



Federal Deposit Insurance Corporation  
550 17th Street NW, Washington, DC 20429-9990

## Financial Institution Letter

FIL-31-2013

July 9, 2013

### REGULATORY CAPITAL RULES

#### Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action; Standardized Approach for Risk-Weighted Assets; Market Discipline and Disclosure Requirements

**Summary:** The FDIC has issued the attached interim final rule that revises the existing capital rules to incorporate certain revisions to the Basel capital framework, including Basel III and other elements. The interim final rule strengthens the definition of regulatory capital, increases risk-based capital requirements, and makes selected changes to the calculation of risk-weighted assets. The interim final rule contains regulatory text that is identical to the common rule text adopted as a final rule by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency.

**Statement of Applicability to Institutions Under \$1 Billion in Total Assets:** This Financial Institution Letter (FIL) is applicable to all banks. Attached to this FIL is a summary of the interim final rule for smaller, less complex community banking organizations. An informational video and an expanded summary on the interim final rule can be found on the FDIC's Web site at [www.fdic.gov/regulations/capital](http://www.fdic.gov/regulations/capital).

#### Distribution:

FDIC-Supervised Banks and Savings Associations

#### Suggested Routing:

Chief Executive Officer  
Chief Financial Officer  
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#### Related Topics:

Risk-Based Capital Rules, 12 CFR Part 325, Basel III

#### Attachments:

[Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action; Standardized Approach for Risk-Weighted Assets; Market Discipline and Disclosure Requirements; Advanced Approaches Risk-Based Capital Rule; and Market Risk Capital Rule \(PDF Help\)](#)

[New Capital Rule – Interagency Community Bank Guide \(PDF Help\)](#)

#### Contact:

Bobby Bean, Associate Director; Ryan Billingsley, Chief, Capital Policy Section; or Benedetto Bosco, Capital Markets Policy Analyst, Division of Risk Management Supervision, Capital Markets Branch, at [bbean@fdic.gov](mailto:bbean@fdic.gov), [rbillingsley@fdic.gov](mailto:rbillingsley@fdic.gov), [bbosco@fdic.gov](mailto:bbosco@fdic.gov), or (202) 898-6888

#### Note:

FDIC Financial Institution Letters (FILs) may be accessed from the FDIC's Web site at [www.fdic.gov/news/news/financial/2013/index.html](http://www.fdic.gov/news/news/financial/2013/index.html).

To receive FILs electronically, visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (877-275-3342 or 703 562 2200).

#### Highlights:

The interim final rule:

- Revises minimum capital requirements and adjusts Prompt Corrective Action thresholds.
- Revises the regulatory capital elements, adds a new common equity tier 1 capital ratio, and increases the minimum tier 1 capital ratio requirement from 4 to 6 percent.
- Retains the existing regulatory capital framework for 1-4 family residential mortgage exposures.
- Permits banking organizations that are not subject to the advanced approaches rule to retain, through a one-time election, the existing treatment for accumulated other comprehensive income.
- Implements a new capital conservation buffer.
- Becomes effective January 1, 2015, for most banking organizations, subject to a transition period for several aspects of the rule, including the new minimum capital ratio requirements, the capital conservation buffer, and the regulatory capital adjustments and deductions.
- Increases capital requirements for past-due loans, high volatility commercial real estate exposures, and certain short-term loan commitments.
- Expands the recognition of collateral and guarantors in determining risk-weighted assets.
- Removes references to credit ratings consistent with the Dodd-Frank Wall Street Reform and Consumer Protection Act and establishes due diligence requirements for securitization exposures.