



## CAPITAL STANDARDS

FIL-31-2002  
April 9, 2002

TO: CHIEF EXECUTIVE OFFICER  
SUBJECT: *Final Rule Lowers Risk-Weighting for Claims on Securities Firms*

The Federal Deposit Insurance Corporation (FDIC) and the other federal banking agencies have issued a final rule amending their risk-based capital standards for banks, bank holding companies and savings associations (institutions) to reduce the risk weight applied to claims on, or guaranteed by, qualifying securities firms.

The FDIC, the Board of Governors of the Federal Reserve System (Board), the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS) jointly published the final rule, which is included in the attached *Federal Register* notice.

The final rule lowers the risk weight applied to certain claims on qualifying securities firms from 100 percent to 20 percent. This change is consistent with the treatment of claims on securities firms under an April 1998 amendment to the Basel Accord. The Accord is an international framework for assessing the capital adequacy of depository institutions by risk weighting their assets and off-balance-sheet exposures and serves as the basis for the banking agencies' risk-based capital standards.

Under the final rule, qualifying securities firms are securities firms incorporated in:

- the United States that are broker-dealers registered with the Securities and Exchange Commission (SEC) and are in compliance with the SEC's net capital requirements; or
- other member countries of the Organization for Economic Cooperation and Development (OECD) that are subject to supervisory and regulatory arrangements, including risk-based capital requirements, comparable to those imposed on banks in OECD countries.

There are three ways in which a 20 percent risk weight on a claim against a qualifying securities firm may apply:

- The qualifying securities firm has a long-term credit rating in one of the three highest investment-grade credit rating categories used by a nationally recognized statistical rating organization.
- The qualifying securities firm's parent company satisfies the rating requirement and guarantees the claim.
- The claim on the qualifying securities firm arises from a repurchase/reverse repurchase agreement or securities lending/borrowing transaction and satisfies certain collateral and other requirements.

Consistent with the existing rules of the Board and the OCC, the FDIC and the OTS also are amending their risk-based capital standards to permit a zero percent risk weight for certain claims on qualifying securities firms that are collateralized by cash or by securities issued or guaranteed by the U.S. or OECD central governments.

The rule will take effect on July 1, 2002. However, FDIC-supervised institutions may choose to immediately apply the provisions of the final rule, including in the risk-based capital calculations for their March 31, 2002, Reports of Condition and Income (Call Report).

For further information about this rulemaking, please contact Stephen G. Pfeifer, Examination Specialist, FDIC Division of Supervision, on 202-898-8904.

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Director

Attachment: Federal Register, page 16971-16980  
[HTML](#) or [PDF](#) (77.8 KB File - [PDF Help](#) or [Hard Copy](#))

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