

**From:** Timothy Zimmerman <tzimmerman@standardbankpa.com>  
**Sent:** Monday, April 08, 2019 4:07 PM  
**To:** Comments  
**Subject:** Regulatory Capital Rule: FDIC RIN 3064-AE91

Dear Chair McWilliams,

I am responding to your proposal to establish a community bank leverage ratio ("CBLR") as a way to simplify the capital requirements for community banks.

While I believe there are several positive aspects to the proposal, particularly the ease at which community banks may opt-in and opt-out of the CBLR framework, the proposed CBLR of 9 percent is too high. The rate should be 8% as allowed by the statute. At 8% the CBLR would much closer to the current risk-based capital requirements for well-capitalized banks. That includes the common equity tier one ratio of 6.5% and the tier one risk-based capital ratio of 8%. Furthermore, an 8% the 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.

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.

In addition to establishing the CBLR, the banking agencies should continue their efforts to simplify Basel III to reduce the regulatory burden that community banks experience when complying with risk-based capital requirements.

Sincerely,

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