

by the United States Congress but whose obligations are not explicitly guaranteed by the full faith and credit of the United States Government.

[54 FR 49649, Nov. 30, 1989]

EDITORIAL NOTE: For FEDERAL REGISTER citations affecting § 567.1, see the List of CFR Sections Affected, which appears in the Finding Aids section of the printed volume and on GPO Access.

EFFECTIVE DATE NOTE: At 72 FR 69438, Dec. 7, 2007, § 567.1 was amended by revising the introductory sentence, effective Apr. 1, 2008. For the convenience of the user, the revised text is set forth as follows:

**§ 567.1 Definitions.**

For the purposes of this subpart:

\* \* \* \* \*

**§ 567.2 Minimum regulatory capital requirement.**

(a) To meet its regulatory capital requirement a savings association must satisfy each of the following capital standards:

(1) *Risk-based capital requirement.* (i) A savings association's minimum risk-based capital requirement shall be an amount equal to 8% of its risk-weighted assets as measured under § 567.6 of this part.

(ii) A savings association may not use supplementary capital to satisfy this requirement in an amount greater than 100% of its core capital as defined in § 567.5 of this part.

(2) *Leverage ratio requirement.* (i) A savings association's minimum leverage ratio requirement shall be the amount set forth in § 567.8 of this part.

(ii) A savings association must satisfy this requirement with core capital as defined in § 567.5(a) of this part.

(3) *Tangible capital requirement.* (i) A savings association's minimum tangible capital requirement shall be the amount set forth in § 567.9 of this part.

(ii) A savings association must satisfy this requirement with tangible capital as defined in § 567.9 of this part in an amount not less than 1.5% of its adjusted total assets.

(b) [Reserved]

(c) Savings associations are expected to maintain compliance with all of these standards at all times.

[54 FR 49649, Nov. 30, 1989, as amended at 57 FR 33440, July 29, 1992; 58 FR 45813, Aug. 31, 1993; 62 FR 66263, Dec. 18, 1997; 64 FR 10201, Mar 2, 1999; 66 FR 59663, Nov. 29, 2001]

**§ 567.3 Individual minimum capital requirements.**

(a) *Purpose and scope.* The rules and procedures specified in this section apply to the establishment of an individual minimum capital requirement for a savings association that varies from the requirement that would otherwise apply to the savings association under § 567.2 of this part. Pursuant to 12 U.S.C. 1464(s), the OTS may establish such individual minimum capital requirements for savings associations as it deems necessary or appropriate on a case-by-case basis in light of the particular circumstances of each savings association.

(b) *Appropriate considerations for establishing individual minimum capital requirements.* Minimum capital levels higher than those required under § 567.2 may be appropriate for individual savings associations. Increased individual minimum capital requirements may be established upon a determination that the savings association's capital is or may become inadequate in view of its circumstances. For example, higher capital levels may be appropriate for:

(1) A savings association receiving special supervisory attention;

(2) A savings association that has or is expected to have losses resulting in capital inadequacy;

(3) A savings association that has a high degree of exposure to interest rate risk, prepayment risk, credit risk, concentration of credit risk, certain risks arising from nontraditional activities, or similar risks; or a high proportion of off-balance sheet risk, especially standby letters of credit;

(4) A savings association that has poor liquidity or cash flow;

(5) A savings association growing, either internally or through acquisitions, at such a rate that supervisory problems are presented that are not dealt with adequately by other Office regulations or other guidance;

(6) A savings association that may be adversely affected by the activities or condition of its holding company, affiliate(s), subsidiaries, or other persons or savings associations with which it has significant business relationships, including concentrations of credit;

(7) A savings association with a portfolio reflecting weak credit quality or a significant likelihood of financial loss, or that has loans in nonperforming status or on which borrowers fail to comply with repayment terms;

(8) A savings association that has inadequate underwriting policies, standards, or procedures for its loans and investments; or

(9) A savings association that has a record of operational losses that exceeds the average of other, similarly situated savings associations; has management deficiencies, including failure to adequately monitor and control financial and operating risks, particularly the risks presented by concentrations of credit and nontraditional activities; or has a poor record of supervisory compliance.

(c) *Standards for determination of appropriate individual minimum capital requirements.* The appropriate minimum capital level for an individual savings association cannot be determined solely through the application of a rigid mathematical formula or wholly objective criteria. The decision is necessarily based, in part, on subjective judgment grounded in agency expertise. The factors to be considered in the determination will vary in each case and may include, for example:

(1) The conditions or circumstances leading to the determination that a higher minimum capital requirement is appropriate or necessary for the savings association;

(2) The exigency of those circumstances or potential problems;

(3) The overall condition, management strength, and future prospects of the savings association and, if applicable, its holding company, subsidiaries, and affiliates;

(4) The savings association's liquidity, capital and other indicators of financial stability, particularly as compared with those of similarly situated savings associations; and

(5) The policies and practices of the savings association's directors, officers, and senior management as well as the internal control and internal audit systems for implementation of such adopted policies and practices.

(d) *Procedures—(1) Notification.* When the OTS determines that a minimum capital requirement different from that set forth in § 567.2 of this part is necessary or appropriate for a particular savings association, it shall notify the savings association in writing of its proposed individual minimum capital requirement; the schedule for compliance with the new requirement; and the specific causes for determining that the higher individual minimum capital requirement is necessary or appropriate for the savings association. The OTS shall forward the notifying letter to the appropriate state supervisor if a state-chartered savings association would be subject to an individual minimum capital requirement.

(2) *Response.* (i) The response shall include any information that the savings association wants the OTS to consider in deciding whether to establish or to amend an individual minimum capital requirement for the savings association, what the individual capital requirement should be, and, if applicable, what compliance schedule is appropriate for achieving the required capital level. The responses of the savings association and appropriate state supervisor must be in writing and must be delivered to the OTS within 30 days after the date on which the notification was received. Such response must be filed in accordance with §§ 516.30 and 516.40 of this chapter. The OTS may extend the time period for good cause. The time period for response by the insured savings association may be shortened for good cause:

(A) When, in the opinion of the OTS, the condition of the savings association so requires, and the OTS informs the savings association of the shortened response period in the notice;

(B) With the consent of the savings association; or

(C) When the savings association already has advised the OTS that it cannot or will not achieve its applicable minimum capital requirement.

(ii) Failure to respond within 30 days, or such other time period as may be specified by the OTS, may constitute a waiver of any objections to the proposed individual minimum capital requirement or to the schedule for complying with it, unless the OTS has provided an extension of the response period for good cause.

(3) *Decision.* After expiration of the response period, the OTS shall decide whether or not he believes the proposed individual minimum capital requirement should be established for the savings association, or whether that proposed requirement should be adopted in modified form, based on a review of the savings association's response and other relevant information. The OTS's decision shall address comments received within the response period from the savings association and the appropriate state supervisor (if a state-chartered savings association is involved) and shall state the level of capital required, the schedule for compliance with this requirement, and any specific remedial action the savings association could take to eliminate the need for continued applicability of the individual minimum capital requirement. The OTS shall provide the savings association and the appropriate state supervisor (if a state-chartered savings association is involved) with a written decision on the individual minimum capital requirement, addressing the substantive comments made by the savings association and setting forth the decision and the basis for that decision. Upon receipt of this decision by the savings association, the individual minimum capital requirement becomes effective and binding upon the savings association. This decision represents final agency action.

(4) *Failure to comply.* Failure to satisfy an individual minimum capital requirement, or to meet any required incremental additions to capital under a schedule for compliance with such an individual minimum capital requirement, shall constitute a legal basis for issuing a capital directive pursuant to § 567.4 of this part.

(5) *Change in circumstances.* If, after a decision is made under paragraph (d)(3) of this section, there is a change in the circumstances affecting the savings as-

sociation's capital adequacy or its ability to reach its required minimum capital level by the specified date, OTS may amend the individual minimum capital requirement or the savings association's schedule for such compliance. The OTS may decline to consider a savings association's request for such changes that are not based on a significant change in circumstances or that are repetitive or frivolous. Pending the OTS's reexamination of the original decision, that original decision and any compliance schedule established thereunder shall continue in full force and effect.

[54 FR 49649, Nov. 30, 1989, as amended at 55 FR 13516, Apr. 11, 1990; 57 FR 14335, 14348, Apr. 20, 1992; 59 FR 64564, Dec. 15, 1994; 60 FR 66719, Dec. 26, 1995; 66 FR 13009, Mar. 2, 2001]

EFFECTIVE DATE NOTE: At 72 FR 69438, Dec. 7, 2007, § 567.3 was amended by revising paragraphs (a), (b) introductory text, and (d)(1), effective Apr. 1, 2008. For the convenience of the user, the revised text is set forth as follows:

**§ 567.3 Individual minimum capital requirements.**

(a) *Purpose and scope.* The rules and procedures specified in this section apply to the establishment of an individual minimum capital requirement for a savings association that varies from the risk-based capital requirement, the leverage ratio requirement or the tangible capital requirement that would otherwise apply to the savings association under this part.

(b) *Appropriate considerations for establishing individual minimum capital requirements.* Minimum capital levels higher than the risk-based capital requirement, the leverage ratio requirement or the tangible capital requirement required under this part may be appropriate for individual savings associations. Increased individual minimum capital requirements may be established upon a determination that the savings association's capital is or may become inadequate in view of its circumstances. For example, higher capital levels may be appropriate for:

\* \* \* \* \*

(d) *Procedures—(1) Notification.* When the OTS determines that a minimum capital requirement is necessary or appropriate for a particular savings association, it shall notify the savings association in writing of its proposed individual minimum capital requirement; the schedule for compliance with the new requirement; and the specific causes for

§ 567.4

determining that the higher individual minimum capital requirement is necessary or appropriate for the savings association. The OTS shall forward the notifying letter to the appropriate state supervisor if a state-chartered savings association would be subject to an individual minimum capital requirement.

\* \* \* \* \*

§ 567.4 Capital directives.

(a) *Issuance of a Capital Directive*—(1) *Purpose.* In addition to any other action authorized by law, the Office may issue a capital directive to a savings association that does not have an amount of capital satisfying its minimum capital requirement. Issuance of such a capital directive may be based on a savings association's noncompliance with a capital requirement established under § 567.2, § 567.3, by a written agreement under 12 U.S.C. 1464(s), or as a condition for approval of an application. A capital directive may order a savings association to:

- (i) Achieve its minimum capital requirement by a specified date;
- (ii) Adhere to the compliance schedule for achieving its individual minimum capital requirement;
- (iii) Submit and adhere to a capital plan acceptable to the Office describing the means and a time schedule by which the savings association shall reach its required capital level;
- (iv) Take other action, including but not limited to, reducing the savings association's assets or its rate of liability growth, or imposing restrictions on the savings association's payment of dividends, in order to cause the savings association to reach its required capital level;
- (v) Take any action authorized under § 567.10(e); or
- (vi) Take a combination of any of these actions.

A capital directive issued under this section, including a plan submitted pursuant to a capital directive, is enforceable under 12 U.S.C. 1818 in the same manner and to the same extent as an effective and outstanding cease and desist order which has become final under 12 U.S.C. 1818.

(2) *Notice of intent to issue capital directive.* The OTS will determine whether to initiate the process of issuing a

capital directive. The OTS will notify a savings association in writing by registered mail of its intention to issue a capital directive. If a state-chartered savings association is involved, the OTS will also notify and solicit comment from the appropriate state supervisor. The notice will state:

- (i) The reasons for issuance of the capital directive and
- (ii) The proposed contents of the capital directive.

(3) *Response to notice of intent.* (i) A savings association may respond to the notice of intent by submitting its own compliance plan, or may propose an alternative plan. The response should also include any information that the savings association wishes the OTS to consider in deciding whether to issue a capital directive. The appropriate state supervisor may also submit a response. These responses must be in writing and be delivered within 30 days after the receipt of the notices. Such responses must be filed in accordance with §§ 516.30 and 516.40 of this chapter. In its discretion, the Office may extend the time period for the response for good cause. The Office may, for good cause, shorten the 30-day time period for response by the insured savings association:

- (A) When, in the opinion of the Office, the condition of the savings association so requires, and the Office informs the savings association of the shortened response period in the notice;
- (B) With the consent of the savings association; or
- (C) When the savings association already has advised the Office that it cannot or will not achieve its applicable minimum capital requirement.

(ii) Failure to respond within 30 days of receipt, or such other time period as may be specified by the Office, may constitute a waiver of any objections to the capital directive unless the Office grants an extension of the time period for good cause.

(4) *Decision.* After the closing date of the savings association's response period, or upon receipt of the savings association's response, if earlier, the Office shall consider the savings association's response and may seek additional information or clarification of