



RESCINDED

OCC BULLETIN 2014-20

Subject: Regulatory Capital - Proposed Revisions to the Risk-Based Capital Definition of Eligible Guarantee for Advanced Approaches Banks

To: Chief Executive Officers of National Banks and Federal Savings Associations, All Department and Division Heads, All Examining Personnel, and Other Interested Parties

Date: May 1, 2014

Transmittal - See OCC 2014-38.

Description: Notice of Proposed Rulemaking

Summary

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation are seeking comment on a notice of proposed rulemaking (NPR) that would revise the advanced approaches¹ risk-based capital rules by removing the requirement that only guarantees provided by certain counterparties are eligible for recognition as credit risk mitigants. Specifically, the NPR would modify the definition of “eligible guarantee” for purposes of the advanced approaches risk-based capital rules by removing the requirement that an eligible guarantee be provided by an “eligible guarantor” for all exposures other than securitization exposures. The comment period for the proposed rule ends on June 13, 2014.

Highlights

- The proposed change to the definition of eligible guarantee would apply to all banking organizations subject to the advanced approaches rules.
- The proposed revision would expand the set of recognized guarantors to that which existed under the 2007 advanced-approaches final rule (Basel II).² For example, the commercial real estate exposures of advanced approaches banking organizations are often “guaranteed” by counterparties that do not meet the current definition of “eligible guarantor” under the Basel III final rule (e.g., they do not have rated debt, are not depository institutions, etc.) but which provide credit enhancement and thus should continue to qualify as credit risk mitigants.
- The proposed rule would not revise the definition of eligible guarantee for the standardized approach risk-based capital rules.

Note for Community Banks

The final rule will not apply to community banks.

Further Information

You may direct questions or comments to Margot Schwadron, Senior Risk Expert, Capital Policy Division, at (202) 649-6982.

John C. Lyons Jr.
Senior Deputy Comptroller and Chief National Bank Examiner

¹ Advanced-approaches banking organizations generally include those with \$250 billion or more in total consolidated assets or \$10 billion or more in on-balance-sheet foreign exposure; other banking organizations that opt in to the advanced approaches; and depository institution subsidiaries of banking organizations that trigger one of the aforementioned thresholds.

² <http://www.occ.gov/news-issuances/federal-register/72fr69288.pdf>.

Related Link

- "Notice of Proposed Rulemaking-Regulatory Capital-Advanced Approaches Risk-Based Capital Rule, Proposed Revisions to the Definition of Eligible Guarantee [<http://www.gpo.gov/fdsys/pkg/FR-2014-05-01/pdf/2014-09452.pdf>]," (PDF)

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