

## **Statement of Martin J. Gruenberg, Chairman, Federal Deposit Insurance Corporation**

Notice of Proposed Rulemaking: Simplification to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996  
FDIC Board Meeting  
September 27, 2017

Thank you very much for that overview.

This proposal stems from the recent EGRPRA review by the banking agencies, which focused particularly on reducing regulatory burden on community banks. Through the EGRPRA review and the accompanying industry outreach, a number of commenters identified areas of the existing capital rules that could benefit from simplification.

This notice of proposed rulemaking is intended to simplify and clarify a number of the more complex aspects of the agencies' capital rules, including the definition of capital, the treatment of capital deductions, and the treatment of so-called High Volatility Commercial Real Estate, or HVCRE.

The HVCRE issue was the single most commented-on provision of the agencies' capital rules during the EGRPRA process. This proposal aims to strike a balance between reducing complexity on the one hand, and continuing to ensure appropriate capital requirements for banks' construction lending activities on the other. We look forward to comments on how well we have struck this balance.

To facilitate comment on the NPR, particularly by community banks, we are also providing a number of tools to accompany the notice itself, including a summary of the NPR targeted to community banks and an estimator tool that will allow an FDIC-supervised bank to evaluate the potential impact of the proposal on the institution. We also are planning a national call with bankers to address their questions once the industry has had an opportunity to review the proposal. We welcome comments on all aspects of the proposal.

Going forward, I think it is also appropriate for the banking agencies to consider more comprehensive approaches to simplify the existing regulatory capital rules for community banks. In that regard, I encourage commenters to respond to questions in the NPR on more comprehensive approaches to the simplification of the capital rules as they apply to community banks.

Finally, I would like to thank the FDIC staff for their work on this proposed rule, as well as the staff of the OCC and the Federal Reserve, for the cooperative interagency effort.

[Read the Proposal](#)