



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-34-2012**  
**July 24, 2012**

## Investments in Corporate Debt Securities by Savings Associations

**Summary:** The FDIC has issued a final rule that would prohibit state and federal savings associations from acquiring or holding a corporate debt security when the security's issuer does not have an adequate capacity to meet all financial commitments under the security for the projected life of the security. The final rule is being issued under section 939(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Savings associations must be in compliance with this rule by January 1, 2013. Additionally, the FDIC has issued final guidance that sets forth due diligence standards for determining the credit quality of a corporate debt security.

**Statement of Applicability to Institutions Under \$1 Billion in Total Assets:** This guidance applies to all savings associations acquiring or holding corporate debt securities.

**Distribution:**

FDIC-Insured Savings Associations

**Suggested Routing:**

Chief Executive Officer  
Chief Financial Officer  
Chief Investment Officer  
Chief Risk Officer

**Attachments:**

[Final Rule: Permissible Investments for Federal and State Savings Associations: Corporate Debt Securities](#)

[Guidance on Due Diligence Requirements for Savings Associations in Determining Whether a Corporate Debt Security Is Eligible for Investment Under Part 362](#)

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**Note:**

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Paper copies may be obtained through the FDIC's Public Information Center, 3501 Fairfax Drive, E-1002, Arlington, VA 22226 (877-275-3342 or 703-562-2200).

**Highlights:**

- Before acquiring a corporate debt security, and periodically thereafter, a savings association must determine that an issuer has adequate capacity to meet all financial commitments under the security for the projected life of the security.
- FDIC standards of creditworthiness will be satisfied if an issuer presents a low risk of default and is likely to make full and timely repayment of principal and interest.
- A due diligence analysis may include consideration of internal analyses, third-party research and analytics including internal risk ratings, the default statistics of external credit rating agencies, and other sources of information appropriate for the particular security.
- The range and type of specific factors an institution should consider will vary depending on the particular type and nature of the security.
- The FDIC does not expect the final rule to change the scope of permissible corporate debt securities investments. That is, if a corporate bond was a permissible investment prior to this final rule (because it was rated in one of the four highest categories), a bond with similar default probabilities will be permissible under this rule.