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Bank capital requirements

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In short: A bank faces two kinds of capital requirement: a fixed **minimum initial capital** to be licensed, and ongoing **capital ratios** relative to its risk-weighted assets. Under Basel III the minimum ratios are 4.5% Common Equity Tier 1, 6% Tier 1 and 8% total capital, plus buffers. [1] [2]

Minimum initial capital

Most jurisdictions set a fixed floor in law. In the EU it is €5 million, with lower amounts allowed for some categories of credit institution under national law, such as Lithuania's €1 million specialised bank. [3] Hong Kong requires HK$300 million for a licensed bank, Switzerland CHF 10 million and Singapore S$1.5 billion for a local full bank. The United States and Australia set no single figure: the supervisor fixes the amount for each applicant.

Capital ratios

Once licensed, a bank must keep its capital above minimum percentages of its risk-weighted assets. The Basel Committee's standards, implemented in the EU through the Capital Requirements Regulation, set 4.5% CET1, 6% Tier 1 and 8% total capital, a 3% leverage ratio and a 2.5% capital conservation buffer. [1] [2] Supervisors add bank-specific (Pillar 2) requirements and other buffers.

Why the minimum is not enough

Supervisors expect a new bank to hold enough capital to meet its ratios as it grows and to absorb early losses; in the UK, for example, new banks should hold enough to meet requirements and buffers for at least 12 months. In practice a new bank usually raises far more than the legal minimum.

Comparison

Jurisdiction	Minimum capital	Minimum capital ratios
Australia	Set by APRA case by case	Basel III (APS 110)
Germany	€5 million	4.5% / 6% / 8% + buffers
Hong Kong	HK$300 million (licensed bank)	4.5% / 6% / 8% + buffers
Ireland	€5 million	4.5% / 6% / 8% + buffers
Lithuania	€5m (bank); €1m (specialised bank)	4.5% / 6% / 8% + buffers
Luxembourg	€5 million (EU floor)	4.5% / 6% / 8% + buffers
Singapore	S$1.5 billion (digital: from S$15m; wholesale: S$100m)	Basel III, above minimums
Switzerland	CHF 10 million (FinTech licence: CHF 300,000)	Basel III + category add-ons
United Kingdom	€5m (from £1m/€1m for small specialist banks)	4.5% / 6% / 8% + buffers
United States	Set case by case (8% Tier 1 leverage, first 3 years)	4.5% / 6% / 8%; leverage 4%

Figures as of November 2026; sources in each license guide.

References

1. Official The Basel Framework . Bank for International Settlements. Accessed November 2026.
2. Official Regulation (EU) No 575/2013 (Capital Requirements Regulation): own funds requirements (Article 92) and liquidity requirements (Articles 412–413) . EUR-Lex. Accessed November 2026.
3. Official Directive 2013/36/EU (Capital Requirements Directive): authorisation of credit institutions (Articles 8–21), initial capital (Article 12), freedom of establishment and services (Articles 33–39) . EUR-Lex. Accessed November 2026.

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