

Lower capital requirements set to unleash bank market-making

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Executive Summary:

We are now entering a phase of **strategic capital optimization**, where the delta between actual and required capital will be opportunistically redeployed into the markets



For the past two years, U.S. global systemically important banks (G-SIBs) have operated under a regulatory overhang. Fearing a punitive Basel III endgame that initially threatened a ~20% hike in capital requirements, the industry built significant Common Equity Tier 1 (CET1) buffers as a defensive moat. However, the Federal Reserve's March 2026 revised proposals represent a fundamental reversal in regulatory philosophy. By abandoning the punitive "dual stack" approach in favor of a streamlined "single stack," and the recalibration of G-SIB surcharges to reflect real economic growth, the Fed has effectively signalled a transition from capital conservation to capital mobilization.

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