Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429-9990

Financial Institution Letter
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July 9, 2013

REGULATORY CAPITAL RULES
Advanced Approaches Risk-Based Capital Rule and Market Risk Capital Rule

Summary: The FDIC has issued the attached interim final rule that revises the advanced approaches risk-based capital rule (advanced approaches rule) to incorporate revisions by the Basel Committee on Banking Supervision to the Basel capital framework (Basel III) in a manner consistent with the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The interim final rule also applies the market risk capital rules to state savings associations. The interim final rule contains regulatory text that is identical to the common rule text adopted as a final rule by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency.

Statement of Applicability to Institutions Under $1 Billion in Total Assets: This Financial Institution Letter, which discusses changes to the advanced approaches rule and the market risk rule, is generally not applicable to banks with total assets less than $1 billion. The market risk rule applies to institutions with trading assets and liabilities of $1 billion or more, or trading assets and liabilities equal to 10 percent or more of total assets.

Distribution:
FDIC-Supervised Banks and Savings Associations

Suggested Routing:
Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Related Topics:
Risk-Based Capital Rules, 12 CFR Part 325, Basel III

Attachment:
Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Capital Adequacy, Transition Provisions, Prompt Corrective Action; Standardized Approach for Risk-Weighted Assets; Market Discipline and Disclosure Requirements; Advanced Approaches Risk-Based Capital Rule; and Market Risk Capital Rule (PDF Help)

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Highlights:
The interim final rule:

- Introduces a credit valuation adjustment (CVA) capital requirement to address a potential increase in CVA due to changes in counterparty credit spreads.
- Includes a revised treatment for transactions with central counterparties (CCP) whereby transactions conducted through a qualifying CCP receive a more favorable capital treatment relative to those transactions conducted through a CCP.
- Enhances requirements for the calculation of counterparty credit risk, including additional requirements for the use of stressed inputs and enhanced stress testing analyses in the internal models methodology.
- Increases the correlation factor used to determine the capital requirement for certain wholesale exposures.
- Removes the ratings-based and the internal assessment approaches from the securitization hierarchy and substitutes in their place a simplified supervisory formula approach.
- Revises the market risk rule to apply to state savings associations.
- Removes references to credit ratings consistent with Section 939A of the Dodd-Frank Act.
- Introduces a minimum 3 percent supplementary leverage ratio.