
Joint Release

**Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency**

For immediate release

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Federal Bank Regulatory Agencies Issue Final Rule to Simplify Capital Calculation for Community Banks

WASHINGTON— Federal bank regulatory agencies finalized a rule that simplifies capital requirements for community banks by allowing them to adopt a simple leverage ratio to measure capital adequacy. The community bank leverage ratio framework removes requirements for calculating and reporting risk-based capital ratios for a qualifying community bank that opts into the framework.

To qualify for the framework, a community bank must have less than \$10 billion in total consolidated assets, limited amounts of off-balance-sheet exposures and trading assets and liabilities, and a leverage ratio greater than 9 percent.

In response to public comments and outreach, the final rule was modified from the November 2018 proposal to reduce compliance burden while maintaining safety and soundness for qualifying community banks. In particular, the community bank leverage ratio incorporates tier 1 capital as the numerator. In addition, a community bank that falls out of compliance with the framework will have a two-quarter grace period to come back into full compliance, provided its leverage ratio remains above 8 percent. A bank will be deemed well-capitalized during the grace period.

The agencies estimate approximately 85 percent of community banks will qualify for the community bank leverage ratio framework. The final rule is consistent with the Economic Growth, Regulatory Relief, and Consumer Protection Act.

The community bank leverage ratio framework will first be available for banking organizations to use in their March 31, 2020, Call Report or Form FR Y-9C, as applicable. Banking organizations can opt into or out of the community bank leverage ratio framework in a subsequent Call Report or Form FR Y-9C, as applicable. The agencies have prepared a compliance guide to accompany the rule.

In addition, the agencies finalized a rule to allow non-advanced approaches banks, including community banks, to elect to adopt simplifying changes to the capital rule beginning on January 1, 2020, a quarter earlier than the mandatory compliance date of April 1, 2020. The agencies issued the simplifying changes in July 2019.

Attachments:

[CBLR Final Rule](#)

[CBLR Community Bank Guide](#)

Capital Simplifications Final Rule – Revised effective date

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