

RESCINDED

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Replaced - See OCC 2020-89

Community Bank Leverage Ratio: Interim Final Rules

Summary

The Office of the Comptroller of the Currency (OCC), along with the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation (collectively, the agencies), today approved an interim final rule that makes temporary changes to the community bank leverage ratio framework (CBLR framework), pursuant to section 4012 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a second interim final rule that provides a graduated increase in the community bank leverage ratio requirement after the expiration of the temporary changes implemented pursuant to section 4012 of the CARES Act.

To

Chief Executive Officers of All National Banks and Federal Savings Associations;
Department and Division Heads;
All Examining Personnel; and
Other Interested Parties

Note for Community Banks

These interim final rules apply to qualifying community banks¹ with less than \$10 billion in total consolidated assets that meet other prudential criteria and opt into the CBLR framework.

Highlights

The CBLR framework provides a simple measure of capital adequacy for certain community banking organizations. In 2019, the agencies issued a final rule establishing the CBLR framework, which became effective January 1, 2020.² The two interim final rules announce the following for purposes of the CBLR framework:

- The leverage ratio requirement will be
 - 8 percent or greater, effective the second quarter of 2020.
 - greater than 8.5 percent, effective January 1, 2021.
 - greater than 9 percent, effective January 1, 2022.
- A bank that elects to use the CBLR framework but temporarily fails to meet all of the qualifying criteria, including the leverage ratio requirement, will have a two-quarter grace period to return to compliance, provided that the bank maintains a leverage ratio of
 - 7 percent or greater, effective the second quarter of 2020.
 - greater than 7.5 percent, effective January 1, 2021.
 - greater than 8 percent, effective January 1, 2022.
- A bank that fails to meet the grace period minimums must immediately apply the risk-based capital standards.

Further Information

Please contact Benjamin Pegg, Risk Expert, or JungSup Kim, Risk Specialist, Capital Policy, at (202) 649-6370; or Carl Kaminski, Special Counsel, or Daniel Perez, Senior Attorney, Chief Counsel's Office, at (202) 649-5490.

Jonathan V. Gould

Senior Deputy Comptroller and Chief Counsel

Related Links

- ["Regulatory Capital Rule: Temporary Changes to the Community Bank Leverage Ratio Framework" \(PDF\)](#)
- ["Regulatory Capital Rule: Transition for the Community Bank Leverage Ratio Framework" \(PDF\)](#)

¹The term "banks" refers to national banks, federal savings associations, and federal branches and agencies of foreign banking organizations.

²Refer to OCC Bulletin 2019-55, "Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations: Final Rule."