain exposures have been reduced in ERBA from the prior B3E Proposal,* which brings them closer to the levels recommended by the BCBS.⁴ Banks with residential real estate and diversified retail portfolios will see some of the largest benefits under ERBA. B3P SA revises down RWs for other exposures compared with current SA. Credit card portfolios will see reductions in B3P SA and likely in B3P ERBA; however, ERBA benefits will depend on borrower concentrations and payment habits. Commercial & Industrial (C&I) and other corporate lending stand to benefit under B3P SA and may substantially benefit under ERBA for higher-quality obligors. Securities lending portfolios with diversified netting sets should experience significant RWA reductions as well.

Topic	Summary of current SA	Summary of B3P ERBA changes	Summary of B3P SA changes	RWA impact	
				ERBA impact	B3P SA impact
General credit RWA				ERBA impact	B3P SA impact
Risk weighting of corporate exposures	100% RW <i>Relevant products: C&I, commercial real estate, wholesale cards, general corporate loans, securities, derivatives and securities lending and borrowing counterparties</i>	New RW of 65% introduced for exposures to corporate counterparties classified as investment grade using the bank's internal ratings; remaining exposures receive 100%	95% RW with no change to definitions or structure		
Risk weighting of project finance exposures	100% RW <i>Relevant products: project-specific loans</i>	Project finance introduced as a new category with a RW of 130% for pre-operational projects and 100% for operational projects	95% RW as part of corporate exposures, with no introduction of "project finance" as an exposure category	 Modestly higher RWA	
Risk weighting of bank exposures	RWs range from 20% to 150% based on country risk classification (CRC) rating <i>Relevant products: cash and due from banks, derivatives and securities lending and borrowing counterparties</i>	RWs range from 30% to 150% based on the bank category (Grade A, B or C) and capital ratios; allows lower RWs for certain short-term trade-related credit exposures to foreign banks	Retains current CRC-based framework ranging from 20% to 150%	  Potentially lower for certain exposures and higher for others	No impact
Risk weighting of residential real estate exposures	50% RW for prudently underwritten first lien mortgages, 100% for other mortgages <i>Relevant products: residential mortgages, home equity loans and lines of credit</i>	RWs for real estate exposures range from 20% to 105% based on loan-to-value (LTV) ratios and reliance on property-generated cash flows	Similar to ERBA, but with 5% higher RWs for each LTV band	  Potential reduction, particularly for low LTV portfolios	  Potential reduction, particularly for low LTV portfolios

* The B3E Proposal contemplated additional changes to credit RWA, including minimum haircut floors for securities financing transactions (SFTs) and adjustments to the approaches required for equity exposures to investment funds, but these were not included in B3P.

⁴ "Basel III: Finalising post-crisis reforms," Basel Committee on Banking Supervision (BCBS), December 7, 2017.

Credit RWA (continued)

Topic	Summary of current SA	Summary of B3P ERBA changes	Summary of B3P SA changes	RWA impact	
				ERBA impact	B3P SA impact
General credit RWA (continued)					
Risk weighting of retail exposures	100% risk weight <i>Relevant lending products: Retail cards, auto loans, student loans, general consumer loans</i>	New categories for regulatory retail, transactors and other retail have been introduced, with RWs ranging from 45% to 100%	90% RW as part of other assets	Depends on borrower concentration and payment habits	
Off-balance sheet commitments	20% credit conversion factor (CCF) for facilities with maturity of one year or less 50% CCF for facilities with maturity greater than one year <i>Relevant products: wholesale and retail lending facilities, commitments, certain lines of credit, equity investment commitments</i> 0% CCF for unconditionally cancellable exposures <i>Relevant products: credit cards, lines of credit or facilities with certain contractual terms</i>	Commitments redefined to clarify applicability; CCF of 40% is applied regardless of maturity; unconditionally cancellable exposure CCF increases from 0% to 10%	Consistent with ERBA, except for unconditionally cancellable exposures, which retain 0% CCF	Depends on nature of commitments	Depends on nature of commitments



Credit RWA (continued)

Topic	Summary of current SA	Summary of ERBA changes	Summary of SA changes	RWA impact	
Counterparty credit risk				ERBA impact	B3P SA impact
Modified CHA	Current formula recognizes the credit risk mitigation effects of post-haircut collateral but does not give credit for diversification <i>Relevant products: eligible margin loans and repo-style transactions</i>	Consistent with the BCBS comprehensive approach calculation, allowing for reduced exposure amount through collateral diversification	SA changes consistent with ERBA	∨ Reduction for well-diversified netting sets	∨ Reduction for well-diversified netting sets
Cross-product netting	Cross-product netting not permitted <i>Relevant products: securities lending and borrowing transactions, derivatives</i>	Allows netting of derivatives and non-cleared repo-style transactions under qualifying cross-product master netting agreements (MNA), with a maturity ratio (MR) limiting offset between short-term repos and longer-term derivatives	Only applicable to SA banks that elect SA-CCR	∨ Reduction for banks with qualifying cross-product MNAs	No impact
Settled-to-market (STM) and collateralized-to-market (CTM) netting	STM that are cleared transactions may be treated as margined and treated as CTM if firms elect to do so under SA-CCR <i>Relevant products: derivatives</i>	STM election scope has broadened to include client-facing STM derivatives, enabling netting between STM and CTM client-facing positions	Only applicable to SA banks that elect SA-CCR	∨ Reduction for clearing members that take STM election	No impact
Prepaid credit protection	Not addressed	Prepaid credit protection (e.g., credit-linked notes) introduced as new eligible credit mitigant providing 0% RW on the protected portion of exposures	SA changes consistent with ERBA	∨ Reduction for exposures with prepaid protection	∨ Reduction for exposures with prepaid protection
Collateral eligibility criteria	Permits nth-to-default credit derivatives as part of credit risk mitigation <i>Relevant products: certain credit derivatives</i>	Collateral eligibility definition disallows nth-to-default credit derivatives while broadening eligibility standard for restructuring events, collateral agreements that may be subject to bankruptcy stay, and collateral with maturity and currency mismatches (now eligible under simple approach, subject to haircuts)	SA changes consistent with ERBA	∨ Broader collateral recognition reduces net exposure	∨ Broader collateral recognition reduces net exposure



Credit RWA (continued)

Topic	Summary of current SA	Summary of ERBA changes	Summary of SA changes	RWA impact	
				ERBA impact	B3P SA impact
Securitization exposures RWA				∨ ∨	∨ ∨
Revision to general capital charge (Kg)	RWs for securitized assets are assigned in line with RWs of current SA <i>Relevant products: securitizations</i>	RWs of underlying securitized assets revised to be consistent with ERBA	RWs of underlying securitized assets revised to be consistent with B3P SA	Impact depends on type of underlying assets and deal structure	Impact depends on type of underlying assets and deal structure
Securitization hierarchy	Market risk banks must use Simplified Supervisory Formula Approach (SSFA); other banks can elect to use SSFA or gross-up approach <i>Relevant products: securitizations</i>	SSFA renamed to Securitization SA (SEC-SA), with option for "look-through approach" for senior securitizations	SA changes consistent with ERBA for securitizations	Impact depends on type of underlying assets and deal structure	Impact depends on type of underlying assets and deal structure
RW floors	RW floor for securitizations is 20%, with interest-only mortgage-backed securities (IO MBS) floored at 100% <i>Relevant products: securitizations</i>	RW floors are made risk sensitive, with re-securitizations, non-performing loan (NPL) securitizations and IO MBS floored at 100%; other securitizations floored at 15%	SA changes consistent with ERBA for securitizations	Impact depends on securitization portfolio; high concentration of NPL or re-securitization exposures may result in higher RWA	Impact depends on securitization portfolio; high concentration of NPL or re-securitization exposures may result in higher RWA



Operational RWA

Operational RWA under ERBA is calculated using the Standardized Measurement Approach (SMA), which is based on a formula-based business indicator component (BIC) that serves as a proxy for a bank's overall business volume. The BIC is derived from financial statement inputs, including interest income, interest expense, interest earning assets, and categorized noninterest income and expense – then multiplied by 12.5 to calculate operational RWA. The calculation scales capital requirements upward as the BIC increases to reflect the greater size, complexity and potential for operational losses. The calculation allows for netting benefits within net interest income and noninterest income, with investment management, investment services and non-lending treasury businesses receiving a substantial benefit.

Topic	Summary of 2026 NPR key points	RWA impact relative to the 2023 NPR
		ERBA impact
BIC services component	The BIC was largely adopted from the BCBS calculation approach. The calculation as restructured lowers the impact of income from certain fee-based businesses with historically lower operational risk losses (e.g., wealth management, asset servicing, cash management, global payments). The noninterest income calculation allows greater netting of revenues and expenses.	<div style="text-align: center;">  </div> <p>RWA is reduced relative to the BCBS and B3E proposal.</p>
Operational risk losses	BIC incorporates a three-year average of operational losses as part of the calculations, which is in contrast to a 10-year operational risk loss data history under BCBS internal loss multiplier (ILM) calculations.	<div style="text-align: center;">  </div> <p>Losses act as an additive component instead of as a scalar, and can potentially result in an increase or decrease in RWA relative to the B3E proposal.</p>



Market and CVA RWA

Similar to operational RWA, the Regulators retained the general approaches for calculating RWA for market risk. The proposed regulation clarifies the SA for certain products and sectors. Additionally, by lowering the potential non-modelable risk factor (NMRF) and postponing the new profit and loss attribution testing (PLAT) effective date, the proposed regulation increases the attractiveness and attainability of the internal models approach (IMA). While FRTB still represents an anticipated increase in Market RWA from the current framework for some banks, the changes in B3P are expected to collectively lower Market RWA estimates in comparison to the 2023 B3E proposal, particularly for banks with larger and more complex trading portfolios that receive approval for IMA.







Topic	Summary of 2026 NPR key points	RWA impact relative to 2023 NPR
IMA - PLAT monitoring period	The B3P will allow a three-year monitoring period for monitoring until the PLAT results become binding.	Delaying the PLAT should give more opportunity for banks to obtain model approval while continuing to improve the model performance, this could decrease overall RWA.
IMA - PLAT metrics	<p>The 2023 NPR included 2 metrics:</p> <ul style="list-style-type: none"> ■ The Spearman Correlation (SC) metric to assess the correlation between the risk theoretical profit and loss (RTPL) and the hypothetical profit and loss (HPL) ■ The Kolmogorov-Smirnov (KS) metric to assess the similarity of the distributions of RTPL and HPL <p>The B3P eliminated the SC metric, enabling the use of less granular risk factors (such as proxies) and methods other than full revaluation in some cases.</p>	The ability to pass the PLAT more easily reduces the operational costs and complexity (less full revaluation and risk factor granularity) and likely reduces RWAs (less risk factor granularity and more desks on IMA).
IMA - risk factor eligibility test (RFET)	<p>The 2023 NPR required quarterly compliance with one of these two thresholds:</p> <ul style="list-style-type: none"> ■ Either at least 24 real price observations (RPOs) over the prior 12 months with no 90-day period containing fewer than four observations Or ■ At least 100 RPOs over the prior 12 months <p>The B3P relaxes the RFET requirements as follows:</p> <ul style="list-style-type: none"> ■ 24 RPO over the prior 12 months for the most liquid risk factors ■ 16 RPO for all others <p>Also, it lowers the requirement for RPO data providers.</p>	More modelable risk factors reduce the number of NMRFs and consequently lower RWAs.
IMA - NMRF inclusion in Expected Shortfall	<p>The B3P establishes 2 types of NMRF:</p> <ul style="list-style-type: none"> ■ Type A - those NMRF pass qualitative standards but fail quantitative standards. They must be included in both ES and the stressed add-on (SES) with full diversification benefits in SES And ■ Type B - all other NMRF. They can only be capitalized through SES with limited diversification benefits (using correlation factor of 0.36) <p>The Type A inclusion in ES no longer requires approval. Took out the idiosyncratic risk treatment for credit and equity in NMRF SES aggregation to replace with Type A.</p>	The proposal automatically allows inclusion of Type A non-modellable risk factors in the ES calculation without regulatory approval. It further applies 0 correlation for Type A risk factors in SES calculation which are wider than the Equity/Credit idiosyncratic risk before. Combining both should lower the IMA RWA.
Default risk charge (DRC)	<p>The 2023 NPR required the DRC to be separately calculated for SA desks and IMA desks using the SA.</p> <p>The B3P allows for computing one DRC instead of one DRC for SA desks and one for IMA desks.</p> <p>Additionally, the B3P adds specified supranational entities to the DRC exclusion list and introduced a new non-SEC DRC Loss-Given Default (LGD) category of 50% for positions in a US public sector entity (PSE).</p>	One DRC allows for diversification between the IMA and SA desks, resulting in lower RWA. It also excludes specified supranational entities from the DRC population, which would result in an overall lower RWA.

Market and CVA RWA (continued)

Topic	Summary of 2026 NPR key points	RWA impact relative to 2023 NPR
Treatment of term repo	<p>In the preamble, the B3P clarifies that for purposes of calculating market risk capital requirements, the proposal would require a banking organization to capture the risk factor sensitivities of the cash leg to general interest rate risk (through either a modeled or non-modeled approach), as well as to capitalize the default risk of the underlying reference exposure through the DRC. Notably, this does not reference the capture of risk factor sensitivities for the security leg. The rule text does not reference any separate treatment for the cash and security leg and only references the calculation requirement in the non-modeled portion of the rule.</p>	<p style="text-align: center;">∨ ∨</p> <p>Reducing the scope of market risks required for term repos will decrease the market RWA compared with the 2023 NPR. However, the requirement to include the security leg in the DRC will increase the market RWA compared with the current rules or lead some banks to exclude term repos from market risk, increasing counterparty RWA.</p>
Treatment of indices in SA	<p>The B3P has relaxed requirements for the look-through approach, allowing banks greater flexibility on whether to decompose or to partially decompose an index with allocation individually to buckets while the remainder is assignable to an index bucket.</p>	<p style="text-align: center;">∨ ∨</p> <p>The allowance of a partial look-through is a beneficial option for all banks, but the RWA impact depends on the capabilities. A partial look-through will typically result in lower RWA than not looking through at all, but a higher RWA than a full look-through if it is operationally feasible.</p>
Minor RW and bucket changes for SBM and SA-CVA	<p>The proposal updates some delta bucket sector definitions, select RWs and cross-bucket correlations as follows:</p> <p>Credit spread risk (CSR) non-SEC:</p> <ul style="list-style-type: none"> ■ Added specified supranational entities across investment grade (IG) (bucket 1) and speculative grade (bucket 9) ■ Added real estate across IG (bucket 3) and speculative and subspeculative grade (bucket 11) ■ Added covered bonds to speculative and subspeculative grade (bucket 16) with 2.5% RW and reduced RW of IG covered bonds to 1.5% (bucket 8) ■ Raised the correlation previously assigned to indices for cross-bucket aggregation <p>Commodity:</p> <ul style="list-style-type: none"> ■ Added commodity index bucket with 30% RW, 50% intra-bucket correlation and 20% cross-bucket correlation <p>Correlation Trading Portfolio (CTP):</p> <ul style="list-style-type: none"> ■ Removed covered bonds (bucket 8) ■ Added Specified supranational entities across IG (bucket 1), speculative grade (bucket 8) and sub speculative (bucket 15) ■ Lowered the correlation with the "Other sector" bucket for cross-bucket aggregation 	<p style="text-align: center;">∨ ∨</p> <p>CSR: More granular RW buckets capital impact unknown. The higher correlation may benefit (lower RWA) well hedged portfolios.</p> <p>Commodity: Introduction of bucket and RW for commodity indices may benefit (lower RWA) desks focused on commodity index trading desk.</p> <p>CTP: Capital impact unknown depending on the portfolio.</p>
SA treatment of uniform mortgage-backed securities (UMBS)	<p>The B3P clarifies that all MBS that are deliverable into UMBS to be announced (TBA) should be considered UMBS, regardless of the issuing entity.</p>	<p style="text-align: center;">∨</p> <p>Netting across all TBA and deliverable pools into UMBS may reduce RWA.</p>
IMA and SA aggregation formula	<p>The 2023 NPR total capital requirement was defined as the sum of the IMA and SA capital charge.</p> <p>The B3P introduces the concept of non-default risk capital (NDRC) that allows banks to define the SA capital charge as the incremental changes between SA on all desks and SA on IMA desks only.</p>	<p style="text-align: center;">∨</p> <p>The smoothing formula reduces the cliff effect when an IMA desk falls into SA.</p>

Market and CVA RWA (continued)

Under the proposal, the applicability of the CVA RWA requirements has been narrowed to Category I and Category II banks, as well as any banks subject to the market risk framework with OTC derivative notional exceeding \$1t. Regulators have generally maintained a similar framework to the 2023 NPR and other jurisdictions, including CVA modeling requirements and capital calculation methodologies. The B3P continues to offer options to use either the basic approach (BA-CVA) or the standardized approach (SA-CVA), with the latter requiring supervisory approval. Firms with larger, more complex derivatives portfolios and actively managing their CVA risk will typically see lower RWA from obtaining SA-CVA approval.

Topic	Summary of 2026 NPR key revisions	RWA impact relative to 2023 NPR
CVA capital in-scope population	The scope of the CVA population has been reduced through the exclusion of client-cleared derivatives.	 There are no CVA capital charges for client-cleared derivatives, reducing RWA.
CVA hedge external matching requirements	The B3P removes the requirement for external matching trades for internal risk transfers (IRTs) subject to curvature risk, default risk or the residual risk add-on.	 There is greater flexibility to recognize internal CVA hedges through reduced operational burden and simplified documentation requirements, potentially reducing RWA.
Exclusion of CVA hedges from market risk capital	All CVA hedges are excluded from market risk capital requirements, irrespective of a banking organization's CVA capital applicability or recognition of the hedge in CVA capital.	 It provides market risk capital relief because ineligible CVA hedges no longer need to be included as market risk covered positions.
Identification of eligible and ineligible CVA hedges	Under the proposal, although ineligible CVA hedges are excluded from both market risk and CVA risk capital charges, banks are explicitly required to identify these ineligible CVA hedges.	N/A
Removal of approval requirement for split netting sets and credit spread proxy	Approval is no longer required to split a netting set for the inclusion of a partial netting set in the BA-CVA calculation, nor for the use of a credit spread proxy for illiquid counterparties.	 It reduced the complexity of the regulatory approval process for split netting sets and the credit spread proxy.
Minor risk weight and bucket changes for SA-CVA and SBM	<p>The proposal updates some delta buckets sector definitions, select RWs and cross-bucket correlations as follows:</p> <p>CSR non-SEC:</p> <ul style="list-style-type: none"> ■ Added specified supranational entities across IG (bucket 1) and speculative grade (bucket 9) ■ Added real estate across IG (bucket 3) and speculative and sub speculative grade (bucket 11) ■ Added covered bonds to speculative and sub speculative grade (bucket 16) with 2.5% RW and reduced RW of IG covered bonds to 1.5% (bucket 8) ■ Raised the correlation previously assigned to indices for cross-bucket aggregation <p>Commodity:</p> <ul style="list-style-type: none"> ■ Added commodity index bucket with 30% RW, 50% intra-bucket correlation and 20% cross-bucket correlation 	  CSR: The more granular RW buckets capital impact is unknown. The higher correlation may benefit (lower RWA) well-hedged portfolios. Commodity: The lower RW for the commodity index may benefit (lower RWA) desks focused on the commodity index trading desk.

GSIB surcharge framework and Systemic Risk Report (FR Y-15)

The GSIB Proposal adjusts the GSIB surcharge framework and the FR Y-15 to improve the framework's measurement of systemic risk and better align surcharges with GSIBs' systemic risk profiles. Proposed adjustments have been summarized below.

Key GSIB surcharge framework changes

- **Recalibration of Method 2 coefficients:** The proposal adjusts the fixed Method 2 coefficients for changes in the financial system and the economy by applying a one-time downward adjustment on the coefficients by a factor of 1.2. The proposal also dynamically indexes the coefficients going forward (based on nominal US gross domestic product) on an annual basis.
- **Changes to the short-term wholesale funding (STWF) indicator:** The proposal removes the RWA denominator and instead multiplies the average weighted STWF amount by an annually adjusted coefficient consistent with proposed changes to other systemic indicators. This will recalibrate the STWF so it represents ~20% of the total Method 2 score.
- **Averaging of systemic indicators:** For certain systemic indicators previously measured at a single point in time, the proposal would require averaging (daily or monthly values) over the reporting period. This should result in indicator values that are more consistent with GSIBs' systemic risk profiles.
- **Technical amendments to systemic indicators:** Technical changes to the measurement and calibration of certain systemic indicators more appropriately capture firms' systemic risk profiles. (Please see the table on the next page for details about changes to systemic indicators and technical amendments.)
- **Reduction of "cliff effects" in GSIB surcharges:** The proposal narrows Method 2 score bands and smooths transitions between surcharge levels (previously 100 bps score band ranges corresponding to 0.5% surcharge increments to proposed 20 bps score band ranges corresponding to 0.1% surcharge increments), reducing abrupt capital requirement jumps driven by small score changes.

Key FR Y-15 reporting changes

- **Alignment with revised GSIB indicators:** The report would be amended to reflect the revised definitions and methodologies for systemic indicators, support averaging requirements, and improve the alignment between reported data and GSIB surcharge calculations.
- **Foreign banking organization (FBO) requirements:** To simplify and streamline the reporting form and its instructions, the proposal would remove Schedules H through N and make adjustments to accommodate reporting by FBOs using the same schedules as domestic firms – Schedules A through G.
- The proposal's amendments to the FR Y-15 reporting form and instructions would **take effect two calendar quarters after the date of adoption of a final rule**. This effective date timing would give firms a minimum of two quarters to make the required changes to their systems and processes.

Impact of the proposal on other regulatory reports

To account for all capital rule changes included within the proposal, corresponding revisions to the FFIEC 101, FFIEC 102, FR Y-9C, FFIEC 031, FR Y-14A/Q and FR Y-15 reports are expected in separate Federal Register notices.

Changes to systemic indicators

The following table includes the systemic indicators used for calculating the GSIB surcharge, along with details about other proposed technical amendments and the associated impacts.

Category	Systemic indicator	Technical amendments	Impact
Size	Total exposures	None	None
Interconnectedness	Intra-financial system assets	<ul style="list-style-type: none"> Expanded definition of financial institution to include, e.g., savings and loan holding companies (SLHCs), private equity, exchange-traded funds, other asset management Use of standardized approach for counterparty credit risk (SA-CCR) to measure derivative exposures Recognize risk mitigation from noncash collateral in OTC derivatives transactions 	<p>Overall increase in GSIB score given expanded scope of financial institution, with slight offset from recognition of risk mitigants under SA-CCR</p> <p>Overall decrease in GSIB score but impact depends on mix and size of certificate of deposit and preferred share holdings</p>
	Intra-financial system liabilities		
	Securities outstanding	<ul style="list-style-type: none"> Exclude certificates of deposit (not due to or held by financial institutions or nontransferable) Include nonpublic preferred shares with determinable fair value 	
Substitutability (Method 1 only)	Payments activity	<ul style="list-style-type: none"> Update the list of currencies: add Singapore dollar, remove Brazilian real, Mexican peso, Swedish krona Use average exchange rates to convert to USD 	Overall increase in GSIB score but depends on mix of the value of in-scope cash payments in major global currencies
	Assets under custody	None	None
	Underwritten transactions in debt and equity markets	<ul style="list-style-type: none"> Introduce fixed income trading volume and equities trading volume as two new indicators, each weighted at 1.67 Revise weight for underwritten transactions in debt and equity markets from 6.67 to 3.33 	Overall increase in GSIB score but depends on the relative mix of underwriting volume, fixed income trading volume, equity trading volume
Complexity	Notional amount of over-the-counter (OTC) derivatives	None	None
	Trading and available-for-sale (AFS) securities	None	None
	Level 3 assets	None	None
Cross-jurisdictional activity	Cross-jurisdictional claims	<ul style="list-style-type: none"> Reporting of cross-jurisdictional derivative claims and liabilities gross of collateral Apply FFIEC 009 definitions for the measurement of cross-jurisdictional liabilities Include liabilities booked at foreign offices, regardless of whether payment is guaranteed at locations outside the country of the office 	Overall increase in GSIB score given addition of gross derivative claims and liabilities
	Cross-jurisdictional liabilities		
STWF (Method 2 only)	Short-term wholesale funding	<ul style="list-style-type: none"> Use actual STWF dollars rather than as a percentage of RWA, multiplied by a dynamic coefficient initially set at 23% and then adjusted annually Align maturities between GSIB framework for STWF and FR2025A; maturity 91 to 179 and maturity 180 to 364 to be adopted 	Overall decrease in GSIB score



Next steps

Larger banks have initiated their B3E programs based on the original NPR published in 2023. Banks will now need to quickly identify which elements of the proposal depart from the original NPR and adjust their implementation work for those differences. Specifically, firms will want to prioritize the following near-term steps:

- Conduct a thorough review of the proposal and compare it with the originally proposed text to understand the changes and their implications. This includes performing a comparison of the NPRs with the current capital adequacy common rule as coded in Title 12 parts for the OCC, FRB and FDIC (12 CFR 3, 217 and 324, respectively).
- Assess the capital impact associated with the changes, including the potential benefit to opting into ERBA (where applicable). This includes communicating the changes and their estimated capital impact to all relevant internal stakeholders, as well as developing a perspective to articulate during the comment period for engagement with other industry participants and regulators.
- Assess the impact of the proposal on the bank's ongoing B3E implementation plans and update as needed.
- Evaluate any changes needed in the operating model of existing workstreams based on changes to the applicability of certain components or revisions to the methodologies introduced in B3P.
- Update documents previously developed as part of prior implementation efforts to reflect changes, such as business requirements, user stories, regulatory policies or standards, interpretive memos and procedures documents.

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30584-261US_5
2601-11914-CS
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