On the comparison of capital requirements for global systemically important banks[1]

Executive summary

Following the Great Financial Crisis (GFC), Basel III introduced a comprehensive package of capital reforms to bolster the resilience of the global banking system. The framework increased the quality of regulatory capital, raised minimum capital requirements and introduced regulatory buffers to absorb losses in stress and mitigate procyclicality. Alongside risk-based requirements, it added a non-risk-based leverage ratio requirement as a backstop. It also imposed additional regulatory buffers on global systemically important banks (G-SIBs), to lower the probability of their failure. Basel III has significantly strengthened banks' resilience, and the transition to full implementation is now well advanced across major jurisdictions.

As a minimum standard for internationally active banks, Basel III supports regulatory convergence across jurisdictions. The common baseline set by Basel III prevents a competitive race to the bottom and regulatory fragmentation. Comparability, combined with transparency, is essential for ensuring market discipline.

The Basel Framework gives national authorities flexibility to exceed the minimum standards. The possibility to tailor regulatory requirements to reflect structural differences across banking sectors and other supervisory considerations allows authorities to ensure that the same risk receives the same capital treatment. In particular, Pillar 2 allows supervisors to impose higher requirements where Pillar 1 requirements are seen as falling short of capturing fully all relevant risks at the bank or system level. At the same time, different practices make the comparison of capital requirements across jurisdictions more challenging.

Heterogeneous applications of Basel III have become central to current debates on how regulation may influence banks' competitiveness. Differences in the way and extent to which jurisdictions exceed the minimum Basel III standards may have fuelled perceptions of an uneven playing field. In the context of initiatives aiming at regulatory modernisation, the comparability of capital standards across jurisdictions has come under the intense scrutiny of authorities and market participants.

A key contribution of this paper is to document the various components of G-SIBs' overall capital requirement stacks and discuss potential drivers of the differences. While banks are required to publicly disclose key information on capital requirements, the information is generally not available in a centralised, consistent and machine-readable manner. The analysis in the paper relies on a hand-collected, harmonised data set from publicly available sources. It covers risk-based and leverage ratio capital requirements for 29 G-SIBs from seven jurisdictions, for the period 2014–25. These data contain information about banks' risk-weighted assets and exposure measures, and the underlying methodologies. The database also covers the different components of the capital ratio requirements, ie minima, regulatory buffers and supervisory guidance.

The data show that the composition of the capital stacks is heterogeneous across jurisdictions, and the level of capital ratio requirements is less dispersed for the highest-quality

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capital than for the overall measure. Minimum capital requirements are globally consistent. Some jurisdictions, however, require that they be met to a greater extent with higher-quality capital than prescribed by Basel III. In addition, heterogeneity in the capital stacks emerges as jurisdictions implement various regulatory buffers, supervisory add-ons and/or non-binding supervisory guidance, thus differently using the flexibility embedded in the Basel Framework. For instance, across the seven jurisdictions, the number of different elements of the total capital stack ranges from four to eight. In 2025 data, individual components, excluding minima, contributed to the overall ratio from as little as 0.1 percentage points on average across the banks in a jurisdiction to as much as 3 percentage points on average in another jurisdiction. The portion of the required ratios that refers to the highest-quality capital – Common Equity Tier 1 (CET1), possibly spanning several stack components – ranged from around 8 to around 11 percentage points on average across jurisdictions. At the level of the total requirements – comprising also additional Tier 1 and Tier 2 capital – the range was larger, from almost 12 to almost 17 percentage points on average.

Differences in required capital ratios stem partly from banks' different levels of systemic importance. Reflecting such differences, the current Basel III G-SIB buffers range from 1 to 2.5% of risk-weighted assets (RWA). One jurisdiction imposes higher surcharges (up to 4.5%) using a parallel method that generally yields more conservative surcharges than those prescribed by Basel III. In addition, some jurisdictions do not disclose Pillar 2 guidance or only disclose aggregate values – which can only be estimated in the data set.

The interpretation of comparisons of capital ratio requirements across jurisdictions may be distorted by differences in the approach to the computation of risk weights. There is suggestive evidence of different degrees of conservatism in risk weight measurement. The data reveal significant heterogeneity in the average risk density – ie the ratio of total assets to RWA – across jurisdictions. While this could reflect the riskiness of underlying exposures, it also seems to be influenced by the conservatism in the measurement approach and, in particular, the extent to which internal models can be used to calculate RWA. Consistent with measurement playing a role, risk densities tend to be less dispersed across banks if risk weights are counterfactually based on similar approaches. Moreover, there are indications that authorities may tend to compensate for lower risk measurement conservatism with higher capital requirements, considering that lower actual risk densities are often accompanied by higher required capital ratios.

Cross-country averages also highlight significant heterogeneity in the levels and capital composition of the leverage ratio requirements for G-SIBs. Similarly to the risk-based capital stack, national authorities have implemented different leverage ratio minima, buffer structures, capital quality requirements and adjustments to the exposure measure (the denominator of the leverage ratio). These differences result in heterogeneous capital stacks for the leverage ratio, with different levels of overall requirements.

A comprehensive cross-jurisdictional comparison requires looking at all elements of the capital requirements jointly. This includes the interaction of risk-based capital ratio requirements and RWA measurement, which jointly determine the risk-based capital requirements; the leverage ratio requirements; binding versus non-binding buffers; and supervisory expectations, which may not be fully evident in public data.

Drawing on lessons from the Basel III transition, several authorities are exploring ways to modernise their national frameworks. These efforts may help to simplify the structure of capital requirements. At the same time, if these proposals are approved, they may also affect comparisons across jurisdictions. International dialogue can help to ensure progress and avoid financial fragmentation. Meanwhile, ongoing efforts by the Basel Committee on Banking Supervision (BCBS) to facilitate access to published supervisory data will increase transparency regarding the diverse approaches taken by different jurisdictions.