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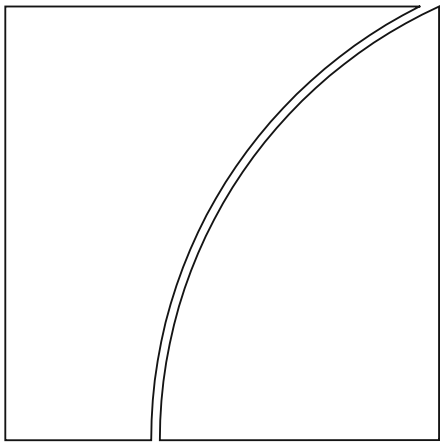

Simple, resilient and proportional: revisiting regulation for small banks

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Simple, resilient and proportional: revisiting regulation for small banks[1]

Executive summary

Small banks differ significantly from large banks in terms of their roles, activities, geographic reach and operational complexity. While there is no uniform definition for "small banks," they typically focus on lending and deposit-taking to households and small businesses, relying on local ownership and specialised knowledge of their communities. In contrast, large banks serve a diverse customer base, operate across national and international markets and engage in a broader range of activities such as specialised lending, wealth management and trading. Their diversified business models and advanced risk management systems result in more complex structures and risk profiles.

To account for these differences, the Basel Committee on Banking Supervision (BCBS) provides for the proportional application of global banking standards. First, the core principles for effective banking supervision, which set the minimum standard for the sound regulation and supervision of banks, applies to all banks in all jurisdictions. To enable broad application, these principles embed a proportionate approach by emphasising that prudential requirements and supervisory practices align with banks' systemic importance and risk profiles. Second, while other aspects of the Basel Framework, including Basel III, are intended for internationally active banks, they can be tailored to other banks based on their size, complexity and risk profile. To support this, the BCBS has issued high-level guidance on proportionality, emphasising that effective approaches should be conservative and simple to implement.

Proportionality practices for non-internationally active banks vary significantly across jurisdictions. This includes variation in terms of the criteria and thresholds used to determine the scope of banks subject to specific rules and the regulatory standards that are subject to proportional application. In non-BCBS jurisdictions, proportionality often involves a mix of simplifying some regulatory standards while imposing stricter requirements in specific areas.

Recent efforts to modernise regulatory frameworks in some jurisdictions, often driven by pro-growth objectives of national governments, have reignited the debate on proportionality. As some jurisdictions review regulatory requirements to mitigate undue compliance burden on smaller banks, it is important to design proportionate approaches that reduce complexity for smaller banks while still accounting for the risks posed by banks of varying risk profiles.

This paper explores the design of regulatory regimes for small banks and identifies key features that advance the BCBS's twin proportionality objectives of being "conservative yet simple." Based on a stock-take of small bank regulatory regimes in six jurisdictions, it identifies eligibility criteria and regulatory requirements for small banks. Unlike earlier Financial Stability Institute studies, which explored proportionality strategies for all non-internationally active banks, this paper focuses exclusively on the regulatory regimes applicable to a subset of small banks that meet specified eligibility criteria.

The criteria for defining small banks differ significantly across surveyed jurisdictions. While asset size is the only common criterion across all sampled jurisdictions, the thresholds applied vary substantially. Other criteria include measures for complexity and domestic activity requirements, though the underlying proxies differ across sampled jurisdictions. Financial resilience metrics, such as minimum leverage ratios, are sometimes applied as an entry requirement, but the requisite levels and methodologies vary. In some cases, information from supervisory assessments is also used as eligibility criteria.

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Proportionality in regulatory requirements varies widely, reflecting differing simplification methods and the trade-offs made between streamlining requirements and fostering resilience. The European Union (EU) prioritises reducing compliance burden through simplified reporting templates and market disclosures while applying broadly similar capital, leverage and liquidity requirements across all banks. Other jurisdictions focus on streamlining specific elements of their prudential regulations that are viewed as overly complex for small banks. These efforts may target either particular components or the entirety of the risk-based capital (RBC) regime and the Pillar 1 liquidity requirements.

These differences manifest in varying capital requirements across jurisdictions. The United States (US) and Switzerland replace RBC requirements with leverage ratios higher than those prescribed under Basel III, though their calculation methodologies differ. Other jurisdictions, such as China and the United Kingdom (UK), retain RBC ratios but either simplify or exempt certain RBC components. For instance, the UK, beginning on 1 January 2027, will allow eligible banks to consolidate multiple capital buffer requirements with a single capital buffer and simplify market risk-weighted asset calculations for banks with small trading book exposures. China eliminates both the capital buffers and market risk capital requirements but requires small banks to maintain a higher minimum Common Equity Tier 1 (CET1) ratio than Basel standards. In Brazil, the RBC regime for small banks includes limited simplifications.

Liquidity standards also differ. Approaches to liquidity requirements include requiring small banks to (i) comply with both the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR); (ii) adhere to the LCR only, while allowing exemptions from the NSFR if certain requirements are met; and (iii) meet simplified proxies for the LCR and NSFR. In two jurisdictions, small banks are exempt from quantitative liquidity requirements altogether.

While most jurisdictions apply large exposure standards to small banks with minimal adjustments, significant simplifications are made to Pillar 3 disclosures and supervisory reporting. Some jurisdictions tailor Pillar 3 disclosures based on whether small banks are publicly listed, while others implement broad simplifications regardless of listing status. Supervisory reporting is widely streamlined through simplified templates, reduced reporting frequencies and targeted exemptions. Brazil distinguishes between market disclosures and supervisory reporting, applying targeted Pillar 3 simplifications while keeping supervisory reporting requirements largely unchanged.

To define small banks, authorities can adapt the BCBS' "size, complexity and risk profile" criteria to their local conditions. While the BCBS deliberately never defined these criteria, authorities often use them as the basis to tailor the Basel Framework to smaller banks. Consequently, authorities need to develop jurisdiction-relevant proxies and thresholds for each criterion to ensure local relevance. Transitional rules are essential to prevent firms from frequently entering or exiting the small bank category.

- **size:** This is the simplest to define, typically based on balance sheet size; but decisions on appropriate thresholds – whether static or variable – require careful consideration.
- **complexity:** Proxies fall into two categories: (i) operational, market and trading complexity, such as limits on trading book size; and (ii) cross-border complexity, which includes proxies that limit cross-border exposures and require a minimum threshold for domestic activity.
- **risk profile:** Proxies include (i) supervisory metrics – that is, various supervisory assessment indicators that may be used as part of the eligibility criteria; and (ii) financial metrics, such as minimum leverage and liquidity requirements, to demonstrate firms' financial resilience.

Designing prudential requirements for small banks requires a holistic approach that balances simplicity and resilience. Regulatory simplifications observed across jurisdictions offer different pathways for authorities to rationalise prudential standards. Such simplifications include (i) replacing RBC ratios with higher leverage requirements; (ii) simplifying aspects of the RBC ratio; (iii) streamlining liquidity requirements; and (iv) reducing supervisory reporting and disclosures. Any simplifications should be paired with relevant safeguards that are embedded in eligibility criteria to foster banks' overall resilience.

Section 1 – Introduction

1. **Small banks play an important role in domestic banking systems by supporting local economies and fostering community development.** They often serve customers who form the backbone of local economies – households and small businesses – by providing essential banking services such as lending, deposit-taking, cash management and other financial products. Their focus on local communities and credit intermediation helps diversify the banking sector, potentially reducing risks associated with the concentration of financial activities in a few large institutions. Furthermore, small banks may contribute to more personalised relationships and provide broader access to financial services by operating in regions or sectors that are underserved by larger banks.

2. **Small banks' business models and risk profiles differ significantly from large banks.** Large banks often operate across multiple regions domestically or across borders, engaging in a diverse set of activities – including lending, wealth management and trading, among other activities – to a broader range of clients. In contrast, small banks typically focus on providing credit to small businesses and consumers within localised markets. Their funding models also differ: while large banks may rely on wholesale funding, small banks often depend on retail funding from local customers. This narrower scope and simpler structure mean that small banks generally pose lower systemic risks but are also more exposed to local economic conditions and concentration risk on both sides of their balance sheets. Moreover, smaller banks often face proportionally higher compliance costs relative to larger banks.

3. **Global banking standards are not specifically designed for small banks.** The Basel Committee on Banking Supervision (BCBS), the global standard-setter for the regulation and supervision of banks, prescribes standards that are generally designed for internationally active banks. Beyond the core principles for effective banking supervision (BCBS 2024) – which are universally applicable to all banks in all jurisdictions – the adoption of the wider Basel Framework is not mandatory for non-internationally active banks. Nevertheless, many jurisdictions choose to apply them to a broader set of banks.

4. **To address the diverse range of banks and banking systems, the Basel Framework embeds the concept of proportionality.** First, virtually all Basel standards that, collectively, comprise the broader framework allow for tailored application to non-internationally active banks based on their size, complexity and risk profile. Second, proportionality is explicitly embedded in some of the standards, such as offering a choice between standardised and more complex internal ratings-based approaches for calculating regulatory capital requirements. While the BCBS has issued high-level guidance on proportionality, the implementation of this guidance is intentionally left to the discretion of national authorities.

5. **The introduction of Basel III – which expanded the scope, complexity and stringency of regulatory requirements – brought the issue of proportionality into sharper focus.** Basel III introduced new elements in both the numerator and denominator of the risk-based capital (RBC) regime and established new standards for leverage, liquidity and large exposures. Compared with its predecessors (Basel I and Basel II), Basel III encompasses a greater number of standards, with more intricate components, creating greater scope for proportional application for smaller banks.

6. **In response to the increased interest in proportionality, international organisations have conducted studies to assess its application across jurisdictions.** Earlier publications by the Financial Stability Institute (FSI) outlined proportional approaches to regulation in BCBS member jurisdictions (Carvalho et al (2017)) and non-BCBS jurisdictions (Hohl et al (2018)), as well as in supervision (Duckwitz et al (2019)). The BCBS, in collaboration with the World Bank, surveyed proportionality practices in 179 jurisdictions (World Bank and BCBS (2021)). This followed an earlier BCBS survey on proportionality in bank regulation and supervision (BCBS (2019)). These efforts culminated in the BCBS' high-level considerations for the application of proportionality (BCBS (2022)). A common observation across all publications is that effective proportionate approaches should be both conservative and simple, without diluting the robustness of the relevant standards. In other words, proportionality should consider rules that are simpler but not less stringent.

7. **While the policy debate on proportionality subsided in the years following the publication of the 2022 BCBS report, recent discussions on regulatory modernisation and economic growth have renewed its importance.** As national governments in some jurisdictions advance a pro-growth agenda, proportionality is seen as a critical tool to ensure that regulatory frameworks facilitate, rather than hinder, such objectives. For small banks in particular, proportionality offers an avenue to streamline regulatory requirements with their simpler structures, reduce costs and encourage greater credit intermediation to the local economy without compromising on resilience.[2] At the same time, experience in several jurisdictions demonstrates that the failure of relatively small banks can still have a systemic impact, highlighting the limitations of the proportionality principle.

8. **This paper takes stock of the regulatory regimes designed for small banks in six jurisdictions, highlighting key features that promote the proportionality principles of simplicity and resilience.** While earlier FSI publications explored broader proportionality strategies covering the universe of non-internationally active banks, this paper focuses specifically on simplified regulatory regimes applicable to a subset of small banks that meet relevant eligibility criteria. It also covers how proportionality is implemented within these regimes, covering Pillar 1 regulatory requirements, supervisory reporting and Pillar 3 disclosures.[3] By narrowing its scope, this paper distinguishes these small banks from larger and potentially more complex, non-internationally active banks that may fall under a different regulatory regime. The findings are based on a review of relevant international standards, guidance and domestic requirements applied to small banks in six jurisdictions.[4] For purposes of this paper, the term small bank regulatory regime (SBRR) is used as generic label for applicable regimes that are in place in surveyed jurisdictions and that may be referred to by different names/acronyms locally.[5]

9. **The rest of the paper is structured as follows.** Section 2 outlines the eligibility criteria to qualify under an SBRR in relevant jurisdictions. Sections 3 and 4 summarise capital and other Pillar 1 regulatory, disclosure and reporting requirements, respectively. Section 5 proposes policy considerations for designing SBRRs, and section 6 concludes. The annex contains background information on the number and aggregate size of banks covered under the SBRR in respective jurisdictions.

Section 2 – Eligibility criteria for simplified prudential regimes

Eligibility criteria

10. **The frameworks used to determine eligibility for an SBRR can be classified into two approaches:** (i) size-based frameworks, which typically apply an asset-size threshold as the main eligibility criterion, combined with restrictions on cross-border activities; and (ii) bespoke regimes that rely on multiple criteria, considering factors beyond size. At one end of the spectrum are Brazil and China, which adopt the size-based approach.[6] At the other end, jurisdictions with bespoke regimes (CH, EU, UK, US)

[2] For a discussion on the importance of a diverse banking landscape and proportionality in regulation, see the high-level response by BaFin and Deutsche Bundesbank (2026) to the "Targeted Consultation on the Competitiveness of the EU Banking Sector." For a discussion on the challenges and trade-offs in the regulation of US community banks, see Bowman (2024).

[3] Proportionality measures related to supervisory practices for small banks or proportional approaches applied to other non-bank deposit-taking entities (eg financial cooperatives or micro-finance institutions) are beyond the scope of this paper.

[4] Brazil (BR), Switzerland (CH), China (CN), the European Union (EU), the United Kingdom (UK) and the United States (US).

[5] See Table A.1 in the annex for an overview of the names of the SBRRs in surveyed jurisdictions and some general statistics.

[6] For the SBRR in Brazil, see Central Bank of Brazil (2017); for the SBRR in China, see National Financial Regulatory Administration of China (2023), particularly Annex 23.

impose multiple eligibility criteria.[7] In addition to asset size, these include proxies for complexity and financial resilience. Table 1 summarises the eligibility criteria in the sampled jurisdictions.

11. **Asset size is the only criterion common across all six jurisdictions, though the prescribed thresholds vary.** Five jurisdictions impose fixed asset-size thresholds, ranging from USD 1.44 billion to USD 27.2 billion, reflecting the diversity of their banking sectors. Despite the simplicity of using a fixed size limit, one challenge is that it may need to be adjusted over time to reflect factors such as inflation, economic growth and the size of the domestic banking industry. Brazil adopts a dynamic threshold tied to gross domestic product (GDP) – that is, total assets must be less than 0.1% of GDP.

12. **To ensure stability, the EU and UK impose time-bound size requirements.** Banks must adhere to the average total asset-size thresholds for the preceding four years (EU) or three years (UK), respectively, to qualify. This approach aims to smooth out the impact of any fluctuations in total assets and to give a growing firm time to prepare for ceasing to meet the eligibility criteria.

13. **Measures of complexity are the second most commonly used eligibility criteria.** Brazil, the EU, UK and US prohibit banks from using internal ratings-based models for regulatory capital measurement under their respective SBRRs. The EU, UK and US also cap trading book exposures as a percentage of total assets. In addition to these percentage limits, the EU and UK impose aggregate nominal limits on the size of the trading book and varying limits covering foreign exchange, derivatives and commodities exposures.

14. **Three jurisdictions also impose restrictions on cross-border exposures, to ensure that banks operating under the SBRR remain focused primarily on domestic activities.** Banks subject to China's SBRR cannot have any cross-border exposures. In the EU, at least 75% of a bank's assets and liabilities must be located within the European economic area (EEA) to qualify for its SBRR. The UK imposes a similar 75% requirement on domestic credit exposures, with an additional requirement of an 85% average over the past three years. Furthermore, it may restrict participation in its SBBR for certain banks owned by non-UK-based parent companies, depending on the size and activities of the wider group.[8]

15. **Switzerland and the US incorporate financial resilience metrics into their eligibility criteria.** Both jurisdictions impose minimum leverage ratio requirements at 8% – as both the initial eligibility criteria and as ongoing requirements – but they each prescribe different calculation methodologies.[9] Switzerland adopts a stricter approach, using a narrower definition of eligible capital and including off-balance sheet exposures. The US, by contrast, excludes off-balance sheet exposures from its leverage ratio but partly mitigates this gap by imposing an additional eligibility criterion, limiting its SBRR to banks with off-balance sheet exposures of 25% or less of their consolidated assets. In addition, Switzerland is the only jurisdiction whose eligibility criteria includes minimum liquidity requirements.

16. **Lastly, only two jurisdictions incorporate the outcomes of supervisory risk assessments into their eligibility criteria.** The EU includes only banks that qualify for simplified obligations on recovery and resolution planning in the SBRR, which is determined largely through the supervisory review process. To qualify to use Switzerland's SBRR, banks must demonstrate adequate interest rate risk management, maintain reasonable levels of interest rate risk and must not be subject to any supervisory proceedings.[10]

[7] For the CH SBRR, see Swiss Financial Market Supervisory Authority (2020); for the EU SBRR, see European Central Bank (2019); for the UK SBRR, see Bank of England (2025); and for the US SBRR, see FED, FDIC and OCC (2026) and Federal Register (2026).

[8] The UK does not automatically exclude subsidiaries of non-UK banking groups. Instead, it considers the size and activities of the wider group when assessing whether a firm meets applicable eligibility requirements, with eligibility more likely where the group's total assets do not exceed the size threshold of GBP 20 billion.

[9] The US previously imposed a minimum leverage ratio requirement of 9% as an option instead of applying the RBC and the standard leverage ratio for applicable community banks; but it reduced that requirement to 8%, effective on 1 July 2026.

[10] These include supervisory measures or proceedings that have been initiated against the institution in the following areas: rules of conduct under the Financial Services Act market conduct rules under the Financial Market Infrastructure Act, money laundering and terrorist financing under the Anti-Money Laundering Act, and cross-border business.

Eligibility criteria

Table 1

Criteria	Brazil	Switzerland[1]	China	European Union	United Kingdom	United States
Size						
Size, total assets (in billion USD)	<0.1% of GDP (about 2.3)[2]	< 22	< 1.4[3]	≤ 5.9[4]	≤ 27.2[5]	< 10
Other size criteria (in billion USD)		AUM < 42, privileged deposits< 0.7, capital requirements<0.3		Not a large institution (ie no O-SII or top three largest in a country)		Off-balance sheet exposures ≤ 25% of total consolidated assets
Complexity						
Trading book (in billion USD)				< 0.24, < 6% of total assets	≤ 0.06, ≤ 5% of total assets, overall net foreign exchange position ≤ 3.5% of own funds[6]	≤ 5% of total assets[7]
Derivatives & commodities				Trading derivatives <2% and total derivatives <5% of on and off-balance sheet assets	No positions in commodities or commodity derivatives	
Cross-border activity (in billion USD)	< 10[8]	No supervisory proceedings regarding cross border business may be in place	No overseas exposures[9]	Assets and liabilities with EEA counterparties ≥75% of total assets and liabilities	Credit exposures located in the UK ≥ 75%[10]	
Internal models	No internal models			No internal models (other than developed by group)	No internal ratings-based approvals	Non-advanced approach institution[11]
Risk profile						
Financial metrics		Leverage ratio ≥ 8%[12], LCR ≥ 110%[13]; refinancing ratio ≥ 100%[14]				Leverage ratio > 8%
Other		Adequate levels and management of interest rate risk. No supervisory proceedings in place[15]		Not required to prepare recovery or resolution plans (non-simplified)	No clearing, settlement, custody, payment or similar services (unless in group). No non-UK parent[16]	

[1] For SBRR eligibility, meeting two of the four size criteria suffices. [2] Exposure measure divided by the sum of nominal GDP of the last four quarters. [3] On- and off-balance sheet. [4] Four-year average. EU member states may set a lower threshold. [5] Recent 36-month average. [6] The 3.5% ceiling always applies; 2% threshold required in recent months. Other trading book conditions must be met in each of the previous three months or more than six months in the past year. [7] Threshold applies to combined trading assets and liabilities. [8] Currently, this constraint is not binding for SBRR banks as their balance sheet is restricted by the size eligibility criteria to a level well below USD 10 billion. [9] Direct claims on / debts to foreign governments, central banks, public sector, financial/non-financial institutions and individuals (excludes exposures transferred to China). [10] The 75% threshold applies at all times; an 85% threshold must be met on average over the last three years. [11] Advanced approach institutions are defined as banking organisations with ≥ USD 250 billion in total consolidated assets or ≥ USD 10 billion in on-balance-sheet foreign exposure, including depository subsidiaries. [12] Core capital / (assets minus goodwill/participations + off-balance-sheet positions). [13] 12-month average. [14] Share of stable funding relative to customer and mortgage claims. [15] Regarding the rules of conduct of the Financial Services Act, the Financial Market Infrastructure Act and the Anti-Money Laundering Act, as well as cross-border compliance. [16] Unless group complexity is limited (typically where group assets ≤ USD 27 billion).

Source: Public regulatory disclosures.

Entry mechanisms and transitional arrangements

17. **The choice between size-based frameworks and bespoke regimes also influences the SBRR entry mechanisms.** In Brazil and China, where size-based frameworks are used, entry is automatic upon meeting the applicable size-based criterion. In contrast, jurisdictions with bespoke regimes (CH, EU, UK, US) offer optional entry into their SBRR – subject to regulatory approval – consistent with the tailored and more detailed set of assessment criteria of their frameworks (Table 2).

18. **Size-based frameworks apply similar protocols for addressing temporary non-compliance with eligibility criteria.** In Brazil and China, banks are allowed to temporarily breach size-based thresholds for a limited period without triggering immediate reclassification – up to a specified number of consecutive semesters (half-years) in Brazil and up to four consecutive quarters in China.[11] However, breaches beyond these time frames can result in different outcomes. In Brazil, banks are automatically reclassified to the segment whose criteria they meet; in China, banks must notify the regulatory authority, and the regulatory authority may grant a grace period of up to one year before reclassifying the bank into a higher tier.[12]

19. **Bespoke regimes typically require banks to meet entry criteria at all times, although some authorities can grant extensions to address temporary non-compliance.** In the EU and UK, banks must notify the national supervisor in case of non-compliance.[13] Switzerland and the US allow grace periods for up to one year for opt-in banks to meet the qualifying criteria again.[14] In the US, the four-quarter (one year) grace period is available only to banks that maintain a leverage ratio above 7% at all times.

Entry mechanisms and transitional arrangements — Table 2

	Brazil	Switzerland	China	European Union	United Kingdom	United States
Entry mechanisms	Automatic	Opt-in	Automatic[1]	Opt-in	Opt-in	Opt-in
Compliance with entry criteria	Temporary breach allowed	Always, but supervisors can grant grace period when notified of breach	Temporary breach allowed	Always	Always	Always, but supervisors can grant grace period when notified of breach; leverage ratio must be above 7% during grace period

[1] Classification is automatic and not voluntary. Banks are nonetheless required to notify the supervisor after meeting the classification criteria for four consecutive quarters.

Source: Public regulatory disclosures.

[11] In Brazil, the required number of consecutive semesters depends on whether the bank is moving upwards or downwards. Specifically, a bank in S4 will move up to S3 if it exceeds the S3 threshold for three consecutive semesters, while it will move down from S3 to S4 once it meets the S4 threshold for five consecutive semesters.

[12] In both jurisdictions, authorities can also use supervisory judgment to adjust the segmentation, taking into consideration the bank's operation and risk profile.

[13] The EU framework does not specify a formal notification deadline, whereas in the UK banks must notify their supervisor within 14 days of becoming aware of a breach.

[14] For purposes of the SBRR, the US allows a grace period for four quarters, subject to a limit of eight quarters in the previous five-year period.

Section 3 – Capital requirements

20. **Proportionality in capital requirements is applied differently across jurisdictions.** Depending on the proportionality choices made, capital requirements for small banks may be lower, higher or unchanged compared with the general population of banks in sampled jurisdictions. Broadly, two distinct approaches emerge: one involves replacing RBC requirements with simpler but more stringent leverage ratio requirements; the other retains the RBC regime but introduces simplifications to aspects of the RBC ratio (Table 3). Among our sample, one jurisdiction does not differentiate RBC requirements across their banks and, instead, applies proportionality in other areas of the prudential framework.

21. **Both Switzerland and US replace RBC requirements with higher leverage ratio standards for banks that qualify under their respective SBRRs.** In Switzerland, eligible banks are required to meet a simplified leverage ratio of at least 8%, significantly higher than the 5% leverage ratio requirement (including the global systemically important bank buffer) for UBS, Switzerland's largest bank.[15] The US also imposes a 8% leverage ratio requirement on eligible community banks that opt into the regime using a methodology that excludes off-balance sheet exposures from the denominator of the ratio.[16] In both cases, meeting the higher leverage ratio under the simplified regime reduces regulatory burden by eliminating the need for qualifying banks to comply with the more operationally complex RBC requirements.

22. **In China, the RBC regime applies to small banks, but includes notable exemptions, which are partly offset by higher minimum CET1 ratio and total capital requirements.** Chinese Tier 3 (small) banks are subject to CET1 and total capital requirements of 7.5% and 8.5%, respectively. These thresholds are higher than the 5% CET1 and 8% total capital requirements imposed on larger Chinese banks. The higher minimum RBC ratios under China's SBRR may partially offset the various exemptions in the RBC regime applicable to these smaller banks. These include exemptions from all capital buffer and market risk capital requirements. Also, a Tier 1 capital ratio does not need to be calculated. However, no differentiation is made regarding the leverage ratio, as small banks are subject to the same minimum 4% Tier 1 leverage ratio requirement as all other banks in China.

23. **The UK will introduce a simplified RBC regime effective 1 January 2027 to banks qualifying under its SBRR, incorporating targeted simplifications to risk-weighted assets (RWA) calculations and capital buffers.** Regarding RWA, these simplifications include, but are not limited to, the following: (i) exemption from the due diligence requirements under the standardised approach to credit RWA calculations; (ii) replacing market RWA calculations for trading book positions with the capital treatment based on the credit risk framework; (iii) and exemptions from calculating RWAs for counterparty credit risk on derivatives (except in limited cases) and credit valuation adjustments. Moreover, a single capital buffer of at least 3.5% of RWA replaces the more complex buffer framework, comprising the capital conservation buffer, countercyclical capital buffer and Pillar 2B.[17]

24. **In Brazil, the RBC regime for small banks includes limited simplifications aimed at reducing regulatory complexity while maintaining prudential oversight.** For market risk, small banks must operate under the current (Basel II.5) framework, while other banks transition to the Basel III standardised

[15] The leverage ratio calculation for small banks in Switzerland differs from the Basel III methodology applied to UBS. Small banks use a simplified approach, whereas the Basel III leverage ratio applied to UBS is more comprehensive, including additional items such as securities financing transactions and derivatives in the exposure measure.

[16] The leverage ratio thresholds applied to small banks in Switzerland and the US are not directly comparable since the leverage ratio calculations differ. Under the Swiss SBRR, off-balance-sheet positions are included in the exposure measure; whereas in the US, they are excluded.

[17] In addition, the interaction between the countercyclical capital buffer and Pillar 2A will be removed so that Pillar 2A is set independently of countercyclical capital buffer rates, and Pillar 2A methodologies for credit, credit concentration and operational risk are simplified through more standardised and less granular approaches. See Bank of England PRA (2025) for further details.

approach starting in 2027. For counterparty credit risk, small banks can apply a simplified methodology by using the current exposure method of Basel II. Similarly, for exposures to investment funds under the credit RWA calculation, small banks are allowed to apply a single, conservative risk weight of 1250% rather than being required to "look through" to the underlying assets. Additionally, while small banks are required to calculate and report the leverage ratio to the central bank, there is no mandatory minimum leverage ratio.

25. **Unlike other surveyed jurisdictions, the EU imposes the same RBC and leverage requirements to all banks, including small banks, without differentiation.** Currently, proportionality for small banks is achieved primarily through streamlined supervisory reporting and market disclosure requirements (see section 4 for details). However, authorities increasingly recognise that applying the same regulatory regime to all banks may introduce undue complexity for smaller institutions. As a result, there appears to be interest in expanding the degree of proportionality. Proposed alternatives include removing automatic triggers for earnings distribution restrictions based on buffers, simplifying certain standardised RBC approaches or exempting small banks from specific requirements.[18]

Capital requirements — Table 3

Requirements	Brazil	Switzerland	China	European Union	United Kingdom	United States
Risk-based ratio (minima and buffers)	Basel Pillar 1 minimum requirements and buffers apply	No requirements	Common Equity Tier 1 ratio ≥ 7.5%; total capital ratio ≥ 8.5%; no buffer requirements; no Tier 1 ratio requirement	Basel Pillar 1 minima and buffers apply; Pillar 2 requirements can be applied	Basel Pillar 1 minima apply; non-cyclical single capital buffer ≥ 3.5%; simplified Pillar 2A	No requirements
Risk-weighted assets calculation	Targeted simplifications apply	Not required	Required, but only for credit and operational risks; simplifications apply	Required; no simplification specifically for SBRR banks	Required, but only for credit and operational risks[1]; simplifications apply	Not required
Leverage	No requirement, but must be calculated and reported	Leverage ratio (LR) ≥ 8%	LR ≥ 4%	LR ≥ 3%	Must be calculated and reported simplifications apply[2]	LR > 8%

[1] In some exceptional cases, risk-weighted assets need to be determined for counterparty credit risk (eg if small domestic deposit takers are clearing a member of a central counterparty). Eligible banks may replace trading book capital requirements with a treatment based on the credit risk framework. [2] Requirements generally apply only to banks with ≥50 GBP billion retail deposits or ≥10 GBP billion non-UK assets.

Source: Public regulatory disclosures.

Section 4 – Other prudential requirements

26. **Proportionality in other prudential requirements is evident primarily in areas such as liquidity requirements, supervisory reporting and market (Pillar 3) disclosure obligations, and, to a lesser extent, in large exposure limits.** This is achieved through a combination of simplified ratios,

[18] See ECB (2025) for further information.

reduced scope of Pillar 3 obligations and less frequent data collection. While the degree of simplification varies across jurisdictions, the overarching objective is the same – to ease regulatory burden while safeguarding resilience (Table 4).

27. **Liquidity requirements for small banks vary widely.** In the EU, SBRR banks must meet both the LCR and a simplified NSFR. The UK retains the LCR requirement at 100% and introduces a 12-month average retail deposit ratio (RDR) of at least 50%; meeting the RDR for at least four consecutive quarters exempts eligible banks from the NSFR requirement. Switzerland mandates an average 12-month LCR of at least 110% and replaces the NSFR with a refinancing ratio of at least 100%.[19] Both the Swiss refinancing ratio and the UK RDR serve to achieve the prudential objectives of the NSFR in promoting stable funding while reducing complexity. In Brazil, small banks are currently exempt from both the LCR and NSFR requirements; however, beginning in 2027, they will need to comply with a simplified LCR.[20] China requires small banks to comply with alternative liquidity metrics that serve similar prudential purposes to the LCR and NSFR. In contrast, small banks in the US are fully exempt from quantitative liquidity requirements, although liquidity is an important component of on-site examinations and is one of the areas supervisors rate in the US CAMELS rating framework.

28. **Large exposure and concentration limits are generally subject to fewer proportionality adjustments, with most jurisdictions retaining prudential limits for small banks.** The EU, Switzerland and China broadly apply their standard large exposure frameworks without material simplifications for smaller institutions. Similarly, Brazil and the UK retain the framework but simplify the calculation of certain exposures.[21] The US does not apply the Pillar 1 large exposures framework to SBRR banks, but all such banks remain subject to statutory single-borrower lending limits.

29. **Authorities across the sampled jurisdictions generally reduce the scope of Pillar 3 disclosure requirements for small banks, with some jurisdictions differentiating between publicly listed and non-listed institutions.** The EU and the UK follow broadly similar approaches by linking the extent of disclosure obligations to whether banks access public capital markets. In the EU, non-listed banks that qualify under their respective SBRRs are exempt from most Pillar 3 reporting templates, while listed SBRR banks are subject to a reduced but broader set of disclosures and a lower reporting frequency. Similarly, the UK requires reduced and less frequent disclosures for listed smaller firms, whereas non-listed institutions are fully exempt from Pillar 3 disclosure requirements.

30. **In other jurisdictions, Pillar 3 simplifications are generally applied without distinguishing between listed and non-listed institutions.** Brazil requires smaller banks to report a substantially reduced number of templates. China applies simplified Pillar 3 templates together with less frequent reporting, thereby reducing the reporting burden while maintaining disclosure of key prudential metrics. Switzerland follows a similar approach by concentrating disclosures on a limited set of core prudential indicators, including simplified leverage ratio reporting, while exempting small banks from RWA reporting in line with SBRR capital requirements. The US does not apply the Basel Pillar 3 disclosures framework to smaller banks that opt into its SBRR.[22]

[19] See definitions of jurisdiction-specific liquidity ratios in Table 4.

[20] Brazil will introduce simplified LCR requirements for small banks starting in January 2027. In particular, small banks will be required to meet a simplified LCR (LCRS) of 90%, increasing to 100% from July 2027.

[21] For example, in the UK, small banks under its SBRR regime can calculate derivative exposures for purposes of the large exposures framework (and the leverage ratio) using the current market value (floored at zero and multiplied by a factor of 1.4), rather than applying the full standardised approach, counterparty credit risk methodology.

[22] Small banks that opt into the US SBRR are subject to a range of quantitative supervisory reporting requirements that are, in general, publicly available.

Other selected prudential requirements

Table 4

Requirements	Brazil	Switzerland	China	European Union	United Kingdom	United States
Liquidity	Simplified Liquidity Coverage Ratio (LCR)[1]	Simplified (12-month average) LCR ≥ 110%; no Net Stable Funding Ratio (NSFR), instead refinancing ratio ≥ 100%[2]	Liquidity ratio ≥25%[3]; liquidity matching ratio ≥ 100%[4]; adequacy ratio of HQLA ≥ 100%[5]; no LCR/NSFR	LCR ≥100%; (simplified) sNSFR ≥ 100%	LCR ≥ 100%; NSFR disapplied if RDR ≥ 50%[6]	No LCR/NSFR requirements
Large exposures	Apply, with targeted simplifications	Apply	Apply	Apply	Apply, but derivative exposure calculation simplified	Do not apply[7]
Pillar 3 / market disclosures	Lower frequency; non-listed: exempt from most templates; listed and/or internal models: reduced but broader disclosures	Key capital metrics only; reduced frequency; no RWA reporting; simplified leverage ratio reporting	Simplified templates; lower frequency[8]	Reduced frequency; non-listed: exempt from most templates; listed: reduced but broader disclosures	Reduced templates and frequency for listed banks; not required for non-listed banks	Not required
Supervisory reporting	No exemptions or simplified reporting	Exempt from risk-based capital reporting; simplified leverage ratio reporting; extensive simplifications and reduced frequency for other templates	Less granular templates; lower frequency of data collection	Exempt from several templates; reduced frequency / simplified reporting for required templates	Simplifications apply; reduced reporting	No RWA reporting; simplified capital reporting

[1] Simplified LCR (LCRS) requirement of 90% will apply from January 2027 for institutions that are authorised to raise funds from the public. The requirement is scheduled to rise to 100% from July 2027. [2] Refinancing ratio = [(Liabilities from customer deposits + Kassenobligationen (cash bonds) + bonds with remaining maturity > 1 year + Pfandbrief loans with remaining maturity > 1 year + equity) / (Claims on customers + mortgage claims)] × 100. [3] Defined as balance of liquid assets over balance of liquid liabilities. [4] Defined as source of weighted funds over use of weighted funds. [5] Defined as high-quality liquid assets (HQLA) over net short-term cash outflow. [6] Retail deposit ratio (RDR) defined as total retail deposits over total funding. A firm that has a four-quarter moving average RDR that falls below 50% must implement the NSFR within 12 months (eg a 12-month grace period applies before the NSFR takes effect). [7] US SBRR banks are not subject to the Basel Large Exposures Framework. Instead, they remain subject to statutory single-borrower lending limits under US law. [8] Banks must disclose both risk-based and leverage-based metrics semi-annually and composition of capital annually.

Source: Public regulatory disclosures.

31. **Supervisory reporting frameworks are simplified for smaller institutions, primarily through streamlined reporting templates, reduced reporting frequency and exemptions from selected prudential reporting requirements.** The EU reduces both the number of supervisory reporting templates and the reporting frequency for banks under its SBRR. The UK also applies simplified supervisory returns and plans to introduce substantial reductions in supervisory reporting requirements starting in 2027. China follows a comparable approach by requiring less granular supervisory templates at lower reporting frequencies. Switzerland provides one of the most extensive simplification regimes, exempting small banks

from RBC reporting, simplifying leverage ratio reporting and reducing both the scope and frequency of several supervisory returns. Similarly, US banks that are part of the SBRR are exempt from RWA reporting altogether and instead report only simplified leverage and capital information. In Brazil, supervisory reporting requirements for small banks remain largely unchanged relative to their larger bank counterparts.

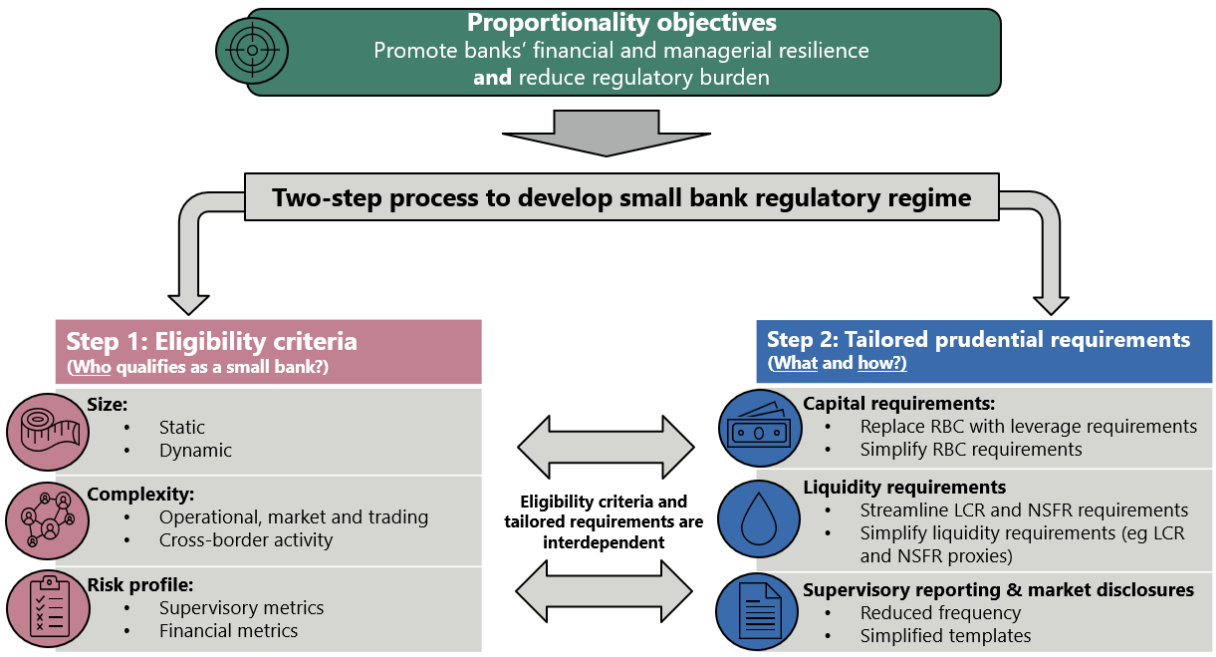
Section 5 – Policy considerations

Overview

32. **Developing SBRRs involves a two-step process that addresses the "who," "what" and "how" of proportionality.** The first step focuses on identifying the "who" by establishing eligibility criteria to determine which institutions qualify as "small banks" within the domestic context. The second step involves the "what" and the "how" dimensions by identifying what regulatory requirements should be modified and determining how these requirements should be adjusted to balance simplicity and resilience (Graph 1). Throughout this process, a fundamental principle remains: the resilience of any institution should not be compromised, regardless of the specific policy choices made.

33. **Regardless of the proportionality approaches taken, all authorities need to consider the interaction between small bank eligibility criteria and the prudential standard(s) being modified.** For instance, authorities may elect to introduce a higher leverage ratio requirement in lieu of applying RBC requirements. In such circumstances, it may not be sufficient to rely on total asset size as the sole eligibility criterion. Other eligibility criteria – for example, measures of complexity and risk profile – are needed to ensure that only small banks with relatively simple balance sheets and with low to moderate risk profiles are eligible to apply a simplified non-RBC measure, such as a leverage ratio.

Small bank regulatory regimes – a conceptual framework — Graph 1



Source: Financial Stability Institute staff analysis.

Identifying small banks

34. **The first step involves defining the universe of small banks.** Authorities may consider using the BCBS' proportionality criteria of size, complexity and risk profile, which are often justified as the basis to extend the Basel Framework to smaller banks. Authorities may adopt one or more of these criteria, depending on their selected approaches to proportionality.

35. **A key challenge lies in operationalising the BCBS' size, complexity and risk profile criteria.** The BCBS deliberately never prescribed specific thresholds or indicators for these criteria, recognising that the underlying indicators must be tailored to the unique characteristics of each jurisdiction. Consequently, authorities need to design thresholds and indicators that are appropriate in their respective jurisdictions.[23] For illustrative purposes, Graph 1 outlines proxies and indicators that correspond to each of the three criteria.

36. **Asset size is the common starting point for determining small bank eligibility criteria.** While conceptually simple, authorities must carefully select an appropriate size threshold that reflects the nature of their banking system. This threshold can be static (eg fixed asset size) or dynamic (eg linked to GDP or another variable metric). Static thresholds are operationally simpler and provide more certainty to banks but may become outdated as the economy and banking system evolve. Dynamic thresholds, such as those tied to GDP, address this issue but may be more complex to administer. Regardless of the approach, the threshold must be carefully defined to ensure that no institution with the potential to become systemic – either in life or in death – is eligible for the simplified framework.

37. **Measures for complexity could be considered in tandem with the size criterion.** Asset size alone is often insufficient as a standalone eligibility criterion, particularly where authorities aim for a higher degree of regulatory simplification; and many authorities aim to identify a universe of small and non-complex banks as a key pathway to achieving their proportionality goals. Proxies for complexity vary widely and may encompass a broad range of indicators. For the purposes of our framework, measures of complexity are organised into two broad subcategories as follows:

- **operational, market and trading complexity**: This subcategory includes indicators that address complexity arising from higher-risk or resource-intensive activities, such as trading, derivatives and foreign exchange exposures, as well as prohibitions on the use of internal models. These activities increase both operational and financial complexity, making them less suitable for small banks that are presumed to be "non-complex'" solely because they meet the size criterion.
- **cross-border complexity**: This subcategory includes proxies that limit cross-border exposures and emphasise a minimum threshold for domestic activity. These indicators also identify small banks focused on supporting retail and small and medium-sized enterprise lending in local communities, which aim to promote a local banking model.

38. **The proxies selected for complexity should consider the prudential requirements subject to a streamlined approach.** For example, if an authority plans to streamline or eliminate capital requirements for market risk or off-balance sheet exposures in its SBRR, it may be prudent to include in the eligibility criteria a cap on the exposure amount of these and other related activities.

39. **Risk profile is another important eligibility criterion.** Proxies for risk profile can be grouped into two subcategories. The first involves integrating information from supervisory risk assessments, such as (i) the overall composite rating assigned to a firm; (ii) the rating assigned for "management" or

[23] To learn more about the various metrics that can be used to segment banks, see BCBS (2022) on its high-level considerations on proportionality, technical annex, Table A.1.

"governance" quality; and (iii) the existence of any formal supervisory actions. The second subcategory includes key financial resilience metrics, such as minimum leverage and liquidity ratios. To prevent excessive shifts into or out of the SBRR, transitional arrangements are essential – for example, granting supervisors the discretion to temporarily allow deviations or breaches of established risk profile metrics as part of the supervisory review process.

40. **Proxies for risk profile should also take account of the prudential requirements being modified, where applicable.** For example, some authorities may elect to allow only small banks that are (i) at least in "satisfactory condition"; (ii) not subject to formal supervisory measures; and/or (iii) deemed "well-managed" – as judged by supervisors – to benefit from streamlined regulatory requirements. Such an approach elevates the importance of supervisory risk assessments while still promoting incentive-compatible regulation: that is, only small banks in good standing that meet minimum supervisory assessment thresholds can benefit from SBRRs. Other authorities may want to focus only on those small banks that meet pre-specified financial resilience metrics – such as minimum leverage and/or simplified liquidity measures – to ensure that eligible firms have sufficient financial resources to support the local economy. The risk profile proxies chosen, however, involve supervisory judgment to ensure the selected indicators are neither overly permissive nor unduly restrictive.

Tailoring prudential, reporting and disclosure requirements

41. **The second step involves determining which prudential, regulatory reporting and disclosure requirements will apply, including whether and how those requirements could be simplified.** Each authority may have a differing stance on the trade-offs between streamlining requirements and maintaining resilience. In general, as more prudential requirements are streamlined, the greater the need for commensurate guardrails – either in the form of additional eligibility criteria or other compensating safeguards – to ensure that the tailored regime supports the authority's proportionality choices without undermining firms' resilience.

42. **When tailoring requirements for small banks, authorities may consider a holistic approach that recognises interactions across capital, leverage, liquidity, reporting and disclosure requirements.** These elements can be interdependent: easing complexity in one area can shift risk or dilute incentives in another unless accompanied by compensating safeguards (Table 5). For example, a streamlined but conservative capital requirement does not diminish the need for some form of liquidity requirements, as capital and liquidity serve different but complementary functions. An integrated approach enables coherent calibration and helps target simplifications where they least affect resilience. It also helps to streamline supervisory reporting and market disclosures while remaining aligned with small banks' risk profiles.

43. **The large exposures standard has a narrower scope for proportional approaches compared with other Pillar 1 requirements.** Small banks face more significant credit concentration risk than larger banks due to their focus on lending to consumers and small businesses in local communities, resulting in less diversified credit portfolios. This limits the justification for streamlining requirements. Moreover, the large exposures standard is less operationally complex to implement compared with other regulatory requirements, such as the RBC regime, further reducing the need for simplification.

44. **An effective SBRR that promotes proportionality without compromising resilience can encompass a broad array of regulatory and supervisory reporting requirements.** Table 5 provides examples of potential design options, which include the following:

- **RBC and leverage**: (i) Retain the RBC regime but simplify the most complex components (eg market risk capital requirements and multiple capital buffer requirements); or (ii) replace the RBC regime with a simpler and more stringent leverage ratio. Under both approaches, authorities can apply safeguards to balance simplification with resilience.

- **liquidity (LCR and NSFR):** (i) Simplify the LCR and NSFR requirements; (ii) develop proxy ratios for the LCR and NSFR; or (iii) provide exemptions from the LCR and NSFR requirements. If exemptions are considered, eligibility criteria could include applicable safeguards that limit exemptions to small banks with low liquidity risk profiles.
- **supervisory reporting and market disclosures:** Where firm-specific risks are lower, there may be considerable scope to reduce reporting frequency, shorten templates and remove fields that are less material for smaller banks. These simplifications can be balanced with retaining core supervisory reporting and disclosure items that provide insight into firms' risk profiles and decision-useful information for stakeholders.

Tailoring prudential, reporting and disclosure requirements – key considerations Table 5

Requirements	Simplification methods	Eligibility considerations & compensating safeguards
Risk-based capital (RBC)	• Streamline RBC regime – simplify or eliminate market risk capital requirements. • Streamline RBC regime – simplify multiple buffer requirements and replace with single ratio.	• Cap size of trading book exposures as part of eligibility criteria for streamlining market risk capital requirements. • Require a higher total RBC ratio if multiple buffers replaced with a single ratio.
	• Replace RBC regime with higher leverage ratio.	• If leverage ratio replaces RBC regime, impose significantly higher leverage ratio requirements as part of eligibility criteria to account for non-risk-based measure. • If leverage ratio calculation deviates from Basel standards (eg excludes calculation of off-balance sheet exposures), impose applicable eligibility criteria (eg place limits on size of off-balance sheet exposures) as warranted.
Leverage	• Streamline calculation of the denominator if applicable (eg exclude calculation of off-balance sheet exposures as a practical expedient).	
Liquidity – Liquidity Coverage Ratio (LCR)	• Impose simplified LCR measures. • Impose minimum HQLA[1] requirements as % of total assets. • Prescribe simplified liquidity ratios that serve as LCR proxies. • Exempt LCR calculations.	• If no LCR or LCR "like" proxies imposed, consider (i) minimum thresholds for deposits and longer-term funding with residual maturities beyond 30 days as part of eligibility criteria; and (ii) satisfactory or better supervisory component rating assigned to liquidity.
Liquidity – Net Stable Funding Ratio (NSFR)	• Prescribe simplified NSFR measures. • Impose simplified liquidity ratios that serve as NSFR proxies. • Exempt NSFR calculations.	• If no NSFR or NSFR-like proxies imposed, require minimum thresholds for (i) size of retail deposits as % of total funding or retail deposits + long-term funding + capital as % of total liabilities as part of eligibility criteria; and (ii) satisfactory or better supervisory component rating assigned to liquidity.
Supervisory reporting and market disclosures	• Reduce frequency and granularity of supervisory reporting and market disclosure requirements.	• Ensure that reporting and market risk disclosure simplifications remain consistent with firms' complexity and risk profile.

[1] HQLA is high-quality liquid assets.

Sources: Financial Stability Institute staff analysis based on selected simplification methods applied in Brazil, Switzerland, China, European Union, United Kingdom and United States.

Section 6 – Conclusions

45. **Small banks can benefit from a proportionate application of banking regulation.** Their unique characteristics – such as local ownership, localised decision-making and a focus on providing essential financial services to local households and businesses – justify a differentiated regulatory regime from larger banks with distinct business models. In addition, a one-sized fits all approach to Pillar 1 regulatory requirements, Pillar 3 disclosures and supervisory reporting obligations can disproportionately affect small banks because of the costs involved in complying with applicable requirements. This affects their ability to compete with larger banks. Calibrating prudential and regulatory reporting requirements to small banks' risk profiles can help authorities provide regulatory relief without undermining prudential soundness.

46. **When designing SBRRs, authorities must navigate policy trade-offs across two key dimensions.** These include (i) defining the universe of small banks eligible for proportionate regulation; and (ii) simplifying prudential requirements that are tailored to small banks' characteristics without diluting their stringency. For the first dimension, a practical approach involves using the size, complexity and risk profile criteria in the Basel standards as a foundation while developing more targeted, jurisdiction-specific indicators and thresholds to support each of these criteria. With respect to the latter, authorities should take account of the interactions across capital, leverage, liquidity, reporting and disclosure requirements, as easing complexity in one area can shift risk or dilute incentives in another. An integrated framework enables coherent calibration, targets simplifications that can be offset by compensating safeguards and maintains alignment with small banks' risk profiles.

47. **In making policy choices, authorities should consider the interaction between the criteria used to define small banks and the simplifications made to prudential requirements.** In general, as more prudential requirements are streamlined, the greater the need for additional eligibility criteria. For instance, if RBC requirements are streamlined by removing market risk capital requirements, the eligibility criteria for small banks should include limits on the size of their trading book exposures. In addition, any exemptions considered – for example from the LCR or NSFR requirements – should be accompanied by applicable safeguards that limit exemptions to small banks with low liquidity risk profiles. Aligning small bank eligibility criteria with the nature and scope of simplifications made to prudential requirements ensures that SBRRs remain both simple and conservative. Such an approach supports the soundness of small banks while enabling them to fulfil their critical role in supporting local economies

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Annex 1: Small bank regimes in selected jurisdictions – statistics

Proportional regulatory regimes for small banks: key metrics — Table A.1

	Brazil	Switzerland	China	European Union	United Kingdom	United States
Regulatory regime and bank category	Segment 4	Small bank regime for low-risk banks (categories 4 and 5)	Tier 3 commercial banks	Small and non-complex institutions (SNCI)	Strong and Simple framework for small domestic deposit takers (SDDT)	Community bank leverage ratio (CBLR) framework for community banks
Implementation date	January 2017	January 2020	January 2024	June 2019	January 2027[1]	January 2020[2]
Number of eligible banks	71 (2025 Q4)	219 (2025 Q4)[3]	465 (2026 Q2)	1,500 (2025 Q4)[4]	84 (2025 Q4)	3,627 (2025 Q4)
Number of participating banks	71 (2025 Q4)	56 (2025 Q4)	465 (2026 Q2)	1,358 (2025 Q4)	65 (2025 Q4)	1,722 (2025 Q4)[5]
Share of participating banks (in %)	100	25.6	100	90.5	77.4	47.5
Total assets of participating banks (in USD billion)	45.4 (2025 Q4)	72.7 (2024 Q4)	560 (2026 Q2)	1,968 (2025 Q4)	Not disclosed	833 (2025 Q4)
Average leverage ratio (in %)	Not disclosed	19.3 (2025 Q4)	4.8 (2026 Q2)	Not disclosed	Not disclosed	13.9 (2025 Q4)

[1] Implementation date of final rule (see Bank of England PRA (2026)). Simplifications related to liquidity and disclosure requirements are already in force since 2024 (see Bank of England PRA (2023)). [2] Implementation date of initial rule. Leverage ratio threshold lowered from 9% to 8% and grace period extended from two to four quarters as of July 2026, respectively. [3] Number of banks either classified as Category 4 or Category 5. These banks do not necessarily comply with all other eligibility criteria as laid out in section 3 (no data available). [4] Estimate as of 2025 Q4. Definite number cannot be provided due to national discretion and limited central availability of all identification data. [5] US agencies estimate that 323 new institutions could participate under the lowered leverage ratio threshold.

Sources: Public regulatory disclosures and data submissions; PRA (2026).