LBA
LouisianaBankers
ASSOCIATION

April 9, 2019

Ann E. Misback, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Re: Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations – Docket ID OCC-2018-0040; Docket No. R-1638; RIN 3064-AE91;

Dear Sir or Madam:

The Louisiana Bankers Association (LBA) represents 125 member institutions operating in Louisiana, and appreciates the opportunity to comment on this recent proposed rulemaking. The proposal establishes a community bank leverage ratio ("CBLR") as a way to simplify the capital requirements for community banks. Specifically, the proposal calls for the establishment of a CBLR consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act that would allow banks and holding companies of less than $10 billion in assets with a tangible equity-to-assets leverage ratio of greater than 9 percent to opt into a CBLR framework and not be subject to other risk-based and leverage capital requirements. These banks would also be considered "well capitalized" under the banking agencies' Prompt Corrective Action (PCA) framework.

While we commend the agencies for several parts of the proposal, the proposed CBLR of 9 percent is too high in our opinion. Establishing the ratio at 8 percent, as allowed by the statute, would calibrate the CBLR closer to current risk-based capital requirements for well-capitalized banks. Furthermore, we are told that an 8 percent CBLR would put the ratio closer to the current 5 percent leverage requirement for well-capitalized banks, and would allow approximately 600 more community banks to be eligible to use the new framework. It also is significant to note that banks are compelled to maintain capital buffers above any regulatory capital thresholds. If the CBLR were calibrated at 9%, it is anticipated that only banks with a 10% CBLR or higher will opt into the framework.

LBA also believes the proposal to establish a new and separate PCA framework within the CBLR framework is not necessary and could result in unintended consequences. There is no need to establish "proxies" under the CBLR framework for adequately capitalized, undercapitalized and significantly undercapitalized PCA thresholds. Such proxies could serve as an unwarranted penalty for banks that elect the CBLR. Instead, a CBLR bank that falls below the CBLR should be given the opportunity to demonstrate that it is well capitalized under the current PCA Framework before being downgraded to adequately capitalized. To do otherwise could result in the CBLR becoming the new, de facto minimum capital requirement for CBLR banks.

It is critical that the CBLR remain optional and not be converted into a new, higher minimum capital standard for community banks. In addition to establishing the CBLR, we encourage the banking agencies to continue efforts to simplify Basel III to reduce the regulatory burden that community banks experience when complying with risk-based capital requirements.

Thank you for considering our comments on this very important subject. If you have any questions, please feel free to contact me at (225) 214-4837 or gendron@lba.org.

Sincerely,

Joe Gendron
Director of Government Relations
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