

Basel Committee on Banking Supervision

LEV

Leverage ratio

LEV40

Leverage ratio requirements for global systemically important banks

This chapter describes the leverage ratio buffer requirements applying to global systemically important banks.

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First version in the format of the consolidated framework.



BANK FOR INTERNATIONAL SETTLEMENTS

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40.1

To maintain the relative roles of the risk-based capital and leverage ratio requirements, banks identified as global systemically important banks (G-SIBs) according to [SCO40](#) must also meet a leverage ratio buffer requirement. Consistent with the capital measure required to meet the leverage ratio minimum described in [LEV20.4](#), G-SIBs must meet the leverage ratio buffer with Tier 1 capital.

40.2

The leverage ratio buffer will be set at 50% of a G-SIB's higher loss-absorbency risk-based requirements. For example, a G-SIB subject to a 2% higher loss-absorbency requirement would be subject to a 1% leverage ratio buffer requirement.

40.3

The design of the leverage ratio buffer is akin to the capital buffers in the risk-based framework. As such, the leverage ratio buffer will include minimum capital conservation ratios divided in five ranges. Capital distribution constraints will be imposed on a G-SIB which does not meet its leverage ratio buffer requirement.

40.4

The capital distribution constraints imposed on G-SIBs will depend on the G-SIB's Common Equity Tier 1 (CET1) risk-based ratio and its leverage ratio. A G-SIB which meets both its CET1 risk-based capital requirements (defined as a 4.5% minimum requirement, a 2.5% capital conservation buffer, the G-SIB higher loss-absorbency requirement and countercyclical capital buffer if applicable) and its Tier 1 leverage ratio requirement (defined as a 3% leverage ratio minimum requirement and the G-SIB leverage ratio buffer) will not be subject to minimum capital conservation standards. A G-SIB which does not meet one of these requirements will be subject to the associated minimum capital conservation standards. A G-SIB which does not meet both requirements will be subject to the higher minimum capital conservation standard related to its risk-based capital requirement or leverage ratio.

40.5

As an example, the table below shows the minimum capital conservation standards for the CET1 risk-based requirements and Tier 1 leverage ratio requirements of a G-SIB in the first bucket of the higher loss-absorbency requirements (ie where a 1% risk-based G-SIB capital buffer applies).

CET1 risk-based ratio	Tier 1 leverage ratio	Minimum capital conservation ratios (expressed as a percentage of earnings)
4.5%-5.375%	3%-3.125%	100%
> 5.375%-6.25%	> 3.125%-3.25%	80%
> 6.25%-7.125%	> 3.25%-3.375%	60%

> 7.125%-8%	> 3.375%-3.50%	40%
> 8.0%	> 3.50%	0%