

# RESCINDED

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Outdated

## Market Risk: Joint Response About the Effect of Recent Financial Market Volatility on the Market Risk Capital Rule

To

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

### Summary

The Office of the Comptroller of the Currency (OCC) and the Board of Governors of the Federal Reserve System (collectively, the agencies) today issued a response to a public question about a capital implication under the market risk capital rule in light of current market conditions. Concern about the impact of the Coronavirus

Disease 2019 (COVID-19) has led to a sudden and significant repricing of global financial markets and an increase in market volatility and deterioration in market liquidity.

### Note for Community Banks

The bulletin applies to banks<sup>1</sup> subject to market risk capital rule, which generally applies to banking organizations with aggregate trading assets and trading liabilities equal to at least 10 percent or more of quarter-end total assets or \$1 billion.

## Highlights

- The question relates to an increase in the number of backtesting exceptions and the capital implication under the market risk capital rule (12 CFR 3, subpart F).<sup>2</sup>
- The joint response notes that the agencies took supervisory action in March 2020 and April 2020 giving certain banks the option to apply the multiplication factor that applied as of December 31, 2019, rather than applying a higher multiplier based on the most recent exceptions.

## Further Information

Please contact Margot Schwadron, Director, and Guowei Zhang, Risk Expert, Capital Policy Division, at (202) 649-6370.

Grovetta N. Gardineer

Senior Deputy Comptroller for Bank Supervision Policy

## Related Link

- ["Market Risk FAQ: Regulatory Capital for Market Risk – Multiplication Factor Based on Results of Backtesting"](#)  
(PDF)

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<sup>1</sup> "Banks" refers collectively to national banks and federal savings associations.

<sup>2</sup> Refer to 12 CFR 3, subpart F, "Risk-Weighted Assets – Market Risk."

Topic(s): ■ [CAPITAL](#) ■ [CAPITAL MARKETS](#)