FDIC COMMUNITY BANK LEVERAGE RATIO

The FDIC has approved a final rule allowing community banks with a leverage capital ratio of at least 9 percent to be considered in compliance with the Basel III capital requirements and exempt from the complex Basel calculation.

Under the final rule, banks with less than $10 billion in assets may elect the Community Bank Leverage Ratio (CBLR) framework if they meet the 9 percent ratio and if they hold 25 percent or less of assets in off–balance sheet exposures, and 5 percent or less of assets in trading assets and liabilities. For institutions that fall below the 9 percent capital requirement but remain above 8 percent, the final rule establishes a two–quarter grace period to either meet the qualifying criteria again or comply with the generally applicable capital rule.

The CBLR framework will be available for banks to use in their March 31, 2020, Call Report.