CAPITAL STANDARDS

FIL-48-2002
May 17, 2002

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Interagency Advisory on the Regulatory Capital Treatment of Accrued Interest Receivable Related to Credit Card Securitizations*

The Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Office of Thrift Supervision are issuing the attached interagency advisory to clarify the appropriate risk-based capital treatment for banking organizations that securitize credit card receivables and record an on-balance sheet asset commonly referred to as Accrued Interest Receivable (AIR).

The advisory describes how the AIR asset is created, explains why this asset is considered a subordinated retained interest for regulatory capital purposes, and describes the regulatory capital treatment that applies to the AIR asset. In this regard, the advisory notes that the AIR asset meets the definition of a recourse exposure for risk-based capital purposes and that this asset is subject to higher risk-based capital requirements than many institutions are currently applying to it. Accordingly, the agencies expect institutions to hold risk-based capital for this exposure in an amount consistent with the subordinated nature of the AIR asset by no later than December 31, 2002, unless supervisory concerns warrant an institution's earlier application of this regulatory capital treatment. Institutions that have been properly reflecting the AIR asset as a credit enhancement for risk-based capital purposes are expected to continue to do so.

For further information, please contact Robert F. Storch, Chief, Accounting Section (202-898-8906), or Stephen G. Pfeifer, Examination Specialist (202-898-8904), in the Division of Supervision.

Michael J. Zamorski
Director

Attachment: Interagency Advisory on the Regulatory Capital Treatment of Accrued Interest Receivable Related to Credit Card Securitizations

Distribution: FDIC-Supervised Banks (Commercial and Savings)