

PDP1

Capital standards for eligible public depositories [Section 11-10.5-106(2)(b), C.R.S.]

For purposes of the Public Deposit Protection Act, a bank meeting adequate capital standards will maintain capital ratios as follows:

- A. An eligible public depository must have and maintain a minimum level of total capital to risk-weighted assets in excess of 8%. When that ratio falls to 5% or below, the eligible public depository shall submit a plan and timeframe for eliminating its public deposits. The plan will be approved as submitted or modified by the Banking Board on a case-by-case basis.
- B. If an eligible public depository's minimum level of total capital to risk-weighted assets is less than 8%, but greater than 5%, that eligible public depository shall adopt a written capital improvement plan that is acceptable to the Banking Board, and be able to meet the risk-based collateral requirements in Banking Board Rule PDP-5.
- C. Higher than minimum capital ratios may be required for an individual eligible public depository when the Banking Board determines that the bank's capital is, or may become, inadequate. For example, higher capital ratios may be appropriate for:
 - 1. A newly chartered bank;
 - 2. A bank receiving special supervisory attention;
 - 3. A bank which has, or is expected to have, losses resulting in capital inadequacy;
 - 4. A bank having a high proportion of off-balance sheet risks, especially standby letters of credit; or exposed to a high degree of asset depreciation or interest rate, funding, transfer, or similar risks; or having a low level of liquid assets in relation to short-term liabilities;
 - 5. A bank that is growing rapidly, either internally or through acquisitions; or
 - 6. A bank that may be adversely affected by the activities or condition of its holding company, affiliate(s), or other persons or institutions including chain banking organizations, with which it has significant business relationships, including concentrations of credit.
- D. An eligible public depository's capital is inadequate if it does not meet the provisions of this rule. The components of total capital are core (Tier 1) and qualifying supplementary (Tier 2) capital. Specifically, Tier 1 includes:
 - 1. Common stockholders' equity;
 - 2. Noncumulative perpetual preferred stock and any related surplus; and
 - 3. Minority interests in the equity accounts of consolidated subsidiaries.The components of Tier 2 capital include:
 - 1. Cumulative perpetual, long-term and convertible preferred stock, and any related surplus. The amount of long-term subordinated debt that is eligible to be included as Tier 2 capital is reduced by 20% of the original amount of the instrument at the beginning of each of the last five years of the life of the instrument.
 - 2. Perpetual debt and other hybrid debt/equity instruments.
 - 3. Intermediate-term preferred stock and term subordinated debt (to a maximum of 50% of Tier 1 capital).
 - 4. Loan loss reserves (to a maximum of 1.25% of risk-weighted assets).

Deductions from total capital include:

From Tier 1:

1. Goodwill and other intangibles, with the exception of identified intangibles that satisfy the criteria included in the guidelines.

From total capital:

1. Investments in unconsolidated banking and finance subsidiaries;
2. Reciprocal holdings of capital instruments.

Amendment Effective November 30, 2005

Amendments correct minor grammatical and technical errors.