

Board of Governors of the Federal Reserve System

[About the Fed](#) [News & Events](#) [Monetary Policy](#) [Banking Information & Regulation](#) [Payment Systems](#) [Economic Research & Data](#) [Consumer Information](#) [Community Development](#) [Reporting Forms](#) [Publications](#)

[Testimony and Speeches](#)

[Press Releases](#)

[Regulatory Reform](#)

[Conferences](#)

[Other Public Communication](#)

[Home](#) > [News & Events](#) > [2014 Banking and Consumer Regulatory Policy](#) > [Press Release--Agencies adopt enhanced supplementary leverage ratio final rule and issue supplementary leverage ratio notice of proposed rulemaking--April 8, 2014](#)

Opening Statement by Chair Janet L. Yellen

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Good afternoon. I'd like to welcome our guests to the Federal Reserve today as we consider another important component of the Board's regulatory reform effort to mitigate the threat that systemically important financial companies pose to financial stability and our economy. The financial crisis showed that some financial companies had grown so large, leveraged, and interconnected that their failure could pose a threat to overall financial stability. Today's action is another step in the Federal Reserve's efforts to address those risks.

The final rule that the Board is considering today would implement enhanced supplementary leverage ratio standards for the largest and most systemic U.S. banking organizations. Under this framework, these banking organizations would have to hold substantially increased levels of high-quality capital as a percentage of their total on- and off-balance sheet exposures to avoid restrictions on capital distributions and discretionary bonus payments. Thus, the framework provides incentives to such firms to maintain capital well above regulatory minimums. The final rule is an important part of the Board's package of enhanced prudential standards for the most systemic U.S. banking firms--a package that is designed to materially reduce the probability of failure of these firms and to materially reduce the damage that would be done to our financial system if one of these firms were to fail.

The Board will also consider a proposal to revise the definition and calculation of the supplementary leverage ratio, which applies to all internationally active banking organizations. The proposed revisions are consistent with the amendments made by the Basel Committee on Banking Supervision in January to strengthen the international leverage ratio measure.

In addition, we will consider a proposed rule to address a technical matter under the advanced approaches risk-based capital rule.

I look forward to today's discussion of these important issues. Let me now turn to Governor Tarullo for introductory remarks.

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