



National Credit Union Administration
Office of General Counsel

TO: NCUA Board **DATE:** January 11, 2021
FROM: Office of Examination and Insurance **SUBJ:** Advance Notice of Proposed
Office of General Counsel Rulemaking: Simplification of
Risk Based Capital Requirements
(Part 702)

ACTION REQUESTED: NCUA Board approval to issue the attached advance notice of proposed rulemaking.

DATE ACTION REQUESTED: January 14, 2021.

OTHER OFFICES CONSULTED: None.

VIEWS OF OTHER OFFICES CONSULTED: N/A

BUDGET IMPACT, IF ANY: There is no estimated budget impact.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

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

SUMMARY: The advance notice of proposed rulemaking solicits comments on two approaches to simplify risk-based capital requirements (12 C.F.R. pt. 702). The Board's risk-based capital requirements are set forth in a final rule dated October 29, 2015, which is currently scheduled to become effective on January 1, 2022. At its December 2019 meeting, the Board delayed the effective date of the final RBC rule in providing additional time to evaluate the capital standards for federally-insured credit unions ("FICUs") that are classified as "complex" (those with total assets greater than \$500 million). The first approach would replace the risk-based capital rule with a risk-based leverage ratio requirement, which would use relevant risk attribute thresholds to determine which complex credit unions would be required to hold additional capital. The second approach would retain the 2015 risk-based capital rule but enable eligible complex FICUs to opt-in to a "complex credit union leverage ratio" ("CCULR") framework to meet all regulatory capital requirements. The CCULR approach would be modeled on the "community bank leverage ratio" framework, which is available to certain banks.

RECOMMENDED ACTION: The NCUA Board approve the attached advance notice of proposed rulemaking for publication in the *Federal Register* for a 60-day comment period.

ATTACHMENT: Advance notice of proposed rulemaking.