



Capital Standards

FIL-46-2004
April 26, 2004

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: Extension of Interim Final Rule Applicable to Sponsors of Asset-Backed Commercial Paper (ABCP) Programs Affected by "Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities"

Summary: *The four federal banking and thrift agencies are extending to July 1, 2004, the expiration date of the interim final rule temporarily amending their risk-based capital requirements for the assets of sponsors of asset-backed commercial paper (ABCP) programs impacted by "Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities" (FIN 46). This is to provide ABCP sponsors one additional quarter of risk-based capital relief while the staffs of the agencies finalize a permanent, more risk-sensitive capital requirement for ABCP program exposures.*

On October 1, 2003, the four federal banking and thrift agencies issued an interim final rule amending the agencies' risk-based capital standards by providing an interim capital treatment for assets in asset-backed commercial paper (ABCP) programs that are consolidated onto the balance sheets of sponsoring banks, bank holding companies, and savings associations (collectively, "sponsoring banking organizations") as a result of a recently issued accounting interpretation, "Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities" (FIN 46). (See FIL-74-2003, dated October 1, 2003.) The expiration date of the interim final rule has been extended to July 1, 2004.

The interim capital treatment allows sponsoring banking organizations to remove the consolidated ABCP program assets from their risk-weighted asset bases for the purpose of calculating their risk-based capital ratios. The interim final rule applied this capital treatment only to the regulatory reporting periods ending September 30 and December 31, 2003, and March 31, 2004. In addition, on October 1, 2003, the agencies issued a notice of proposed rulemaking concurrently with the interim final rule that proposed capital charges on certain ABCP exposures.

The agencies have extended the capital treatment set forth in the interim final rule, which allows sponsoring banking organizations to remove the consolidated ABCP program assets from their risk-weighted asset bases through July 1, 2004, as the

agencies continue to work on developing a more risk-sensitive capital requirement for exposures to ABCP programs.

For more information, please contact Jason C. Cave, Chief, Policy Section, Capital Markets Branch, on 202-898-3548 or Michael B. Phillips, Counsel in the Legal Division, on 202-898-3581.

For your reference, FDIC Financial Institution Letters may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2004/index.html. To learn how to automatically receive FDIC Financial Institution Letters through e-mail, please visit <http://www.fdic.gov/news/announcements/index.html>.

Michael J. Zamorski
Director
Division of Supervision and Consumer Protection

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Attachment:

- April 26, 2004, Federal Register, pages 22382-22385

Distribution: FDIC-Supervised Banks (Commercial and Savings)

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