

National Credit Union Administration Office of General Counsel

TO: NCUA Board DATE: July 14, 2021

FROM: Office of Examination and Insurance **SUBJ:** Proposed Rule – Capital

Office of General Counsel Adequacy: The Complex Credit

Union Leverage Ratio, Amendments to Risk-Based Capital, and other Technical

Amendments

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

DATE ACTION REQUESTED: July 22, 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: No objections noted.

BUDGET IMPACT, IF ANY: Staff estimates the discrete incremental changes required by this proposal to guidance, forms, and systems can be implemented within the existing budget as part of preparations for the January 1, 2022, effective date of the September 29, 2015, Final Risk-Based Capital rule.

SUBMITTED TO INSPECTOR GENERAL FOR REVIEW: Yes.

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

SUMMARY: The proposed rule would amend the NCUA's capital adequacy regulation (12 C.F.R. 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 proposed rule, a complex credit union that maintains the minimum net worth, and that meets other qualifying criteria, will be eligible to opt into the complex credit union leverage ratio (CCULR) framework. The minimum net worth ratio would initially be established at 9 percent on January 1, 2022, and be gradually increased to 10 percent by January 1, 2024. A complex credit union that opts into the CCULR framework would not be 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 would be considered to be well capitalized.

The proposed rule would also make 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, deducting certain

mortgage servicing assets from a complex credit union's risk-based capital numerator, updating several derivative-related definitions, and clarifying the definition of a consumer loan.

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

ATTACHMENT: Proposed rule.