

OCC Lending Limits Final Rule: Credit Exposures from Derivatives and Securities Financing Transactions

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The OCC has issued a final rule specifying the methods for calculating credit exposure arising from derivatives and securities financing transactions for purposes of the federal lending limits that apply to national banks, federal and state branches and agencies of foreign banks and federal and state savings associations. The final rule reflects a further convergence in methods for measuring credit exposure from derivatives and securities financing transactions between bank capital rules and legal lending limits. The final rule, like the June 2012 interim final rule that it revises, implements Section 610 of the Dodd-Frank Act, which is one of several provisions in the statute that requires banks to take into account credit exposure arising from derivatives and securities financing transactions in calculating prudential limits. It is unclear to what extent the methods used in the OCC's lending limits final rule may also be reflected in final rules implementing these other Dodd-Frank provisions. Using visuals, tables and examples, this memorandum describes the key changes to the OCC's June 2012 interim final rule and the methods for calculating credit exposure arising from derivatives and securities financing 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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