



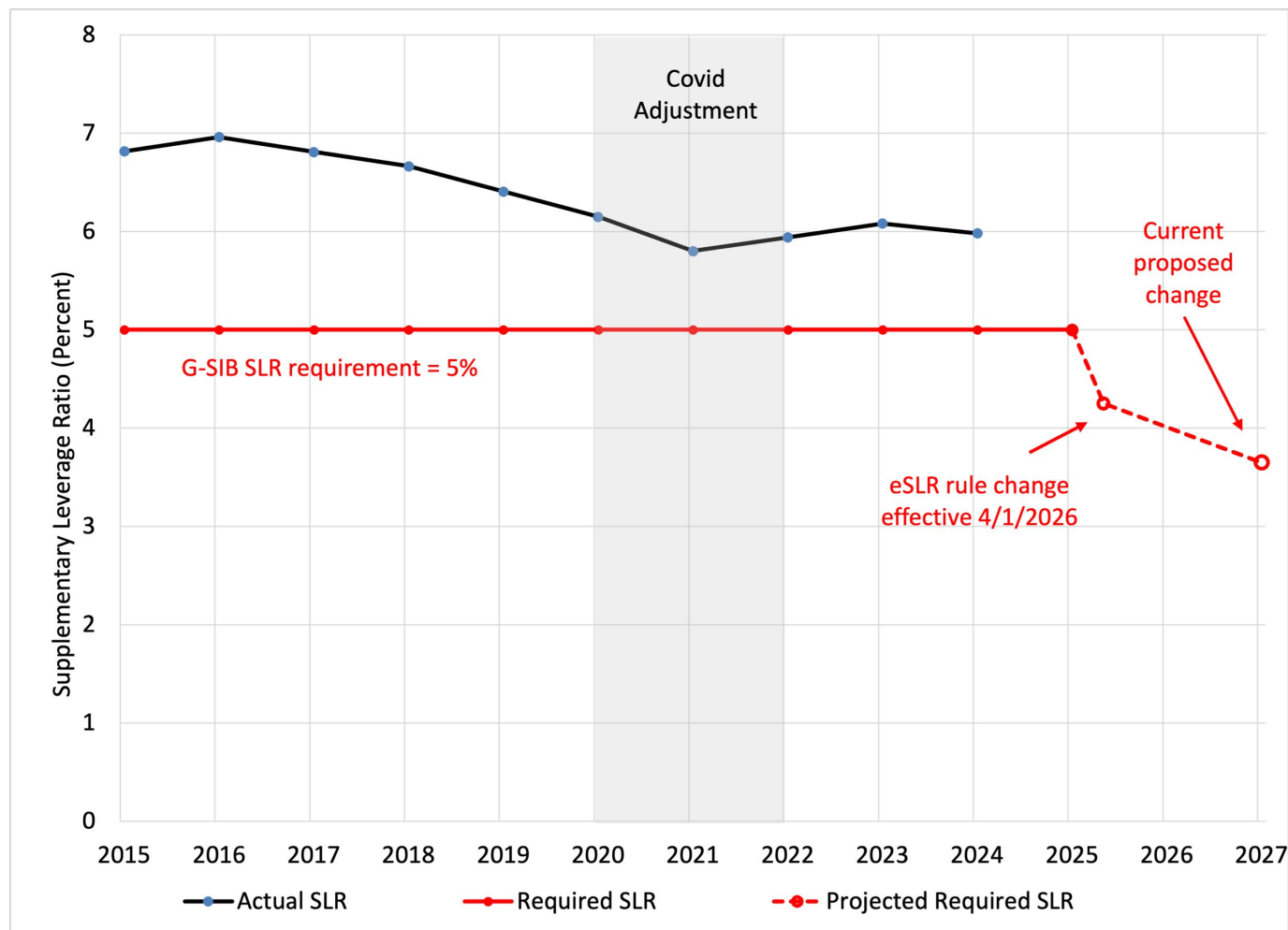
Brandeis

SCHOOL OF BUSINESS
AND ECONOMICS

SIMPLIFICATION IN THE US?

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The Leverage Ratio



- Actual SLR:
7% (2016) → 6% (2024)
- Banks expanding the exposures
the SLR is designed to constrain
- Required SLR cut:
5% → 3.9% (Apr 2026) → 3.7% (2027)

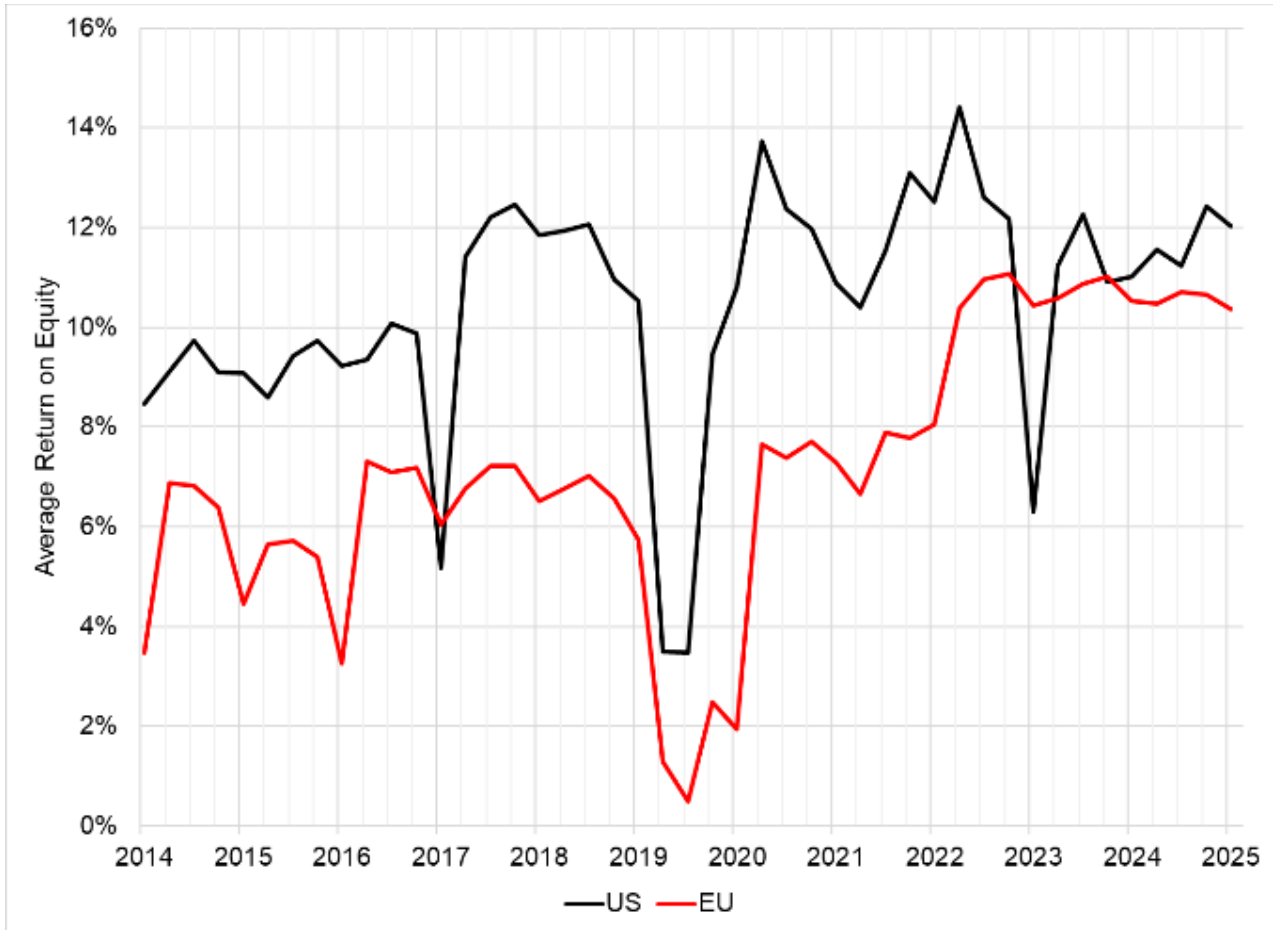
Source: [Federal Reserve Bank of Kansas City Bank Capital Analysis](#) (Q2 2025 release); [Federal Register, December 1, 2025](#).

Erosion, not simplification

- Required CET1 reduced by **\$88 billion** for the largest banks
→ Record \$33 billion in buybacks in Q1 2026
- 20+ material downward deviations from Basel III
- Market-risk output floor inverted into a cap
- GSIB surcharge arbitrarily recalibrated
- eSLR (enhanced SLR) reduction for G-SIBs (Dec 2025)
- Stress test dilution (proposed)

"The safety and soundness of the banking system is built on trust, and I fear we are eroding that trust." — Governor Michael S. Barr, March 26, 2026

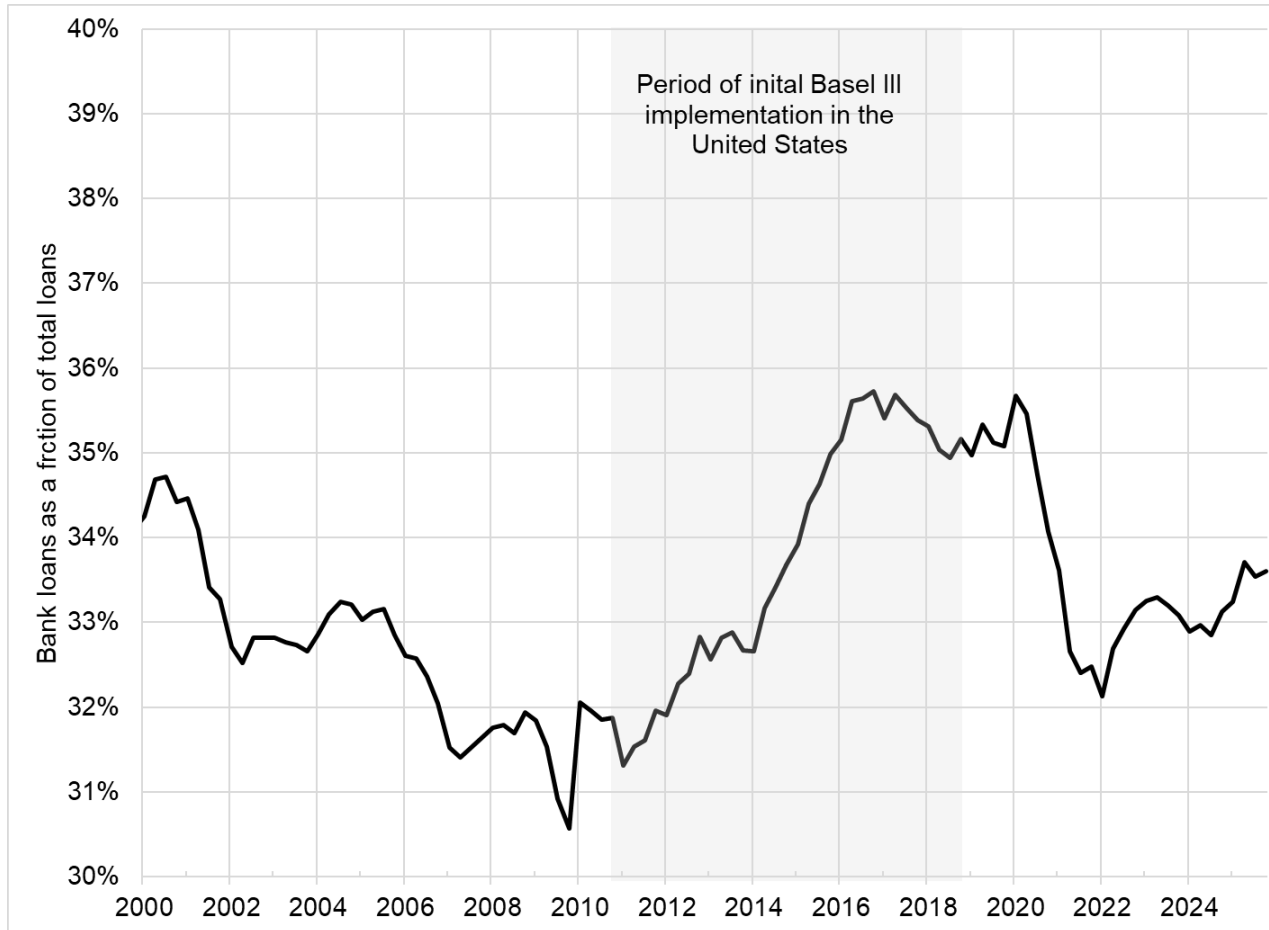
Starting a race to the bottom



- US banks outperforming EU peers
- Are capital rules harming competition?
- Will others comply with Basel III?

Source: FDIC Quarterly Banking Profile and the European Banking Authority Risk Dashboard.

Higher capital requirements, steady bank lending



- Capital requirements roughly doubled from 2010 to 2024
- Banks' share of credit rose during Basel III implementation

Source: Federal Reserve Z.1 Financial Accounts of the United States tables L.100 and L.101

What does simplification really mean?

Banks like complexity because it permits gaming. They want "simplification" that reduces capital requirements without reducing the opportunities for arbitrage.

"The history of bank regulation in the United States is of progressive dilutions of core regulatory requirements over a number of years, leaving the banking system as a whole vulnerable to crisis."

— Paul Tucker, 2018