

Press Release

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Federal Reserve Board requests comment on a proposal to reduce the volatility of the capital requirements stemming from the Board's annual stress test results

For release at 5:30 p.m. EDT

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The Federal Reserve Board on Thursday requested comment on a proposal to reduce the volatility of the capital requirements stemming from the Board's annual stress test results. The proposal is the first of several actions following the Board's [announcement in December](#) committing to broad stress test changes.

In recent years, the framework of administrative law has changed significantly. As previously announced, the Board analyzed the current stress test in view of those changes and determined the test should be modified in important respects to improve its resiliency.

The Board's stress test evaluates the resilience of large banks by estimating their losses, revenue, and capital levels under a hypothetical severe recession scenario. Due to the changing hypothetical nature of the test, the results also change and introduce volatility each year. The results, in part, determine the calibration of the stress capital buffer (SCB), which is one component of the amount of capital large banks must hold to absorb losses.

Today's proposal would address two of these areas, first by averaging stress test results over two consecutive years to reduce the year-over-year changes in the capital requirements that result from the stress test. In addition, the proposal would delay the annual effective date of the stress capital buffer requirement from October 1 to January 1 of the following year, giving banks additional time to adjust to their new capital requirements. Lastly, the proposal would make targeted changes to streamline the Board's stress test-related data collection. These proposed changes are not designed to materially affect overall capital requirements.

Later this year, the Board intends to propose additional changes to improve the transparency of the stress test. Those changes include disclosing and seeking public comment on the models that determine the hypothetical losses and revenue of banks under stress, and ensuring that the public can comment on the hypothetical scenarios used for the annual stress test before the scenarios are finalized.

Comments on today's proposal are due 60 days after publication in the *Federal Register*.

For media inquiries, please email media@frb.gov or call 202-452-2955.

[Board memo: Proposed rule to reduce the volatility of the stress capital buffer requirement \(PDF\)](#)

[Federal Register notice: Modifications to the Capital Plan Rule and Stress Capital Buffer Requirement \(PDF\)](#)

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