



## The Daily Dish

# The (Maybe, Really) End of the Basel III Endgame

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In 2007–2008 the world suffered a severe financial crisis. For Congress, the response was the [Dodd-Frank Wall Street Reform and Consumer Protection Act](#). For the international financial community, the response was to have a meeting! And not just any meeting – a meeting of the [Basel Committee on Banking Supervision](#). Over the succeeding three years the regulators hammered out the Basel III Accord, which was subsequently finalized in 2017. Implementation of the Basel III Accord is done by domestic legislation in each member country; in the United States, this became known as the Basel III Endgame.

The three key U.S. regulators – the Federal Reserve, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency – developed a joint regulation as the implementation of Basel III and, finally, issued it in 2024. Except that it didn't just implement Basel III. Instead, it was considerably more aggressive in terms of overall levels of capital for large, globally competitive banks and applied to many more smaller banks. It was met with howls of protest from the banking community (no surprise) and thoughtful, bipartisan objections from the banking experts. The proposed rule was ultimately withdrawn.

Yesterday, the three regulators tried again, issuing a [proposed rule](#) that is open to comment until June 18. The rule implements the Basel III agreement, which by itself would modestly raise bank capital. But it also simplified the capital structure and tried to match capital and risks more closely. Per *The Wall Street Journal*:

*The changes would cumulatively let the largest banks hold on average 2.4% less capital, or roughly \$20 billion less than they currently do. Prior rule changes under the Trump administration, including around big banks' stress tests, would bring that number to 4.8%, according to a Fed memo.*

*Midsized banks would be allowed to decrease their capital buffers by an average of 5.2%, when also accounting for stress-test revisions, and smaller banks by 7.8%....*

Finalizing Basel III is long overdue. And doing so in a fashion that preserves the international competitiveness of the largest U.S. banks and keeps the regulatory burden contained for smaller banks is essential. This rule is an opportunity to finish the job.