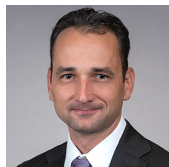


Cadwalader Capital Corner

May 29, 2025



Check out this week's Capital Corner:

**Grades Are Out: Q1 Call Reports Showed Higher Industry Net Revenue and Benign Credit Trends**

Chris van Heerden, Director | Fund Finance

On an aggregate basis, banking industry net revenue improved in Q1 despite flattish NIM on near-record non-interest income and expense improvements. Funding mix made progress with a healthy gain in total deposits while loan loss provisions held stable.

These trends, of course, did not apply equally to all, and franchise momentum varied depending in part on investment banking and trading presence and participation in non-depository financial institution loan growth. While broader economic momentum slowed during the quarter, delinquencies improved in a number of loan categories.

We cover these trends in the latest update of our Quarterly Survey [here](#).

**Bank Leverage Capital Requirements to be Scaled Back**

Nikita Cotton, Associate

It has been widely [reported](#) that the U.S. federal banking agencies are considering scaling back certain capital requirements applicable to large domestic and foreign banking organizations, with the most recent pronouncement coming from Treasury Secretary Scott Bessent last week at a House Financial Services Committee [hearing](#) in response to a question from Rep. Frank Lucas.

Secretary Bessent also mentioned in [remarks](#) to an American Bankers Association event in April that, through his role as head of the Financial Stability Oversight Council, he was engaged in discussions with the federal banking agencies to amend the supplementary leverage ratio ("SLR"), and possibly other leverage measures in the bank capital adequacy rules so that leverage ratios act as "an appropriate backstop" rather than a binding constraint.

Depending on their size, banks are subject to a combination of requirements relating to risk-based capital ratios (*i.e.*, a bank's capital holdings versus its risk-weighted assets), leverage capital ratios (*i.e.*, a bank's capital holdings versus its total assets), and capital buffers. The SLR, which has been the recent focus of reform discussions, is a leverage capital ratio applicable to banking organizations with at least \$250 billion in total assets or \$75 billion in nonbank assets.

Proponents of SLR reforms argue that, because the SLR requires banks to hold capital against all of their assets (at least 3% of total leverage exposure for large banks, and 5% for G-SIBs when factoring in the enhanced SLR buffer applicable to only them), banks are penalized for holding low-risk assets such as U.S. Treasuries. Federal Reserve Board ("FRB") Chairman Jerome Powell and FRB Governor Michelle Bowman (President Trump's nominee for FRB Vice Chair of Supervision) have also recently indicated the intent to amend the SLR, though it is not clear whether any reforms would target the SLR's applicability to Treasuries specifically or the overall calibration of the ratio.

Given that the SLR is only one of numerous capital requirements for banks, whether reforms to the SLR would meaningfully reduce banks' capital requirements in practice is highly specific to each bank—however, the banking system is not thought to be constrained by leverage capital in general. Analysts do expect SLR reform to have a different effect: one of bringing Treasury yields down and stabilizing the Treasury market in the near future by encouraging banks to buy more of the government debt.