PRESS RELEASE

Federal Deposit Insurance Corporation • Each depositor insured to at least $250,000

September 27, 2017

Media contact:
Julianne Fisher Breitbeil
(202) 898-6895
jbreitbeil@fdic.gov

FDIC Adopts Final Rule on Qualified Financial Contracts

The Federal Deposit Insurance Corporation (FDIC) today adopted a final rule to enhance the resilience and safety and soundness of state savings associations and banks supervised by the FDIC that are affiliated with systemically important U.S. and foreign banking organizations ("covered FDIC-supervised institutions").

Under the final rule, covered FDIC-supervised institutions are required to ensure that their qualified financial contracts (QFCs) do not allow for immediate cancellation or termination under certain circumstances. QFCs include derivatives, securities lending, and short-term funding transactions, such as repurchase agreements. These transactions can pose a threat to financial stability in times of market stress. The final rule requires that QFCs of covered FDIC-supervised institutions, including those with foreign counterparties, clarify that they are subject to temporary stays under U.S. resolution regimes. In addition, QFCs of covered FDIC-supervised institutions are prohibited from allowing the exercise of default rights against, or imposing transfer restrictions on, the covered FDIC-supervised institution based on the entry of an affiliate of the covered FDIC-supervised institution into bankruptcy.

The final rule also amends the definitions of "qualifying master netting agreement" and related terms in the FDIC's capital and liquidity rules to account for the final rule.

The FDIC issued a proposed rule on this issue last year. The final rule reflects changes made to the proposal in response to comments received by the FDIC. Requirements of this final rule are substantively identical to those contained in the final rule recently adopted by the Federal Reserve Board.

Attachment:
Final Rule: Establishing Restrictions on Qualified Financial Contracts of Certain FDIC Supervised Institutions; Revisions to the Definition of Qualifying Master Netting Agreement and Related Definition

###