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August 5, 2019

The Honorable Mike Crapo  
Chairman  
The Honorable Sherrod Brown  
Ranking Member  
Committee on Banking, Housing, and Urban Affairs  
United States Senate

The Honorable Maxine Waters  
Chairwoman  
The Honorable Patrick McHenry  
Ranking Member  
Committee on Financial Services  
House of Representatives

Subject: *Department of the Treasury, Office of the Comptroller of the Currency; Federal Reserve System; Federal Deposit Insurance Corporation: Regulatory Capital Rule: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of the Treasury, Office of the Comptroller of the Currency; Federal Reserve System; Federal Deposit Insurance Corporation (the agencies) entitled "Regulatory Capital Rule: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996" (RINs: 1557-AE10; 7100 AE74; 3064-AE59). We received the rule from Treasury on July 24, 2019. It was published in the *Federal Register* as a final rule on July 22, 2019. 84 Fed. Reg. 35234. The effective date of the rule is generally October 1, 2019, with some amendments effective April 1, 2020.

According to the agencies, the final rule simplifies certain aspects of the capital rule, which was issued by the agencies in 2013. 78 Fed. Reg. 62018, 78 Fed. Reg. 55340. The agencies state that the final rule is responsive to the agencies' March 2017 report to Congress pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996, in which the agencies committed to meaningfully reduce regulatory burden, especially on community banking organizations. The key elements of the final rule, according to the agencies, apply solely to banking organizations that are not subject to the advanced approaches capital rule (non-advanced approaches banking organizations). The agencies state that, under the final rule, non-advanced approaches banking organizations will be subject to simpler regulatory capital requirements for mortgage servicing assets, certain deferred tax assets arising from temporary differences, and investments in the capital of unconsolidated financial institutions than those currently applied. The agencies further state that the final rule also simplifies, for non-advanced approaches banking organizations, the calculation for the amount of capital issued by a consolidated subsidiary of a banking organization and held by third parties (sometimes referred

to as a minority interest) that is includable in regulatory capital. In addition, the agencies state that the final rule makes technical amendments to, and clarifies certain aspects of, the agencies' capital rule for both non-advanced approaches banking organizations and advanced approaches banking organizations (technical amendments). Finally, the agencies state that revisions to the definition of high-volatility commercial real estate exposure in the agencies' capital rule are being addressed in a separate rulemaking.

Enclosed is our assessment of the agencies' compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Janet Temko-Blinder, Assistant General Counsel, at (202) 512-7104.

signed

Shirley A. Jones  
Managing Associate General Counsel

Enclosure

cc: Shaquita Merritt  
Program Specialist, Chief Counsel's Office  
Department of the Treasury

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE  
ISSUED BY THE  
DEPARTMENT OF THE TREASURY,  
OFFICE OF THE COMPTROLLER OF THE CURRENCY;  
FEDERAL RESERVE SYSTEM;  
FEDERAL DEPOSIT INSURANCE CORPORATION  
ENTITLED  
“REGULATORY CAPITAL RULE: SIMPLIFICATIONS TO THE  
CAPITAL RULE PURSUANT TO THE ECONOMIC GROWTH AND  
REGULATORY PAPERWORK REDUCTION ACT OF 1996”  
(RINs: 1557-AE10; 7100 AE74; 3064-AE59)

(i) Cost-benefit analysis

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) did not prepare an analysis of costs and benefits of the final rule.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

OCC certified that the final rule will not have a significant impact on a substantial number of OCC-supervised small entities. Also, the Board determined, and FDIC certified, that the final rule will not have a significant impact on a substantial number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

OCC determined that this final rule will not have an effect on the state, local, or tribal government, in the aggregate, or on the private sector, of \$100 million or more in any one year (adjusted for inflation). As independent regulatory agencies, the agencies are not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551*et seq.*

On October 27, 2017, the agencies published a notice of proposed rulemaking. 82 Fed. Reg. 49984. Collectively, the agencies received nearly 100 comment letters from banking organizations, trade associations, public interest groups, and individuals. The agencies responded to comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The agencies determined that this final rule contains information collection requirements under the Act. The information collection requirements contained in this final rule were submitted by OCC and FDIC to the Office of Management and Budget (OMB). As stated in the final rule, the Board reviewed the proposed rule under the authority delegated to the Board by OMB. The title of the proposed information collection is Recordkeeping and Disclosure Requirements

Associated with Capital Adequacy, and for the OCC the OMB control number is 1557-0318 (66,081 estimated annual burden hours), for the Board the OMB control number is 7100-0313 (79,727 estimated annual burden hours), and for the FDIC the OMB control number is 3064-0153 (127,840 estimated annual burden hours).

The agencies also state that the final rule will require changes to the Consolidated Reports of Condition and Income (Call Reports) (OMB Nos. 1557-0081, 7100-0036, and 3064-0052), Consolidated Financial Statements for Holding Companies (OMB No. 7100-0128), and Capital Assessments and Stress Testing (OMB No. 7100-0341), which will be addressed in a separate *Federal Register* notice.

Statutory authorization for the rule

The agencies promulgated this final rule pursuant to various sections of title 12 of the U.S. Code.

Executive Order No. 12,866 (Regulatory Planning and Review)

As independent regulatory agencies, the agencies are not subject to the Order.

Executive Order No. 13,132 (Federalism)

As independent regulatory agencies, the agencies are not subject to the Order.