FDIC

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

Financial Institution Letter
FIL-66-2019
November 4, 2019

Community Bank Leverage Ratio Framework

Summary: The federal banking agencies jointly issued a final rule that provides for an optional, simplified measure of capital adequacy, the community bank leverage ratio framework, for qualifying community banking organizations, consistent with Section 201 of the *Economic Growth, Regulatory Relief, and Consumer Protection Act*. The final rule will be effective on January 1, 2020.

Statement of Applicability: This final rule is applicable to all non-advanced approaches FDIC-supervised institutions with less than $10 billion in total consolidated assets.

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) final rule will be effective on January 1, 2020, and will allow qualifying community banking organizations to calculate a leverage ratio to measure capital adequacy. Banks opting into the CBLR framework (CBLR banks) will not be required to calculate or report risk-based capital.
- A qualifying community banking organization is defined as having less than $10 billion in total consolidated assets, a leverage ratio greater than 9%, off-balance sheet exposures of 25% or less of total consolidated assets, and trading assets and liabilities of 5% or less of total consolidated assets. It also cannot be an advanced approaches institution.
- The final rule adopts tier 1 capital and the existing leverage ratio into the community bank leverage ratio framework. The tier 1 numerator takes into account the modifications made in relation to the capital simplifications and current expected credit losses methodology (CECL) transitions rules as of the compliance dates of those rules.
- A CBLR bank will not be subject to other capital and leverage requirements. It will be deemed to have met the “well capitalized” ratio requirements and be in compliance with the generally applicable capital rule.
- A CBLR bank that ceases to meet any qualifying criteria in a future period and that has a leverage ratio greater than 8% will be allowed a grace period of two reporting periods to satisfy the CBLR qualifying criteria or comply with the generally applicable capital requirements.
- A CBLR may opt out of the framework at any time, without restriction, by reverting to the generally applicable risk-based capital rule.
- A community bank compliance guide is available at the following link: CBLR Community Bank Guide.