



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

Financial Institution Letter

FIL-62-2013

December 30, 2013

Statement Regarding Treatment of Certain Collateralized Debt Obligations Backed by Trust Preferred Securities under the Rules implementing Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Summary: The federal banking agencies, along with the U.S. Securities and Exchange Commission (the Agencies), have issued a statement regarding the treatment of Collateralized Debt Obligations (CDOs) that contain Trust Preferred Securities (TruPS) under section 13 of the Bank Holding Company Act, which implements section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), also known as the "Volcker Rule." The Agencies are currently considering whether it would be appropriate and consistent with the Dodd-Frank Act not to subject TruPS CDOs to the investment prohibitions of the Volcker Rule.

Statement of Applicability to Institutions Under \$1 Billion in Total Assets: This Financial Institution Letter is applicable to all institutions holding TruPS CDOs regardless of asset size.

Distribution:

FDIC-Supervised Banks (Commercial and Savings) and FDIC-Supervised Savings Associations

Suggested Routing:

Board of Directors
Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Related Topics:

Dodd-Frank Wall Street Reform and Consumer Protection Act
Bank Holding Company Act

Attachment:

[Statement Regarding Treatment of Certain Collateralized Debt Obligations Backed by Trust Preferred Securities under the Rules implementing Section 619 of the Dodd-Frank Act](#) - PDF ([PDF Help](#))

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Note:

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Highlights:

The attached statement notes that:

- The Agencies are considering whether it is appropriate and consistent with the provisions of the Dodd-Frank Act not to subject pooled investment vehicles for TruPS, such as TruPS CDOs, to the prohibitions on ownership of covered funds in section 619 of the Dodd-Frank Act, in order to eliminate restrictions that might otherwise have consequences that are inconsistent with the relief Congress intended to provide community banking organizations under section 171(b)(4)(C) of the Dodd-Frank Act.
- The Agencies intend to address this matter no later than January 15, 2014.
- The accounting staffs of the agencies believe that, consistent with generally accepted accounting principles, any actions in January 2014 that occur before the issuance of December 31, 2013, financial reports, including the FR Y-9C and the Call Report, should be considered when preparing those financial reports.

The FDIC recommends that banking organizations consider this statement of pending regulatory action and, once it is taken, the action itself when making any accounting or economic decisions related to their holdings of TruPS CDOs and their treatment under the Volcker Rule.