

Joint Press Release

August 26, 2020

Agencies issue three final rules

Board of Governors of the Federal Reserve System

Federal Deposit Insurance Corporation

Office of the Comptroller of the Currency

For release at 2:00 p.m. EDT

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The federal bank regulatory agencies today finalized three rules, which are either identical or substantially similar to interim final rules currently in effect that were issued earlier this year. They include:

- A final rule that temporarily modifies the community bank leverage ratio, as required by the CARES Act;
- A final rule that makes more gradual, as intended, the automatic restrictions on distributions if a banking organization's capital levels decline below certain levels; and
- A final rule that allows institutions that adopt the current expected credit losses or "CECL" accounting standard in 2020 to mitigate the estimated effects of CECL on regulatory capital for two years.

The final rule modifying the community bank leverage ratio adopts without change two interim final rules issued in April. The final rule temporarily lowers the community bank leverage ratio threshold and provides a gradual transition back to the prior level. Specifically, the threshold would be 8 percent for the remainder of this year, 8.5 percent for 2021, and 9 percent beginning January 1, 2022. This final rule is effective as of October 1, 2020.

Similarly, the final rule on automatic restrictions of distributions adopts without change two interim final rules, one of which was Board-only, issued in March. The final rule makes more gradual, as intended, the automatic restrictions on capital distributions, such as share repurchases, dividend payments, and bonus payments. This final rule is effective as of January 1, 2021.

Lastly, the CECL final rule is substantially similar to the interim final rule issued in March. The final rule gives eligible institutions the option to mitigate the estimated capital effects of CECL for two years, followed by a three-year transition period. Taken together, these measures offer institutions a transition period of up to five years. In a change from the interim rule, the final rule expands the pool of eligible institutions to include any institution adopting CECL in 2020. The CECL final rule is effective immediately upon publication in the Federal Register.

[Federal Register notice: Regulatory Capital Rule and Total Loss-Absorbing Capacity Rule: Eligible Retained Income \(PDF\)](#)

[Federal Register notice: Regulatory Capital Rule: Revised Transition of the Current Expected Credit Losses Methodology for Allowances \(PDF\)](#)

[Federal Register notice: Regulatory Capital Rule Temporary Changes to and Transition for the Community Bank Leverage Ratio Framework \(PDF\)](#)

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Last Update: August 26, 2020