TO:	NCUA Board	**DATE:**	December 13, 2021
FROM:	Office of Examination and Insurance Office of General Counsel Myra Toeppe Digitally signed by Myra Toeppe Date: 2021.12.13 11:04:23 -05'00'	**SUBJ:**	Final Rule – Capital Adequacy: The Complex Credit Union Leverage Ratio; Risk-Based Capital (12 C.F.R. pts. 702 & 703)

ACTION REQUESTED: NCUA Board approval to issue the attached final rule.

DATE ACTION REQUESTED: December 16, 2021.

OTHER OFFICES CONSULTED: Regional Offices and the Office of National Examinations and Supervision were briefed on the proposed rule.

VIEWS OF OTHER OFFICES CONSULTED: Concur.

BUDGET IMPACT, IF ANY: $161,000.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

RESPONSIBLE STAFF MEMBERS: Thomas Fay, Director, Division of Capital Markets, Office of Examination and Insurance; Rachel Ackmann, Senior Staff Attorney, Office of General Counsel, and Ariel Pereira, Senior Staff Attorney, Office of General Counsel.

SUMMARY: At its July 22, 2021, meeting, the Board issued a proposed rule to provide a simplified measure of capital adequacy for complex credit unions. The proposed rule provided for a 60-day comment period that ended on October 15, 2021. The Board received 21 comments. In response to the comments received, several amendments have been made to the final rule, including among other amendments, adopting a nine percent complex credit union leverage ratio (CCULR), permanently grandfathering excluded supervisory goodwill from the deduction in the risk-based capital numerator, and excluding grandfathered supervisory goodwill from the goodwill qualifying criteria for the CCULR framework.

The final rule amends the NCUA's capital adequacy regulation (12 C.F.R. pt. 702) to provide a simple measure of capital adequacy for federally insured, natural-person credit unions classified as "complex" (those with total assets greater than $500 million). Under the final rule, a complex credit union that maintains the minimum net worth, and that meets other qualifying criteria, is eligible to opt into the CCULR framework. The minimum net worth ratio is nine percent. A complex credit union that opts into the CCULR framework is not required to calculate a risk-based capital ratio under the October 29, 2015, risk-based capital final rule. A qualifying complex credit union that opts into the CCULR framework and that maintains the minimum net worth ratio is considered to be well capitalized.

The final rule also makes several amendments to update the NCUA's October 29, 2015, risk-based capital final rule, as amended, including addressing asset securitizations issued by credit unions, clarifying the treatment of off-balance sheet exposures, and deducting certain mortgage servicing assets from a complex credit union's risk-based capital numerator. These include technical amendments to 12 C.F.R. pt. 703.

RECOMMENDED ACTION: The NCUA Board approve the attached final rule for publication in the *Federal Register*.

ATTACHMENT: Final rule.