

From: [Ron D. Hopkins](#)
To: [Regs.Comments](#)
Subject: FIL-42-2013 [Incident: 130927-000326]
Date: Monday, September 30, 2013 9:41:09 AM
Attachments: [image001.png](#)

Dear Sir:

Please consider the following comments as you finalize the Draft of the *Proposed Reporting Changes to the Regulatory Capital Components and Ratios Portion of Schedule RC-R, including Proposed Instructions* issued August 9, 2013 with FIL-42-2013:

(A) RC-R, Lines 13 – 15, Deductions from CET1 for amount of Unconsolidated Subsidiaries, MSAs, and DTAs that exceed 10% CET1 deduction threshold.

- 1) For reference: The final Basel III regs on page 192 state “... banking organization to include the amounts of these three items that are not deducted [*emphasis added*] from common equity tier 1 capital in its risk-weighted assets and assign a 250 percent risk weight to them.”
- 2) Lines 13 – 15 steps is computing the amount that exceeds the 10% deduction threshold for each of these items as determined with steps (1) through (3). The “Transition Provisions” that are outlined in Line 13 and Table 6, and referred back to on lines 14 and 15, correctly compute the disallowed portion through years 2014 – 2017 in sub items (i) and (ii). However, sub item (iii) the instructions state:

“(iii) From January 1, 2014, until January 1, 2018: Subtract the amount in (ii) from the amount in (i); **assign it a 100 percent risk weight; and report it in Schedule RC-R risk-weighted assets.**”

The portion bolded contradicts the final rules because the disallowed portion is not risk-weighted. In addition, please clarify where on RC-R do you want the amounts on Lines 13 – 15 reported. For example, Line 42, Column B, Items Not Subject to Risk Weighting, is currently assumed.

- 3) Because these are deductions from capital, also confirm they are also reported on RC-R, Line 38, as Other Deductions from assets for leverage ratios purposes.
- 4) Step (iv) continues in this Transition Provision for 2018, however, sub item (i) and (ii) at this point are identical as you multiply (i) by 100% per Table 6. The result of subtracting (i) from (ii) will be ZERO deductions.
- 5) The following table uses values you have in the instructions, it is unclear how we would carry forward the allowable portions and risk weight each item. For example, the subtraction from Step 1 for Line 13 is less than the 10% threshold, so only the \$10,000 allowed would be 250% RW when fully implemented. Steps 2 and 3 calculate the deduction portion. Similarly for the \$13,000 allowed for each line 14 and 15.

RC-R Draft						
				Step 1 -		Step 2 or 3 -
Transition periods used for Lines 13 - 15				respective	10% CET1	Difference, if
				lines	on RC-R 12	Grt than 10%
RC-R, Line 13	Unconsol Subs			\$ 10,000	\$ 13,000	\$ -
RC-R, Line 14	MSAs			\$ 20,000	\$ 13,000	\$ 7,000
RC-R, Line 15	DTAs			\$ 30,000	\$ 13,000	\$ 17,000
				<u>\$ 60,000</u>		
RC-R 12, CET1 after deducts/ before threshlds				\$ 130,000		

(B) RC-R, Line 16: The Aggregate Deduction that exceeds 15% of CET1 deduction threshold.

- 1) Please explain the purpose of Step 5 in page 18 that pro-rates the threshold items. The instructions do not indicate this value is used since all three components are reported on Line 16.
- 2) Is this disallowed portion also transferred to RC-R risk-weighted assets, column B, as an item not subject to risk-weighting?

C) RC-R, Line 38: Less: Other deductions from (additions to) assets for leverage ratio purposes.

Instructions are vague as to how to treat the disallowed portions subject to the 10% deduction threshold and 15% aggregate limit. Line 38 would be clearer if it referred back to line 18, Total adjustments and deductions from common equity tier 1 capital (sum of lines 13 through 17).

D) RC-R, Line 36: Average total consolidated asset

Previously this line for savings associations reported the end of quarter total assets from Schedule RC, line 12. Please confirm this intentionally changed for ALL institutions to report average total assets from Schedule RC-K, line 9.

Please do not hesitate to call if there are additional questions about my comments.

Sincerely,

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From: FDIC Info Request [<mailto:FDICInfoReq@fdic.gov>]

Sent: Friday, September 27, 2013 4:10 PM

To: Ron D. Hopkins

Subject: FIL-42-2013 [Incident: 130927-000326]

Federal Deposit Insurance Corporation

550 17th Street NW, Washington, D.C. 20429-9990

Auto-Response

Thank you for contacting the FDIC. This automatic response acknowledges receipt of your inquiry on 09/27/2013 05:10 PM. The reference number assigned to your request is 130927-000326. Your request has been routed to one of our analysts who will contact you within five business days.

Below are some online resources that may prove beneficial until we are able to respond to your inquiry.

Frequently Asked Questions for Industry Analysis:

<http://www.fdic.gov/bank/iafaq.html>

Are My Deposits Insured?

<http://www.fdic.gov/deposit/deposits/> or
<https://www.fdic.gov/edie/index.html>

Frequently Asked Questions for Deposit Insurance:

<http://www.fdic.gov/deposit/difaq.html>

When a Bank Fails - Facts for Depositors, Creditors, and Borrowers

<http://www.fdic.gov/consumers/banking/facts/index.html>

Obtaining a Lien Release:

<http://www.fdic.gov/consumers/consumer/information/lien/>

About the FDIC, The Federal Deposit Insurance Corporation (FDIC)

<http://www.fdic.gov/consumers/banking/confidence/symbol.html> .

Sincerely,

Division of Insurance and Research
Federal Deposit Insurance Corporation

Customer

To whom do we address our comments regarding FIL-42-2013, Proposed Regulatory Capital Reporting Changes?

Please advise method of delivery preferred.

Sincerely,

Ron Hopkins CPA|Corp Accounting | Direct 817.810.4603 |

ronh@colonialsavings.com | Colonial Savings | 2600 West Freeway, Fort Worth, TX 76102

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