



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

Financial Institution Letter
FIL-9-2018
February 15, 2018

Final Rule to Remove References to Credit Ratings from the FDIC's International Banking Regulations

Summary: On February 14, 2018, the FDIC Board of Directors adopted the attached final rule amending the FDIC's international banking regulations related to permissible investment activities and the pledging of assets. The final rule removes references to external credit ratings and replaces them with appropriate standards of creditworthiness. The changes in the FDIC Rules and Regulations Part 347, Subparts A and B, are consistent with Section 939A of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act).

Statement of Applicability to Institutions Under \$1 Billion in Total Assets: The Final Rule applies to insured state nonmember banks that operate foreign branches and insured U.S. branches of foreign banks. Generally, these institutions do not hold less than \$1 billion in assets.

Distribution:

FDIC-supervised institutions

Suggested Routing:

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

Attachment:

[Final Rule: Alternatives to References to Credit Ratings with Respect to Permissible Activities for Foreign Branches of Insured State Nonmember Banks and Pledge of Assets by Insured Domestic Branches of Foreign Banks](#)

Contact:

Eric Reither, Senior Capital Markets Specialist, Capital Markets Branch, at ereither@fdic.gov, or Suzanne Clair, Chief, Examination Support, Capital Markets Branch, at sclair@fdic.gov, or call (202) 898-6888

Note:

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Highlights:

- The final rule aligns the FDIC's international banking regulations with the requirements of Section 939A of the Dodd-Frank Act by removing references to external credit ratings.
- Subparts A and B of Part 347 are amended to replace references to credit ratings in the definition of "investment grade" with a standard of creditworthiness adopted in other federal regulations that conform to Section 939A.
- "Investment grade" is defined as a security issued by an entity with adequate capacity to meet financial commitments for the projected life of the security or exposure. An entity has adequate capacity to meet financial commitments if the default risk is low, and the full and timely repayment of principal and interest is expected.
- Subpart B amendments also require that assets pledged to the FDIC by the insured branches of foreign banks satisfy a liquidity standard and be subject to a fair value discount.
- The final rule adds cash to the list of assets eligible for pledging and separately lists Government Sponsored Enterprise obligations as a pledgeable asset category.