



COVID-19 - FDIC Guidance On Capital And Liquidity Buffers

regulatory liquidity pandemic

Summary: The FDIC has provided guidance on capital and liquidity buffers for financial institutions to help their customers during the coronavirus crisis. We give you a quick summary.

The FDIC, the Federal Reserve Board and the Comptroller of the Currency issued a statement on [new rules for use of capital and liquidity buffers](#) during the coronavirus crisis. The statement includes a Q&A to respond to inquiries. The highlights of the statement include:

- **Banking organizations are encouraged to use their capital and liquidity buffers** which were designed to respond to adverse situations like the effects of coronavirus. It allows institutions to continue to serve households and businesses. The agencies expect banking organizations to continue to manage their capital actions and liquidity risk prudently.
- The agencies also issued an interim final **rule that revises the definition of eligible retained income** in their capital rules, which directly affects the amount of capital a banking organization may distribute if it falls below its capital buffer.
- CFIs maintain 2.5% more than common equity tier one assets as a capital conservation buffer. During the ongoing coronavirus crisis, **CFIs can access these buffers** to help them meet the needs of their customers.
- Regulators are **increasing the amount of eligible retained capital** that can be distributed, which should help free up capital for community banks to use.

The relaxed buffer rules should help community financial institutions (CFIs) use capital reserves to help meet the demands of their small businesses and individual customers impacted by the coronavirus.

However, make sure you closely monitor your underlying capital and liquidity levels as you access their buffers, and you will need to ensure that you closely follow the guidelines for accessing buffers, of course. Regulators caution that **banks are still expected to operate in "safe and sound" fashion** even as they draw down their capital buffers.

SUPPORT DURING COVID-19

Much of our activity over the past week has been focused on helping customers to understand the changes in the market. If you need help explaining this to your board, check out our [asset liability management information](#) or [contact us today](#).

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