



NCUA
National Credit Union Administration

Office of Examination & Insurance
Office of General Counsel

Regulatory Capital Framework CCULR/RBC Final Rule

Board Meeting
December 16, 2021

CCULR/RBC – Final Rule

1. Will simplify the risk-based capital (RBC) requirements for eligible complex credit unions.
2. Modeled on the Community Bank Leverage Ratio (CBLR) established by the federal banking agencies.
3. The CCULR would relieve complex credit unions that satisfy specified eligibility criteria from having to calculate the risk-based capital ratio. In exchange, the credit union would be required to maintain a higher net worth ratio than otherwise required for well-capitalized classification.
4. The Board delayed the RBC rule in 2019 for analysis on several items.
5. The CCULR and RBC regulatory capital framework will be effective on January 1, 2022.
6. Includes amendments to the 2015 Final Rule.

Summary of Comments Received

The CCULR/RBC NPR was published in the Federal Register on August 16, 2021, for a 60-day comment period. NCUA received 21 comment letters.

Many of the commenters supported the goal of providing a simplified, alternative measure of capital adequacy, however, most commenters expressed some concerns about specific aspects of the proposal, including:

- The effective date of CCULR,
- Goodwill as a qualifying criteria,
- Using the NWR for the CCULR framework,
- Setting CCULR at 10 percent instead of 9 percent,
- The 2-year transition period,
- The reporting requirements when exiting the CCULR framework, and
- The treatment of goodwill and MSAs in the RBC rule.

CCULR – Final Rule Changes

#	CCULR Items	Final Rule Changes from Proposed Rule
1	Scope of CCULR Framework to all Complex credit unions (Assets greater than \$500 million)	No changes
2	CCULR Ratio	Modified to 9% or greater with no transition, from 10% with 2-year transition starting at 9%
3	Eligibility items for OBS exposures and Trading Assets/Liabilities	No changes
4	Eligibility item for Goodwill of 2% or less of total assets	Modified to exclude Supervisory Merger Goodwill
5	Opting into the CCULR framework (meet all requirements)	No changes
6	Opting out Notification Requirements (Voluntary and Involuntary)	Modified to remove the Notification requirements
7	Grace Period of two quarters when not meeting Eligibility	Modified to include a Grace Period for Supervisory Mergers
8	Reservation of Authority	No changes

CCULR Final Rule

1. Option for Complex Credit Unions that meet the eligibility requirements
2. The CCULR threshold ratio is set at 9% or greater with no transition
3. Complex Credit Unions can opt into or opt out of the CCULR framework at any quarter
4. Complex Credit Unions who fail to meet the eligibility requirements after opting into the CCULR framework will have a two-quarter grace period to meet the requirements

The primary components of the CCULR are similar to the federal banking agencies CBLR

RBC – Final Rule Changes

#	Material RBC Change Items	Final Rule
1	MSA Numerator Deduction when > 25% of RBC Numerator	No changes
2	Asset Securitization issued by Credit Unions - Risk Weights	No changes
3	Paycheck Protection Program - Asset Risk Weights	No changes
4	Supranational Organizations and Multilateral Development Banks - Asset Risk Weights	No changes
5	Off-Balance Sheet Exposure Credit Equivalents and Risk Weights	No changes
6	Supervisory Goodwill exclusion (Expiration date)	Remove expiration date of Supervisory Goodwill exclusion of 2029

PCA Framework for FICUs- Starting in 2022

	Net Worth Ratio	Risk-Based Capital Ratio	CCULR
Well capitalized	7% or greater	10% or greater	9% or greater
Adequately capitalized	6%-6.99%	8% or greater	N/A
Undercapitalized	4%-5.99%	Less than 8%	N/A
Significantly undercapitalized	2%-3.99%	N/A	N/A
Critically undercapitalized	Under 2%	N/A	N/A

- Net worth ratio is the only measure for credit unions with \$500 million or less in assets (not including new credit unions)
- NWR/RBC is the binding constraint for complex credit unions

Call Report Illustration - CCULR

SCHEDULE H Complex Credit Union Leverage Ratio (CCULR)

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CCULR Election - Complete this schedule ONLY IF the credit union is eligible, qualified, and electing to opt-in to the Complex Credit Union Leverage Ratio (CCULR)

Election	Election	Account
1. Is your credit union eligible, qualified, and electing to opt-in to the Complex Credit Union Leverage Ratio?		LR0001

Eligibility	Eligibility	Account
2. Total Assets (Credit unions with total assets greater than or equal to \$500,000,000)		010
3. Net Worth Ratio (Credit unions with a net worth ratio of 9% or greater)		998

Qualifying Criteria (See Instructions)	Input	Account	Ratio	Account
4. Off-Balance sheet exposures (Requires 25% or less of Total Assets)		LR0002		LR0003
5. Trading Assets and Trading Liabilities (Requires 5% or less of Total Assets)		LR0004		LR0005
6. Goodwill and Other Intangible Assets (Requires 2% or less of Total Assets)		LR0006		LR0007

Staff Training & Industry Outreach

- Industry Outreach
 - Q1 2022 Webinar(s)
- Staff Outreach
 - Q1 2022 Staff Training
 - Supervision Guide updates