Joint Release

Federal Reserve Board of Governors
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency

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Agencies Propose Rule to Update Calculation of Derivative Contract Exposure Amounts under Regulatory Capital Rules

Three federal banking agencies on Tuesday invited public comment on a proposal to update their standards for how firms measure counterparty credit risk posed by derivative contracts under the agencies' regulatory capital rules. The proposed changes are designed to better reflect the current derivatives market and incorporate risks observed during the 2007-2008 financial crisis.

The proposal, jointly issued by the Federal Reserve Board, Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, would provide the "standardized approach for measuring counterparty credit risk," also known as "SA-CCR" as an alternative approach to the agencies' current exposure methodology, or CEM, for calculating derivative exposure under the agencies' regulatory capital rules. SA-CCR better reflects the current derivatives market and would provide important improvements to risk sensitivity, resulting in more appropriate capital requirements for derivative contracts exposure.

The "advanced approaches" banking organizations--firms that have $250 billion or more in total consolidated assets or $10 billion or more in on-balance sheet foreign exposure--would be required to use SA-CCR for purposes of calculating both standardized total risk-weighted assets and the supplementary leverage ratio. Non-advanced approaches banking organizations would be allowed to use either CEM or SA-CCR to determine the exposure amount for derivative contracts. Comments will be accepted for 60 days after publication in the Federal Register.

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Attachment:

- Standardized Approach for Calculating the Exposure Amount of Derivative Contracts

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