Notice of Proposed Rulemaking — Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations

The Board of Governors of the Federal Reserve System (Board), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) are inviting public comment on a notice of proposed rulemaking (proposal) that would provide for a simple measure of capital adequacy for certain community banking organizations, consistent with section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act. Under the proposal, most depository institutions and depository institution holding companies that have less than $10 billion in total consolidated assets, that meet risk-based qualifying criteria, and that have a community bank leverage ratio (as defined in the proposal) of greater than 9 percent would be eligible to opt into a community bank leverage ratio framework. Such banking organizations that elect to use the community bank leverage ratio and that maintain a community bank leverage ratio of greater than 9 percent would not be subject to other risk-based and leverage capital requirements and would be considered to have met the well capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act and regulations implementing that section, as applicable, and the generally applicable capital requirements under the agencies’ capital rule.

Comments will be accepted until April 9, 2019.

Click here to review the proposal and to obtain information regarding the submission of comments.

Regulatory Capital Rule: Implementation and Transition of the Current Expected Credit Losses Methodology for Allowances and Related Adjustments to the Regulatory Capital Rule and Conforming Amendments to Other Regulations

The Board of Governors of the Federal Reserve System (Board), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) are adopting a final rule to address changes to credit loss accounting under U.S. generally accepted accounting principles, including banking organizations’ implementation of the current expected credit losses (CECL) methodology. The final rule provides banking organizations the option to phase in over a three-year period the day-one adverse effects on regulatory capital that may result from the adoption of the new accounting standard. In addition, the final rule revises the agencies’ regulatory capital rule, stress testing rules, and regulatory disclosure requirements to reflect CECL, and makes conforming amendments to other regulations that reference credit loss allowances.

The final rule is effective April 1, 2019. Banking organizations may early adopt this final rule prior to that date. Click here for supplementary information.
Institutions with domestic offices only and total assets less than $1 billion, excluding those that are advanced-approaches institutions for regulatory capital purposes, are eligible to file the FFIEC 051 Call Report. An institution’s total assets are measured as of June 30 each year to determine the institution’s eligibility to file the FFIEC 051 beginning in March of the following year.

For current FFIEC 051 filers, all shifts in reporting status within the FFIEC 051 report form (with some exceptions noted in the instructions) are to begin with the March Call Report. Such a shift will take place only if the reporting bank’s total assets, agricultural loans, or credit card lines, as reflected in the Consolidated Reports of Condition for June of the previous calendar year, equal or exceed the certain criteria.

Please refer to the FFIEC 051 Instructions for additional detail or contact the Call Report Series Coordinator, Gregory Roberson.

Accounting for Leases

In February 2016, the FASB issued ASU No. 2016-02, “Leases,” which added ASC Topic 842, Leases. This guidance, once effective, supersedes ASC Topic 840, Leases.

For institutions that are public business entities, ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim reporting periods within those fiscal years. For institutions that are not public business entities, the new standard is effective for fiscal years beginning after December 15, 2019, and interim reporting periods within fiscal years beginning after December 15, 2020. Early application of the new standard is permitted for all institutions.

For Call Report purposes, an institution must apply the new standard on a modified retrospective basis including a cumulative-effect adjustment to affected accounts existing as of the beginning of the fiscal year the new standard is adopted in Schedule RI-A, item 2. The right-of-use (ROU) asset recorded upon adoption should be reflected in Schedule RC, item 6, “Premises and fixed assets” and the related lease liability recorded upon adoption should be reflected in Schedule RC-M, item 5.b, “Other borrowings.”

Please refer to the Call Report Supplemental Instructions for further detail.

For more information, contact the Call Report Series Coordinator, Gregory Roberson.
FR Y-8 Reportable Transactions Reminder

An FR Y-8, Holding Company Report of Insured Depository Institutions’ Section 23A Transactions with Affiliates, must be filed by all top-tier bank holding companies (BHCs), financial holding companies (FHCs), intermediate holding companies (IHCs), and savings and loan holding companies (SLHCs) that own or control insured depository institutions that have any section 23A transactions with their affiliates. The FR Y-8 is required to be submitted as of March 31, June 30, September 30, and December 31.

Should your institution meet the reporting criteria, please contact the Holding Company Coordinator, Andrea Balasco. To aid in determining reportable transactions, affiliates, and reporting exemptions, please see the report instructions and supplemental FR Y-8 training module.

Be on the Lookout — Renewal of Expiring FedLine® Credentials

FedLine® credentials, which are required to access Reporting Central, must be renewed every three years. Several Reporting Central Subscribers have FedLine® credentials that will expire in the near term. Subscribers must work with an End User Authorization Contact (EUAC) authorized to renew their FedLine® credential prior to the expiration date to continue to access the applications or services to which they subscribe via FedLine®.

Within FedLine® Home, a notification will be posted 60 days prior to the FedLine® credential expiration date. A similar notification will be posted within the Subscriber profile in the EUAC Center for the EUAC. Approximately two weeks after notifications are posted within FedLine® Home and the EUAC Center, the Subscriber will receive a second reminder via FedMessenger. An institution’s EUAC is responsible for management of FedLine electronic access. To renew FedLine® credentials or to modify access, an EUAC should submit a Subscriber request by selecting the Manage Subscribers link via the EUAC Center within FedLine® Home. Once FedLine® credentials are renewed, instructions will be sent via email. The requesting EUAC will also receive the new FedLine® security token via express mail service. The EUAC must then forward the new FedLine® security token to the Subscriber. Once the new FedLine® security token is received, the token client software (located on the FedLine® Setup CD shipped with the FedLine® security token) must be installed on each personal computer that will be used to access the Reporting Central application.

Federal Reserve Bank staff is prepared to assist with Subscriber needs. For assistance with setting up access to the Reporting Central application via the FedLine Web® Solution, contact the Federal Reserve’s Customer Contact Center (CCC) at (888) 333-7010 and select option 2. Please contact your local Reporting Central District Contact, Kristina Bailey, with questions regarding electronic submission of financial data and reporting instructions.
Use These Videos As Your Guide to E-Filing

E-apps offers bank holding companies, savings and loan holding companies, and state member banks and institution-affiliated parties a convenient way to file applications. Need help signing up? View these instructional videos for help with direct filing for institutions, designating an authorized representative, and more.

Asset-Based Contagion Is a Potential Source of Systemic Risk

Banks that hold similar types of assets pose a potential risk of contagion wherein a small shock at some institutions becomes a problem because it spreads to others. Asset Commonality in US Banks and Financial Stability finds that the overall risk from that channel at present is likely limited. Read the Economic Commentary to learn more.

Review the Economic Outlook for Metropolitan Statistical Areas in the Fourth District

The Cleveland Fed’s Metro Mix reports on changes in employment, housing values, per capita income gains, and more for a number of metro areas located within the District the Cleveland Fed serves. Read the full reports in Metro Mix.

Get to Know Us

Interested in keeping up with the latest news from the Federal Reserve Bank of Cleveland? Sign up to have Cleveland Fed Digest delivered right to your inbox. The monthly e-newsletter highlights recent work by Cleveland Fed researchers, a Q&A with an expert at the Bank, news of upcoming events, and more. Become one of the thousands of people who receive it. Subscribe here.