

# Bank Leverage Capital Requirements

Reforms needed urgently to support U.S. taxpayers, capital markets, consumers, businesses, & the economy.

## What is Leverage Capital?

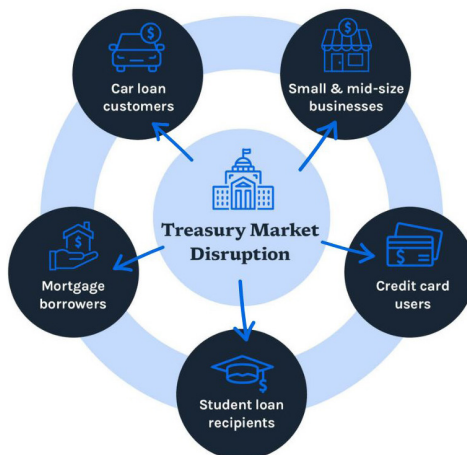
Banks must maintain capital to withstand financial challenges and support the economy. Leverage-based capital requirements apply the same capital charge to all assets, regardless of risk. This means low-risk assets like cash and Treasuries get the same capital charge as higher-risk assets like business loans or stocks.

## The Problem

**Increased costs for businesses, consumers, taxpayers.** Leading banks act as primary dealers, helping the government issue Treasury debt. Like all investors, banks aim to maximize returns and minimize costs. If holding a Treasury is as costly as a business loan, banks are forced to choose higher-returning assets, reducing the likelihood of holding Treasuries.

## Interest Rates Rise for Americans Economywide

The U.S. Treasury market underpins every other financial asset in the world. Accordingly, problems in the U.S. Treasury market migrate broadly throughout the rest of the financial system. Strains immediately lead to increased borrowing costs for households and businesses.

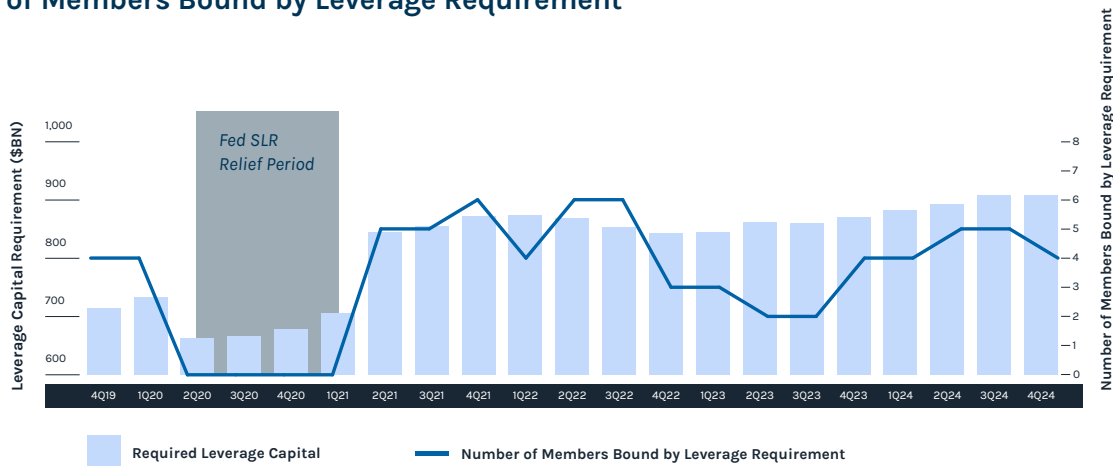


**“It’s time to move” on reforming leverage capital requirements, Federal Reserve Chair Powell told members of the House Financial Services Committee in February. “We proposed doing so several years ago, we just didn’t follow through on it. So I do think it’s time.”**

**Problem is just getting bigger.** The problem and the need for reform have increased for two main reasons:

- First, the Federal Reserve’s balance sheet since COVID-19 has nearly doubled, increasing banking sector assets. As a result, leverage capital requirements, meant only to be a backstop to risk-based requirements, have become more restrictive for leading U.S. banks, their customers, and the economy at large.
- Second, the U.S. government is facing ever greater costs to finance its debt due to the increasing debt burden. For the first time ever, the government is spending more to service the federal debt than it is for national defense. That’s why economists at the Federal Reserve Bank of Boston [last year cautioned](#), constraints on primary dealers may prevent them from absorbing additional federal government debt.

## Leverage Capital Requirement and Number of Members Bound by Leverage Requirement



**“Under the current framework, intermediaries that are critical to Treasury market stability are disincentivized from holding U.S. Treasuries and other low-risk assets on their balance sheets, which contributes to higher interest rates and increased costs across the economy. ... we urge you to consider adjustments to the leverage ratios that will both promote financial stability and a resilient market for U.S. Treasuries.”**

– [Bipartisan House Members, June 5, 2025](#)

### Leverage Requirements Must be Reformed

Ultimately, taxpayers are paying for the increasing costs of higher government borrowing as long as common sense reforms are delayed. In 2020, the banking agencies made a [temporary change](#) in recognition of the issues caused by the leverage ratio, but let that fix expire in March 2021. Even though the Federal Reserve then [committed](#) to shortly move to enact a more permanent change, no action has been taken.

#### Potential solutions:

- Exclude Treasury securities and deposits at Federal Reserve banks from leverage requirements, as done during the pandemic.
- Reform one measure, the enhanced Supplementary Leverage Ratio, to replace it with a measure based on risk-based requirements.
- Enact reforms to minimum leverage requirements through Congressional action.

Learn More: [Promises Made, Promises Kept? The Urgency of Leverage Ratio Reform](#)