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

Financial Institution Letter
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Regulatory Capital Rules: Regulatory Capital Tool for Securitization Exposures

Summary: The FDIC has published a simplified supervisory formula approach (SSFA) tool as part of its continued outreach efforts to help institutions implement the revised capital rules. The SSFA is a new method banks may use under the revised capital rules to calculate capital requirements for securitization exposures. It is a formula-based approach designed to apply relatively higher capital requirements to the more risky junior tranches that are the first to absorb losses, and relatively lower requirements to the most senior tranches.

Statement of Applicability to Institutions Under $1 Billion in Total Assets: This Financial Institution Letter applies to all FDIC-supervised banks and savings associations, including community institutions.

Distribution:
FDIC-Supervised Banks and Savings Associations

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

Related Topics:
Risk-Based Capital Rules, 12 CFR Part 324, Basel III

Attachment:
SSFA Securitization Tool

Contact:
Stephanie Efron, Capital Markets Policy Analyst, at sefron@fdic.gov

James Haas, Capital Markets Specialist, at jahaas@fdic.gov

Note:
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Highlights

- The FDIC published the SSFA tool to facilitate calculation of risk-based capital for securitization exposures and to help reduce potential burden.
- The calculator requires five inputs, which are typically readily available, to calculate required regulatory capital for securitization exposures.
- Consistent with the new regulatory capital rules, the FDIC continues to expect community banks to have a comprehensive understanding of their securitization exposures and to meet all due diligence requirements.