

# RESCINDED

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## Community Bank Leverage Ratio: Notice of Proposed Rulemaking

### Summary

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the federal banking agencies) are requesting comment on a notice of proposed rulemaking that would relieve regulatory burden on certain qualifying community banks by revising the federal banking agencies' community bank leverage ratio (CBLR) framework to lower the CBLR requirement (equal to tier 1 capital divided by average total consolidated assets) from greater than 9 percent to greater than 8 percent. The proposal also would extend from two quarters to four quarters the length of the CBLR framework "grace period," which allows qualifying community banks that have elected to use the CBLR framework to continue to use the CBLR framework if they cease to comply with the qualifying criteria.

### To

Chief Executive Officers of All National Banks, Federal Savings Associations, and Federal Branches and Agencies; Department and Division Heads; All Examining Personnel; and Other Interested Parties

### Note for Community Banks

The proposed rule would apply to qualifying community banks with less than \$10 billion in total consolidated assets that meet other prudential criteria and opt into the CBLR framework.

### Highlights

The CBLR framework provides a simple measure of capital adequacy for certain community banks. In 2019, the federal banking agencies issued a final rule establishing the CBLR framework, which became effective January 1, 2020.

The federal banking agencies are now proposing to amend the CBLR framework to

- revise the minimum leverage ratio requirement from greater than 9 percent to greater than 8 percent;

- revise the “grace period” for a bank that elects to use the CBLR framework but temporarily fails to meet all of the qualifying criteria, including the leverage ratio requirement, to provide that
  - the community bank will have four quarters to return to compliance, provided the community bank maintains a leverage ratio greater than 7 percent;
  - a community bank that has a leverage ratio equal to or less than the grace period minimum of 7 percent would be required to comply with the generally applicable risk-based capital standards.

## Background

The Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) was enacted on May 24, 2018. Section 201 of the EGRRCPA, titled “Capital Simplification for Qualifying Community Banks,” directed each federal banking agency to develop a community bank leverage ratio for qualifying community banks, with qualifying criteria based on the bank’s risk profile.

Section 201(c) of the EGRRCPA provides that a qualifying community banking organization that opts into the CBLR framework and maintains a minimum leverage ratio of not less than 8 percent and not more than 10 percent will be considered to have met the generally applicable minimum capital requirements and the capital ratio requirements for the “well-capitalized” category under the Prompt Corrective Action framework.

Section 201(b) of the EGRRCPA further requires each federal banking agency to establish procedures for the treatment of a qualifying community banking organization whose leverage ratio falls below the CBLR requirement.

## Further Information

Please contact Carl Kaminski, Assistant Director, Bank Advisory Group, Chief Counsel’s Office at (202) 649-5490, or Benjamin Pegg, Technical Expert, Capital Policy, at (202) 649-6370.

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Comptroller of the Currency

## Related Link

- [Regulatory Capital Rule: Revisions to the Community Bank Leverage Ratio Framework](#) (PDF)

Topic(s): [CAPITAL](#) [CORPORATE & RISK GOVERNANCE \(CARG\)](#) [RISK-BASED SUPERVISION](#)