

From: Lisa Spang <lspa@csbchx.com>
Sent: Monday, April 08, 2019 2:40 PM
To: Comments
Subject: RIN 3064-AE91

RE: Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations

Charlevoix State Bank hereby submits comment to Question 17 from the February 8, 2019 notice of proposed rulemaking.

Excerpt from proposed rulemaking:

D. Average Total Consolidated Assets (CBLR Denominator)

Consistent with the Act, the proposed CBLR denominator would be based on a banking organization's average total consolidated assets. Specifically, average total consolidated assets for purposes of the CBLR denominator would be calculated in accordance with the reporting instructions to Schedules RC-K on the Call Report or HC-K on Form FR Y-9C, as applicable, less the items deducted from the CBLR numerator, except AOCI. The proposed calculation is similar to that used in determining the denominator of the tier 1 leverage ratio.

Question 17: The agencies invite comment on the proposed definition of average total consolidated assets. What, if any, alternative definitions of average total consolidated assets should the agencies consider for purposes of the CBLR and why?

Charlevoix State Bank Comment:

The agencies should consider the marked seasonality in total assets many community banks experience and allow for the use of a 4 quarter average total consolidated assets for the denominator of the CBLR. Charlevoix State Bank is located in an area where summer tourism greatly impacts the local economy. The population and local business activity both swell during the summer and deplete during the winter such that bank deposits, and thus total assets, swing by more than 10% every year. In such circumstances, consistently staying above a 9% CBLR would require averaging over 10%. If CBLR utilization leads to what is effectively an excess capital requirement, it undermines the case for doing so (as noted in section E of the proposed rule immediately following the excerpt above). One might imagine similar annual variations in assets and capital ratios at many community banks around the country where such factors as seasonal tourism or agriculture are significant.

I appreciate the opportunity to comment on the proposed Regulatory Capital Rule. Simplification in this area is a valid proposal. I personally prepare the Call Report for Charlevoix State Bank each quarter and the Regulatory Capital Schedule RC-R takes the most time to complete of all the schedules. Much of the required information is not particularly relevant to Charlevoix State Bank's risk profile and simplification would be welcome.

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