



Federal Financial Analytics, Inc.

**Petrou on New US Surcharge; More to Come and Cost Big Banks Dearly**

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Following is a comment by Karen Shaw Petrou, managing partner of Federal Financial Analytics, on today's action by U.S. regulators to demand a high leverage ratio from the nation's largest banks:

“The most critical question is whether today's 6% leverage ratio for the biggest banks is it in the U.S. or if the new standards will rise still higher once the U.S. adds to it the global ‘G-SIB surcharge.’ If the total leverage standard here is U.S. plus global G-SIB – as it well could be – then the biggest U.S. banks are facing capital requirements close to the Brown-Vitter ‘break-up’ level. However, even if regulators show some mercy and this proposal is it, every one of the covered firms will need to raise far more capital than demanded under the new, stiff version of basic Basel III. Foreign banks doing business here will also come under these rules if they tip the size scale, as the U.S. will not let giant foreign banks do business here on preferential capital terms.”

If you have any questions or require further comment, please reply by return e-mail or call 202-589-0880.

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