



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

Financial Institution Letter  
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## Regulatory Capital Rule: New Standardized Approach for Calculating the Exposure Amount of Derivative Contracts

**Summary:** The federal bank regulatory agencies (the agencies) have jointly issued a final rule that amends the regulatory capital rule (capital rule) to implement a new approach for calculating the exposure amount for derivative contracts, which is called the “standardized approach for counterparty credit risk” (SA-CCR). The final rule also incorporates SA-CCR into the determination of the exposure amount of derivatives for total leverage exposure under the supplementary leverage ratio, and the cleared transaction framework under the capital rule. Further, the final rule makes technical amendments to the capital rule with respect to cleared transactions.

**Statement of Applicability:** This Financial Institution Letter is applicable to all FDIC-supervised institutions. However, only advanced approaches banking organizations are required to use SA-CCR.

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### Highlights:

- The final rule: (1) replaces the current exposure methodology (CEM) in the capital rule's advanced approaches with SA-CCR as an option to internal models methodology (IMM) for purposes of calculating advanced approaches total risk-weighted assets; (2) requires an advanced approaches banking organization to begin using SA-CCR by January 1, 2022, in determining the exposure amount for a derivative contract for purposes of calculating its standardized total risk-weighted assets; and (3) allows a non-advanced approaches banking organization to use either CEM or SA-CCR to determine the exposure amount for its derivative contracts.
- If a banking organization elects to use SA-CCR to determine the exposure amount for its derivative contracts, it also is required to use SA-CCR to determine the trade exposure amount for cleared derivative contracts and default fund contributions.
- The final rule simplifies the formula used to determine the risk-weighted asset amount for a default fund contribution to be based on the banking organization's *pro rata* share of the default fund. The final rule allows banking organizations that are required or elect to use SA-CCR to continue to use method 1 or method 2 under CEM to calculate the risk-weighted asset amount for default fund contributions until January 1, 2022.
- Advanced approaches banking organizations are required to use SA-CCR to determine the exposure amount of derivative contracts for purposes of calculating total leverage exposure under the supplemental leverage ratio. Banking organizations subject to Category III capital standards, supplementary leverage ratio are provided an option to use CEM or SA-CCR to determine the exposure amount of derivative contracts for total leverage exposure.
- The effective date of the final rule is April 1, 2020. The mandatory compliance date of the final rule is January 1, 2022, for advanced approaches banking organizations.
- The final rule makes technical amendments to the capital rule with respect to cleared transactions.