



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

Financial Institution Letter
FIL-67-2018
October 30, 2018

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 Notice of Proposed Rulemaking (NPR), which would amend 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 NPR also incorporates SA-CCR into the determination of exposure amount of derivatives for total leverage exposure under the supplementary leverage ratio and the cleared transaction framework under the capital rule. Further, the NPR would make 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 would be required to use SA-CCR.

Distribution:

FDIC-supervised Institutions

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Related Topics:

Capital Adequacy of FDIC-Supervised Institutions,
12 CFR Part 324 (Regulatory Capital Rules)

Attachment:

[Standardized Approach for Calculating the Exposure Amount of Derivative Contracts](#)

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Note:

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Highlights

- The NPR would: (1) replace 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) require an advanced approaches banking organization to begin using SA-CCR by July 1, 2020, in determining the exposure amount for a derivative contract for purposes of calculating its standardized total risk-weighted assets; and (3) allow 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 would be required to use SA-CCR to determine the trade exposure amount for cleared derivative contracts and default fund contributions.
- The NPR would simplify 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.
- Advanced approaches banking organizations would be required to use a modified version of SA-CCR to determine the exposure amount of derivative contracts for purposes of calculating total leverage exposure under the supplemental leverage ratio.
- The NPR would make technical amendments to the capital rule with respect to cleared transactions.