



# **An Overview of the Modernization of the US Regulatory Capital Framework**

## **Recalibrating the G-SIB Surcharge**

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## Recalibrating the G-SIB Surcharge

On March 19, 2026, the U.S. banking agencies (agencies) issued a set of sweeping capital proposals modifying the capital requirements for banking organizations. Among them was the Federal Reserve Board's (FRB) [notice of proposed rulemaking revising the global systemically important bank \(G-SIB\) surcharge framework](#).

The proposal aims to improve the capital framework's measurement of systemic risk, reduce unintended distortions, and better align G-SIB surcharges with a banking organization's systemic risk profile. Alongside technical adjustments, including normalization for economic growth, the use of averaged systemic indicators, and more scaled surcharge increments, the proposal carries meaningful implications for capital planning, balance sheet strategy, and regulatory reporting. While aggregate capital requirements are expected to decline modestly, the broader significance lies in how the proposal reshapes incentives and aligns systemic importance with actual risk.

### ***Background: Revisiting the G-SIB Surcharge Framework***

The G-SIB surcharge emerged from post-2008 regulatory reforms aimed at reducing the systemic risk posed by the world's largest and most interconnected banks. In response to concerns that certain banks were "too big to fail" and that their distress could cause severe shocks throughout the global financial system, the Basel Committee on Banking Supervision and the FRB introduced a risk-based capital surcharge requiring G-SIBs to hold additional capital beyond baseline regulatory minimums, referred to as the G-SIB surcharge. This proportional surcharge requires G-SIBs to internalize a portion of the costs that their failure can pose to the broader financial system.

Under the Basel Committee's framework, a banking organization's G-SIB score is based on five equally weighted categories of systemic importance: (1) size, (2) interconnectedness, (3) substitutability, (4) complexity, and (5) cross-jurisdictional activity. Each category is composed of specific indicators with assigned weights. The aggregate score determines a bank's surcharge bucket and the incremental capital it must hold.

In the United States, the FRB applies two measurement approaches: Method 1 and Method 2. Method 1 is the indicator set by the Basel Committee, while Method 2 uses U.S. supervisory data and alternative coefficients to identify alternative systemic exposures, such as short-term wholesale funding. Since 2019, the FRB has observed that Method 2 scores have risen primarily because of nominal balance sheet growth, inflation, and economic expansion rather than proportional changes in a bank's systemic risk profile arising from changes in alternative risks. This drift has caused an increasing divergence between Method 1 and Method 2 results and reduced the framework's risk sensitivity and predictability.

To address these issues, the FRB proposes a recalibration and several technical updates including a one-time downward adjustment to Method 2 coefficients, annual indexing of coefficients to nominal gross domestic product (GDP) and inflation, remeasurement of short-term wholesale funding on an absolute basis, averaging certain indicators to limit year-end "window dressing," narrower score bands, and updates to FR Y-15 reporting.



## Key Proposal Elements

Against this backdrop, the proposal introduces five core recalibrations.

### 1. Method 2 Coefficients: One-Time Adjustment & Annual Indexing

The 2015 final rule adopted the fixed coefficients approach for Method 2 to help provide more certainty regarding the actions that a U.S. G-SIB could take to reduce its G-SIB surcharge. However, fixed, historical coefficients anchored to earlier economic baselines have allowed Method 2 scores to rise over time in a manner disproportionate to the change in a banking organization's systemic footprint.

The proposal addresses this distortion by applying a one-time downward adjustment to Method 2 systemic indicator coefficients for the size, interconnectedness, complexity, and cross-jurisdictional activity categories by a factor of 1.2. Subsequently, the coefficients would be indexed with annual adjustments based on the cumulative growth in U.S. nominal GDP and inflation to ensure they evolve with the economy rather than mechanically rising with nominal balance sheet growth. Restoring the coefficients to a lower baseline and indexed adjustments reduces the likelihood that nominal macroeconomic growth will push banking organizations into higher surcharge buckets and improves predictability for capital planning and stress testing.

### 2. Short-Term Wholesale Funding: Absolute Amount Measurement & Reweighting

The proposal replaces the current ratio of average weighted short-term wholesale funding to average risk-weighted assets (RWA) with an absolute dollar measure. Under the proposal, an institution's short-term wholesale funding score would be equal to its average weighted short-term wholesale funding amount multiplied by a coefficient, *i.e.*, 23.003, to set the indicator at roughly 20% of aggregate Method 2 scores for U.S. G-SIBs.

The coefficient value is meant to address the current overweighting of the short-term wholesale funding category by using a calibration consistent with the initial 20% objective. Measuring funding in absolute terms removes the indicator's dependence on movements in risk-weighted assets that may reflect accounting or risk-weight changes rather than true funding risk. As a result, a bank's standalone reliance on short-term wholesale funding becomes the primary driver of that indicator, improving incentives to extend funding horizons, diversify funding sources, and maintain more durable liquidity buffers.

### 3. Averaging Selected Indicators

Under the current G-SIB framework, many FR Y-15 inputs used in Method 1 and Method 2 calculations are reported as point-in-time values. However, such reporting can misstate a banking organization's exposures given intra-year value fluctuations for seasonal, cyclical, or timing reasons. This creates incentives to manage year-end balances to lower the G-SIB surcharge even when those adjustments do not reflect the bank's systemic risk.

The proposal would require U.S. G-SIBs to report several of these indicators as daily or monthly averages and calculate Method 1 and Method 2 scores using calendar-year average values rather than year-end snapshots. The table on the next page provides a high-level overview of the proposed reporting changes.

Category	Systemic Indicator	Current Reporting	Proposed Reporting
Size	Total exposures	For on-balance sheet items, average of daily values over the fourth quarter.	No changes in reporting
		For off-balance sheet items, average of the three month-end balances over the fourth quarter.	No changes in reporting
Interconnectedness	Intra-financial system assets	For on-balance sheet items, as of December 31	For on-balance sheet items, average of daily values over the reporting quarter.
		For off-balance sheet items, as of December 31	For off-balance sheet items, average of month-end values over the reporting quarter.
	Intra-financial system liabilities	For on-balance sheet items, as of December 31	For on-balance sheet items, average of daily values over the reporting quarter.
		For off-balance sheet items, as of December 31	For off-balance sheet items, average of month-end values over the reporting quarter.
	Securities outstanding	As of December 31	Average of month-end values over the reporting quarter.
Substitutability (Method 1 Only)	Payments activity	Total gross value of all cash payments sent via large-value payment systems over the last year.	Average of month-end values over the reporting quarter.
	Assets under custody	As of December 31	No changes in reporting
	Underwritten transactions in debt and equity markets	Total underwriting over the last year.	No changes in reporting
Short-Term Wholesale Funding (Method 2 Only)	Short-term wholesale funding metric	Average of daily values for weighted short-term wholesale funding over the preceding four quarters in the numerator. Four-quarter average of total risk-weighted assets in the denominator.	Averages of daily values for weighted short-term wholesale funding over the preceding quarter in the numerator. (Denominator would no longer be applicable.)
Complexity	Notional amount of over-the-counter (OTC) derivatives	As of December 31	Average of daily values over the reporting quarter.
	Trading and available-for sale securities	As of December 31	Average of daily values over the reporting quarter.
	Level 3 assets	As of December 31	Average of month-end values over the reporting quarter.
Cross-Jurisdictional Activity	Cross-jurisdictional claims	As of December 31	Average of month-end values over the reporting quarter.
	Cross-jurisdictional liabilities	As of December 31	Average of month-end values over the reporting quarter.

Operationally, this would require continuous data collection for certain categories, longer retention of intra-year series, strong reconciliation processes, and enhanced governance around calculation logic to ensure data is auditable and comparable across organizations.

#### 4. Narrower Score Bands to Reduce Cliff Effects

Under the 2015 final rule, the FRB assigns G-SIB surcharges using 100-basis point score bands to ensure that modest changes in a bank’s systemic indicators would not cause a change in its surcharge. However, in practice the agency has observed distortions in the Method 2 scores as they cluster close to the upper limit of the score band at year-end.

The proposal narrows the Method 2 score bands so surcharges change more smoothly with incremental score movements. Instead of 100-basis point score band ranges, the proposal modifies the range to 20-basis point ranges. Narrower bands reduce spikes in the surcharge at band thresholds and increase the incentive for continuous management of systemic exposures rather than one-off actions to avoid a boundary. For capital planning, banking organizations should consider the impact of more granular score movements and how smaller changes in indicators translate into surcharge outcomes.

#### 5. FR Y-15 Reporting & Indicator Refinement

Under the proposal, the FRB would revise FR Y-15 reporting instructions and refine indicator definitions and treatments for certain items, with the intention to improve data consistency and comparability across banking organizations and align the inputs used in both Method 1 and Method 2 reporting. The table below provides a high-level overview of the proposed changes.

Proposed Amendments	Affected Systemic Indicators
Revise definition of “financial institutions” for interconnectedness category and treatment of holdings of securities issued by an exchange-traded fund	Intra-financial system assets; intra-financial system liabilities
Incorporate the standardized approach for counterparty credit risk (SA-CCR) to measure derivative exposures	Intra-financial system assets; intra-financial system liabilities
Update treatment of non-cash collateral in over-the-counter (OTC) derivatives transactions	Intra-financial system assets; intra-financial system liabilities
Update treatment of certificates of deposit	Securities outstanding
Clarify scope for reporting of preferred shares	Securities outstanding
Introduce two trading volume indicators	Trading volume
Update list of currencies	Payments activity
Add derivative exposures	Cross-jurisdictional claims; cross-jurisdictional liabilities
Streamline reporting of the cross-jurisdictional liabilities systemic indicator	Cross-jurisdictional liabilities
Update the FR Y-15 instructions for reporting the weighted short-term wholesale funding amount	Short-term wholesale funding

If finalized, implementation will require system updates, new reconciliations, and strengthened controls to ensure consistent application of revised definitions and reporting processes.

## Conclusion

The proposal has important implications for capital planning, balance sheet strategy, and regulatory infrastructure for U.S. G-SIB banking organizations. Organizations will need to reassess how changes in size, complexity, funding composition, and interconnectedness translate into surcharge outcomes under a more granular and responsive framework. In parallel, the use of averaged indicators and modification to FR Y-15 reporting will require investments in governance, data aggregation, and reporting controls to ensure accuracy, consistency, and auditability.

As agencies consider feedback during the comment period, banking organizations should evaluate the proposal's operational and strategic impacts and assess potential changes in surcharge outcomes. The public comment period on the proposal closes on June 18, 2026.

## How Forvis Mazars Can Help

Navigating these regulatory changes requires more than a high-level read of the proposals, it requires deep understanding of exactly what these proposals mean for your organization. At Forvis Mazars, we work alongside your finance, treasury, and risk functions to help translate regulatory complexity into clear, actionable next steps. Whether you are assessing capital impacts, preparing for implementation, or looking to engage at any point during the process, we have the skills and experience in financial services that you can trust, combining a focus on **Unmatched Client Experience**<sup>®</sup> with the resources of a global firm. Serving you is our passion and privilege.

Our support spans the full range of what these proposals demand, including:

- Capital impact modeling across your specific balance sheet, business mix, and regulatory category
- Gap assessments benchmarking your current RWA methodology, governance, and controls against the incoming requirements
- Data requirements review and mapping to help ensure your data infrastructure can support the new standardized approach
- Comment letter development to help your institution engage constructively during the 90-day comment period
- End-to-end implementation support spanning governance, model validation, stress testing, and regulatory reporting
- G-SIB surcharge sensitivity analysis across systemic indicator categories and strategic decision making

To discuss how these developments apply to your institution, please [reach out to a professional at Forvis Mazars](#).

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