

Mutual Alert



Another Step in the Journey to Tailored Regulation

The Federal banking agencies have adopted a final rule to expand the examination cycle to 18 months for banks up to \$1 billion in assets from the prior \$500 million threshold. The “agencies have determined that it is consistent with principles of safety and soundness to permit institutions with total assets of \$200 million or greater and not exceeding \$1 billion that received a composite CAMELS rating of “1” or “2,” and that meet other qualifying criteria set forth in section 10(d) and the agencies’ rules, to qualify for an 18-month examination cycle.”

The preamble to the adoption estimates that the changes will increase the number of institutions that may qualify for an extended 18-month examination cycle by approximately 611 institutions (372 of which are supervised by the FDIC, 142 by the OCC, and 97 by the Board). There are a number of other conditions most of which would preclude a composite 2 rating in any event such as an assigned management rating of 2 or an existing enforcement action. It also precludes coverage if the institution has undergone a change in control within the year.

America’s Mutual Banks considers this change long delayed relief as it was part of the FAST Act passed on December 14, 2015. It will become final 30 days after Federal Register publication. We are pleased that the momentum to exempt small banks from unnecessary regulatory burdens continues and will advocate for further increases in the \$ 1 billion cap.