

Document description	ADAMS Accession No.
Final Indiana Application Section 4.2 Regulatory Requirements Program Elements (Revised), dated January 29, 2026.	ML26068A235
Final Indiana Application Section 4.3 Licensing Program Elements (Revised), dated January 29, 2026	ML26068A236
Final Indiana Application Section 4.4 Inspection Program Elements (Revised), dated January 21, 2026	ML26068A237
Final Indiana Application Section 4.5 Enforcement Program Elements (Revised), dated January 29, 2026	ML26068A238
Final Indiana Application Section 4.6 Technical Staffing and Training Program Elements (Revised), dated January 29, 2026.	ML26068A239
Final Indiana Application Section 4.7 Event and Allegation Response Program Elements (Revised), dated January 29, 2026.	ML26068A240
Indiana Application Request for Additional Information, dated February 27, 2026	ML26068A127
Receipt from C. Eckstein Acknowledging Indiana Revisions to Regulations 290 IAC 3–1 through 3–18, dated January 26, 2026.	ML26026A076
Letter from C. Eckstein re: Indiana Revisions to Regulations 290 IAC 3–1 through 3–18, dated February 27, 2026	ML26068A068
Indiana Response to RAI, dated March 9, 2026	ML26068A126
Letter from Governor Mike Braun, Indiana, to Chairman Nieh requesting agreement be established between the NRC and State of Indiana, received January 29, 2026.	ML26033A182
Staff Requirements Memorandum for SECY–26–0053 “Proposed Agreement Between the State of Indiana and the Commission Pursuant to Section 274 of the Atomic Energy Act of 1954, as Amended,” dated May 5, 2026.	ML26125A146 (package)
SECY–26–0053 “Proposed Agreement Between the State of Indiana and the Commission Pursuant to Section 274 of the Atomic Energy Act of 1954, as Amended,” dated April 10, 2026.	ML26069A564
Draft Staff Assessment of the Proposed Indiana Program, dated April 10, 2026	ML26069A567
State Agreement (SA)-700 Processing an Agreement final, dated June 15, 2022	ML22138A414
SA–700 Handbook for Processing an Agreement Procedure final, dated June 17, 2022	ML22140A396
SECY–26–0098, includes final NRC staff assessment	ML26173A182 (package).

Authority: 42 U.S.C. 2011 *et seq.*

Dated: September 30, 2026.

For the Nuclear Regulatory Commission.

Jody Martin,

Secretary of the Commission.

[FR Doc. 2026–20276 Filed 10–1–26; 8:45 am]

BILLING CODE 7590–01–P

FEDERAL RESERVE SYSTEM

12 CFR Parts 225, 238, and 252

[Regulations Y, LL, and YY; Docket No. R–1866]

RIN 7100–AG92

Modifications to the Capital Plan Rule and Stress Capital Buffer Requirement

AGENCY: Board of Governors of the Federal Reserve System (Board).

ACTION: Final rule.

SUMMARY: The Board is adopting a final rule to amend the calculation of the Board’s stress capital buffer requirement applicable to certain large bank holding companies, savings and loan holding companies, U.S. intermediate holding companies of foreign banking organizations, and nonbank financial companies supervised by the Board to reduce the volatility of the stress capital buffer requirement. The final rule uses the average of the maximum common equity tier 1 capital ratio declines projected in each of the Board’s prior two annual supervisory stress tests to inform a firm’s stress capital buffer requirement. The final rule also extends the annual effective date of the stress capital buffer requirement by one

quarter, to January 1, to provide additional time for firms to comply with the requirement. In addition, the Board is adopting changes to the FR Y–14A/Q/M reports to collect additional net income data that would improve the accuracy of the stress capital buffer requirement calculation. The final rule also amends the Stress Testing Policy Statement to remove the phase-in of highly material supervisory model changes.

DATES: The final rule is effective December 1, 2026.

FOR FURTHER INFORMATION CONTACT:

Doriana Ruffino, Associate Director (202) 452–5235, Hillel Kipnis, Assistant Director, (202) 452–2924, John Simone, Manager (202) 245–4256, Alice Moore, Senior Financial Institution Policy Analyst II, (202) 360–0155, and Mehdi Beyhaghi, Principal Economist, (202) 973–6909, Division of Supervision and Regulation; Asad Kudiya, Associate General Counsel, (202) 360–6887, Julie Anthony, Senior Special Counsel, (202) 658–9400, and Kirin Walsh, Senior Counsel, (202) 391–1963, Legal Division. Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551. For users of TDD–TTY, please call 711 from any telephone, anywhere in the United States. Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue NW, Washington, DC 20551.

SUPPLEMENTARY INFORMATION:

Table of Contents

I. Changes to the Stress Capital Buffer Requirement

- A. Introduction
- B. Changes to the Calculation of the Stress Capital Buffer Requirement
- C. Changes to the Annual Effective Date of the Stress Capital Buffer Requirement
- D. Changes to the FR Y–14 Reporting Forms
- II. Economic Analysis
 - A. Baseline Analysis
 - B. Final Rule Versus Baseline
 - C. Reasonable Alternatives
 - D. Analysis of Benefits and Costs
 - E. Comments Related to Economic Analysis
- III. Administrative Law Matters
 - A. Paperwork Reduction Act
 - B. Regulatory Flexibility Act
 - C. Plain Language

I. Changes to the Stress Capital Buffer Requirement

A. Introduction

1. Background on Stress Testing and the Stress Capital Buffer Requirement

Stress testing is a fundamental element of the Board’s regulatory framework and supervisory program for large firms. It enables the Board to assess whether large bank holding companies, savings and loan holding companies, U.S. intermediate holding companies of foreign banking organizations, and nonbank financial companies supervised by the Board (collectively, firms) have sufficient capital to absorb potential losses under hypothetical stress scenarios and continue lending under severely adverse conditions, although it is not designed or intended to be predictive of future economic conditions.

In March 2020, the Board established the stress capital buffer requirement

framework.¹ Under the stress capital buffer requirement framework, the Board calculates each firm's preliminary stress capital buffer requirement as the difference between the firm's starting and minimum projected common equity tier 1 capital ratio under the severely adverse scenario in the supervisory stress test (stress capital decline component), plus four quarters of planned common stock dividends as a percentage of risk-weighted assets (dividend add-on component).² The stress capital buffer requirement has a minimum value of 2.5 percent of a firm's risk-weighted assets.³ A firm can adjust the amount of its planned dividends after receiving its preliminary stress capital buffer requirement. A firm can also request reconsideration of the calculation of its preliminary stress capital buffer requirement. The final stress capital buffer requirement, which includes adjusted dividends and any revisions to a firm's stress capital decline component following a reconsideration of its preliminary stress capital buffer requirement, becomes part of the firm's ongoing capital requirements.⁴ A firm subject to Category I–III standards must participate in the supervisory stress test every year, whereas a firm subject to Category IV standards is generally required to participate every other year, unless the firm chooses, or is otherwise required, to be subject to the supervisory stress test on a more frequent basis.⁵

As described in the proposal issued on April 22, 2025 (proposal or proposed rule), supervisory stress test results can vary based on changes in a firm's balance sheet, economic conditions, the severely adverse scenario, and supervisory models used in the stress test.⁶ Standard economic theory holds that abrupt changes in capital requirements can be costly. Significant year-over-year variation in capital requirements may impact the provision of banking services. Abrupt changes in capital requirements could influence decision-making regarding investment and expansion, create challenges in long-term capital planning, and impact the supply of credit to households and businesses. In particular, when a firm's new stress capital buffer requirement is substantially higher than expected, the firm might choose to raise equity

quickly, which can be complex and more costly than retaining earnings over time. As described further in the Section II.D.2 of this **SUPPLEMENTARY INFORMATION**, the results of the 2025 supervisory stress test further demonstrated volatility in the results for individual firms.⁷

In October 2025, the Board issued additional proposals to increase the transparency of the supervisory stress test (“enhanced transparency and public accountability proposal”).⁸ These proposals sought to improve the transparency and public accountability of the supervisory stress test while ensuring that the test remains an effective tool for understanding and assessing risk and retaining appropriate risk sensitivity and risk capture in capital requirements. Final action related to those proposals is addressed in a separate **Federal Register** notice (“enhanced transparency and public accountability final rule”).

Statutory Authorities for the Board's Stress Testing and Stress Capital Buffer Framework

The International Lending Supervision Act of 1983 provides the Board with broad discretionary authority to set minimum capital levels for state member banks and certain affiliates of insured depository institutions, including holding companies, supervised by the Board.⁹ Under section 5(b) of the Bank Holding Company Act of 1956 (Bank Holding Company Act), the Board may issue such regulations and orders relating to capital requirements of bank holding companies as may be necessary for the Board to carry out the purposes of the Bank Holding Company Act.¹⁰ Foreign banking organizations with a U.S. branch, agency, or commercial lending company subsidiary are made subject by the International Banking Act of 1978 (International Banking Act) to the provisions of the Bank Holding Company Act in the same manner as bank holding companies;¹¹ therefore, the Board is also authorized under section 5(b) of the Bank Holding Company Act to impose these requirements on those foreign banking organizations, including on their U.S.

operations. Similarly, with regard to savings and loan holding companies, section 10(g) of the Home Owners' Loan Act authorizes the Board to issue such regulations and orders relating to capital requirements as the Board deems necessary and appropriate to carry out the purposes of the Home Owners' Loan Act.¹²

Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act),¹³ as amended by section 401 of the Economic Growth, Regulatory Relief, and Consumer Protection Act,¹⁴ requires the Board to establish risk-based capital requirements for bank holding companies with \$250 billion or more in total consolidated assets and nonbank financial companies supervised by the Board.¹⁵ Additionally, section 165(i)(1) of the Dodd-Frank Act, as amended by section 401 of the Economic Growth, Regulatory Relief, and Consumer Protection Act, requires the Board to conduct an annual supervisory stress test of bank holding companies with \$250 billion or more in total consolidated assets.¹⁶ Section 401(e) of the Economic Growth, Regulatory Relief, and Consumer Protection Act requires the Board to conduct periodic stress tests for bank holding companies with total consolidated assets between \$100 billion and \$250 billion.¹⁷

Section 401 of the Economic Growth, Regulatory Relief, and Consumer Protection Act also added section 165(a)(2)(C) of the Dodd-Frank Act, which authorizes the Board to apply any prudential standard established under section 165 to any bank holding company or bank holding companies with \$100 billion or more in total consolidated assets to which the prudential standard does not otherwise apply, provided that the Board (1) determines that application of the prudential standard is appropriate to

¹² See 12 U.S.C. 1467a(g)(1).

¹³ Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111–203, 124 Stat. 1376 (2010).

¹⁴ Economic Growth, Regulatory Relief, and Consumer Protection Act, Public Law 115–174, 132 Stat. 1296 (2018).

¹⁵ See 12 U.S.C. 5365(b)(1)(A)(i). The term bank holding company as used in section 165 of the Dodd-Frank Act includes a foreign bank or company treated as a bank holding company for purposes of the Bank Holding Company Act, pursuant to section 8(a) of the International Banking Act. See 12 U.S.C. 3106(a); 12 U.S.C. 5311(a)(1). See also section 401(g) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (regarding the Board's authority to establish enhanced prudential standards for foreign banking organizations with total consolidated assets of \$100 billion or more).

¹⁶ See 12 U.S.C. 5365(i)(1).

¹⁷ 12 U.S.C. 5365 note.

¹ See 85 FR 15576 (March 18, 2020).

² 12 CFR 217.11(a)(2)(vi), 12 CFR 225.8(f)(2)(i), and 12 CFR 238.170(f)(2)(i).

³ 12 CFR 225.8(f)(2)(ii) and 12 CFR 238.170(f)(2)(ii).

⁴ 12 CFR 217.11(c)(1)(iii).

⁵ See 12 CFR 217.2; 12 CFR 238.10; 12 CFR 252.5; 84 FR 59032 (Nov. 1, 2019).

⁶ See 90 FR 16843 (April 22, 2025).

⁷ Because the Board did not use the results of the 2026 supervisory stress test to update firms' stress capital buffer requirements, 2026 results are not included in the impact analysis. See Board, Press Release (Feb. 4, 2026), <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260204a.htm>.

⁸ See 90 FR 51856 (Nov. 18, 2025), available at <https://www.federalregister.gov/d/2025-20211>.

⁹ See 12 U.S.C. 3902(1); 3907(a); 3909(a)(2).

¹⁰ 12 U.S.C. 1844(b).

¹¹ See 12 U.S.C. 3106.

prevent or mitigate risks to the financial stability of the United States, or to promote the safety and soundness of such firm(s); and (2) takes into consideration the capital structure, riskiness, complexity, financial activities (including financial activities of subsidiaries), size, and any other risk-related factors of such firm(s) that the Board deems appropriate.¹⁸

2. Overview of the Proposed Rule

On April 22, 2025, the Board issued a proposed rule that would have amended the calculation of the stress capital buffer requirement to reduce the volatility of the stress capital buffer requirements.¹⁹ Specifically, under the proposal, for a firm participating in two consecutive annual supervisory stress tests, the stress capital decline component projected in each of the Board's prior two annual supervisory stress tests would be averaged to inform a firm's stress capital buffer requirement (results averaging).²⁰ The proposal would also have extended the annual effective date of the stress capital buffer requirement from October 1 to January 1. The proposal also introduced revisions to the FR Y-14A/Q/M (Capital Assessments and Stress Testing) reporting forms to collect data that would provide greater insight into the net income composition of reporting firms and to eliminate data fields that are no longer needed to conduct the supervisory stress test. The proposed rule provided that, in the event of a material change to a firm's risk profile, financial condition, or corporate structure (material change) that resulted in a recalculation of the firm's stress capital buffer requirements, a firm's recalculated stress capital buffer requirement would not be subject to results averaging.²¹ In addition, the proposed rule would have amended the Board's Stress Testing Policy Statement to remove the phase-in of highly material supervisory model changes.

3. Summary of Comments

The Board received sixteen comments on the proposal from banking organizations, trade associations, public interest groups, private individuals, and a member of the U.S. Senate.²² Most

commenters were supportive of the proposal's objective to reduce volatility in the stress capital buffer requirement by averaging the results of supervisory stress tests. Commenters provided a range of views on the proposed averaging approach, with several commenters expressing support for and opposition to an asymmetrical averaging approach, which was included as an alternative in the proposal.

Commenters were also broadly supportive of the proposal's extension of the annual effective date of the stress capital buffer requirement from October 1 to January 1 and the proposed modifications to the FR Y-14A/Q/M reports. Some commenters objected to the proposal, asserting that reducing volatility through averaging of stress test results is not necessary and would reduce capital levels. Some such commenters asserted that a supervisory stress test should at times produce large changes in results for individual firms due to changes in firm risk profiles and economic conditions. One commenter encouraged the Board to consider the safety and soundness implications of any changes to the capital requirements of large firms, noting the potential impact of the failures of such firms on the Deposit Insurance Fund.²³

In response to a question about the dividend add-on component, several commenters supported removing it from the stress capital buffer requirement, whereas other commenters supported maintaining the dividend add-on component or modifying it to include additional planned capital actions. Commenters provided a variety of suggestions for the implementation timeline for the stress capital buffer requirement associated with the 2025 supervisory stress test.

In response to a question about the Board's authority to require capital plan resubmissions due to changing market conditions, a commenter asserted that eliminating this authority would

represent a major overhaul of the stress testing framework and would, therefore, require a separate proposal with its own public comment process.

Several commenters opposed the proposed amendment to the Board's Stress Testing Policy Statement that would remove the phase-in of highly material supervisory model changes.

Several commenters recommended that the Board publish the annual supervisory stress test scenarios for public comment prior to finalizing them. In addition, several commenters also highlighted specific concerns with the transparency and adequacy of the supervisory stress test models and supported issuing those models for public comment. Some commenters also provided specific suggestions on how to improve the supervisory stress test models and assumptions. Several commenters provided suggestions regarding the interaction of the proposal with other elements of the Board's capital framework and outstanding proposals on regulatory capital for large firms.

4. Overview of the Final Rule

The Board is finalizing the rule as proposed, with results averaging to go into effect for stress capital buffer requirements following the 2028 stress test, as discussed below. For a firm participating in two consecutive annual supervisory stress tests, the final rule averages the stress capital decline component projected in each of the Board's prior two annual supervisory stress tests to inform a firm's stress capital buffer requirement. The averaging calculation does not include the dividend add-on component, which will continue to be updated on an annual basis for all firms subject to the supervisory stress test.²⁴ Consistent with current requirements, for a firm that is not participating in two consecutive annual stress tests, the final rule does not apply results averaging, and the stress capital decline component of such a firm's stress capital buffer requirement is informed by the results of its most recent supervisory stress test.

The final rule extends the annual effective date of the stress capital buffer requirement from October 1 to January 1 for all firms subject to the stress capital buffer requirement. Consistent with the changes in the effective date of the stress capital buffer requirement, the final rule updates the definition of the dividend add-on component to cover dividends issued in quarters five

¹⁸ 12 U.S.C. 5365(a)(2)(C).

¹⁹ *Supra* note 8.

²⁰ The proposal would have included changes to the timing of the planned dividends included in the dividend add-on component but would not have included any other changes to the component.

²¹ In the event of a material change determination, if a recalculation of the stress capital buffer requirement were not required, results averaging would have continued to apply for applicable firms.

²² See Modifications to the Capital Plan Rule and Stress Capital Buffer Requirements [R-1866],

<https://www.federalreserve.gov/apps/proposals/FR-2025-0026-01/comments>. Some comments related to the volatility proposal were also included in responses to the enhanced transparency and public accountability proposal. Those comments are addressed in a separate rulemaking. See Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL [R-1873], <https://www.federalreserve.gov/apps/proposals/FR-2025-0063-01/comments>.

²³ This commenter also noted that supervision for community banks should be tailored to their specific size, characteristics, and risk profile, rather than applying the requirements for larger institutions. The commenter specifically noted capital planning and supervisory stress testing requirements as examples of requirements to maintain tailoring.

²⁴ See 12 CFR 225.8(f)(1); 12 CFR 225.8(f)(4); 12 CFR 238.170(f)(1); 12 CFR 238.170(f)(4).

through eight of the planning horizon of the supervisory stress test.

The Board has adopted revisions to the FR Y-14A/Q/M reports consistent with the proposal. The revisions were largely adopted as proposed, except that the Board amended the FR Y-14Q instructions from the proposal to clarify the definition of one line item in response to a comment. Additionally, the Board is not adopting the proposed removal of items related to pre-provision net revenue (PPNR) from FR Y-14A, Schedule A.7.a (PPNR Projections Sub-schedule) and FR Y-14Q, Schedule G.1 (PPNR Submission Worksheet), as certain of these items are used in the PPNR model proposed for use in the 2027 stress test.²⁵ Further, consistent with the proposal, the final rule provides that if a firm experiences a material change resulting in a recalculated stress capital buffer requirement, the Board generally will not use results averaging for the recalculation.²⁶ In addition, the final rule revises the Board's Stress Testing Policy Statement to no longer specify that a material supervisory model change will be phased in over a two-year period.

The final rule will be effective 60 days after publication in the **Federal Register**. Results averaging will begin starting with the stress capital buffer requirements effective on January 1, 2029. The revisions to the FR Y-14A/Q/M reporting forms will be effective for the June 30, 2027, report date.

B. Changes to the Calculation of the Stress Capital Buffer Requirement

1. Results Averaging

Under the proposal, for firms participating in two consecutive annual supervisory stress tests, the stress capital decline component of the stress capital buffer requirement calculation would have been averaged over the supervisory stress tests, with the current year and the prior year weighted equally in the averaging calculation. The averaging would have been symmetric, meaning that the stress capital decline component would have been averaged

regardless of whether it resulted in an increase or decrease.

The Board received a number of comments recommending that the final rule adopt an asymmetric averaging approach, whereby only increases in the stress capital decline component would be averaged over two stress tests. These commenters argued that such an approach would reflect that the costs of volatility are more pronounced as requirements increase and that implementing a reduction in requirements more quickly would be consistent with the approach of other capital buffer requirements, such as the countercyclical capital buffer requirement framework and the GSIB surcharge requirement framework. Several commenters opposed incorporating an asymmetric approach, arguing that it would mechanically lead to a reduction in capital requirements over time. Two commenters supported applying a higher weight in the averaging calculation to the most recent results of the supervisory stress test relative to the prior year's results.²⁷ Conversely, one commenter asserted that weighted averaging would introduce unnecessary complexity to the averaging framework.

The Board received some comments opposing the concept of averaging for the stress capital buffer requirement. These commenters argued that additional certainty in stress capital buffer requirements from averaging is not necessary and would result in lower capital levels as firms would likely distribute more capital.

Consistent with the proposal, the final rule averages the stress capital decline component symmetrically over the prior two annual supervisory stress tests.²⁸ By averaging the stress capital declines symmetrically over the prior two stress tests, the final rule would most effectively and directly reduce volatility for both increases and decreases in stress test results.

Asymmetric averaging would result in more stress capital buffer requirement volatility than symmetric averaging. It would also mechanically reduce capital requirements, which would be inconsistent with the purposes of the proposal. The countercyclical capital buffer requirement framework and GSIB

surcharge requirement framework noted by commenters serve distinct purposes from the stress capital buffer requirement framework. Further, the capital buffer requirements associated with those frameworks have generally been more predictable. Conversely, given the volatility observed in stress capital buffer requirements, this final rule aims to mitigate such volatility by implementing symmetric averaging of stress capital declines.

The Board considered but chose not to adopt an averaging approach that would place a higher weight on a firm's most recent stress capital decline. While applying a higher weight to the most recent year's stress capital decline in the averaging approach could increase the risk sensitivity of stress capital buffer requirements in certain circumstances, it would also increase the complexity of the regulatory capital framework and, depending on the weighting for each year, would reduce volatility by less than the approach taken in the final rule. Further analysis of the alternatives supported by commenters is included in Section II.E of this **SUPPLEMENTARY INFORMATION**.

2. Application of 2027 and 2028 Stress Capital Buffer Requirements Under the Final Rule

Under the proposal, the changes to the calculation of the stress capital buffer requirement would have been effective beginning with the stress capital buffer requirement calculated using the 2025 stress test. Those stress capital buffer requirements would have been calculated using the average of the stress capital decline components from the 2024 and 2025 supervisory stress test for applicable firms.

One commenter asserted that, if the final rule became effective in 2025 or on January 1, 2026, the rule would undermine the objective of the proposal because it would introduce additional uncertainty into capital planning for firms. Several commenters recommended allowing firms to operate under the existing stress capital buffer requirement through September 30, 2026, to reduce uncertainty in the capital planning process and permit firms to opt in to the revised averaging framework.²⁹ Other commenters recommended that the final rule clarify that the stress capital buffer requirement

²⁵ The model documentation is available on the Board's website at: <https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2027.htm>.

²⁶ In addition to a material change, the Board, or the appropriate Reserve Bank with the concurrence of the Board, may direct a firm to resubmit its capital plan where the capital plan is incomplete or contains material weaknesses. 12 CFR 225.8(e)(4)(i)(B)(1); 12 CFR 238.170(e)(4)(i)(B)(1). In circumstances where the Board recalculates a firm's stress capital buffer requirement following such a resubmission, the Board would use results averaging, because the risk profile of the firm is less likely to have changed materially over the period being averaged.

²⁷ One of these commenters objected to the proposal overall but noted that, should the Board apply averaging, it should do so by applying a higher weight to the most recent stress test results.

²⁸ To calculate a firm's stress capital buffer requirement, the final rule (1) averages the stress capital declines from the two most recent annual supervisory stress tests; then (2) adds the four quarters of planned dividends for the year in which the requirement will be effective; and (3) applies, as applicable, the 2.5 percent floor, in that order.

²⁹ These commenters also submitted a comment letter earlier in the comment period asserting that the proposal created uncertainty for the 2025 supervisory stress test cycle and recommended that Board issue a public statement confirming the existing stress capital buffer requirement framework would apply through September 30, 2026, or issue an interim final rule to that effect.

effective through September 30 in the year that the rule takes effect would apply through December 31 of that year.³⁰

In February 2026, the Board voted to maintain the current stress capital buffer requirements until 2027, when new requirements can be calculated based on models that take public feedback into consideration.³¹ As a result, absent further action from the Board, each firm is subject to its current stress capital buffer requirement until it receives a new requirement, which, under this final rule, will be effective on January 1, 2028. The dividend add-on component of the requirements that take effect on January 1, 2028, would be shifted forward in time by one quarter, consistent with this final rule. Firms subject to Category IV standards that do not participate in the 2027 supervisory stress test will still receive stress capital buffer requirements that are adjusted to account for updated planned common stock dividends in 2027. Until January 1, 2029, firms will be subject to the stress capital buffer requirement without results averaging.

Beginning on January 1, 2029, through December 31, 2029, the stress capital buffer requirement for firms subject to results averaging will incorporate the average of the 2027 and 2028 stress capital decline components, consistent with this final rule. The final rule delays results averaging until the stress capital buffer requirements effective on January 1, 2029, to ensure that results used to calculate the stress capital buffer requirement have been calculated using only models informed by public input. However, other aspects of this final rule, including the change in the annual effective date of the stress capital buffer requirement, the shift forward by one quarter of the dividend add-on component, and the removal of the phase-in of highly material model changes, take effect for the stress capital buffer requirements that would be calculated following the 2027 stress test.

The Board considered comments requesting that firms have an option to opt into results averaging before the averaging goes into effect for all firms. However, in order to ensure that future stress capital buffer requirements are calculated solely using models that have been subject to public input, this final rule does not allow firms to opt into results averaging at an earlier date. Further, implementing results on the same timeline for all firms ensures consistency and fairness.

3. Dividend Add-On Component

Under the proposal, the stress capital buffer requirement would have continued to include a firm's stress capital decline component (under the proposed results averaging) and the dividend add-on component (updated annually). The proposal would have updated the definition of the dividend add-on component to cover dividends issued in quarters five through eight of the planning horizon of the supervisory stress test to be consistent with the change in the annual effective date of the stress capital buffer requirement. The proposal's averaging calculation would not have included the dividend add-on component, because the dividend add-on component is intended to equal planned dividends for the year that the stress capital buffer requirement is in effect, and the amount of this component is at the firm's discretion, unlike the stress capital decline component.³²

Several commenters recommended that the Board eliminate the dividend add-on component of the stress capital buffer requirement, noting that the Board's capital buffer requirement framework includes regulatory limitations on the payments of dividend distributions.³³ Some commenters noted that the Board has the authority to restrict capital actions and concluded that the dividend add-on component is therefore not necessary. One commenter also argued that the dividend add-on component increases the complexity of the stress capital buffer requirement. One commenter argued that a firm

should be permitted to dip into and reduce its stress capital buffer requirement by the amount of a dividend in order to use those pre-funded resources to distribute to shareholders. A few commenters opposed removing the dividend add-on component, arguing that such a change would weaken the stress capital buffer requirement framework by reducing capital requirements and undermining banking system resilience.³⁴ One commenter suggested that the Board extend the dividend add-on component to include nine quarters of planned dividends. Another commenter suggested that the Board restore the previous assumption in the Comprehensive Capital and Review exercise to include a pre-funding requirement of both planned dividends and share repurchases over a nine-quarter period.

Consistent with the proposal, the final rule maintains the dividend add-on component, which will continue to be updated on an annual basis and not be subject to averaging. The final rule updates the definition of the dividend add-on component to cover dividends issued in quarters five through eight of the planning horizon of the supervisory stress test. As part of the stress capital buffer requirement, a firm's dividend add-on component provides important benefits to the regulatory capital framework by helping to ensure that firms maintain sufficient capital to absorb losses under hypothetical stress scenarios, issue planned dividends for the four quarters that the stress capital buffer requirement is in effect and continue to lend to households and businesses under stressful conditions. The Board also chose to maintain the dividend add-on component for intermediate holding companies of foreign banking organizations, as this approach will maintain the stress capital buffer requirement framework in a consistent and comparable manner across all firms subject to the stress capital buffer requirement and reduce complexity.

4. Material Change

The Board can recalculate a firm's stress capital buffer requirement if the firm experiences a material change.³⁵ Under the proposal, results averaging

³⁰ One commenter on the enhanced transparency and public accountability proposal reiterated support for two-year averaging of stress test results in the stress capital buffer calculation but argued that averaging should only be implemented on a prospective basis after the Board adopts revised models that incorporate public comment. See Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL [R-1873], <https://www.federalreserve.gov/apps/proposals/FR-2025-0063-01/comments>.

³¹ See Board, Press Release (Feb. 4, 2026), <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260204a.htm>.

³² In addition, while a firm must provide the amount of its dividend add-on component prior to knowing its stress capital decline component, the firm can revise its dividend add-on component after receiving its preliminary stress capital buffer requirement.

³³ One commenter specifically requested eliminating the dividend add-on component for intermediate holding companies of foreign banking organizations, given their different risk profile as subsidiaries of foreign parents. The commenter asserted that they effectively do not and, often cannot, distribute capital through share repurchases, and therefore the exclusion for share repurchases from the pre-funding of capital actions is unusable.

³⁴ Two commenters noted if that the Board were to pursue removing the dividend add-on component, it should propose the change with a full public comment process and associated economic analysis.

³⁵ A firm that has its stress capital buffer requirement recalculated outside of the regular timeline is also given the opportunity to adjust its planned dividends and request reconsideration of its stress capital buffer requirement.

would not have been applied when recalculating a firm's stress capital buffer requirement due to a material change.³⁶ The Board would have resumed results averaging for the subsequent stress capital buffer requirement calculation if such calculation was not a recalculation due to a material change.³⁷

Two commenters requested that the Board provide a quantitative definition of a material change. These commenters also requested that the deadline to resubmit capital plans be extended from 30 to 90 days following a material change. The same commenters asked that the Board eliminate the requirement for prior Federal Reserve approval for capital distributions following a material change. These commenters also recommended that the Board not suspend results averaging when determining a firm's stress capital buffer requirement after a material change, pointing to potential long delays before a transaction resulting in a material change determination is reflected in the data used in two consecutive supervisory stress tests. One commenter suggested that in the event of a material change, a firm should only require prior approval for a capital distribution if the firm falls below the payout restrictions. Another commenter recommended that the Board not require any resubmission for any acquisition subject to an application or notice requiring prior approval under the Bank Holding Company Act. One commenter asserted that eliminating the Board's authority to require capital plan

submissions in response to changing market conditions would represent a major overhaul of the stress testing framework and therefore require a separate proposal with its own public comment process.

Consistent with the proposal, under the final rule, the Board will generally not use results averaging when recalculating a firm's stress capital buffer requirement because of a material change. Results averaging will resume, as applicable, for the subsequent stress capital buffer requirement calculation if such calculation is not a recalculation resulting from a material change.³⁸ The Board considered the comments that argued in favor of using results averaging even in the event of a material change. However, results averaging that partially includes a firm's balance sheet prior to a material change may misrepresent the firm's risk level when recalculating its stress capital buffer requirement, because a material change may significantly impact the firm's business profile, risk exposure, and balance sheet. Accordingly, the final rule maintains the risk sensitivity of the stress capital buffer requirement by not averaging when recalculating a firm's stress capital buffer requirement due to a material change.

The Board is also clarifying that, under the proposal, results averaging would not have been suspended with respect to the calculation of a firm's stress capital buffer in circumstances other than a recalculation, including when a firm has resubmitted its capital plan and the Board has not yet decided whether to recalculate its stress capital buffer requirement. Those aspects of the proposal are retained in the final rule.

5. Stress Testing Policy Statement

Under the proposal, the Board would have revised its Stress Testing Policy Statement to no longer specify that highly material model changes be phased in over a two-year period. Under the Stress Testing Policy Statement, the Board phases in highly material supervisory stress test model changes over a two-year period to mitigate sudden and unexpected changes to the

supervisory stress test results.³⁹ Because the proposal introduced results averaging over a two-year period, material model changes would have, in most cases, been mechanically phased in to the proposed calculation of the stress capital decline component.

One commenter suggested that the Board maintain the phase-in of highly material supervisory model changes, contending that material changes to a firm's stress capital buffer from model changes do not reflect actual portfolio risk. Another commenter argued that the Board should maintain the phase-in of highly material model changes specifically for Category IV firms to reduce volatility in the stress capital buffer requirements for those firms, as these firms would generally not receive stress capital buffer requirements based on results averaging.

Some commenters provided other general input on the Stress Testing Policy Statement. Two commenters provided suggestions to modify the assumption that the size of a firm's balance sheet remains constant over the stress period, as described in the Stress Testing Policy Statement. One commenter provided additional quantitative analysis asserting that this assumption is not reflective of credit card loan balance behavior. Another commenter recommended that the Board put out the entire Stress Testing Policy Statement for public comment.⁴⁰

Consistent with the proposal, the final rule revises the Board's Stress Testing Policy Statement to remove the phase-in of highly material supervisory stress test model changes over a two-year period. Results averaging automatically applies a phase-in of material model changes, removing many of the benefits received from a concurrent phase-in of model changes. Although the removal of the phase-in could potentially result in slightly higher volatility for firms subject to Category IV standards in certain years when a model change is incorporated,⁴¹ the final rule eliminates

³⁶ For purposes of this discussion, the term "material change" also includes circumstances in which the Board, or the appropriate Reserve Bank with the concurrence of the Board, has directed a firm to resubmit its capital plan because its internal stress scenario(s) are not appropriate for the firm's business model and portfolios, or changes in financial markets or the macro-economic outlook that could have a material impact on a firm's risk profile and financial condition require the use of updated scenarios. 12 CFR 225.8(e)(4)(i)(B)(3); 12 CFR 238.170(e)(4)(i)(B)(3). In addition to a material change, the Board, or the appropriate Reserve Bank with the concurrence of the Board, may direct a firm to resubmit its capital plan where the capital plan is incomplete or contains material weaknesses. See 12 CFR 225.8(e)(4)(i)(B)(7); 12 CFR 238.170(e)(4)(i)(B)(7). In circumstances where the Board recalculates a firm's stress capital buffer requirement following such a resubmission, the proposal provided that the Board would use results averaging, because the risk profile of the firm is less likely to have changed materially over the period being averaged.

³⁷ In order to align with results averaging over a two-year period, the proposal would have used averaging for a firm subject to Category IV standards when subject to a recalculated stress capital buffer requirement only if the recalculation and a subsequent annual supervisory stress test that is not related to a recalculation in which the firm participates occurred within the same calendar year or in consecutive years.

³⁸ The Final Rule includes certain technical changes from the proposal to make clear that the Board will use averaging for a firm subject to Category IV standards when subject to a recalculated stress capital buffer requirement if the recalculation and a subsequent annual supervisory stress test in which the firm participates occur within the same calendar year or in consecutive years. See 12 CFR 225.8(f)(2)(i) and (ii); 12 CFR 238.170(f)(2)(i) and (ii). These changes are consistent with the way the calculation was described in the proposal. See 90 FR 16843 at 16849 (April 22, 2025).

³⁹ See 12 CFR part 252 Appendix B, section 2.3.

⁴⁰ The Board previously invited comment on a proposal to adopt the Stress Testing Policy Statement in 2017, and the statement was published as part of a final rule in 2019. See 82 FR 59528 (December 15, 2017) and 84 FR 6664 (February 28, 2019).

⁴¹ Under the final rule, the effects of a material model change would be fully incorporated into a firm's stress capital buffer requirement if the firm receives a new stress capital buffer requirement that is not calculated using results averaging in a year when a material model change is implemented (that is, a stress capital buffer requirement that is not calculated using results averaging would incorporate the full effects of the model change because those effects would not be phased in over two supervisory stress testing cycles as they are under the current rule.)

the phase-in for all firms to reduce complexity and ensure consistent models for all firms subject to the stress test.

Additionally, as part of the separate enhanced transparency and public accountability final rule, the Board is adopting a process to seek public input on material model changes prior to their use in the stress test.⁴² The threshold for a material model change is lower than the threshold for a highly material model change. Given this process, the phase-in of highly material model changes is less important because firms will have an opportunity to provide input on material model changes before they are implemented. To ensure that the stress capital buffer requirements based on 2027 stress test results are calculated only using models informed by public input, the Board determined to remove the phase-in of highly material model changes prior to the 2027 stress test.

The Board is maintaining the assumption in the Stress Testing Policy Statement that aggregate credit supply does not contract during the stress test horizon period.

6. Supervisory Stress Testing Models and Scenarios

The proposal invited comment on ways for the Board to improve the transparency and effectiveness of the supervisory stress test and its planned approach to seek comment on the supervisory stress test models and scenarios. Several commenters cited specific concerns with the global market shock component, large counterparty default component, credit and loan loss models, operational loss models, and PPNR models in the supervisory stress test.⁴³ Another commenter suggested an alternative methodology to calculate the collateral haircut approach for repo-style transactions under the standardized approach for risk-weighted assets and in the supervisory stress test. Another commenter said that the stress capital buffer framework in general is not sufficiently strong or stringent.

One commenter suggested that the Board expand the supervisory stress test

to include additional scenarios that include more severe assumptions. The commenter also advocated that the Board include a qualitative objection process to the supervisory stress test. Another commenter recommended an earlier release of the annual supervisory stress test scenarios as well as defined parameters for all components of the annual scenarios. One commenter recommended a streamlined stress capital buffer requirement reconsideration process, including defined acceptable documentation to ensure consistent and transparent reviews. Two commenters suggested changes to stress test model overlays, including that the Board provide an explanation to firms when applying an overlay.⁴⁴ One commenter recommended giving firms an opportunity to appeal overlays, and the commenter also suggested that the Board issue for comment a rule that establishes the criteria for overlays and outlines the process by which they are applied. These comments are addressed by the enhanced transparency and public accountability final rule and associated documentation.

7. Interaction With Other Regulatory Capital Frameworks

Several commenters expressed concern about potential overlaps and incongruity between the supervisory stress testing framework and the 2023 Basel III proposal,⁴⁵ which could lead to inappropriate calibration of capital requirements. Some commenters cited concerns with the holistic calibration and potential structural overlaps attributed to the operational risk capital requirements and the market risk capital requirements between the supervisory stress testing framework and the Basel III proposal. One commenter requested that the Board commit to not applying the stress capital buffer requirement to the capital requirements framework that would be associated with the potential adoption of the Basel III proposal. Some commenters suggested removing the stress capital buffer floor of 2.5 percent. Another commenter recommended the Board introduce a post-stress leverage ratio measurement and leverage ratio buffer to the supervisory stress test framework. One commenter stated that the impact analysis of the proposal did not appropriately take into account how

other outstanding proposals on regulatory capital for large firms interacted with the proposed rule on the calculation of the stress capital buffer requirement. Several commenters urged the Board to broadly revise the supervisory stress testing framework, arguing that it is conceptually inconsistent with the risk-weighted assets framework.

The Board has carefully reviewed the comments regarding interactions within its regulatory capital framework. Several rulemakings have progressed or changed since the proposal was published in April 2025, including the stress testing enhanced transparency and public accountability proposal⁴⁶ and the 2026 Basel III and standardized approach risk-based capital proposal.⁴⁷ Combined, these proposals aim to improve the risk sensitivity of requirements in a way that considers the cumulative effect of the entire capital framework. While the Board acknowledges there are interactions between minimum capital requirements, the stress capital buffer framework, and the GSIB surcharge requirement, the volatility final rule does not address these interactions, as the primary objective of the proposal is to reduce the volatility of the stress capital buffer requirement. The Board will further evaluate interactions within the regulatory capital framework in the context of rulemakings addressing stress testing, minimum capital requirements, and the GSIB surcharge requirement and will seek to mitigate any potential redundancies.

C. Changes to the Annual Effective Date of the Stress Capital Buffer Requirement

Under the proposal, the annual effective date of the stress capital buffer requirement would have been extended by one quarter for all firms subject to the stress capital buffer requirement. Specifically, the effective date of a firm's updated stress capital buffer requirement would have been moved to January 1 of the year immediately following the calendar year in which the capital plan was submitted, which represents an extension of one quarter from the current effective date of October 1. This revision would help to alleviate the challenges that firms can face due to large and unexpected changes in capital requirements by providing firms with additional time to comply with updated stress capital buffer requirements. The Board is

⁴² The definition of "material" model changes in the enhanced transparency and public accountability proposal for the purpose of seeking public input is different from the Stress Testing Policy Statement's definition of "highly material" model changes for the purpose of the phase-in of these model changes. See 90 FR 51856 (Nov. 18, 2025), available at <https://www.federalregister.gov/d/2025-20211>.

⁴³ One commenter recommended specific changes to the modeling of non-interest expenses, including adding more granular sub-categories, such as marketing expenses, and adjusting the modeling of these specific sub-categories.

⁴⁴ Adjustments to supervisory stress test models are regularly described in the annual Federal Reserve Stress Test Results disclosure. For example, see Box 1 in Board of Governors of the Federal Reserve System, *2025 Federal Reserve Stress Test Results* (June 2025), <https://www.federalreserve.gov/publications/files/2025-dfast-results-20250627.pdf>.

⁴⁵ See 88 FR 64028 (Sept. 18, 2023).

⁴⁶ See 90 FR 51856 (Nov. 18, 2025), available at <https://www.federalregister.gov/d/2025-20211>.

⁴⁷ See Board, Press Release (Mar. 19, 2026), <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260319a.htm>.

addressing additional changes to the stress test and stress capital buffer requirement timelines in a separate rulemaking.

Commenters generally supported moving the annual effective date to January 1, noting that it would help firms optimize management buffers and better conduct end-of-year capital planning. One commenter asserted that moving the effective date to January 1 would create alignment with the annual GSIB surcharge requirement effective date for applicable firms, reducing the volatility and number of annual changes to regulatory capital requirements. By contrast, one commenter argued that the implementation date should remain October 1 in the year which the stress test is conducted to maximize the risk sensitivity of the stress capital buffer requirement.

Consistent with the proposal, the final rule extends the annual effective date of the stress capital buffer requirement by one quarter from October 1 to January 1. Providing an additional three months for a firm to meet an updated stress capital buffer requirement will increase a firm's ability to make any adjustments to its capital planning and, as necessary, increase retain earnings to comply with a new requirement. In combination with results averaging, extending the effective date would help to alleviate the impact of large changes in stress capital buffer requirements.

D. Changes to the FR Y-14 Reporting Forms

Under the proposal, the FR Y-14A/Q/M reports would have been extended for three years and modified to collect additional information on a firm's PPNR, which would improve the calculation of a firm's stress capital buffer requirement. Specifically, the proposed revisions would have collected: (1) more granular data on compensation expenses and (2) information on non-recurring expenses. The proposed revisions would have been effective for the December 31, 2025, report date.

The FR Y-14Q, Schedule G (PPNR) does not currently segment the portion of total compensation that is variable in a firm's business. To ensure the supervisory stress test more accurately reflects a firm's compensation structure, the proposal would have added two new items related to wealth management (WM) and financial advisory (FA) activities, along with compensable revenues and commissions on compensable revenues to Schedule G (items 28.F (Compensable Revenues) and 28.G (Commissions from WM or FA activities)). The proposal would also

have added corresponding revisions to the FR Y-14A, Schedule A.7.a (PPNR Projections).

Currently, the FR Y-14A/Q/M reports also do not adequately isolate expenses that are known to be non-recurring, one-time events. To systematically identify non-recurring expenses related to business divestitures and the write-down of consolidated investment entities, the proposal would have revised the instructions for FR Y-14Q, Schedule G.3 (PPNR Metrics), item 47 (Non-recurring PPNR items) to better capture these expenses.

The proposed revisions also would have removed items that were no longer needed to conduct the supervisory stress test, including information on non-interest income from servicing activities, including mortgage servicing rights (MSR). Specifically, the proposal would have removed the following items from FR Y-14A, Schedule A.7.a (PPNR Projections Sub-schedule) and FR Y-14Q, Schedule G.1 (PPNR Submission Worksheet):

- Item 14.J (Servicing & Ancillary Fees);
- Item 14.K (MSR Amortization);
- Item 14.L (MSR Value Changes due to Changes in Assumptions/Model Inputs/Other Net of Hedge Performance); and
- Item 14.M (Other).

The proposal also would have revised the instructions for item 14.I (Servicing) on Schedule A.7.a and Schedule G.1 so that the instructions clearly indicate that all non-interest income related to servicing activities should be reported in item 14.I.

These revisions were proposed to strengthen the risk sensitivity of the supervisory stress test and improve the accuracy of the stress capital buffer requirement calculation. The revisions also would have reduced regulatory reporting burden.

Commenters generally supported the proposed revisions to the FR Y-14A/Q/M reports. One commenter recommended additional clarifications to the line items in the proposed revisions. Another commenter recommended that the Board release more information about how it uses data gathered via the reporting forms to allow for more informed public feedback. Other commenters suggested additional enhancements and ways to streamline the regulatory reports. One commenter recommended that the FR Y-14A/Q/M forms be consolidated into a single, standardized reporting template with a dedicated glossary with term definitions. Two commenters recommended further elimination of data elements not used for the

supervisory stress test.⁴⁸ Two commenters suggested that the reports be aligned with other regulatory reporting forms where practicable, including when changes are made to reports, and that the Board should remove redundant reporting items. One commenter also suggested that the Board provide additional notice ahead of changes to forms and instructions. Another commenter suggested aligning certain items in the FR Y-14A/Q/M reports with U.S. generally accepted accounting principles. This commenter also recommended that the Board establish thresholds to determine the materiality of errors in FR Y-14A/Q/M fields and reflect in instructions that immaterial errors will not be viewed as defects in reporting. The same commenter suggested reducing information currently collected monthly on the FR Y-14M to quarterly. Several commenters made specific suggested changes to line items in the FR Y-14A/Q/M forms.

The Board has approved the extension of the FR Y-14A/Q/M reports for three years, with revisions to collect additional information on compensation expenses and non-recurring expenses. These revisions were approved as proposed, except that, in response to a comment, the Board modified a proposed FR Y-14Q instruction to refer to "consolidated variable interest entities," rather than "consolidated investment entities," in non-recurring PPNR items. The amended terminology is more widely used and consistent with U.S. generally accepted accounting principles and the FR Y-9C reports. These revisions are effective for the June 30, 2027, report date.

Finally, the Board is not adopting the proposed removal of items from FR Y-14Q, Schedule G.1 and FR Y-14A, Schedule A.7.a as certain of these items would be used in the Proposed PPNR Model.⁴⁹ Reducing unnecessary regulatory reporting burden remains a goal, and the Board will consider all relevant comments as it develops proposals for further changes to streamline the FR Y-14A/Q/M reports. In particular, the Board is reviewing the reports with the goal of eliminating items that are no longer necessary to conduct the supervisory stress test. However, the Board is not at this time adopting revisions to the FR Y-14A/Q/

⁴⁸ As an example, one of these commenters discussed the requirement to report information on loans and securities as of their origination date and suggested that this information is not relevant to the supervisory stress test.

⁴⁹ The model documentation is available on the Board's website at: <https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2027.htm>.

M reports other than those described here.

II. Economic Analysis

Consistent with the proposal, the final rule's changes to the Board's supervisory stress testing framework aim to reduce the volatility of capital requirements and provide more time for firms to adjust capital plans in response to updated stress capital buffer requirements. These measures would allow firms to streamline capital planning while maintaining adequate capital to withstand economic shocks. The Board evaluated the potential impacts of these changes on the affected firms and the broader economy.⁵⁰

The economic analysis is structured into five parts. The first part, an overview of the baseline, describes the current state of supervisory stress testing practices up until the effective date of this final rule. The second part presents a discussion of the final rule. The third part presents a discussion of alternatives to the current approach. The fourth part presents estimated changes in the level and volatility of capital requirements resulting from the revised stress capital buffer calculation under the final rule and under reasonable alternatives and provides a detailed discussion of potential costs and benefits of the changes in the final rule.⁵¹ The fifth part includes a detailed discussion of comments on the proposal related to the economic analysis.

A. Baseline Analysis

The current framework prior to the final rule (discussed in detail in Section I of this **SUPPLEMENTARY INFORMATION**) serves as the baseline for the economic analysis. The Board assessed the costs and benefits of the final rule and other policy alternatives (discussed below in Section II.C of this **SUPPLEMENTARY INFORMATION**) relative to this baseline.

Under the current framework, a firm's stress capital buffer requirement is determined based on the stress capital decline and the dividend add-on components and is floored at 2.5 percent of risk-weighted assets. As noted previously, firms subject to

Category I–III standards are subject to the supervisory stress test annually, while firms subject to Category IV standards are subject to the supervisory stress test on a two-year cycle, unless they choose, or are otherwise required, to be subject to the annual supervisory stress test. A firm's preliminary stress capital buffer requirement is set in June, and its final stress capital buffer requirement generally becomes part of the firm's ongoing capital requirement on October 1. As a result, firms have approximately one quarter to comply with the updated stress capital buffer requirement.

As discussed in Section I.A.i of this **SUPPLEMENTARY INFORMATION**, a firm's stress capital buffer requirement can change from year to year based on several factors. These factors include changes in the composition of a firm's risk profile, economic conditions since the previous stress test, the severely adverse scenario used in the supervisory stress test, and the supervisory models used in the supervisory stress test.

B. Final Rule versus Baseline

As discussed in detail in Section I of this **SUPPLEMENTARY INFORMATION**, under the final rule, all the elements of the current framework are maintained except that (1) for a firm participating in two consecutive annual supervisory stress tests, the firm's final stress capital buffer requirement is informed by both the current and prior year's supervisory stress test results; and (2) all firms subject to the stress buffer capital requirements have until January 1, instead of October 1, to meet their new stress capital buffer requirements.

Under the final rule, for a firm participating in two consecutive annual supervisory stress tests, the firm's stress capital buffer requirement is set using the average of the stress capital decline components from the current and previous year. The stress capital buffer requirement continues to be based on the most recent stress test results for most firms subject to Category IV standards, which are generally required to participate in the supervisory stress tests every other year. Moreover, regardless of its category, a firm has two quarters to comply with changes in the stress capital buffer requirement, compared to one quarter under the current framework.

C. Reasonable Alternatives

The Board has identified several alternatives to the final rule that could help reduce volatility of stress capital buffer requirements while maintaining the benefits of the stress capital buffer requirement. These alternatives differ in

(1) approach to averaging stress capital buffer requirement levels and (2) timelines for compliance. The following section discusses these alternatives and explains how they differ from the baseline and the final rule.

Alternative 1: Current Framework With One-Quarter Delay

This alternative deviates from the baseline in that firms would have until January 1, instead of October 1, to comply with stress capital buffer requirements. It does not include results averaging. The calculation of stress capital buffer requirements and the other parts of the supervisory stress testing process otherwise remain the same as the current approach.⁵²

Alternative 2: Current Framework With Two-Year Averaging

Under this alternative, all the elements of the current framework are maintained except the alternative applies results averaging over the current year and the previous year for firms participating in two consecutive annual supervisory stress tests. For firms that participate in the supervisory stress tests every other year, the stress capital buffer requirement would be based on the most recent stress test results. This alternative differs from the final rule in that the time to comply with a new stress capital buffer requirement is not extended by one quarter.

Alternative 3: Current Framework With Three-Year Averaging

Under this alternative, all elements of the current framework are maintained except the alternative applies results averaging over the previous three years. For a firm subject to annual supervisory stress tests, this means that the stress capital buffer requirement in the current year is based on the average of stress capital declines from its three most recent stress tests. For a firm subject to Category IV standards that undergoes supervisory stress tests every other year, this means that in the year that the firm is subject to the supervisory stress test, stress capital buffer requirements are based on the average of stress capital declines in the most recent supervisory stress test and the supervisory stress test that took place two years prior. In the year that the firm is not subject to the supervisory stress test, stress capital

⁵⁰ The Board is separately finalizing the enhanced transparency and public accountability proposal to increase the transparency and public accountability of the stress test. Sections V and VII of that final rule's preamble include an estimate of the impact from changes to stress test models and economic analysis of the final rule, respectively. See enhanced transparency and public accountability final rule, sections V and VII.

⁵¹ For more information on the models and bank-provided data, see Board of Governors of the Federal Reserve System, *2025 Supervisory Stress Test Methodology* (June 2025), <https://www.federalreserve.gov/publications/files/2025-june-supervisory-stress-test-methodology.pdf>.

⁵² Note that, under the current framework, the dividend add-on component covers dividends issued from quarters four through seven of the stress test planning horizon (four quarters in total). In alternatives with a one-quarter delay, this component would shift to cover quarters five through eight.

buffer requirements are, in effect, solely based on the results from the prior year's test because the calculation considers the average of only one number. Under this alternative, if a firm does not participate in the supervisory stress test, the stress capital decline for that year is treated as a missing observation for the purposes of computing the firm's stress capital buffer requirement. This alternative deviates from results averaging under the final rule, which applies over a two-year period. Additionally, under this alternative, stress capital buffer requirements for firms subject to Category IV standards would automatically incorporate some averaging, while under the final rule, stress capital buffer requirements for these firms would generally not incorporate results averaging.

Alternative 4: Current Framework With Asymmetric Two-Year Averaging With One-Quarter Delay

Under this alternative, all the elements of the current framework remain the same with two exceptions: (1) a firm would have until January 1, instead of October 1, to comply with its stress capital buffer requirement, and (2) for a firm participating in two consecutive annual supervisory stress tests, the firm's final stress capital buffer requirement is informed by the current year's as well as last year's supervisory stress test results. If a firm's stress capital decline component based on the current year's stress test is larger than the projected decline from the prior year's stress test, then its stress capital decline component would be based on the average of these two results. However, if the stress capital decline component from the current year's stress test is smaller than the decline in the prior year's stress test, the firm's stress capital decline component would be based on only the current year's supervisory stress test results. For firms that participate in the supervisory stress tests every other year, the stress capital decline component would be based on the most recent stress test results. This

alternative deviates from the final rule, which applies the averaging of the stress capital decline component on a symmetrical basis.

Alternative 5: Current Framework With Tailored Stress Test Averaging With One-Quarter Delay

Under this alternative, all elements of the current framework are maintained except that (1) a firm would have until January 1, instead of October 1, to comply with its stress capital buffer requirement, and (2) results averaging would be applied (a) over the previous two years for firms participating in two consecutive annual supervisory stress tests; and (b) up to three years for firms that are subject to the supervisory stress test tests once every two years. For a firm participating in two consecutive annual supervisory stress tests, this means that the stress capital buffer requirement in the current year is informed by the average of the stress capital decline components from its two most recent stress tests. For a firm subject to Category IV standards that undergoes supervisory stress tests every other year, this means that in the year that a firm is subject to the supervisory stress test, its stress capital buffer requirement is informed by the average of the stress capital decline components in the most recent supervisory stress test and in the supervisory stress test that took place two years prior. In the year that the firm is not subject to the supervisory stress test, its stress capital buffer requirement is solely informed by the results from the prior year's test. This alternative deviates from results averaging in the final rule and Alternative 2, which applies over a two-year period for all firms. It also deviates from results averaging under Alternative 3, which applies over a three-year period for all firms.

D. Analysis of Benefits and Costs

This section provides an assessment of the benefits and costs of the final rule and alternatives relative to the current framework. The final rule and alternatives presented in the previous sections have different benefits and

costs that arise from their different implications for the volatility of the stress capital buffer requirement, its average level, its sensitivity to current risks, and the timeliness of stress capital buffer requirement revisions.

1. Estimated Changes in Stress Capital Buffer Requirement Outcomes Under the Final Rule and the Alternatives

The Board recalculated stress capital buffer requirements using historical data to quantitatively describe what the stress capital buffer requirement results would have been under the final rule and each alternative. This analysis provides an understanding of how the changes in the final rule would have affected capital requirements in recent years. The results are presented in Table 1.

The analysis in Table 1 uses supervisory stress test results from 2018 to 2025.⁵³ This data is used to project stress capital buffer requirements under the final rule from 2020 to 2025 and compares them to the actual stress capital buffer requirements over this period. The sample does not include results from the 2026 supervisory stress test because these results were not used to inform stress capital buffer requirements.⁵⁴ The analysis sample includes all firms that received a stress capital buffer requirement in any given year, even if that firm was not subject to the supervisory stress test in that year. Results are presented as averages for each firm category and for the entire sample. The table reports average stress capital buffer requirements in percentage points, average year-over-year absolute changes in firm-specific stress capital buffer requirement levels in basis points, time to comply under each alternative in quarters, and average data-to-implementation gap in months.

The analysis presented in Table 1 differs from the analysis presented in the proposal because the analysis presented in the final rule incorporates the preliminary results for the 2025 supervisory stress test,⁵⁵ as well as the revised results for the 2024 supervisory stress test.⁵⁶

⁵³ Available on Board of Governors of the Federal Reserve System's website at <http://www.federalreserve.gov/publications/dodd-frank-act-stress-test-publications.htm>. The 2018–2019 stress test results have been adjusted to reflect the stress test assumption changes finalized in the rule that established the stress capital buffer requirement.

⁵⁴ As noted above, in February 2026, the Board voted to maintain the current stress capital buffer requirements until 2027, when new requirements can be calculated based on models that take public

feedback into consideration. See Board, Press Release (Feb. 4, 2026), <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260204a.htm>.

⁵⁵ For the stress capital decline component, the final rule's analysis uses 2025 stress test results as of June 27, 2025, when results were published. For the dividend add-on component, the analysis uses planned capital actions as of July 1, 2025. These components are considered preliminary because they could change if the Board were to reconsider results for any firms following the reconsideration

request process. A firm may request reconsideration of its preliminary stress capital buffer requirement within fifteen calendar days of receipt of notice of a preliminary stress capital buffer requirement.

⁵⁶ On June 27, 2025, the Board released corrected 2024 stress test results and capital requirements stemming from modest errors in the loss projections for corporate and first-lien mortgage loans. These corrections did not change the aggregate post-stress capital decline in 2024. For a comprehensive list of revisions, see <https://www.federalreserve.gov/publications/files/2024-dfast-results-20240626.pdf>.

TABLE 1—ESTIMATED STRESS CAPITAL BUFFER REQUIREMENT OUTCOMES UNDER BASELINE, FINAL RULE, AND ALTERNATIVES

	Average stress capital buffer requirement (percent)	Average absolute stress capital buffer requirement year-over-year change (bps)	Time to comply (quarters)	Average data-to-implementation gap (months)
Baseline: Current Framework				
Category I	3.61	46	1	9
Category II–III	4.44	98	.....	9
Category IV	3.40	45	.....	15
Average	3.83	64	.....	11
Final Rule: One-quarter Delay and Two-year Averaging				
Category I	3.66	23	2	18
Category II–III	4.34	73	.....	18
Category IV	3.39	36	.....	18
Average	3.80	47	.....	18
Alternative 1: One-quarter Delay, No Results Averaging				
Category I	3.61	47	2	12
Category II–III	4.40	94	.....	12
Category IV	3.36	43	.....	18
Average	3.80	63	.....	14
Alternative 2: Two-year Averaging, No Delayed Effective Date				
Category I	3.65	23	1	15
Category II–III	4.38	76	.....	15
Category IV	3.43	38	.....	15
Average	3.83	48	.....	15
Alternative 3: Three-year Averaging, No Delayed Effective Date				
Category I	3.70	24	1	21
Category II–III	4.24	51	.....	21
Category IV	3.34	38	.....	21
Average	3.75	39	.....	21
Alternative 4: Asymmetric Two-year Averaging, One-quarter Delay				
Category I	3.53	35	2	18
Category II–III	4.15	72	.....	18
Category IV	3.34	38	.....	18
Average	3.68	49	.....	18
Alternative 5: Tailored Stress Test Averaging, No Delayed Effective Date				
Category I	3.65	23	2	18
Category II–III	4.37	76	.....	18
Category IV	3.35	39	.....	22
Average	3.79	48	.....	20

Under the current framework and under alternatives that do not require results averaging, a firm's stress capital buffer requirement in a given year is calculated as the common equity tier 1 ratio decline in the supervisory stress test plus the dividend add-on component for that particular year.⁵⁷

⁵⁷ Firms' dividend plans impact the estimates of volatility of the stress capital buffer requirement. If changes in firms planned dividends move in opposite direction of the changes in stress test results, reliance on historical observations of the

and is floored at 2.5 percent. The dividend add-on component is calculated by summing four quarters of projected common dividends and dividing that total by risk-weighted assets.

Under results averaging, a firm's stress capital buffer requirement for a given year is calculated as the average of the common equity tier 1 capital ratio

dividend add-on component could overstate volatility under results averaging.

declines observed in the supervisory stress tests of the current and previous years plus the dividend add-on for that particular year, with the result floored at 2.5 percent. Volatility is measured as the absolute value of the year-on-year change in the stress capital buffer requirement.

The average data-to-implementation gap is defined as the average time elapsed between the date of the financial statements used for stress capital buffer requirement calculations

and the effective date of those requirements. The supervisory stress test results published in June primarily use financial data as of December 31, with the resulting stress capital buffer requirement becoming effective on October 1 of the same year. This process results in a time lag of 9 months. In contrast, a two-year averaging regime would incorporate financial statements from both the previous two year-ends. This approach yields an average time lag of 15 months, calculated as the mean of 9 months (for the most recent data) and 21 months (for the older data). Further, extending the effective date by one quarter would add 3 months to the data-to-implementation gap calculation. In other words, the final rule, which involves two-year averaging and a one-quarter delay, would yield an average data-to-implementation gap of 18 months, calculated as the mean of 12 months for most recent data and 24 months for the older data.

As expected, options with averaging tend to feature less volatility in the stress capital buffer requirement, while options with delayed effective dates provide firms more time to comply. Another observation from this analysis is that the interaction of results averaging with the 2.5 percent floor can lead to a small reduction in the overall level of stress capital buffer requirements. Such a reduction can occur when the requirement for a specific firm is at the 2.5 percent floor one year and above the floor in another. This nonlinear effect impacts a firm if its stress capital buffer requirement fluctuates around the 2.5 percent floor instead of being consistently above or equal to the floor.⁵⁸

2. Cost-Benefit Analysis of Final Rule Relative to Baseline

As shown in Table 1, the final rule reduces year-over-year changes in a firm's stress capital buffer requirement from an average of 64 basis points under the current framework to 47 basis points (a decline of about 27 percent). The final rule generally maintains the current average level of the stress capital buffer requirement. Under the final rule, the average stress capital buffer requirement is 3.80 percentage points, slightly lower than the average under the current framework (3.83). The addition of the 2025 stress capital decline components results in a larger reduction in the volatility of stress capital buffer

requirements than was shown in the proposal's economic analysis.⁵⁹ Firms' estimated time to comply with the stress capital buffer requirement is one quarter more than under the current framework, and the average data-to-implementation gap increases by seven months.

Costs

The primary concern with this approach is the slower responsiveness of stress capital buffer requirements to changes in firm risk profiles and economic conditions. Averaging results over two years and incorporating a longer gap between the estimation of stress capital buffer requirements and their effective dates can result in a less timely requirement.

The final rule's results averaging has an uneven impact across firm categories. While results averaging meaningfully reduces the volatility of the stress capital buffer requirements for firms subject to annual supervisory stress tests (as shown in Table 1), it offers minimal reduction in volatility to firms subject to biennial supervisory stress tests. These firms face less volatility than firms subject to supervisory stress test on an annual basis as they are only subject to supervisory stress test every other year. However, this difference does not mean firms subject to Category IV standards do not benefit from the final rule, as these firms can choose to be subject to results averaging by participating in consecutive annual supervisory stress tests. In addition, the one-quarter extension of the stress capital buffer requirement's effective date in the final rule applies to firms of all categories.

Benefits

The final rule provides more stable capital requirements for firms. By smoothing the impact of annual fluctuations in supervisory stress test results, firms may be able to develop more consistent long-term capital strategies. This stability could potentially lead to more sustainable lending and other financial intermediation practices and reduce the effects that sudden changes in capital requirements could have on firms and the U.S. economy. The final rule would also reduce the likelihood of firms needing to take action to meet a sharp increase in stress capital buffer requirements.

Reduced volatility in capital requirements would mitigate the likelihood of firms needing to raise external capital, reduce dividends, and/or shrink balance sheets and the provision of banking services in response to an unexpected and material increase in the stress capital buffer requirement.

In addition, the extended timeline would further enable better planning and decision-making by firms. With an additional three months, firms can more thoroughly assess options for meeting new stress capital buffer requirements, lessening the risk of a curtailment in credit provisioning or other services. Moreover, firms would have additional time to retain earnings and better prepare to manage large increases in stress capital buffer requirements before turning to raising external financing or changing their business activities. In the long run, this extended compliance period could potentially lead to lower management buffers as well. As a firm has more time to adjust and plan, it may feel less pressure to maintain large discretionary buffers to deal with stress capital buffer requirement uncertainty. The increased predictability and reduced time pressure could allow firms to operate with capital levels that more closely align with activities and risk exposures, improving capital efficiency without meaningfully affecting safety and soundness.

3. Cost-Benefit Analysis of Other Policy Alternatives

Alternative 1: Baseline With One-Quarter Delay, No Results Averaging

Alternative 1 maintains the benefits and costs associated with the additional three months to meet changes in the stress capital buffer requirement, as discussed above. However, merely postponing the implementation date does not significantly alter the volatility of the stress capital buffer requirement.⁶⁰ An advantage of this alternative relative to the final rule is, however, its simplicity. While maintaining the current risk sensitivity of the stress capital buffer requirement, this extension would benefit all firms subject to Category I–IV standards without significantly altering the current regulatory framework.

Overall, while this alternative is expected to provide positive net benefits

⁵⁸ The nonlinear effect reflects a mathematical result known as Jensen's inequality, which states that for a convex function, the function evaluated at the average of two or more values is less than or equal to the average of the function evaluated at those same values.

⁵⁹ Without 2025 data and revised 2024 data, the proposal would have reduced year-over-year changes in firms' stress capital buffer requirements from an average of 65 basis points to 54 basis points (a change of about 17 percent). See 90 FR 16843 (April 22, 2025). Table 1, Estimated Stress Capital Buffer Requirement Outcomes Under Baseline, Proposal and Alternatives. pg., 16853.

⁶⁰ The slight differences in average levels and year-over-year change values between Alternative 1 and the baseline are due to the shift in the dividend add-on component coverage period, as mentioned earlier. This shift results from the one-quarter delay in implementation under Alternative 1.

compared to the baseline, it offers smaller net benefits than the final rule.

Alternative 2: Baseline With Two-Year Averaging, No Delayed Effective Date

Alternative 2 maintains the benefits and costs associated with reduced volatility, as discussed above. Reducing year-over-year fluctuations in capital requirements enhances predictability and stability for firms' capital planning. However, it does not include the benefits and costs related to the added time to come into compliance with changes to the stress capital requirement. Particularly, this alternative offers minimal advantage to firms subject to biennial supervisory stress tests. The final rule, on the other hand, applies results averaging while granting an additional quarter to firms of all categories. The benefit of this approach over the final rule is more timeliness in the stress capital buffer requirement. Overall, while this alternative is expected to provide positive net benefits compared to the baseline, it offers smaller net benefits than the final rule.

Alternative 3: Three-Year Averaging, No Delayed Effective Date

As shown in Table 1, this alternative reduces year-over-year changes in a firm's stress capital buffer requirement from an average of 64 basis points under the baseline to 39 basis points (or about 39 percent), while yielding a modest decline in the aggregate level of the stress capital buffer requirement, from an average of 3.83 percentage points under the baseline to 3.75 percentage points. The time firms have to comply with the new stress capital buffer requirement does not change under this alternative relative to the baseline.

The main drawback of Alternative 3 is reduced timeliness and sensitivity to current economic conditions and firm risk profiles. This alternative leads to an even higher time gap due to averaging over a longer time horizon, as shown by an average data-to-implementation gap of 21 months. This difference may lead to a more pronounced disconnect between regulatory requirements and the risks on firms' balance sheets, potentially lowering the effectiveness of the capital adequacy framework for firms.

This approach shares similar benefits as in the final rule and Alternative 2 in that by averaging out the impact of annual fluctuations in stress test results, firms can develop more consistent, long-term capital planning strategies that potentially lead to more sustainable lending practices and reduce the effects that sudden changes in capital

requirements might have on the broader economy. Another benefit relative to the final rule and Alternative 2 is that most firms subject to Category IV standards would benefit from an additional reduction in the volatility of their stress capital buffer requirements due to results averaging. In addition, the treatment of firms subject to Category IV standards would be more consistent with the approach for firms subject to Category I–III standards as all firms would receive the benefits of results averaging.

Alternative 4: Asymmetric Two-Year Averaging With One-Quarter Delay

Alternative 4 maintains the benefits and costs associated with the additional three months to meet changes in the stress capital buffer requirement, as discussed above. It also maintains some of the benefits and costs associated with reduced volatility. Table 1 in section D shows that the average year-over-year volatility decreases from 64 basis points under the baseline to 49 basis points under this alternative (a reduction of about 23 percent). This alternative lowers the average stress capital buffer requirement levels relative to historical values (a reduction from 3.83 percent under the baseline to 3.68 percent under this alternative). The latter result indicates that, relative to the baseline and the final rule, averaging only when stress capital declines in the supervisory stress tests are larger would lead to a lower stress capital buffer requirement.

Further, the results in Table 1 demonstrate that this alternative would not reduce stress capital buffer requirement volatility as much as the final rule, which saw a reduction in volatility of about 27 percent. This difference can be attributed to two offsetting factors. First, asymmetric averaging does not smooth out decreases, which contribute to volatility. Thus, this factor increases volatility relative to the final rule. However, the 2.5 percent floor becomes binding more frequently under this alternative, which tends to reduce volatility. The floor becomes binding more frequently because this alternative lowers the average level of the stress capital buffer, as explained above, making the floor more relevant.

Similar to the final rule, a cost of this alternative is slower responsiveness of stress capital buffer requirements to changes in firm risk profiles and economic conditions. Another cost of this alternative is that applying averaging only when stress capital decline components are steeper would lead to modestly lower stress capital buffer requirements, on average. This

could slightly reduce the safety and soundness of covered firms.

An advantage of this method is its alignment with the asymmetric costs firms face when adjusting their capital in response to changing capital requirements. While responding to increases in capital requirements can be costly and challenging for firms, especially over short periods, firms typically find it easier and less costly to adjust capital levels downward. This alternative acknowledges this asymmetry, allowing for more rapid capital reductions when the stress capital decline component is smaller, while providing more time for firms to prepare against sudden, potentially disruptive increases in capital requirements when the stress capital decline component is larger. As a result, this alternative may offer a less expensive framework for firms to manage their capital levels.

Alternative 5: Tailored Stress Test Averaging, No Delayed Effective Date

As shown in Table 1, this alternative reduces year-over-year changes in a firm's stress capital buffer requirement from an average of 64 basis points under the baseline to 48 basis points (or about 25 percent), while yielding a modest decline in the aggregate level of the stress capital buffer requirement, from an average of 3.83 percentage points under the baseline to 3.79 percentage points.

Alternative 5 shares the general costs and benefits of alternatives involving averaging. An additional benefit relative to the final rule is that firms subject to Category IV standards, which face less volatility in the current framework as they are only subject to supervisory stress tests every other year, would benefit from a further reduction in stress capital buffer requirement volatility. Moreover, an advantage over the three-year averaging for all firms (Alternative 3) is that this method extends averaging results up to three years only to those firms subject to biennial supervisory stress tests. Consequently, it has a significantly smaller overall average gap between data collection and implementation.

The downside of this alternative relative to the final rule and alternatives that are based on two-year averaging is that for most firms subject to Category IV standards, this alternative would reduce the ability for a timely adjustment of stress capital buffer requirements in response to new risks or rapid shifts in the economic landscape.

E. Comments Related to Economic Analysis

The Board received several comments related to the economic analysis and the alternatives included in the proposal.

Several commenters argued in favor of one of the alternatives presented in the proposal, while others suggested new potential alternatives. As noted previously, several commenters argued that a final rule should adopt an asymmetric averaging approach while other commenters expressed opposition. The asymmetric averaging approach is similar to Alternative 4 in this economic analysis, and its benefits and costs are discussed in detail in the prior subsection.

Two commenters suggested a weighted averaging approach, which was not included as an alternative for impact analysis in the proposal. Under this alternative, a firm's stress capital buffer requirement would be based on a weighted average of its stress capital decline components from the current and previous years, with the current year weighted more than the previous year. For example, one commenter suggested a 60 percent weight for the current year and a 40 percent weight for the previous year.⁶¹ For firms that participate in the supervisory stress test every other year, the stress capital buffer requirement would be based on the most recent supervisory stress test results. This alternative differs from the final rule by using a weighted average instead of an equal-weighted average. The suggested 60–40 weighting falls between the current practice (which assigns 100 percent weight to the current year's supervisory stress test results and 0 percent to the previous year) and the final rule (which assigns 50 percent weight to each year). Under this alternative, the current year's supervisory stress test results would have a larger impact than the prior year's results on a firm's stress capital buffer requirement, but not as large as under the current practice. Therefore, the changes in the volatility of the stress capital buffer requirement under this alternative would fall between those of the current practice and the final rule, which are discussed previously in the economic analysis.

One advantage of this alternative method relative to the final rule is its slightly higher risk sensitivity. By placing more weight on the current year and less weight on the prior year, the alternative would incorporate more

current firm risks and macroeconomic conditions, as measured by the most recent supervisory stress test. A cost of this alternative would be its increased complexity, as a weighted average could further complicate the interpretation of stress capital buffer requirements, and its reduced impact on volatility.

One commenter expressed concern that results averaging could lead to lower overall capital levels by incentivizing banks to reduce management buffers, potentially increasing shareholder payouts through share buybacks and dividends. The commenter suggested that recent history shows banks tend to distribute capital to shareholders when facing lower capital requirements, rather than allocating it to more socially productive uses. It is important to clarify that the goal of the rule is to reduce volatility in stress capital buffer requirements, not to reduce their overall level. The analysis provided above demonstrates that while the final rule reduces average year-over-year changes in stress capital buffer requirements, it generally maintains the average level of stress capital buffer requirements.

Some commenters expressed concern about the depth and timeliness of the cost-benefit analysis provided in the proposed rule. These commenters suggested that the analysis offers vague statements about potential benefits and costs without providing detailed quantitative analysis or a comprehensive comparison of these factors. Commenters also noted that the proposed rule does not adequately describe how it intersects with other related requirements, proposals, and upcoming proposals, such as those concerning stress testing, Basel III implementation, the GSIB surcharge requirement, and the enhanced supplementary leverage ratio requirement. Commenters expressed concern about the potential for incorrectly calibrated stress capital buffer requirements due to the intersection with other capital requirements. Another commenter recommended that the Board consider the overall effect on bank capital levels as part of the economic analysis, rather than just the impact on stress capital buffer requirements.

The economic analysis in the final rule focuses specifically on the changes to the stress capital buffer requirement calculation method and implementation timeline. The Board's approach involves using historical data from the past five years of stress capital buffer requirements to recalculate what the levels and volatility of capital would have been if the final rule had been in

place during this period. Importantly, the Board does not assume any changes in scenarios, models, banks' starting levels of capital and risk-weighted assets, or projected values to estimate these effects. This approach allows for a clear assessment of the final rule's potential impact based on historical data, while maintaining consistency with existing methodologies and assumptions. By isolating the effects of the specific modifications to the stress capital buffer requirement, the Board provides a straightforward comparison between the current framework and the framework adopted in the final rule.

Other related requirements, proposals, and upcoming potential proposals, such as those concerning supervisory stress testing, Basel III implementation, the GSIB surcharge requirement, and the enhanced supplementary leverage ratio requirement, may impact a firm's sensitivity to risk or its starting financial condition or both. Resulting changes to a firm's balance sheet or risk profile could alter supervisory stress test outcomes. The final rule and the current rule differ in how such changes in capital decline translate into the stress capital buffer requirements. Under the final rule, it would take longer for the stress capital buffer requirement to fully reflect any such change due to results averaging. Conversely, under the current rule, any change in capital decline would be fully reflected in the current year's stress capital buffer requirement.

Therefore, the interaction between this rule and other capital requirements primarily affects how the calculated stress capital decline component translates into the final stress capital buffer requirement, not how the stress capital decline component itself is calculated. This distinction suggests that the above cost-benefit analysis sufficiently and intuitively demonstrates how the impact of any change in stress capital decline component would be comparable under the final rule and current rule.

One commenter pointed out that the capital impact projections included in the proposed rule may be outdated, given that the Federal Reserve has since announced its 2025 supervisory stress test results. The commenter suggested that the Board should provide updated analyses and allow additional time for public comment based on this new information. Regarding the timeliness of the data, the Board has updated its analysis using the 2025 supervisory stress test data and revised the calculations provided in the proposal. The multi-year historical dataset helps account for variations across different economic cycles and stress scenarios.

⁶¹ Another commenter supported the concept of a weighted averaging approach but did not specify the percentages to apply to each year's stress test results.

As described above, the Board did not include the 2026 supervisory stress test data in its analysis, because the results of the 2026 stress test did not inform stress capital buffer requirements.⁶²

III. Administrative Law Matters

A. Paperwork Reduction Act

In accordance with the requirements of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501–3521), the Board may not conduct or sponsor, and the respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Board reviewed the information collections related to the final rule under the authority delegated to the Board by OMB.

The final rule would not create any information collections subject to the PRA; however, the Board revised the FR Y–14 reports to improve supervisory stress test modeling and the calculation of stress capital buffer requirements by enhancing the collection of information used to assess a firm's risk profile. Specifically, the revisions implement various changes that would isolate non-recurring expenses and increase the granularity of data on compensation expenses. The Board received 7 public comments on the PRA for the FR Y–14, which are discussed in detail above. The Board has adopted the revisions with amendments from the proposal. Specifically, the Board amended the FR Y–14Q instructions from the proposal to clarify the definition of one line item in response to a comment and is not adopting the proposed removal of certain FR Y–14 items.

Proposal Under OMB Delegated Authority To Extend for Three Years, With Revision, the Following Information Collection

Collection title: Capital Assessments and Stress Testing Reports.

Collection identifier: FR Y–14A/Q/M.
OMB control number: 7100–0341.

General description of collection: This family of information collections is composed of the following three reports:

- The annual FR Y–14A collects quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios.⁶³

- The quarterly FR Y–14Q collects granular data on various asset classes, including loans, securities, trading assets, and PPNR for the reporting period.

- The monthly FR Y–14M is comprised of three retail portfolio- and loan-level schedules, and one detailed address-matching schedule to supplement two of the portfolio- and loan-level schedules.

The data collected through the FR Y–14A/Q/M reports (FR Y–14 reports) provide the Board with the information needed to help ensure that large firms have strong, firm-wide risk measurement and management processes supporting their internal assessments of capital adequacy and that their capital resources are sufficient, given their business focus, activities, and resulting risk exposures. The data within the reports are used in connection with setting firms' stress capital buffer requirements. The data are also used to support other Board supervisory efforts aimed at enhancing the continued viability of large firms, including continuous monitoring of firms' planning and management of liquidity and funding resources, as well as regular assessments of credit risk, market risk, and operational risk, and associated risk management practices. Information gathered in this collection is also used in the supervision and regulation of respondent financial institutions. Respondent firms are currently required to complete and submit up to 17 filings each year: one annual FR Y–14A filing, four quarterly FR Y–14Q filings, and 12 monthly FR Y–14M filings.⁶⁴ Compliance with the information collection is mandatory.

Current Actions: The final rule modifies the FR Y–14A/Q/M reports in order to collect additional information on a firm's pre-provision net revenue, which will improve the calculation of the firm's stress capital buffer requirement. Specifically, the revisions collect (1) more granular data on compensation expenses, and (2) information on non-recurring expenses. All revisions are effective for the June 30, 2027, report date.

Compensation Expenses

Total compensation expense is composed of salaries, variable pay, and

225.8(e)(4); 12 CFR 238.170(e)(4). Firms that must re-submit their capital plan generally also must provide a revised FR Y–14A in connection with their resubmission.

⁶⁴ Holding companies that do not meet the materiality thresholds described in the instructions for the FR Y–14M are not required to file that report. This results in some holding companies submitting less than 17 filings each year.

employee benefits. The compensation structure for certain business lines, including financial advisors in a firm's wealth management business, is generally determined as a ratio of compensable revenue, which is a portion of total revenue attributable to the financial advisor. As a result, the key driver of compensation change is the amount of compensable revenue generated. During a period of economic stress, this form of variable pay may decline quickly. This differs from fixed compensation expenses, such as salaries, which tend to be more stable during periods of stress because a firm may take time to assess the severity of the downturn before determining if reductions are appropriate.

FR Y–14Q, Schedule G (PPNR) does not currently segment the portion of total compensation that is variable in a firm's business. Therefore, the supervisory stress test may not adequately consider the role of variable compensation or the correlation between compensation and compensable revenue. To ensure that the supervisory stress test results reflect this compensation structure, the Board is adding two new items to Schedule G (items 28.F (Compensable Revenues) and 28.G (Commissions from WM or FA activities)) to capture data on compensable revenues and commissions on the compensable revenues. For consistency between the FR Y–14Q and the FR Y–14A, the Board also made corresponding revisions to FR Y–14A, Schedule A.7.a (PPNR Projections).

Non-Recurring Expenses

Non-recurring expenses are extraordinary or one-time expenses that are not expected to occur in the future. These expenses are distinct from recurring expenses which occur on a regular basis. The FR Y–14 reports do not currently adequately isolate expenses that are known to be due to one-time events.

As non-recurring expenses are not expected to repeat in the future, it may be appropriate to mitigate the influence of these expenses when calculating a firm's stress capital buffer requirement. To systematically identify non-recurring expenses related to business divestitures and the write-down of consolidated investment entities, the Board is revising the instructions for FR Y–14Q, Schedule G.3 (PPNR Metrics), item 47 (Non-recurring PPNR items) to better capture these expenses. Capturing data on these non-recurring expenses would strengthen the risk sensitivity of the supervisory stress test since the Board would have a more comprehensive

⁶² See Board, Press Release (Feb. 4, 2026), <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260204a.htm>.

⁶³ In certain circumstances, a firm may be required to re-submit its capital plan. See 12 CFR

picture of a firm's expenses and net income.

Non-Interest Income From Servicing Activities

The Board also proposed to remove several items that capture information related to non-interest income from servicing activities. Specifically, the Board proposed to remove the following items from FR Y-14A, Schedule A.7.a (PPNR Projections Sub-schedule) and FR Y-14Q, Schedule G.1 (PPNR Submission Worksheet):

- Item 14.J (Servicing & Ancillary Fees);
- Item 14.K (MSR Amortization);
- Item 14.L (MSR Value Changes due to Changes in Assumptions/Model Inputs/Other Net of Hedge Performance); and
- Item 14.M (Other).

However, since the proposal, these items have been incorporated into the PPNR model proposed to be used in the 2027 stress test. Therefore, the Board is not adopting the proposed revision to remove these items from Schedule G.1 and Schedule A.7.a as they continue to be necessary to conduct the supervisory stress test.

Frequency: Annually, quarterly, and monthly.

Respondents: Holding companies with \$100 billion or more in total consolidated assets, as based on (1) the average of the firm's total consolidated assets in the four most recent quarters as reported quarterly on the firm's Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128) or (2) the average of the firm's total consolidated assets in the most recent consecutive quarters as reported quarterly on the firm's FR Y-9Cs, if the firm has not filed an FR Y-9C for each of the most recent four quarters.

Total estimated number of respondents: 35.

Total estimated change in burden: 0.

Total estimated annual burden hours: 760,428.⁶⁵

B. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) generally requires that, in connection with a final rulemaking, an agency prepare and make available for public comment a final regulatory flexibility analysis describing the impact of the final rule on small entities.⁶⁶ However,

a final regulatory flexibility analysis is not required if the agency certifies that the final rule will not have a significant economic impact on a substantial number of small entities. Under regulations issued by the U.S. Small Business Administration (SBA), a small entity includes a depository institution, bank holding company, or savings and loan holding company with total assets of \$850 million or less.⁶⁷ For the reasons described below and under section 605(b) of the RFA, the Board certifies that the final rule will not have a significant economic impact on a substantial number of small entities.

In connection with the proposed rule, the Board stated that it did not believe the proposed rule would have a significant economic impact on a substantial number of small entities. Nevertheless, the Board published and invited comment on an initial regulatory flexibility analysis of the proposed rule. No comments were received on the initial regulatory flexibility analysis.

The Board is finalizing amendments to Regulations Y,⁶⁸ LL,⁶⁹ and YY⁷⁰ that would affect the regulatory requirements that apply to bank holding companies, U.S. intermediate holding companies of foreign banking organizations, and savings and loan holding companies, each with at least \$100 billion in total consolidated assets, as well as certain nonbank financial companies supervised by the Board and any other bank holding company or covered savings and loan holding company domiciled in the United States that is made subject to the capital plan rule⁷¹ by order of the Board.⁷² The reasons and justification for, and economic impacts of, the final rule are described above in more detail in this **SUPPLEMENTARY INFORMATION**.

The Board has considered whether to conduct a final regulatory flexibility analysis in connection with this final rule. However, the assets of entities subject to this final rule substantially exceed the \$850 million asset threshold under which a banking organization is

considered a "small entity" under SBA regulations. Because the final rule is not likely to apply to any entity with assets of \$850 million or less, it is not expected to apply to any small entity for purposes of the RFA. The Board does not believe that the final rule duplicates, overlaps, or conflicts with any other Federal rules. In light of the foregoing, the Board certifies that the final rule will not have a significant economic impact on a substantial number of small entities.

C. Plain Language

Section 722(a) of the Gram-Leach-Bliley Act (12 U.S.C. 4809(a)) requires the Board to use plain language in its proposed and final rulemakings. In the proposal, the Board invited but did not receive comments on its use of plain language. In the final rule, the Board uses plain language.

List of Subjects

12 CFR Part 225

Administrative practice and procedure, Banks, banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

12 CFR Part 238

Administrative practice and procedure, Banks, banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

12 CFR Part 252

Administrative practice and procedure, Banks, Banking, Capital planning, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities, Stress testing.

Authority and Issuance

For the reasons stated in the preamble, the Board of Governors of the Federal Reserve System amends 12 CFR chapter II as follows:

PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)

- 1. The authority citation for part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p–1, 1843(c)(8), 1844(b), 1972(1), 3106, 3108, 3310, 3331–3351, 3906, 3907, and 3909; 15 U.S.C. 1681s, 1681w, 6801, and 6805.

Subpart A—General Provisions

- 2. In § 225.8:

⁶⁵ On May 20, 2026, the Board adopted revisions to the FR Y-14 reports (see 91 FR 29485), which impacted estimated FR Y-14 burden hours. As a result, this burden estimate differs from the proposal to reflect the new baseline estimate of FR Y-14 burden hours.

⁶⁶ 5 U.S.C. 601 *et. seq.*

⁶⁷ See 13 CFR 121.201. Consistent with the SBA's General Principles of Affiliation, the Board includes the assets of all domestic and foreign affiliates toward the applicable size threshold when determining whether to classify a particular entity as a small entity. See 13 CFR 121.103. As of December 31, 2025, there were approximately 2,395 small bank holding companies, approximately 116 small savings and loan holding companies, and approximately 441 small state member banks.

⁶⁸ 12 CFR part 225.

⁶⁹ 12 CFR part 238.

⁷⁰ 12 CFR part 252.

⁷¹ 12 CFR 225.8; 12 CFR 238.170.

⁷² There currently are no entities with less than \$100 billion in total consolidated assets subject to the capital plan rule.

- a. Redesignate paragraphs (d)(20) through (21) as (d)(21) through (22), respectively;
- b. Add new paragraph (d)(20);
- c. Revise paragraph (f);
- d. In paragraph (h)(2)(ii), remove the text “fourth through seventh”, wherever it appears and add, in its place the text “fifth through eighth”;
- e. Revise paragraph (h)(4)(ii)(A);
- f. Revise paragraph (i)(1) and (i)(3)(i); and
- g. Remove the text “fourth”, and add, in its place the text “fifth” in paragraph (k)(2).

The revisions and addition read as follows:

§ 225.8 Capital planning and stress capital buffer requirement.

* * * * *

(d) * * *

(20) *Stress capital decline* means the ratio of a bank holding company's common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, as of the final quarter of the previous capital plan cycle, unless otherwise determined by the Board, minus the lowest projected ratio of the bank holding company's common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, in any quarter of the planning horizon under a supervisory stress test.

* * * * *

(f) *Calculation of the stress capital buffer requirement*—(1) *General*. (i) The Board will determine the stress capital buffer requirement that applies under 12 CFR 217.11 pursuant to this paragraph (f). For each bank holding company that is not a Category IV bank holding company, the Board will calculate the bank holding company's stress capital buffer requirement annually. For each Category IV bank holding company, the Board will calculate the bank holding company's stress capital buffer requirement biennially, occurring in each calendar year ending in an even number, and will adjust the bank holding company's stress capital buffer requirement biennially, occurring in each calendar year ending in an odd number. Notwithstanding the previous sentence, the Board will calculate the stress capital buffer requirement of a Category IV bank holding company in a year ending in an odd number with respect to which that company makes an election pursuant to 12 CFR 252.44(d)(2)(ii). The stress capital buffer requirement calculations described in this paragraph will be conducted using paragraphs (f)(2)(i) or (f)(2)(ii) of this section, as appropriate. The stress capital buffer requirement adjustment

described in this paragraph will be conducted using paragraph (f)(4) of this section.

(ii) Unless otherwise determined by the Board, a stress capital buffer requirement that is recalculated pursuant to paragraph (f)(3) of this section will be calculated pursuant to the methodology in paragraph (f)(2)(ii) of this section, except that a stress capital buffer requirement that is recalculated following the resubmission of a capital plan pursuant to paragraph (e)(4)(i)(B)(1) of this section will be calculated pursuant to the methodology in paragraph (f)(2)(i) of this section.

(2) *Stress capital buffer requirement calculation*. (i) For a bank holding company that was subject to the annual supervisory stress test in the previous calendar year or that was provided with a final stress capital buffer requirement that was recalculated pursuant to paragraph (f)(3) of this section in the previous calendar year or earlier in the current calendar year, a bank holding company's stress capital buffer requirement is equal to the greater of:

(A) The following calculation:

(1) The average of the stress capital decline of the current capital plan cycle and either the stress capital decline of the capital plan cycle for the previous calendar year or, if the bank holding company's currently effective stress capital buffer requirement was recalculated pursuant to paragraph (f)(3) of this section, the stress capital decline associated with that stress capital buffer requirement; plus

(2) The ratio of:

(i) The sum of the bank holding company's planned common stock dividends (expressed as a dollar amount) for each of the fifth through eighth quarters of the current planning horizon; to

(ii) The risk-weighted assets of the bank holding company in the quarter in which the bank holding company had its lowest projected ratio of common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, in any quarter of the planning horizon under a supervisory stress test conducted in the current capital plan cycle; and

(B) 2.5 percent.

(ii) For a bank holding company to which paragraph (f)(2)(i) of this section does not apply, a bank holding company's stress capital buffer requirement is equal to the greater of:

(A) The following calculation:

(1) The stress capital decline of the current capital plan cycle; plus

(2) The ratio of:

(i) The sum of the bank holding company's planned common stock

dividends (expressed as a dollar amount) for each of the fifth through eighth quarters of the current planning horizon; to

(ii) The risk-weighted assets of the bank holding company in the quarter in which the bank holding company had its lowest projected ratio of common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, in any quarter of the planning horizon under a supervisory stress test conducted in the current capital plan cycle; and

(B) 2.5 percent.

(3) *Recalculation of stress capital buffer requirement*. If a bank holding company resubmits its capital plan pursuant to paragraph (e)(4) of this section, the Board may recalculate the bank holding company's stress capital buffer requirement. The Board will provide notice of whether the bank holding company's stress capital buffer requirement will be recalculated within 75 calendar days after the date on which the capital plan is resubmitted, unless the Board provides notice to the company that it is extending the time period.

(4) *Adjustment of stress capital buffer requirement*. In each calendar year in which the Board does not calculate a Category IV bank holding company's stress capital buffer requirement pursuant to paragraph (f)(1) of this section, the Board will adjust the Category IV bank holding company's stress capital buffer requirement to be equal to the result of the calculation set forth in paragraph (f)(2) of this section, using the same values that were used to calculate the stress capital buffer requirement most recently provided to the bank holding company, except that the value used in paragraph (f)(2)(i)(A)(2)(i) or paragraph (f)(2)(ii)(A)(2)(i) of this section, as applicable, will be equal to the bank holding company's planned common stock dividends (expressed as a dollar amount) for each of the fifth through eighth quarters of the planning horizon as set forth in the capital plan submitted by the bank holding company in the calendar year in which the Board adjusts the bank holding company's stress capital buffer requirement.

(5) *Transition period for stress capital buffer requirement calculation*. Notwithstanding paragraph (f)(2)(i) of this section, for all bank holding companies, the calculation of the stress capital buffer requirement occurring in calendar year 2027 will be conducted using paragraph (f)(2)(ii) of this section.

* * * * *

(h) * * *

(4) * * *

(ii) * * *

(A) Be effective on January 1 of the year immediately following the calendar year in which a capital plan was submitted pursuant to paragraph (e)(1)(ii) of this section; and

* * * * *

(i) * * *

(1) *General.* To request reconsideration of a stress capital buffer requirement, provided under paragraph (h) of this section, (specifically, the stress capital decline of the current capital plan cycle) a bank holding company must submit a written request for reconsideration.

* * * * *

(3) * * *

(i) A request for reconsideration must include a detailed explanation of why reconsideration should be granted (that is, why the stress capital decline of the current capital plan cycle should be reconsidered). With respect to any information that was not previously provided to the Federal Reserve in the bank holding company's capital plan, the request should include an explanation of why the information should be considered.

* * * * *

PART 238—SAVINGS AND LOAN HOLDING COMPANIES (REGULATION LL)

■ 3. The authority citation for part 238 continues to read as follows:

Authority: 5 U.S.C. 552, 559; 12 U.S.C. 1462, 1462a, 1463, 1464, 1467, 1467a, 1468, 5365; 1813, 1817, 1829e, 1831i, and 1972; 15 U.S.C. 78l.

Subpart S—Capital Planning and Stress Capital Buffer Requirement

■ 4. In § 238.170:

■ a. Redesignate paragraph (d)(18) as (d)(19);

■ b. Add new paragraph (d)(18);

■ c. Revise paragraph (f);

■ d. In paragraph (h)(2)(ii), remove the text “fourth through seventh”, wherever it appears and add, in its place the text “fifth through eighth”;

■ e. Revise paragraph (h)(4)(ii)(A);

■ f. Revise paragraph (i)(1) and (i)(3)(i); and

■ g. Remove the text “fourth”, and add, in its place the text “fifth”, in paragraph (k)(2).

The revisions and addition read as follows:

§ 238.170 Capital planning and stress capital buffer requirement.

* * * * *

(d) * * *

(18) *Stress capital decline* means the ratio of a covered savings and loan holding company's common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, as of the final quarter of the previous capital plan cycle, unless otherwise determined by the Board, minus the lowest projected ratio of the covered savings and loan holding company's common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, in any quarter of the planning horizon under a supervisory stress test.

* * * * *

(f) *Calculation of the stress capital buffer requirement*—(1) *General.* (i) The Board will determine the stress capital buffer requirement that applies under 12 CFR 217.11 pursuant to paragraph (f) of this section. For each covered savings and loan holding company that is not a Category IV savings and loan holding company, the Board will calculate the covered savings and loan holding company's stress capital buffer requirement annually. For each Category IV savings and loan holding company, the Board will calculate the covered savings and loan holding company's stress capital buffer requirement biennially, occurring in each calendar year ending in an even number, and will adjust the covered savings and loan holding company's stress capital buffer requirement biennially, occurring in each calendar year ending in an odd number. Notwithstanding the previous sentence, the Board will calculate the stress capital buffer requirement of a Category IV savings and loan holding company in a year ending in an odd number with respect to which that company makes an election pursuant to 12 CFR 238.132(c)(2)(ii). The stress capital buffer requirement calculations described in this paragraph will be conducted using paragraphs (f)(2)(i) or (f)(2)(ii) of this section, as appropriate. The stress capital buffer requirement adjustment described in this paragraph will be conducted using paragraph (f)(4) of this section.

(ii) Unless otherwise determined by the Board, a stress capital buffer requirement that is recalculated pursuant to paragraph (f)(3) of this section will be calculated pursuant to the methodology in paragraph (f)(2)(ii) of this section, except that a stress capital buffer requirement that is recalculated following the resubmission of a capital plan pursuant to paragraph (e)(4)(i)(B)(1) of this section will be calculated pursuant to the methodology in paragraph (f)(2)(i) of this section.

(2) *Stress capital buffer requirement calculation.* (i) For a covered savings and loan holding company that was subject to the annual supervisory stress test in the previous calendar year or that was provided with a final stress capital buffer requirement that was recalculated pursuant to paragraph (f)(3) of this section in the previous calendar year or earlier in the current calendar year, a covered savings and loan holding company's stress capital buffer requirement is equal to the greater of:

(A) The following calculation:

(1) The average of the stress capital decline of the current capital plan cycle and either the stress capital decline of the capital plan cycle for the previous calendar year or, if the savings and loan holding company's currently effective stress capital buffer requirement was recalculated pursuant to paragraph (f)(3) of this section, the stress capital decline associated with that stress capital buffer requirement; plus

(2) The ratio of:

(i) The sum of the covered savings and loan holding company's planned common stock dividends (expressed as a dollar amount) for each of the fifth through eighth quarters of the current planning horizon; to

(ii) The risk-weighted assets of the covered savings and loan holding company in the quarter in which the covered savings and loan holding company had its lowest projected ratio of common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, in any quarter of the planning horizon under a supervisory stress test conducted in the current capital plan cycle; and

(B) 2.5 percent.

(ii) For a covered savings and loan holding company to which paragraph (f)(2)(i) of this section does not apply, a covered savings and loan holding company's stress capital buffer requirement is equal to the greater of:

(A) The following calculation:

(1) The stress capital decline of the current capital plan cycle; plus

(2) The ratio of:

(i) The sum of the covered savings and loan holding company's planned common stock dividends (expressed as a dollar amount) for each of the fifth through eighth quarters of the current planning horizon; to

(ii) The risk-weighted assets of the covered savings and loan holding company in the quarter in which the covered savings and loan holding company had its lowest projected ratio of common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, in any quarter of the planning horizon under a

supervisory stress test conducted in the current capital plan cycle; and

(B) 2.5 percent.

(3) *Recalculation of stress capital buffer requirement.* If a covered savings and loan holding company resubmits its capital plan pursuant to paragraph (e)(4) of this section, the Board may recalculate the covered savings and loan holding company's stress capital buffer requirement. The Board will provide notice of whether the covered savings and loan holding company's stress capital buffer requirement will be recalculated within 75 calendar days after the date on which the capital plan is resubmitted, unless the Board provides notice to the company that it is extending the time period.

(4) *Adjustment of stress capital buffer requirement.* In each calendar year in which the Board does not calculate a Category IV savings and loan holding company's stress capital buffer requirement pursuant to paragraph (f)(1) of this section, the Board will adjust the Category IV savings and loan holding company's stress capital buffer requirement to be equal to the result of the calculation set forth in paragraph (f)(2) of this section, using the same values that were used to calculate the stress capital buffer requirement most recently provided to the covered savings and loan holding company, except that the value used in paragraph (f)(2)(i)(A)(2)(i) or paragraph (f)(2)(ii)(A)(2)(i) of this section, as applicable, will be equal to the covered savings and loan holding company's planned common stock dividends (expressed as a dollar amount) for each of the fifth through eighth quarters of the planning horizon as set forth in the capital plan submitted by the covered savings and loan holding company in the calendar year in which the Board adjusts the covered savings and loan holding company's stress capital buffer requirement.

(5) *Transition period for stress capital buffer requirement calculation.* Notwithstanding paragraph (f)(2)(i) of this section, for all covered savings and loan holding companies, the calculation of the stress capital buffer requirement occurring in calendar year 2027 will be conducted using paragraph (f)(2)(ii) of this section.

* * * * *

(h) * * *

(4) * * *

(ii) * * *

(A) Be effective on January 1 of the year immediately following the calendar year in which a capital plan was submitted pursuant to paragraph (e)(1)(ii) of this section; and

* * * * *

(i) * * *

(1) *General.* To request reconsideration of a stress capital buffer requirement, provided under paragraph (h) of this section, (specifically, the stress capital decline of the current capital plan cycle) a covered savings and loan holding company must submit a written request for reconsideration.

* * * * *

(3) * * *

(i) A request for reconsideration must include a detailed explanation of why reconsideration should be granted (that is, why the stress capital decline of the current capital plan cycle should be reconsidered). With respect to any information that was not previously provided to the Federal Reserve in the covered savings and loan holding company's capital plan, the request should include an explanation of why the information should be considered.

* * * * *

PART 252—ENHANCED PRUDENTIAL STANDARDS (REGULATION YY)

■ 5. The authority citation for part 252 continues to read as follows:

Authority: 12 U.S.C. 321–338a, 481–486, 1467a, 1818, 1828, 1831n, 1831o, 1831p–1, 1831w, 1835, 1844(b), 1844(c), 3101 *et seq.*, 3101 note, 3904, 3906–3909, 4808, 5361, 5362, 5365, 5366, 5367, 5368, 5371.

Appendix B to Part 252—Stress Testing Policy Statement

■ 6. Amend appendix B to part 252 by removing and reserving section 2.3.

By order of the Board of Governors of the Federal Reserve System.

Michele Taylor Fennell,

Associate Secretary of the Board.

[FR Doc. 2026–20246 Filed 10–1–26; 8:45 am]

BILLING CODE 6210–01–P

SECURITIES AND EXCHANGE COMMISSION

17 CFR Part 200

[Release No. 34–106537]

Commission Quorum Requirement

AGENCY: Securities and Exchange Commission.

ACTION: Final rule.

SUMMARY: The Securities and Exchange Commission (“Commission”) is amending its rules concerning the circumstances under which a quorum of the Commission is present. The amendments are designed to promote flexibility and finality of agency rulemaking.

DATES: This rule is effective on October 2, 2026.

FOR FURTHER INFORMATION CONTACT:

Natalie E. Shioji, Senior Special Counsel, Office of the General Counsel, at (202) 551–5100.

SUPPLEMENTARY INFORMATION:

I. Discussion

The Commission is modifying 17 CFR 200.41, which establishes the Commission's quorum requirement. Three commissioners will continue to constitute a quorum of the Commission, with two important exceptions. First, consistent with the current rule, if the number of commissioners in office is two or one, that number is sufficient for a quorum. Second, if the number of commissioners in office minus the number disqualified from consideration with respect to a matter is two or one, then that number of commissioners constitutes a quorum for purposes of that matter.

The Securities Exchange Act of 1934 (“Exchange Act”), unlike many statutes that establish Federal agencies, does not establish a quorum requirement for the Commission. The Commission historically had a general practice that three members constituted a quorum, and in 1995, the Commission adopted a rule formally establishing that practice as a quorum requirement.¹ That rule provided that if the number of Commissioners in office is less than three, then a quorum would consist of the number of Commissioners in office, and it further provided that on any matter of business as to which the number of Commissioners in office, minus the number of Commissioners who were disqualified from consideration of that matter, is two, then two Commissioners would constitute a quorum.² The Commission stated, however, that it did not believe that it was necessary at that time to provide that one Commissioner may constitute a quorum when disqualifications resulted in only one Commissioner being available to deal with a particular matter.³

The Commission has reconsidered its approach to quorum. In prior years, the Commission has occasionally been in the position of having fewer than three members and believes it prudent to adapt its quorum rule to further accommodate that contingency. Moreover, the Commission has found that situations often arise in which one

¹ See 17 CFR 200.41.

² *Id.*

³ See *Establishment of Commission Quorum Requirement*, Release No. 34–35548 (Mar. 30, 1995) [60 FR 17201 (Apr. 5, 1995)].