AMERICA'S MUTUAL BANKS

701 8TH STREET, NW. SUITE 500 . WASHINGTON, D.C. 20001

Mutual Alert

Bank Regulators Extend Comment Period for Proposed Long-Term Debt Rule to January 2024

The Federal Reserve Board, the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) **announced** Wednesday that they are extending the comment period for their long-term debt proposed rule until January 16, 2024.

The extension comes after multiple requests to allow for additional time for public consideration as well as the opportunity to prepare comments that will address questions posed by the agencies. Comments were originally due by November 30.

Under the proposal, banks with total assets of $100 billion or more would be required to maintain a layer of long-term debt equal to or greater than 6 percent of risk weighted assets and 3.5 percent of average total consolidated assets. Banks subject to the supplementary leverage ratio of will also need to maintain a long-term debt minimum of 2.5 percent of total leverage exposure.

The proposal will allow banks option to count certain existing long-term debt in order to meet the required minimums. These proposed requirements will not apply to global systematically important banks and community banks.

From the viewpoint of a mutual bank the need for large banks to rely on sub debt and other forms of capital as a capital buffer for the FDIC fund strengthens the argument for allowing mutual banks to employ sub debt as capital even though they would not be subject to the proposed regulation.

Douglas Faucette
America's Mutual Banks
202 220 6961
701 8th Street, N.W.
Suite 500
Washington D. C. 20001
dfaucette@lockelord.com
www.americasmutualbanks.com

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