From: Chris R. Donnelly <cdonnelly@bankoftheprairie.com>
Sent: Wednesday, April 10, 2019 11:57 AM
To: Comments
Subject: RIN 3064-AE98 Community Bank Leverage Ratio

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

Re: Community Bank Leverage Ratio (CBLR)

Bank of the Prairie, a $140,000,000 Community Bank located in Olathe, Kansas with a capital ratio of approximately 9.75%. The bank appreciates the opportunity to comment on the federal banking agencies proposed rule establishing a Community Bank Leverage Ratio (CBLR).

Bank of the Prairie is in favor of the reduced reporting burden as proposed in S. 2155, sec. 201 of Title II – Regulatory Relief.

Bank of the Prairie supports an 8% capital level as the threshold for CBLR. Most small banks would strive to keep a cushion well above the 8% level to maintain the CBLR benefits in times of reducing capital. Currently most small banks hold capital levels well above the current “well capitalized” standards. It should not be assumed that small banks choosing to opt into the new framework would immediately change their attitude on holding excess capital and start to hold capital levels near the de minimis capital level set in the final rule.

Bank of the Prairie does not support the change in PCA methodology. The proposed rule also provides for those banks opting into the new rule to be subject to a more punitive PCA framework. This more punitive PCA framework is counter to the intent of the law and would cause many of the banks eligible to see reduced reporting to not opt in to the new structure because of the risk of potentially falling under the capital threshold established by the proposal and thus incurring a more punitive PCA standard. PCA standards for banks opting into the new standard should be treated the same as the banks that chose not to opt in to the CBLR frame work. Banks will have to weigh the benefit of opting in to the new rule with the risk of more punitive PCA should they fall below the capital level of the rule. Absent a significant reduction in insurance assessment levels, Bank of the Prairie would not opt in to the new rule as the risk of a more punitive PCA would far outweighs the benefit of the reduced reporting identified in the rule.

The proposed rule as presented would complicate the understanding of capital standards for most small banks instead of simplify them. The opt in bank would have to continue to monitor current capital calculations to be prepared to report additional data should they fall below the established threshold. The new capital rule should simply state that small banks operating over the 8% threshold should not be subject to expanded capital reporting. Banks that fall below 8% should be required to report under current capital reporting requirements. Most small banks have simple capital structures and would be able to track and report under current capital reporting standards should they fall below the threshold. Having different standards for all levels of capital depending on if you opt in or not makes this proposed rule much more complicated than necessary.

Thank you for the opportunity to provide comment

Chris Donnelly
President/CEO

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