



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

Financial Institution Letter
FIL-15-2016
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Capital Treatment for Qualifying Collateralized Debt Obligations Backed by Trust Preferred Securities under the "Volcker Rule"

Summary: The FDIC, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission and the Commodity Futures Trading Commission (the "Agencies") have issued a Frequently Asked Question (FAQ) document to clarify the capital treatment of certain Collateralized Debt Obligations backed by Trust Preferred Securities (TruPS CDO) 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 Volcker Rule permits a banking entity to retain its interest in a Qualifying TruPS CDO under 12 CFR 351.16 of the interagency interim final rule.

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

Distribution:

FDIC-Supervised Banks and Savings Associations

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Attachments:

[FAQ](#)

Related Topics:

Proprietary Trading and Certain Interests in and Relationships with Covered Funds, 12 CFR Part 351 (Volcker Rule)

Statement Regarding Treatment of Certain Collateralized Debt Obligations Backed by Trust Preferred Securities under the Rules implementing Section 619 of the Dodd-Frank Act

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Note:

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Highlights

- In January 2014, the federal banking agencies adopted an Interim Final Rule that, among other things, defines "Qualifying TruPS Collateral" issued prior to May 19, 2010 by small depository institution holding companies.
- Banking entities are permitted to retain an interest in, or act as sponsor to, certain Qualifying TruPS CDOs. The Agencies have previously released a non-exclusive list of issuers that meet the requirements of section 351.16.
- This FAQ clarifies that the Volcker Rule does not require a banking entity to deduct from its tier 1 capital an investment in a Qualifying TruPS CDO retained pursuant to 12 CFR 351.16 of the interagency interim final rule.
- A banking entity holding an interest in a TruPS CDO that is a covered fund but is not a Qualifying TruPS CDO for purposes of section 351.16 would be subject to all of the applicable limits and restrictions in section 351.12, including the requirement to deduct the investment from its tier 1 capital for purposes of determining compliance with applicable regulatory capital requirements.
- The FAQ does not affect regulatory capital requirements contained in 12 CFR Part 324. Financial institutions may still be required to deduct investments in the capital of unconsolidated financial institutions if the total of those investments exceed applicable thresholds.

Institutions with specific questions about the regulatory capital rules may send an email to regulatorycapital@fdic.gov.

Institutions with specific questions about the Volcker rule may send an email to capitalmarkets@fdic.gov.