Agencies’ Capital Proposals Much Advanced but Warrant Further Improvements

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Washington, D.C. – In a comment letter today, the Conference of State Bank Supervisors (CSBS) recommended additional measures that the federal banking agencies should take to provide community banks with a simplified regulatory capital framework as they revise the risk-based capital rules.

CSBS supports the proposals’ goal of enhancing the risk sensitivity, consistency, and transparency of the risk-based capital framework. However, important adjustments to the proposals are necessary to promote a level playing field between large and small banking organizations.

CSBS recommends that the agencies:

- Increase the number of community banks eligible for the Community Bank Leverage Ratio framework,
- Adopt the proposed capital treatment of mortgage exposures and mortgage servicing assets,
- Maintain the current treatment of unused credit commitments with a maturity less than one year rather than increasing the credit conversion factor for these exposures,
- Allow smaller banks to avail themselves of the expanded risk-based approach’s favorable capital treatment of investment grade corporate exposures,
- Index dollar-based thresholds to keep pace with inflation and economic growth, and
- Ensure equal capital treatment of exposures to state-chartered trusts and national trust companies.

Read CSBS statements and comments on Capital Standards

- Podcast: Inside the Debate on Capital Standards and Community Bank Competitiveness with the Federal Reserve Board

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Contact: Susanna Barnett, 202-407-7156, sbarnett@csbs.org

X: @CSBSNews

The Conference of State Bank Supervisors (CSBS) is the national organization of financial regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico, and U.S. Virgin Islands. State regulators supervise 79% of all U.S. banks and a variety of non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance, and debt industries.

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