

OCC Revises Lending Limit Rules to Implement Dodd-Frank: Provides Methods for Calculating “Credit Exposure”

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The OCC has issued an interim final rule to implement Section 610 of the Dodd-Frank Act, which expands the statutory definition of “loans and extensions of credit” for purposes of the lending limits that apply to national banks and federal and state-chartered savings associations (collectively, “banks”). Section 610 revises the definition of “loans and extensions of credit” to include credit exposures arising from derivative and securities financing transactions. The OCC’s interim final rule introduces a number of alternative methods to calculate credit exposures arising from these types of transactions, which range in complexity to accommodate banks of different profiles.

It remains to be seen whether the Federal Reserve Board will adopt similar methods for purposes of implementing the Dodd-Frank Act’s amendments to Section 23A of the Federal Reserve Act. The effective date of the OCC’s interim final rule is July 21, 2012, although banks have until **January 1, 2013** to comply with the rule’s requirements relating to derivative and securities financing transactions. Using examples, this client newsflash describes the interim final rule’s methods for calculating credit exposure arising from such transactions.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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