FDIC

Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
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Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations

Summary: The federal banking agencies jointly have issued a notice of proposed rulemaking (NPR or proposal) which would provide for an optional, simplified measure of capital adequacy for qualifying community banking organizations, consistent with Section 201 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act*. The NPR will be published in the *Federal Register* with a 60-day comment period.

Statement of Applicability: This proposal is applicable to all FDIC-supervised institutions with less than $10 billion in total consolidated assets except for advanced approaches banking organizations.

Distribution:
FDIC-supervised Institutions

Suggested Routing:
Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Related Topics:
Capital Adequacy of FDIC-Supervised Institutions, 12 CFR Part 324 (Regulatory Capital Rules)

Attachment:
Capital Simplification for Qualifying Community Banking Organizations

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Highlights

- The community bank leverage ratio (CBLR) would provide material regulatory relief to qualifying community banking organizations by providing the option to calculate a simple on-balance sheet leverage ratio to measure capital adequacy. Banks using the CBLR would complete a simpler reporting schedule, which the agencies intend to propose at a later date.
- The CBLR would be calculated as the ratio of CBLR tangible equity, as defined in the proposal, divided by average total consolidated assets.
- A qualifying community banking organization would be defined as having less than $10 billion in total consolidated assets and with limited amounts of off-balance sheet exposures, trading assets and liabilities, mortgage servicing assets, and temporary difference deferred tax assets (qualifying criteria).
- A qualifying community banking organization may opt into the CBLR framework if its CBLR is greater than 9 percent.
- A banking organization that opts into the CBLR (CBLR bank), and has a CBLR greater than 9 percent, would not be subject to other capital and leverage requirements and would be considered to have met the well-capitalized ratio requirements under the prompt corrective action (PCA) framework and the generally applicable capital requirements.
- A CBLR bank that ceases to meet any qualifying criteria in a future period would have a grace period of two reporting periods to satisfy the CBLR qualifying criteria or comply with the generally applicable capital requirements.
- For a CBLR bank whose CBLR falls to 9 percent or less, the proposal establishes additional CBLR levels as proxies for the existing capital ratios for the adequately capitalized, undercapitalized, and significantly undercapitalized PCA capital categories.