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Federal Reserve Announces Update for One Firm's Individual Capital Requirements

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As we previously **reported**, on August 29, the Federal Reserve Board ("FRB") **announced** the individual capital requirements for all large banks, effective on October 1. This announcement follows the **June announcement** on the results of the supervisory stress test (also known as the Dodd-Frank Act Stress Test or DFAST, as these tests are required by **Section 165** of the Dodd-Frank Act), which assesses whether banks are sufficiently capitalized to absorb losses during a severe recession.

We also noted that one bank was requesting reconsideration of its Stress Capital Buffer or SCB. On Sep. 30, the Federal Reserve **announced** that after that reconsideration, Morgan Stanley's SCB would be reduced from 5.1% to 4.3%, meaning Morgan Stanley's CET1 requirement for this year is 11.8%.

Federal Reserve Governor (and former Vice Chair of Supervision) Michael Barr released a statement along with the FRB's announcement stating "[c]onsistent with my view that the Board should use its inherent authority to set individualized capital requirements when appropriate, I support this modified capital requirement. I look forward to seeing the Board use its authority to adjust capital requirements when they are too low, as well as when they are too high, given the risks posed by individual firms."