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Attached is the Federal Reserve Board’s final rule on Interbank Liabilities. The rule affects all insured depository institutions including savings associations. This new regulation (Regulation F), “Interbank Liabilities,” implements Section 308 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA).

Regulation F requires savings associations to develop and implement internal procedures to evaluate and control exposure to their correspondents. Federal Home Loan Banks and Federal Reserve Banks are not considered “correspondents” for purposes of this regulation.

Regulation F requires savings associations to maintain written policies and procedures that prevent excessive exposure to any individual correspondent. The regulation also requires periodic reviews of the overall financial condition of any correspondent to which the savings association has significant exposure.

In addition, Regulation F requires savings associations to limit credit exposure to any individual correspondent to no more than 25% of the savings association’s total capital unless the correspondent is at least “adequately” capitalized. The term “adequately” capitalized parallels the OTS definition of adequately capitalized found at 12 C.F.R. 565.4 (total risk-based capital ratio of 8% or greater, and Tier 1 risk-based capital ratio of 4% or greater) except for the leverage ratio requirement. Regulation F defines adequately capitalized as a flat 4% or greater with no provision for a lower leverage ratio if the correspondent is rated “1” under the MACRO/CAMEL rating systems. This difference is necessary since examination ratings are confidential and cannot be disclosed.

Although Regulation F was effective December 19, 1992, savings associations have until June 19, 1993 to establish their policies and procedures for selecting and monitoring correspondents. The 25% limit on credit exposure to less than “adequately” capitalized correspondents is phased-in gradually. For the one-year period beginning on June 19, 1994, the credit exposure limit for correspondents that are less than adequately capitalized is 50% of the savings association’s capital. After June 19, 1995, the 25% limit becomes effective.

The final rule was published in the Federal Register, Vol. 57, No. 244, pp. 60086–60108. It was effective December 19, 1992.

Acting Director
Office of Thrift Supervision

Attachment