



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

Financial Institution Letter
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Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996

Summary: The federal banking regulatory agencies (the agencies) have jointly issued a proposal intended to simplify aspects of the generally applicable capital rules related to the treatment of acquisition, development or construction (ADC) loans, items subject to threshold deduction, and minority interests includable in regulatory capital, and would make a number of technical corrections. The agencies indicated their intent to address these matters in their joint report to Congress pursuant to the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA).

Statement of Applicability to Institutions with Total Assets Under \$1 Billion: This proposal is applicable to all FDIC-supervised institutions. Attached to this FIL is a summary of the proposal and an estimation tool to help community banking organizations evaluate the impact of the proposal. These resources are also available at: <https://www.fdic.gov/regulations/capital/index.html>

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

Attachment:

[Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996](#)

[Community Bank Summary of the Proposal](#)

[Capital Simplifications NPR Estimation Tool](#)

Contact:

Benedetto Bosco, Chief, Capital Policy, at bbosco@fdic.gov or (202) 898-6853; Michael Maloney, Capital Markets Policy Analyst, at mmaloney@fdic.gov or (202) 898-6516; or regulatorycapital@fdic.gov or (202) 898-6888

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Highlights

ADC exposures

- The proposed rule would replace the definition of a high volatility commercial real estate (HVCRE) exposure in the standardized approach with a new high volatility acquisition, development, or construction (HVADC) exposure category.
- The definition would apply a 130 percent risk weight to HVADC exposures.
- The proposal would grandfather existing ADC exposures.

Threshold deduction items

- The proposal would simplify the treatment of threshold deduction items and increases the individual common equity tier 1 deduction threshold for Mortgage Servicing Assets and temporary difference Deferred Tax Assets to 25 percent.
- The proposal would create a single regulatory capital deduction treatment for all investments in the capital of unconsolidated financial institutions and increase the threshold deduction for these items to 25 percent of common equity tier 1 capital.
- The proposal would remove the aggregate 15 percent common equity tier 1 limitation previously applicable to certain threshold deduction items.

Minority interest

- The proposal would simplify the calculation for the amount of capital that can count toward regulatory requirements in cases in which a banking organization's consolidated subsidiary has issued capital that is held by third parties (minority interest).

National Call

The agencies are planning to host a national banker call on October 12. Details to follow.