FDIC

Federal Deposit Insurance Corporation
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Financial Institution Letter
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REGULATORY CAPITAL STANDARDS

Final Rule Amending the Risk-Based Capital Rules to Reflect the Issuance of FAS 166 and FAS 167

Summary: The attached final rule amends the federal banking and thrift regulatory agencies' general risk-based and advanced risk-based capital adequacy frameworks in recognition of the regulatory capital impact of two recently-issued accounting standards from the Financial Accounting Standard Board (FASB): Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets, an Amendment of FASB Statement No. 140* (FAS 166), and Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* (FAS 167).

Distribution:
FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:
Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Related Topics:
Risk-Based Capital Rules
12 CFR Part 325

Attachments:
Summary of Final Rule
Final Rule

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Highlights:

The final rule:

- Provides for an optional two-quarter implementation delay, followed by an optional two-quarter partial implementation, of the effect on risk-weighted assets that will result from changes to U.S. generally accepted accounting principles from FAS 166 and FAS 167.

- Provides for an optional two-quarter delay, followed by an optional two-quarter phase-in, of the application of the agencies' regulatory limit on the inclusion of the allowance for loan and lease losses (ALLL) in Tier 2 capital for the portion of the ALLL associated with the assets a banking organization consolidates as a result of FAS 167.

- Eliminates the exclusion of certain consolidated asset-backed commercial paper programs from risk-weighted assets.

- Provides a reservation of authority to permit the agencies to require banking organizations to treat entities that are not consolidated under accounting standards as if they were consolidated for risk-based capital purposes, commensurate with the risk relationship of the banking organization to the structure.