June 18, 2019

Basel III Simplification Finalized as Expected

- Regulatory Relief for Non-Advanced Approaches Banks (NAABs)
- Increase to 25% of CET1 for Investment in MSAs, Capital Securities Issued by Unconsolidated Financial Institutions (UFIs), and Temporary Difference DTAs
- Up to 10% Minority Interest Amount Includable in Consolidated Regulatory Capital
- Repurchases of BHC Common Equity Tier 1 Instruments No Longer Require Prior Regulatory Approval[1]

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On May 28, 2019, the Board of Governors of the Federal Reserve Board (the Board), Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) (collectively referred to as the agencies) issued a Final Rule[2] on proposed simplifications of the Basel III capital rules. These changes were proposed initially in September 2017[3], foreshadowed in the March 2017 EGRPRA Joint Report to Congress issued by the FFIEC[4] and the August 2017 Transitions NPR[5]. The threshold increases and minority interest changes to the Final Rule become effective on April 1, 2020.

Implications for NAABs:

1. Increased investment in MSAs
2. Increased investment in UFIs
3. Increased investment in temporary difference DTAs
4. Greater use of minority interest to raise CET1, tier 1 or total capital for up to 10% of consolidated regulatory capital
5. More efficient BHC stock buy-back programs without requirement for prior regulatory approval

[1] As a technical correction, effective October 1, 2019, prior approval for common equity tier 1 repurchases or redemptions only required if the Board-regulated institution is subject to a separate legal requirement or agreement to obtain prior regulatory approval. (See Final Rule page 33.)

[2] Final Rule. Regulatory Capital Rule: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paper Reduction Act of 1996.

[3] Notice of Proposed Rulemaking. Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996. Office of the Comptroller of the Currency, Treasury, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. September 27, 2017.

[4] Joint Report to Congress. Economic Growth and Regulatory Paperwork Reduction Act. Federal Financial Institutions Examination Council. March 2017.

[5] Notice of Proposed Rulemaking. Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to the Advanced Approaches Capital Rules. Office of the Comptroller of the Currency, Treasury, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. August 22, 2017.

While these benefits will be available to all NAABs, the 13 advanced approaches banks[6] must continue to comply with the Basel III capital rules and will generally not benefit from these changes and simplifications other than certain technical corrections and clarifications to the capital rules. As such, NAABs will gain a significant capital advantage over the Advances Approaches banks. The Basel III Simplification Notice of Proposed Rulemaking in September 2017 also proposed changes to the definition of high volatility commercial real estate (HVCRE). However, these modifications were incorporated into Section 214 of EGRRCPA and no further changes were included in the Basel III Simplification Final Rule.[7] Overall, we think these rule changes acknowledge the current complexity of complying with the Basel III capital rules and provide substantial relief for non-advanced approaches banks.

1. Increased Investment in Mortgage Servicing Assets (MSAs)

The Basel III Simplification Final Rule increases the permitted amount of investment in MSAs from 10% to 25% of adjusted CET1 for NAABs with such permitted amount risk weighted at 250%. When effective on April 1, 2020, we estimate that this increased capacity means that non-advanced approaches banks could own up to $192.8 billion in total MSAs. As shown below in Chart A, with only $13.1 billion currently owned by such banks, we estimate that these NAABs will have capacity to invest an incremental $179.7 billion in MSAs and otherwise support mortgage-banking activity.

Chart A

Non-advanced Approaches Banks Ownership of MSAs ($000, as of March 31, 2019)

Bank Organizations		
Total Mortgage Servicing Assets	13,128,292	
Total CET1	771,267,740	
10% Threshold	77,126,774	
25% Threshold	192,816,935	+179,688,643

Source: S&P Global Market Intelligence, Sandler O'Neill

While it seems unlikely that non-advanced approaches banks will use all available capacity to buy MSAs, an additional 10% would represent approximately $18.0 billion of incremental investment, more than doubling current balances.

There are nearly 5,200 NAABs of which less than 1,100, or 21%, currently own MSAs. Of the $13.1 billion invested in MSAs by NAABs, approximately $4.5 billion is from about 49 banks with over 10% of CET1 invested in MSAs. Those banks may have been held back by the 10% limit on MSA investment. If those banks doubled

6 Advanced approaches banks have consolidated assets equal to $250 billion or more or foreign exposure of $10 billion or more or are subsidiaries of a bank holding company or savings and loan holding company that uses the advanced approaches methodology to calculate risk-weighted assets. There are currently 13 advanced approaches banking organizations in the U.S. including JPMorgan Chase & Co., Bank of America Corporation, Citigroup Inc., Wells Fargo & Company, Goldman Sachs Group, Inc., Morgan Stanley, State Street Corporation, Bank of New York Mellon Corporation, Northern Trust Corporation, U.S. Bancorp, PNC Financial Services Group, Inc., American Express Company, and Capital One Financial Corporation.

7 Section 214 of the EGRRCPA legislation finalized on September 18, 2019. CRE exposures classified as HVCRE ADC risk weighted at 150% with 15% equity requirement satisfied with appreciated property.

their investment to $8 billion, they would still be below the 25% threshold yet this $4.5 billion increase would represent a 32% growth in ownership of MSAs by such banks. An analysis of the positive impact to CET1 capital and, therefore, return on CET1 capital, could cause institutions to retain and/or purchase more MSAs.

Historically, the federal banking regulators have used two primary approaches to address the risk of MSAs: (i) a deduction from regulatory capital of amounts above threshold levels and (ii) higher risk weighting to MSAs not deducted from capital. This fair value method of accounting for MSAs limits the amount that a banking institution could include in regulatory capital to the lesser of 90% of the MSA's fair value or 100% of the MSA's carrying value. Amounts not deducted received a 100% risk weighting while the deducted amounts had the equivalent of a 1250% risk weighting. As highlighted below in Chart B, this methodology resulted in MSAs having an effective risk weighting of 215%.

Chart B

MSA Risk Weighting Under 90% Fair Value Requirement

Federal Banking Agencies MSA Framework		
$	1,000.0	CET1 Amount
	8.00%	regulatory capital level
$	100.0	MSA carrying value
	90%	Fair value
	10%	Fair value haircut
	100%	RW for MSA fair value
	1250%	RW for MSA hair cut
	Results:	
$	90.0	RWA for value of MSA
$	125.0	RWA for 10% haircut of MSA
$	215.0	Total RWA for investment in MSA
	215%	RWA % for carrying value of MSA

In the report to Congress on the Effect of Capital Rules on Mortgage Servicing Assets[8], the agencies acknowledged that they evaluated a range of appropriate treatments in the rulemaking process before deciding on the current two-step approach in Basel III. Through the comment process for EGRPRA, a number of bankers commented that the two-step calculation process was unduly complex and burdensome and very restrictive for community banks. Unfortunately, FDICIA limits the amount of readily marketable purchase mortgage servicing assets (PMSA) that an insured depository institution can include in regulatory capital to no more than 90% of the PMSA's fair value. Any change to this limitation can only be made if the agencies jointly determine that such change would not "have an adverse effect on the deposit insurance fund or the

[8] Report to the Congress on the Effect of Capital Rules on Mortgage Servicing Assets. Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and National Credit Union Administration. June 2016. Pages 17-18.

safety and soundness of insured depository institutions."[9] Ultimately, the agencies agreed that raising the step one cap to 25% and retaining the risk weighting of 250% of the non-deducted MSAs under the proposed simplified Basel III rule would be consistent with FDICIA requirements and approved this change with the Basel III Simplification Final Rule.

This increase in the step one cap included in the Simplification Final Rule to 25% of CET1 capital will provide a tremendous savings in risk weighting assets to NAABs. Chart C below highlights the savings of 600% of the Basel III Simplification from the current Basel III framework.

Chart C

Comparison of Basel III MSA Risk Weighting to Basel III Simplification Final Rule

MSA Investment = 25% of CET1

Basel III		Basel III Simplification Final Rule	
$ 1,000.0	CET1 Amount	$ 1,000.0	CET1 Amount
8.00%	regulatory capital level	8.00%	regulatory capital level
$ 250.0	MSA carrying value	$ 250.0	MSA carrying value
100%	Fair value	100%	Fair value
10%	CET1 step 1 Cap for investment in MSA	25%	CET1 Step 1 Cap for investment in MSA
15%	CET1 step 2 Cap for investment in MSA, DTA and significant investment in capital of unconsolidated financial institutions	0%	CET1 step 2 Cap for investment in MSA, DTA and significant investment in capital of unconsolidated financial institutions
250%	RW for MSA < =10% of CET1	250%	RW for MSA < =25% of CET1
1250%	RW for deduction against CET1 for inv. amount greater than 10% step 1 cap or greater than 15% step 2 cap	1250%	Deduction against CET1 for investment amount greater than 25% step 1 cap
Results:			
$ 250.0	RWA for value of MSA < =10% CET1	$ 625.0	RWA for fair value of MSA < =25% CET1
$ 1,875.0	RWA for amount > 10% or more of CET1	$ -	RWA for carry amount of MSA > 25% CET1
$ 2,125.0	Total RWA for investment in MSA	$ 625.0	Total RWA for investment in MSA
850%	RWA % for carrying value of MSA	250%	RWA % for carrying value of MSA

9 Notice of Proposed Rulemaking. Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996. Office of the Comptroller of the Currency, Treasury, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation. September 27, 2017. Pages 19 and 20.

Chart D shows the RWA savings across a broad range of investment in MSAs from 5% to 35% of CET1 capital.

Chart D

Comparison of MSA Risk Weighting Under Various Capital Regimes

MSA % CET1 (1)	Regulatory Framework	Current Basel III	Basel III Simplified	RWA Savings
35%	215%	964%	536%	-429%
30%	215%	917%	417%	-500%
25%	215%	850%	250%	-600%
20%	215%	750%	250%	-500%
15%	215%	583%	250%	-333%
10%	215%	250%	250%	0%
5%	215%	250%	250%	0%

(1) Assumes no step 2 deduction for investment in DTAs or capital of unconsolidated financial institutions

The reduction in RWA from 850% to 250% with a 25% cap dramatically improves the return on CET1. Key assumptions for this analysis include a MSA investment amount of $10 million, targeted CET1 ratio of 10%, and range of yields on MSA investments from 9% to 13%. As shown below in Chart E, at the 850% risk weighting, the bank can only hold $11.8 million of MSAs ($10/850%/10%) and still meet the targeted 10% CET1 ratio. The return on that $10 million of CET1 capital would only be 10.6% assuming a 9% yield on the MSAs. At the 250% risk weighting, the return on CET1 improves to 36.0% and the investment amount supported by the $10 million in capital increases to $40 million ($10/250%/10%). The reduction in risk weighting increases the amount that can held given a fixed amount of capital thereby improving the overall ROE.

Chart E

Comparison of ROE for MSA Investment

	Allocated Capital	10.0	Annualized Return on Allocated Capital				
	Investment With CET1 @	10.00%	Yield on MSA Investment				
			9.00%	10.00%	11.00%	12.00%	13.00%
RWA	850%	11.8	10.6%	11.8%	12.9%	14.1%	15.3%
	750%	13.3	12.0%	13.3%	14.7%	16.0%	17.3%
	650%	15.4	13.8%	15.4%	16.9%	18.5%	20.0%
	550%	18.2	16.4%	18.2%	20.0%	21.8%	23.6%
	450%	22.2	20.0%	22.2%	24.4%	26.7%	28.9%
	350%	28.6	25.7%	28.6%	31.4%	34.3%	37.1%
	250%	40.0	36.0%	40.0%	44.0%	48.0%	52.0%

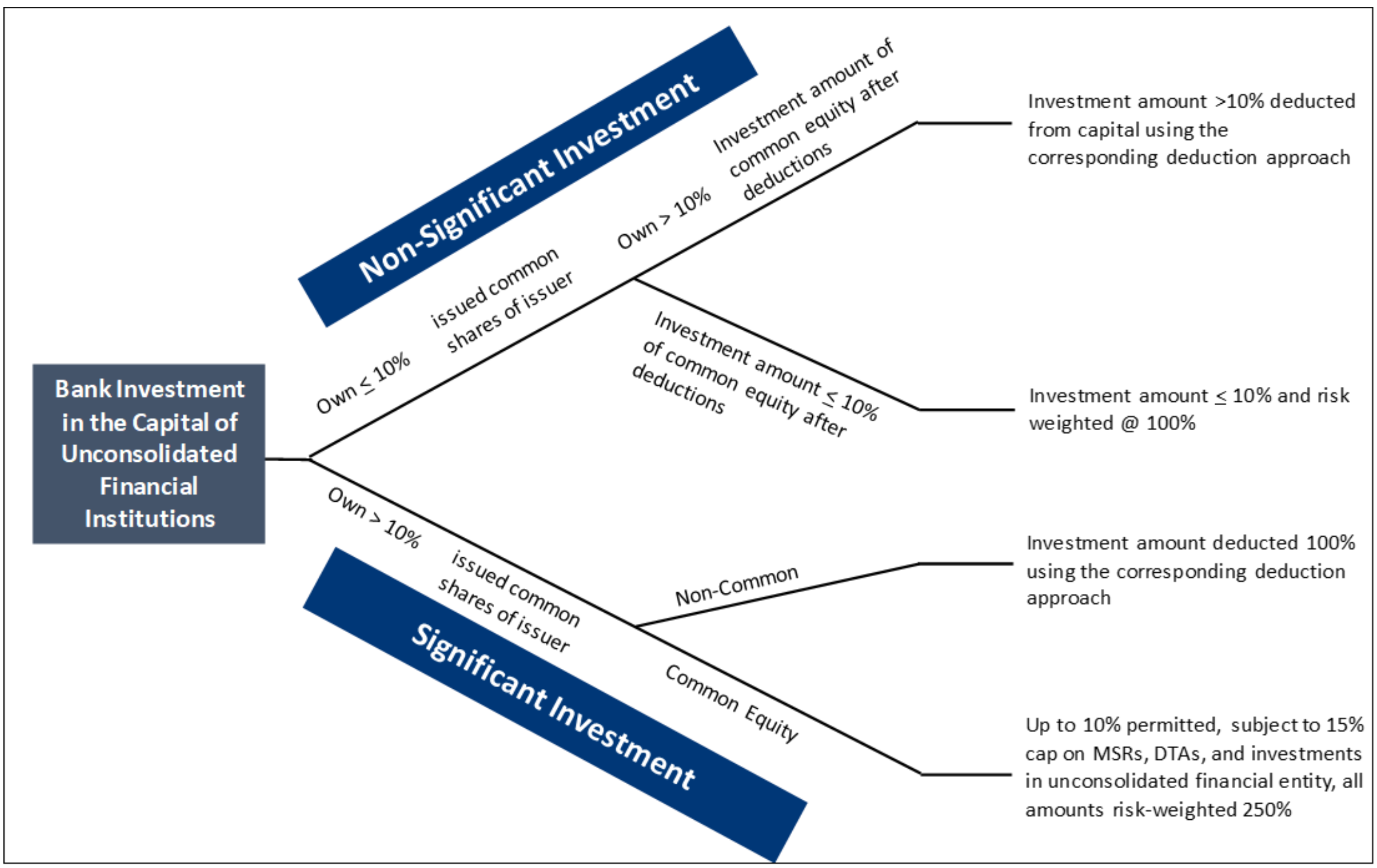
Higher potential returns should attract more NAAB buyers. This creates more demand for the servicing asset (adds a "bid"), and thus supports a higher value, which in turn should result in lower interest rates for consumers.

2. Increased Investment in Capital Securities Issued by UFIs

Current Basel III capital rules require that all banking organizations deduct investments in the capital securities issued by UFIs (such as subordinated debt, trust preferred, preferred stock and common stock) for amounts above the step 1 cap of 10% of CET1 and the step 2 cap of 15% using the corresponding deduction approach. As highlighted below in Chart F, the current Basel III rules require banking organizations to determine if: (i) the UFI investment was significant or non-significant, (ii) the investment amount was greater than 10% of CET1, and (iii) apply the corresponding deduction approach to deduct any amounts greater than 10% of CET1 from the banking organziations regulatory capital.

Chart F

Current Basel III Decision Tree for Investment in UFIs

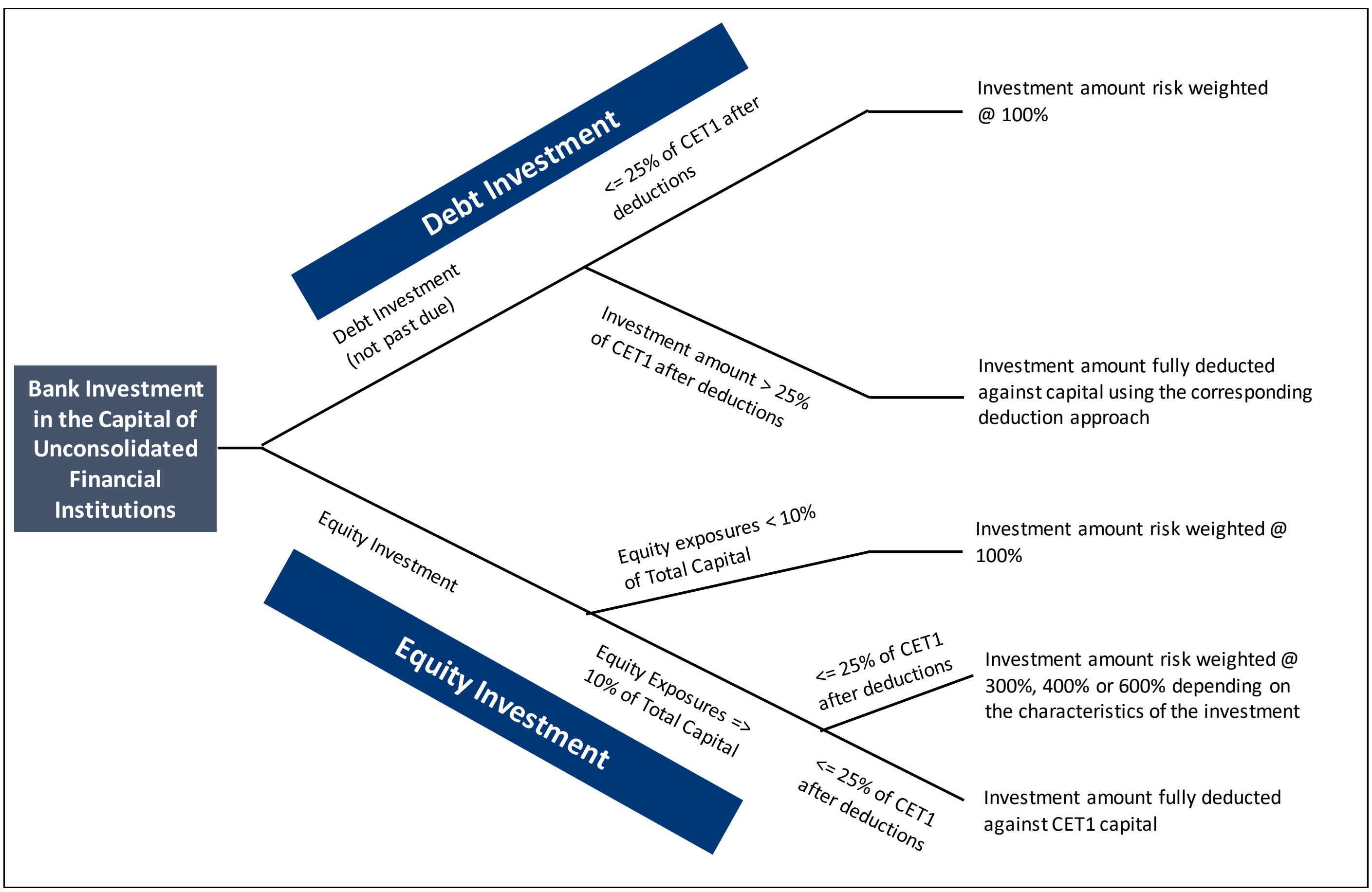


Note that for non-significant investments where the investment amount was 10% or less of the bank's CET1, the risk weighting would be 100%. For significant investments, non-common investments are deducted 100% using the corresponding deduction approach while equity investments of up to 10% of CET1 are permitted with a risk-weighting of 250%.

As illustrated below in Chart G, with the Basel III Simpification Final Rule, UFIs will be divided into debt and equity investments rather than significant or non-significant investments. Debt UFI amounts that are less than or equal to 25% of a banking organization's CET1 will be risk weighted at 100%. Debt UFI amounts greater than 25% of CET1 will be deducted against bank capital using the corresponding deduction approach. Aggregate equity UFI amounts of less than 10% of Total Capital may be risk weighted at 100%. Equity UFI amounts more than 10% of Total Capital but less than 25% of CET1 capital will be risk weighted at 100%, 300%, 400%, or 600% depending on the characteristics of the equity investment. Equity UFI amounts greater than 25% of CET1 will be fully deducted against CET1.

Chart G

Basel III Simplification Final Rule – Decision Tree for Investment in UFIs



Overall, with debt investments permitted for up to 25% of adjusted CET1, NAABs banks will have much more flexibility to add UFI investments that will 100% risk weighted. Small equity investment amounts of less than 10% of Total Capital will be risk weighted at 100% providing some encouragement to NAABs to diversify their investment portfolio with equity securities. While equity UFI investments are permitted for up to 25% of CET1, the risk weighting will depend on the characteristics of the equity if aggregate equity investment amount exceeeds 10% of Total Capital.

3. Increased Investment in Temporary Difference Deferred Tax Assets (DTA

Current Basel III capital rules require that all banking organizations deduct investments in temporary difference DTAs above the step 1 cap of 10% of CET1 and the step 2 cap of 15% of CET1. Any amounts not deducted are risk weighted at 250%. The implementation of the Current Expected Credit Loss (CECL) standard could create substantial temporary difference DTAs upon implementation in 2020.

In October 2016, the Basel Committee on Banking Supervision (BIS) recognized the potential disruptive impact on capital ratios from forward looking expected credit loss provisioning.[10] The BIS expressed concern that the adoption of expected credit loss methodology would trigger substantial temporary difference DTAs from non-deducted loss provisions. Absent transitional arrangements, a potential sharp increase in DTAs could create a "capital shock." Some possible options may be excluding any CECL related temporary difference from deduction from CET1 and excluding any CECL related provision from inclusion in tier 2 capital. Recognizing the concerns about the implementation of CECL on capital and accounting considerations, the U.S. agencies released a Joint Statement on the New Accounting Standard on Financial Instruments – Credit Losses[11] followed by a Frequently Asked Questions bulletin on the adoption of CECL[12] in September 2017. CECL will take effect in 2020 for SEC filers, 2021 for Public Business Entities (PBEs)[13] or 2022 for all others. The agencies have indicated that they are not planning to make revisions to the treatment of ALLL in regulatory capital calulations. By increasing the temporary difference DTA cap from 10% to 25% of CET1, the impact of an incease in temporary difference DTAs on regulatory capital will be muted for NAABs. However, with an effective date of April 1, 2020, those NAABs that as SEC filers are required to take CECL in the first quarter of 2020 may not be able to benefit from the increase in permitted DTA amounts to 25% of adjusted CET1. It would certainly be our hope that any timing differences beween a Q1 2020 CECL charge and the Q2 effective date for the increase to 25% in permtted DTAs could be resolved in supervisory discussions with the relevant regulators.

[10] Consultative Document. Regulatory Treatment of Accounting Provisions – Interim Approach and Transitional Arrangements. October 2016 - Issued for Comment by January 13, 2017. Bank for International Settlements.

[11] https://www.fdic.gov/news/news/press/2016/pr16051a.pdf

[12] https://www.fdic.gov/news/news/financial/2017/fil17041a.pdf

[13] For purposes of compliance with CECL, a PBE represents a public business entity that is not a SEC filer but would include: (i) an entity that has issued securities that are traded, listed or quoted on an over-the counter market and (ii) an entity that has issued one or more securities that are not subject to contractual restrictions on transfer and is required by law, contract or regulation to prepare U.S. GAAP financial statements (including footnotes) and them publicly available periodically.

4. Greater Use of Minority Interest Capital

Minority interests are capital instruments issued by a consolidated subsidiary of a banking organization to third party investors. Capital instruments issued as minority interests must meet all of the eligibility requirements for the relevant tier of capital. Under current Basel III capital rules, the amount of a subsidiary's surplus capital contributed by third party investors cannot be counted towards the parent organization's consolidated capital. Under the Simplification Final Rule, the calculation of the maximum amount of minority interest included in regulatory capital would be 10% of the parent banking organization's CET1, tier 1 or total capital.

To contextualize the impact of issuing minority interest capital, we have provided an example of an issuer below in Chart H. Based on the assumptions outlined, the banking organization will be able to issue $40 million of tax-deductible REIT preferred capital to third party investors, 100% of which would be included in the parent BHC's tier 1 capital.

Chart H

REIT Preferred Capital Efficiency for Minority Interest Under the Simplification Final Rule

Parent BHC Total RWA ($)	$ 3,500,000
Parent BHC Avg. RWA %	70%
Parent BHC Total Asset	$ 5,000,000
Parent BHC CET1 ($)	$ 400,000
Parent BHC CET1 / RWA ($)	11.43%
Parent Total Tier 1 Capital	$ 400,000
Parent BHC Total Tier 1 / RWA ($)	11.43%
Pro Forma BHC Tier 1/RWA %	12.43%
REIT Subs Total Assets	$ 500,000
REIT Subs. Avg. RWA %	50%
REIT Subsidiary Total RWA ($)	$ 250,000
REIT Total Equity Capitalization ($)	$ 100,000
REIT Subsidairy Common Equity ($)	$ 60,000
REIT Preferred Issuance Amt ($)	$ 40,000
REIT Total Equty Capitalization ($)	$ 100,000
REIT Total Debt Capitalization ($)	$ 400,000

- REIT subsidiary would have intercompany debt of $400 million or approximately 80% of total REIT capitalization that would be eliminated in consolidation with the bank parent
- BHC consolidated Tier 1/RWA would increase from 11.43% to 12.34% or roughly 8%
- 100% of the $40 million REIT preferred issued would count as BHC tier 1 capital

	(a) Capital Issued By Subsidiary ($)	(b) Capital Owned by Third Parties (%)	(c) Amount of Minority Interest ($) (a) * (b)	(d) Maximum Permitted Amount (%) 10%	(e) Surplus Minority Interest ($) (d) - (c)	(f) Minority Interest Included at Banking Organization Level ($) (c)- (e)
CET1	$ 60,000	0.00%	$ -	-	$ -	$ -
Additional Tier 1	$ 40,000	100.00%	$ 40,000	$ 40,000	$ -	$ 40,000
Total Tier 1 Capital	$ 100,000	40.00%	$ 40,000	$ 40,000	$ -	$ 40,000
Tier 2 Capital	$ -	$ -	$ -	-		
Total Capital	$ 100,000	40.00%	$ 40,000	$ 40,000	$ -	$ 40,000

Since REIT preferred is the <u>ONLY</u> form of tax-deductible tier 1 capital allowed under Basel III capital rules, this simplification of the minority interest rules could spur interest among non-advanced approaches banks who want to bolster their tier 1 capital -- particularly among those banks with existing REIT subsidiaries of their banks.

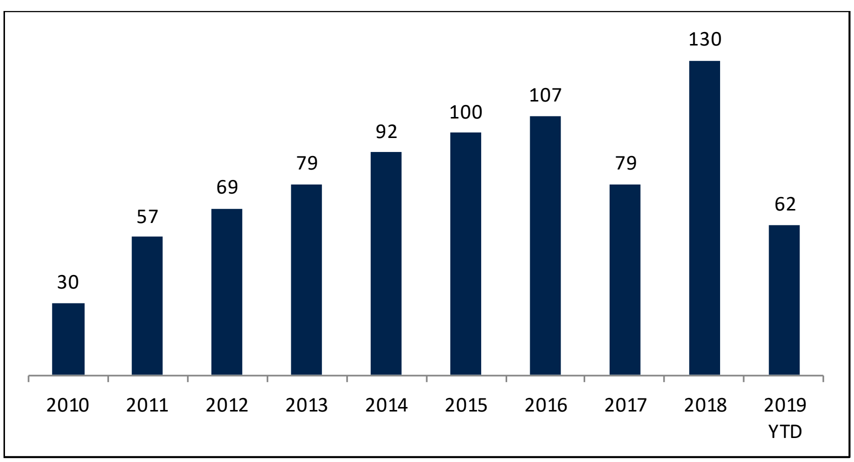
5. More Efficient BHC Stock Buy-Back Programs without Prior Regulatory Approval

The Basel III Simplification Final Rule includes a number of technical corrections that become effective on October 1, 2019. Among those, perhaps the most impactful is the elimination of the requirement of prior regulatory approval for any repurchases or redemptions of BHC common equity tier 1 capital instruments. Prior approval will now be required only to the extent that a Board-regulated institution is subject to a separate legal requirement to obtain prior approval for the redemption or repurchase.[14]

During the turbulent fourth quarter of 2018 when the fear of rising rates and credit quality concerns sparked a sharp equity market sell-off, the ability to execute promptly stock repurchase programs became increasingly important. According to S&P Global Market Intelligence as of December 31, 2018, stock repurchase programs increased significantly to a high of 130 or 34% of the 385 banks and thrifts traded on the NYSE, NYSE American or NASDAQ. This was the highest level of repurchase activity since before the 2007-2009 recessionary period.

Chart I

Share Repurchase Plans Announced



Source: S&P Global Market Intelligence

[14] Final Rule. Regulatory Capital Rule: Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paper Reduction Act of 1996. Page 33.

The practical limits on the Federal Reserve Board's ability to respond on a timely basis to this high volume of requests for approval of stock repurchases likely contributed to this technical correction that will nonetheless be welcomed by publicly traded banking institutions.

Summary and Implications

Overall, after much delay we are pleased to see that the Basel III Simplification Final Rule was delivered with few surprises. This will provide regulatory relief to NAABs from the current complexity of complying with the Basel III capital rules. The higher cap of 25% for investment in MSAs offers welcome relief that will likely attract more investment interest in MSAs and the mortgage banking industry in general from regional and community banks and may stimulate price appreciation in the value of MSAs. The higher cap of 25% for investment in debt UFIs will enable banks to own more debt capital securities issued by banks that will be welcome during a time when banks are searching for attractive yields without taking on too much duration risk or credit risk relative to bank originated loans. The higher cap of 25% for investment in DTAs will help address potential concerns about substantial increases in DTAs arising from timing differences with the adoption of CECL beginning in 2020. Finally, the simplification of the minority interest calculation to permit up to 10% includable in regulatory capital may rekindle interest by banks in issuing minority interest capital including tax-deductible REIT preferred as a form of tier 1 capital. The technical clarification that prior regulatory approval was no longer required for BHC stock repurchases was an unexpected but welcome bonus for publicly traded banking institutions.

Thomas W. Killian *is a Principal of Sandler O'Neill + Partners, L.P. His 40-year career in commercial and investment banking includes seven years of commercial banking experience with NationsBank, structuring and arranging leveraged finance transactions; two years with Salomon Brothers, transacting capital markets and advisory assignments for a variety of major corporations; five years with J.P. Morgan, managing financial advisory and capital raising activities for banks and thrifts in the Western region of the United States; and 26 years with Sandler O'Neill, advising banks, thrifts, and insurance companies on a variety of capital markets, strategic advisory and M&A assignments.*

At Sandler O'Neill, Mr. Killian has managed the successful execution of numerous M&A and capital raising transactions. Most recently, he advised the HAFC on their $100 million public offering of subordinated debt, RBB on their $86 million IPO and $55 million private offering of subordinated debt, PCB on their $55 million IPO, and the FDIC on the successful least cost resolution of Doral Bank using a multiple acquirer strategy. He has co-managed the Sandler O'Neill team responsible for successfully completing 17 pooled trust preferred transactions that raised over $7 billion for approximately 650 financial institutions. Included in Mr. Killian's capital raising transactions are eight recapitalization and restructuring transactions that involved complex capital structures designed to preserve tax benefits for the issuing institutions. He functions as a primary resource in structuring and implementing complex capital markets transactions for financial institutions.

Mr. Killian holds a Bachelor of Science from the University of North Carolina at Chapel Hill, where he was a John Motley Morehead Merit Scholar, and a Masters in Business Administration from Northwestern University's J.L. Kellogg Graduate School of Management. He has represented Sandler O'Neill in conferences with the Federal Financial Institutions Examination Council, the Federal Reserve, the Federal Deposit Insurance Corporation, and SNL Financial to discuss capital structure, Dodd-Frank and Basel III related issues. His articles have appeared in Bank Accounting & Finance, U.S. Banker and Modern Bankers, a publication of the Peoples Bank of China.

Mr. Killian is also a founding board member of Students Bridging the Information Gap, a 501(c)(3) charity that provides computers, books and other support to African schools and orphanages.

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