



Revised Bank Capital Requirements, Basel III Endgame Regulations

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Action: The Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Federal Reserve (the agencies) released proposed regulations to revise US bank capital rules that would generally ease capital requirements.¹ Comments on all three proposals are due by June 18, 2026.

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- Following the 2007-09 financial crisis, banking regulators in the US and other jurisdictions instituted a variety of reforms intended to strengthen the banking system and reduce risk. These included the Basel III accords, voluntary standards for capital requirements, stress tests, liquidity, and leverage intended to be implemented across the jurisdictions that are part of the Basel Committee on Banking Supervision (BCBS), including the US, EU, China, Japan, and the UK.
- In 2017, the BCBS released its final set of Basel III recommendations (commonly called Basel III Endgame) addressing the amount of capital banks must hold relative to the riskiness of their business and standards for the models used to calculate credit risk.
- In 2023, US regulators released a proposal to implement the Basel III Endgame that drew significant opposition. Opponents argued that the regulations were more stringent than the BCBS recommendations and would constrain lending and hinder banks' ability to compete against non-bank lenders.² Proponents argued that the regulations would support the safety and soundness of the largest banks.³ The proposal was never implemented.
- The new proposals would make several notable changes to existing rules. The first proposal (which applies to large banking organizations) would implement a single simpler standard for calculating risk-based capital ratios at the largest banks with significant international activity (Category I and II banks).⁴ The second proposal, among other things, would lower capital requirements for major lending categories (e.g., mortgage lending).
- The Federal Reserve separately issued a proposal to modify the coefficients used to calculate the capital buffer requirement for Global Systemically Important Banks and introduce a mechanism for making automatic annual updates to account for economic growth and inflation.⁵
- The new proposals reflect the Administration's *deregulatory* agenda intended to enable traditional financial institutions to compete more effectively with non-bank firms and encourage key lending categories including mortgages. However, critics argue that these measures increase risk in the financial system and leave it more vulnerable to crises, noting that, in aggregate, the proposals would reduce overall capital requirements at the largest banks by nearly 6%.⁶
- Implementation of the Basel III recommendations has been inconsistent across jurisdictions. The UK⁷ and the EU⁸ have proposed regulations but have delayed the effective dates of all or some measures. Regulators in the Asia Pacific – including in Japan, China, and Australia – appear to be leading their counterparts on implementation, though more stringent existing regulations in some cases may have made the implementation of Basel III less onerous.⁹
- **What this means for business:** The revised proposals provide a significant benefit to banks, with lower regulatory burdens and reduced capital requirements. Proponents also believe that the changes will increase competition between banks and nonbanks while increasing lending.

1. <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260319a.htm>

2. <https://knowledge.wharton.upenn.edu/article/why-banks-are-worried-about-the-basel-iii-endgame>
3. <https://www.federalreserve.gov/newsevents/pressreleases/barr-statement-20260319.htm>
4. <https://www.occ.treas.gov/news-issuances/bulletins/2026/bulletin-2026-9.html>
5. <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/npr-gsib-20260319.pdf>
6. <https://www.federalreserve.gov/newsevents/pressreleases/barr-statement-20260319.htm>
7. <https://www.bankofengland.co.uk/news/2025/january/the-pra-announces-a-delay-to-the-implementation-of-basel-3-1>
8. https://finance.ec.europa.eu/news/commission-proposes-postpone-one-additional-year-market-risk-prudential-requirements-under-basel-iii-2025-06-12_en
9. <https://www.theasianbanker.com/press-releases/final-basel-iii-will-pose-little-challenges-amid-already-conservative-capital-management>

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