From:	Ron D. Hopkins
To:	PRAINFO; "comments@FDIC.gov"
Cc:	Kevin S. Jones
Subject:	[EXTERNAL]Call Report and FFIEC 101 Reporting Revisions
Date:	Monday, November 25, 2019 7:09:30 PM
Attachments:	image001.png CBLR Changes to Call Report - changes proposed.xlsx OCC-1557-0081 and 1557-0239 - RE Call Report Changes to RC-R for CBLR (11.25.2019).pdf

RE: - OCC 1557-0081 and 1557-0239

Thank you for the opportunity to respond to the proposed Call Report changes to implement the Community Bank Leverage Ratio (CBLR) framework. These changes, as proposed, were published in the *Federal Register* October 4, 2019, and received with FIL-68-2019. The redlined draft version was downloaded from the FFIEC's Reporting Forms.

The final rules adopting the CBLR provide for a lot of optionality. While the qualifying criteria must be met to opt-in, it is not required to elect this framework. Furthermore the grace period provides that by the end of the second quarter reported, the institution should meet the qualifications to remain in the CBLR framework. Essentially, only one Call Report can report a leverage ratio less than 9%, but greater than 8%, and continue to be included in the CBLR. By the end of the grace period, that option will no longer be available unless the bank has recovered and now meets all the elements.

On Fed Register page 53233, you stated, "The agencies originally proposed to incorporate all the community bank leverage ratio items in a separate version of Schedule RC-R. However, … the agencies now propose to incorporate all the revisions related to the [CBLR] into the existing Schedule RC-R, Part I, for…". I believe inserting this new framework in the midst of the other capital components will lead to errors or oversights.

In my opinion, I believe the intent to opt-in, or opt-out, of the CBLR, should be very clear and unambiguous. This will be driven by both qualifying factors and Board/Management's intent. If the leverage ratio reported Call Report fell below 9%, but is greater than 8%, Schedule RC-R should be very clear that the bank wants to remain in the CBLR, and qualifies to do so by meeting the 2-quarter grace period. Additionally, a bank may meet all the qualifications, but Board/Management may want to continue to report under the generally applicable capital rules. This intent should be very clear as it can change one quarter to another.

Please refer to the attached PDF and Excel file that I used to illustrate how I thought this could be accomplished. As stated above, I found the insertion of the leverage ratio, and CBLR qualifying criteria, mixed into Part I very confusing. Whether I qualify or continue to opt-in the CBLR framework was not clear.

My suggestion breaks Schedule RC-R into four parts:

- Part 1 – Components and Leverage Ratio – All banks would complete
- Part 2 – CBLR Election and Qualifications.
  - Your "Insert A" is in blue text and I split the Leverage Ratio from the qualifications
  - Red text inserted in between are a series of Yes/No questions, or enter prior quarter leverage ratio to determine if you are in the grace period.
    - Inserted lines in Part II were labelled temporarily as xx1.a, xx1.b, and xx1.c
  - To the side, I added what the Validity Edit would check.
- Part 3 – Generally Applicable Capital Rule
  - Line item "xx3." would bring Part I, Line 26, the Tier 1 Capital into this section as the starting point to continue reporting the other capital elements (Tier 2) and arrive at Total Capital.
- Part 4 – Risk-Weighting Assets

All banks would complete Part 1 for the Leverage Ratio. Part 2 begins with a Yes/No question. Answer NO, here, and the rest of this section is skipped and Part 3 and Part 4 apply. If you answer Yes, but the Leverage Ratio in item 31 is less than 9%, but greater than 8%, then item xx1.b. brings in PRIOR QUARTER Leverage Ratio to confirm you are eligible for the grace period. Item xx1.c. finishes this section with a Yes/No question to determine if you qualify for the grace period.

It was not clear if I had to meet the criteria in items 32 – 34d while I was in the grace period. For example, assume I reported 8.80% leverage ratio in item 31 in the current quarter (and had 9.2% in the prior quarter in item xx1.b.), but my assets were $10.1 billion in item 32. If the asset size does not disqualify my grace period, for that one quarter where item xx1.c. is Yes, then would it be necessary to fill out items 32- 34d? Language could be modified to skip the remainder of Schedule RC-R while in the grace period at item xx1.c. There would be no need to complete items 32 – 34d.

My Part II does not include items 35 – 38.c. from the original "Insert A" section. The qualifying criteria in the Capital Rule, under Supplementary Information, on Fed Register page 61779, was the 4 bullet points captured in items 32 – 34.d.; namely, asset size, off-balance sheet concentrations, and trading assets. The redline version did not use the data reported in items 35 – 38.c. in any of the capital computations.

Again, thank you for this opportunity to provide feedback to implement the new CBLR framework. Please call me if you have any questions.

Sincerely,

Ron Hopkins, CPA
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Xc: Kevin Jones, FDIC Analyst

Schedule RC-R - Regulatory Capital

A Four-Part Form
1) Components and Leverage Ratio
2) CBLR Elections
3) Generally Applicable Capital Rules
4) Risk-Weighting

Prepared by: Ron Hopkins; Colonial Savings F.A.
Fort Worth, TX
11/25/2019

Part I. Regulatory Capital Components and LEVERAGE Ratio. *Part I is completed by all institutions.*

Common Equity Tier 1 Capital

(Lines 1 - 4 as proposed)

5. Common equity tier 1 capital before adjustments and deductions (sum of items 1 through 4)	P840		5.

Common Equity Tier 1 Capital: Adjustments and Deductions

(Lines 6 - 18 as proposed)

19. Common equity tier 1 capital (item 12 minus item 18	P859		19.

Additional Tier 1 Capital

(Lines 20 - 24 as proposed)

25. Additional tier 1 capital (greater of item 23 minus item 24, or zero)	P865		25.

Tier 1 Capital

26. Tier 1 capital (sum of items 19 and 25)	8274		26.

Total Assets for the Leverage Ratio

27. Average total consolidated assets[1]	KW03		27.
28. LESS: Deductions from CET1 and Additional Tier 1 capital (sum of items 6,7,8,10.b.,13 through 15, 17, and certain elements of item 24 - see instructions)	P875		28.
29. LESS: Other deductions from (additions to) assets for leverage ratio purposes	B596		29.
30. Total assets for the leverage ratio (item 27 minus items 28 and 29)	A224		30.

Leverage Ratio

		Percentage	
31. Leverage ratio (item 26 divided by 30)	7204		31.

Top half of "INSERT A"
Section on Redline Copy
of Call Report

Part II is to be completed only by qualifying institutions that have a leverage ratio (item 31 preceding) that exceeds 9 percent or are within the grace period and have elected to adopt the community bank leverage ratio (CBLR) framework.

Part II. Community Bank Leverage Ratio framework Election and Qualification

Community Bank Leverage Ratio Election and Qualification

xx1. CBLR opt-in election

		RCOA	Amount	
a. Yes (enter "1") - Items 31, 32, 33, and 34.d. qualify for the CBLR and we elect to opt-in or the grace period in xx1.c. is "Yes". No (enter "0") - we may qualify, but have elected to opt out of the CBLR framework. *If No, skip remainder of Part II, and complete Part III and Part IV.*	0=No 1=Yes	????		xx1.a.

		Percentage	
b. If item 31 is less than 9 percent but greater than 8 percent, enter the prior quarter Leverage Ratio to determine if the grace period is available.	????		xx1.b.

Simple "Yes" or "No" to opt-in or -out
Validity Edit: xx1.a = YES; then
(item 31 > 9%,
and Item 32 < $10 billion
and Item 33 ≤ 5%
and Item 34.d. ≤ 25%)
OR xx1.c. = 1

c. If item 31 is greater than 8 percent and item xx1.b. is greater than 9 percent, enter "1" for Yes, we are electing to continue the CBLR under the grace period and complete the remainder of Part II; Otherwise, enter "0" for No, we do not qualify for grace period. Skip remainder of Part II and complete Parts III and IV.

0=No	RCOA	Amount	
1=Yes	????		xx1.c.

Question: Can you be in the Grace Period when 32 - 34d criteria is not met?

Qualifying Criteria for Using the CBLR Framework

	Column A		Column B		
32. Total assets (Schedule RC, item 12) (must be less than $10 billion)	2170				32.
33. Trading assets and trading liabilities (Schedule RC, sum of items 5 and 15). Report as a dollar amount in Column A and as percentage of total assets (item 32 above) (5% limit) in Column B.	XXX1		XXX2		33.
34. Off-balance sheet exposures:					
a.	XXX3				34.a.
b.	XXX4				34.b.
c.	XXX5				34.c.
d. Total off-balance sheet exposures (sum of items 34.a through 34.c) Report as dollar amount in Column A and as a percentage of total assets (item 32 above) (25% limit) in Column B	XXX5		XXX6		34.d

bottom half of "INSERT A" Section on Redline Copy of Call Report

(Removed Draft items 35 - 38c - Items 32 - 34d are the additional qualifying criterion.

Qualifying institutions that have elected to adopt the CBLR framework in Part II do not have to complete Part III or Part IV.

Part III. Generally Applicable Capital Rule

xx3. Tier 1 Capital from Part 1, line 26	????		xx3.

Carries Part 1 to new section to continue

Tier 2 Capital

(this section continues as proposed)

Part IV. Risk-Weighted Assets

(this section continues as proposed)

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			Percentage	
b. If item 31 is less than 9 percent but greater than 8 percent, enter the prior quarter Leverage Ratio to determine if the grace period is available.		????		xx1.b.

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and Item 33 ≤ 5%
and Item 34.d. ≤ 25%)
OR xx1.c. = 1

	0=No / 1=Yes	RCOA	Amount	
c. If item 31 is greater than 8 percent and item xx1.b. is greater than 9 percent, enter "1" for Yes, we are electing to continue the CBLR under the grace period and complete the remainder of Part II; Otherwise, enter "0" for No, we do not qualify for grace period. Skip remainder of Part II and complete Parts III and IV.		????		xx1.c.

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