

**Blackline: Supplementary Leverage Ratio  
(Federal Reserve, OCC, FDIC)**

**September 2014 Final Version vs. May 2014 Proposed Version**

**List of Subjects**

12 CFR Part 3

Administrative practice and procedure, Capital, National banks, Reporting and recordkeeping requirements, Risk.

12 CFR Part ~~6~~217

~~National banks.~~

~~12 CFR Part 165~~

Administrative practice and procedure, ~~Savings associations.~~

~~12 CFR Part 208~~

~~Confidential business information, Crime, Currency, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements, Securities.~~

~~12 CFR Part 217~~

~~Administrative practice and procedure, Banks, Banking, Capital, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.~~

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12 CFR Part 324

Administrative practice and procedure, Banks, banking, Capital Adequacy, Reporting and recordkeeping requirements, Savings associations, State non-member banks.

~~DEPARTMENT OF THE TREASURY~~

Office of the Comptroller of the Currency

12 CFR ~~Chapter~~CHAPTER I

Authority and Issuance

For the reasons set forth in the ~~common~~-preamble and under the authority of 12 U.S.C. 93a, 1462, 1462a, 1463, ~~1464~~, 3907, 3909, 1831o, and ~~5412~~5312(b)(2)(B), the Office of the Comptroller of the Currency ~~proposes to amend~~amends part 3 of chapter I of title 12, of the Code of Federal Regulations amended as follows:

**PART 3—CAPITAL ADEQUACY STANDARDS**

- 1. The authority citation for part 3 continues to read as follows:

**Authority:** 12 U.S.C. 93a, 161, 1462, 1462a, 1463, 1464, 1818, 1828(n), 1828 note, 1831n ~~note~~notes, 1835, 3907, 3909, and 5412(b)(2)(B).

- 2. In § 3.1(d)(4), replace “leverage exposure amount” with “total leverage exposure.”

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- 3. In ~~section~~§ 3.2, revise the definition of “total leverage exposure” to read as follows:

**~~Subpart A—General Provisions~~**

~~\*\*\*\*\*~~

**§ 3.2 Definitions.**

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Total leverage exposure is defined in § 3.10(c)(4)(ii).

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- 4. Revise ~~section~~§ 3.10(c)(4) to read as follows:

**~~Subpart B—Capital Ratio Requirements and Buffers~~**

**§ 3.10. ~~Minimum capital requirements.~~**

~~\*\*\*\*\*~~

(c) ~~\*\*\*~~

(4) Supplementary leverage ratio. (i) An advanced approaches national bank’s or Federal savings association’s supplementary leverage ratio is the ratio of its tier 1 capital ~~calculated as of the last day of each reporting quarter~~ to total leverage exposure, the latter which is calculated as

the ~~simple arithmetic~~ sum of: (A) the mean of the ~~total leverage exposure~~ on-balance sheet assets calculated as of each day of the reporting quarter, ~~using and~~ (B) the mean of the off-balance sheet exposures ~~calculated as of the last day of each of the most recent three months, minus~~ the applicable deductions under §§3.22(a), (c), and (d) ~~as of the last day of the previous reporting quarter.~~

(ii) For purposes of this part, total leverage exposure means the sum of the items described ~~as follows~~ in paragraphs (c)(4)(ii)(A) through ~~(e)(4)(ii)(H)~~ of this section, as adjusted ~~by any applicable requirement for clearing member national banks and Federal savings associations described in~~ pursuant to paragraph (c)(4)(ii)(I) for a clearing member national bank or Federal savings association:

(A) The balance sheet carrying value of all of the national bank's or Federal savings association's on-balance sheet assets, plus the value of securities sold under a ~~repo-style arrangement that are not included on-balance sheet~~ repurchase transaction or a securities lending transaction that qualifies for sales treatment under U.S. GAAP, less amounts deducted from tier 1 capital under §§ 3.22(a), (c), and (d), and less the value of securities received in security-for-security repo-style transactions, where the national bank or Federal savings association acts as a securities lender and includes the securities received in its on-balance sheet assets but has not sold or re-hypothecated the securities received;

(B) The PFE for each derivative contract or each single-product netting set of derivative contracts (including a cleared ~~transactions~~ transaction except as provided in paragraph (c)(4)(ii)(I) of this section) and, at the discretion of the national bank or Federal savings association, excluding a forward agreement treated as a derivative contract that is part of a repurchase or reverse repurchase or a securities borrowing or lending transaction that qualifies for sales treatment under U.S. GAAP, to which the national bank or Federal savings association is a counterparty ~~(or each single-product netting set of such transactions)~~ as determined under § 3.34, but without regard to § 3.34(b), provided that:

(1) A national bank or Federal savings association may choose to ~~adjust~~ exclude the PFE ~~for~~ of all credit derivatives or other similar instruments through which it provides credit protection, ~~as included in paragraph (D) of this section,~~ when calculating the PFE under § 3.34, but without regard to § 3.34(b), provided that it does not adjust the net-to-gross ratio (NGR); and

(2) A national bank or Federal savings association that ~~makes such election~~ chooses to exclude the PFE of credit derivatives or other similar instruments through which it provides credit protection pursuant to paragraph (c)(4)(ii)(B)(1) of this section must do so consistently over time for the calculation of the PFE for all ~~credit derivative contracts or similar~~ such instruments through which it provides credit protection;

(C) The amount of cash collateral that is received from a counterparty to a derivative contract and that has offset the mark-to-fair value of the derivative asset, or cash collateral that is posted to a counterparty to a derivative contract and that has reduced the national bank's or Federal savings association's on-balance sheet assets, ~~except if~~ unless such cash collateral is all or part of variation margin that satisfies the following requirements ~~in paragraphs (C)(1) through~~

~~(C)(5) of this section. Cash variation margin that satisfies the requirements in paragraphs (C)(1) through (C)(5) of this section may only be used to reduce the current credit exposure of the derivative contract, calculated as described in §3.34(a)(i), and not the PFE. In the calculation of the NGR described in §3.34(a)(2)(ii)(B), cash variation margin that satisfies the requirements in paragraphs (C)(1) through (C)(5) of this section may not reduce the net current credit exposure or the gross current credit exposure.~~

(1) For derivative contracts that are not cleared through a QCCP, the cash collateral received by the recipient counterparty is not segregated (by law, regulation or an agreement with the counterparty);

(2) Variation margin is calculated and transferred on a daily basis based on the mark-to-fair value of the derivative contract;

(3) The variation margin transferred under the derivative contract or the governing rules for a cleared transaction is the full amount that is necessary to fully extinguish the net current credit exposure to the counterparty of the derivative contracts, subject to the threshold and minimum transfer amounts applicable to the counterparty under the terms of the derivative contract or the governing rules for a cleared transaction;

(4) The variation margin is in the form of cash in the same currency as the currency of settlement set forth in the derivative contract, provided that for the purposes of this paragraph, currency of settlement means any currency for settlement specified in the governing qualifying master netting agreement; and the credit support annex to the qualifying master netting agreement, or in the governing rules for a cleared transaction; ~~and~~

(5) The derivative contract and the variation margin are governed by a qualifying master netting agreement between the legal entities that are the counterparties to the derivative contract or by the governing rules for a cleared transaction. ~~The, and the~~ qualifying master netting agreement or the governing rules for a cleared transaction must explicitly stipulate that the counterparties agree to settle any payment obligations on a net basis, taking into account any variation margin received or provided under the contract if a credit event involving either counterparty occurs;

(6) The variation margin is used to reduce the current credit exposure of the derivative contract, calculated as described in § 3.34(a), and not the PFE; and

(7) For the purpose of the calculation of the NGR described in § 3.34(a)(2)(ii)(B), variation margin described in paragraph (c)(4)(ii)(C)(6) of this section may not reduce the net current credit exposure or the gross current credit exposure;

(D) The effective notional principal amount (that is, the apparent or stated notional principal amount multiplied by any multiplier in the derivative contract) of a credit derivative, or other similar instrument, through which the national bank or Federal savings association provides credit protection, provided that:

(1) The national bank or Federal savings association may reduce the effective notional principal amount of the credit derivative by the amount of any reduction in the mark-to-fair value of the credit derivative if the reduction is recognized in common equity tier 1 capital;

(2) The national bank or Federal savings association may reduce the effective notional principal amount of the credit derivative by the effective notional principal amount of a purchased credit derivative or other similar instrument, provided that the remaining maturity of the purchased credit derivative is equal to or greater than the remaining maturity of the credit derivative through which the national bank or Federal savings association provides credit protection and that:

(i) With respect to a credit derivative that references a single exposure, the reference exposure of the purchased credit derivative is to the same legal entity and ranks pari passu with, or is junior to, the reference exposure of the credit derivative through which the national bank or Federal savings association provides credit protection; or

(ii) With respect to a credit derivative that references multiple ~~exposures, such as securitization~~ exposures, the reference exposures of the purchased credit derivative are to the same legal entities and rank pari passu with the reference exposures of the credit derivative through which the national bank or Federal savings association provides credit protection, and the level of seniority of the purchased credit derivative ranks pari passu to the level of seniority of the credit derivative through which the national bank or Federal savings association provides credit protection;

(iii) Where a national bank or Federal savings association has reduced the effective notional amount of a credit derivative through which the national bank or Federal savings association provides credit protection in accordance with paragraph (c)(4)(ii)(D)(1) of this section, the national bank or Federal savings association must also reduce the effective notional principal amount of a purchased credit derivative, used to offset the credit derivative through which the national bank or Federal savings association provides credit protection, by the amount of any increase in the mark-to-fair value of the purchased credit derivative that is recognized in common equity tier 1 capital; and

(iv) Where the national bank or Federal savings association purchases credit protection through a total return swap and records the net payments received on a credit derivative through which the national bank or Federal savings association provides credit protection in net income, but does not record offsetting deterioration in the mark-to-fair value of the credit derivative through which the national bank or Federal savings association provides credit protection in net income (either through reductions in fair value or by additions to reserves), the national bank or Federal savings association may not use the purchased credit protection to offset the effective notional principal amount of the related credit derivative through which the national bank or Federal savings association provides credit protection;

(E) Where a national bank or Federal savings association acting as a principal has more than one repo-style transaction with the same counterparty and has ~~applied the GAAP offset for repo-style transactions, and the criteria in paragraphs (E)(1) through (E)(3) of this section are not satisfied~~ offset the gross value of receivables due from a counterparty under reverse repurchase

transactions by the gross value of payables under repurchase transactions due to the same counterparty, the gross value of receivables associated with the repo-style transactions less any on-balance sheet receivables amount associated with these repo-style transactions included under paragraph (c)(4)(ii)(A) of this section, unless the following criteria are met:

(1) The offsetting transactions have the same explicit final settlement date under their governing agreements;

(2) The right to offset the amount owed to the counterparty with the amount owed by the counterparty is legally enforceable in the normal course of business and in the event of receivership, insolvency, liquidation, or similar proceeding; and

(3) Under the governing agreements, the counterparties intend to settle net, settle simultaneously, or settle according to a process that is the functional equivalent of net settlement. ~~That, (that~~ is, the cash flows of the transactions are equivalent, in effect, to a single net amount on the settlement date. ~~To achieve this result,~~ where both transactions ~~must be~~ are settled through the same settlement system ~~and,~~ the settlement arrangements ~~must be~~ are supported by cash or intraday credit facilities intended to ensure that settlement of both transactions will occur by the end of the business day, and the settlement of the underlying securities does not interfere with the net cash settlement. ~~;~~

(F) The counterparty credit risk of a repo-style transaction, including where the national bank or Federal savings association acts as an agent for a repo-style transaction and indemnifies the customer with respect to the performance of the customer's counterparty in an amount limited to the difference between the fair value of the security or cash its customer has lent and the fair value of the collateral the borrower has provided, calculated as follows:

(1) If the transaction is not subject to a qualifying master netting agreement, the counterparty credit risk (E\*) for transactions with a counterparty must be calculated on a transaction by transaction basis, such that each transaction i is treated as its own netting set, in accordance with the following formula, where Ei is the fair value of the instruments, gold, or cash that the national bank or Federal savings association has lent, sold subject to repurchase, or provided as collateral to the counterparty, and Ci is the fair value of the instruments, gold, or cash that the national bank or Federal savings association has borrowed, purchased subject to resale, or received as collateral from the counterparty:

$$E_i^* = \max \{0, [E_i - C_i]\}; \text{ and}$$

(2) If the transaction is subject to a qualifying master netting agreement, the counterparty credit risk (E\*) must be calculated as the greater of zero and the total fair value of the instruments, gold, or cash that the national bank or Federal savings association has lent, sold subject to repurchase or provided as collateral to a counterparty for all transactions included in the qualifying master netting agreement ( $\sum E_i$ ), less the total fair value of the instruments, gold, or cash that the national bank or Federal savings association borrowed, purchased subject to resale or received as collateral from the counterparty for those transactions ( $\sum C_i$ ), in accordance with the following formula:

$$E^* = \max \{0, [\sum E_i - \sum C_i]\}$$

(G) If a national bank or Federal savings association acting as an agent for a repo-style transaction provides a guarantee to a customer of the security or cash its customer has lent or borrowed with respect to the performance of the customer's counterparty and the guarantee is not limited to the difference between the fair value of the security or cash its customer has lent and the fair value of the collateral the borrower has provided, the amount of the guarantee that is greater than the difference between the fair value of the security or cash its customer has lent and the value of the collateral the borrower has provided; ~~and~~

(H) The credit equivalent amount of all off-balance sheet exposures of the national bank or Federal savings association, excluding repo-style transactions ~~and derivatives, repurchase or reverse repurchase or securities borrowing or lending transactions that qualify for sales treatment under U.S. GAAP, and derivative transactions~~, determined using the applicable credit conversion factor under § 3.33(b), provided, however, that the minimum credit conversion factor that may be assigned to an off-balance sheet exposure under this paragraph is 10 percent; ~~and~~

(I) ~~Requirements for~~ For a national bank or Federal savings association that is a clearing member:

(1) A clearing member national bank or Federal savings association that guarantees the performance of a clearing member client with respect to a cleared transaction must treat its exposure to the clearing member client as a derivative contract for purposes of determining its total leverage exposure; ~~and~~

(2) A clearing member national bank or Federal savings association that guarantees the performance of a CCP with respect to a transaction cleared on behalf of a clearing member client must treat its exposure to the CCP as a derivative contract for purposes of determining its total leverage exposure; ~~and~~

(3) A clearing member national bank or Federal savings association that does not guarantee the performance of a CCP with respect to a transaction cleared on behalf of a clearing member client may exclude its exposure to the CCP for purposes of determining its total leverage exposure; ~~and~~

(4) A national bank or Federal savings association that is a clearing member may exclude from its total leverage exposure the effective notional principal amount of credit protection sold through a credit derivative contract, or other similar instrument, that it clears on behalf of a clearing member client through a CCP as calculated in accordance with part (c)(4)(ii)(D); and

(5) Notwithstanding paragraphs (c)(4)(ii)(1), (2), and (3) of this section, a national bank or Federal savings association may exclude from its total leverage exposure a clearing member's exposure to a clearing member client for a derivative contract, if the clearing member client and the clearing member are affiliates and consolidated for financial reporting purposes on the national bank's or Federal savings association's balance sheet.

~~4. Section 3.172 is amended by:~~

~~a. Revising paragraph (c)(1) to read as follows; and~~

~~b. Adding~~ 5. Section 3.172 is amended by adding paragraph (d) to read as follows:

~~The revision and addition are set forth below.~~

### § 3.172 Disclosure requirements.

\* \* \* \* \*

~~(e) (1) A national bank or Federal savings association described in paragraph (b) and (d) of this section...~~

~~\* \* \* \* \*~~

~~\*~~

(d) ~~Notwithstanding §3.172~~Except as otherwise provided in paragraph (b) of this section, an advanced approaches national bank or Federal savings association must publicly disclose each quarter its supplementary leverage ratio and its components as calculated under subpart B of this part: in compliance with paragraph (c) of this section; however, the disclosures required under this paragraph are required without regard to whether the national bank or Federal savings association has completed the parallel run process and has received notification from the OCC pursuant to §3.121(d).

~~5. Section~~ 6. Amend § 3.173 is amended by as follows:

- ~~■~~ a. RevisingRevise the introductory text of paragraph (a) ~~to read as follows~~; and
- ~~■~~ b. AddingAdd paragraph (c) ~~to read as follows~~and Table 13 to § 3.173.

The revision and ~~addition~~additions are set forth below.

### § 3.173 Disclosures by certain advanced approaches national banks and Federal savings associations.

(a) Except as provided in § 3.172(b), a national bank or Federal savings association described in § 3.172(b) must make the disclosures described in Tables 1 through 13 to § 3.173. The national bank or Federal savings association must make the disclosures required under Tables 1 through 12 publicly available for each of the last three years (that is, twelve quarters) or such shorter period beginning on January 1, 2014. The national bank or Federal savings association must make the disclosures required under Table 13 publicly available beginning on January 1, 2015.

\* \* \* \* \*

(c) Except as provided in § 3.172(b), a national bank or Federal savings association described in § 3.172(d) must make the ~~disclosure~~disclosures described in Table 13 to § 3.173; provided, however, the disclosures required under this paragraph are required without regard to whether the national bank or Federal savings association has completed the parallel run process

and has received notification from the OCC pursuant to § 3.121(d). The national bank or Federal savings association must make these disclosures publicly available beginning on January 1, 2015.

~~6. Add Table 13 to § 3.173 to read as follows:~~

**Table 13 to §3.173**

Supplementary Leverage Ratio

		<u>Dollar Amounts in Thousands</u>			
		Tril	Bil	Mil	Thou
<b>Part 1: Summary comparison of accounting assets and total leverage exposure</b>					
1:	Total consolidated assets as reported in published financial statements				
2:	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation				
3:	Adjustment for fiduciary assets recognized on balance sheet but excluded from total leverage exposure				
4:	<del>Adjustments</del> <u>Adjustment</u> for derivative exposures				
5:	Adjustment for repo-style transactions				
6:	Adjustment for off-balance sheet exposures (that is, conversion to credit equivalent amounts of off-balance sheet exposures)				
7:	Other adjustments				
8:	Total leverage exposure				
<b>Part 2: Supplementary leverage ratio</b>					
<b>On-balance sheet exposures</b>					
1:	On-balance sheet assets (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions)				
2:	LESS: <del>Assets</del> <u>Amounts</u> deducted from tier 1 capital				
3:	Total on-balance sheet exposures (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions) (sum of lines 1 and 2)				
<b>Derivative exposures</b>					
4:	Replacement cost for derivative exposures (that is, net of cash variation margin)				
5:	Add-on amounts for potential future exposure (PFE) for <del>derivatives</del> <u>derivative</u> exposures				
6:	Gross-up for cash collateral posted if deducted from the on-balance sheet assets, except for cash variation margin				
7:	LESS: Deductions of receivable assets for cash variation margin posted in				

	<del>derivatives</del> <u>derivative</u> transactions, if included in on-balance sheet assets				
8:	LESS: Exempted CCP leg of client-cleared transactions				
9:	Effective notional principal amount of sold credit protection				
10:	<u>LESS:</u> Effective notional principal <u>amount</u> offsets and PFE adjustments for sold credit protection				
11:	Total derivative exposures (sum of lines 4 to 10)				
	<b>Repo-style transactions</b>				
12:	On-balance sheet assets for repo-style transactions, except include the gross value of receivables for reverse repurchase transactions. Exclude from this item the value of securities received in a security-for-security repo-style transaction where the securities lender has not sold or re-hypothecated the securities received. Include in this item the value of securities <del>sold under a repo-style arrangement</del> <u>that qualified for sales treatment that must be reversed.</u>				
13:	LESS: Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions under netting agreements:				
14:	Counterparty credit risk <del>exposure</del> for all repo-style transactions				
15:	Exposure for repo-style transactions where a banking organization acts as an agent:				
16:	Total exposures for repo-style transactions (sum of lines 12 to 15)				
	<b>Other off-balance sheet exposures</b>				
17:	Off-balance sheet exposures at gross notional amounts				
18:	LESS: Adjustments for conversion to credit equivalent amounts				
19:	Off-balance sheet exposures (sum of lines 17 and 18)				
	<b>Capital and total leverage exposure</b>				
20:	Tier 1 capital				
21:	Total leverage exposure (sum of lines 3, 11, 16 and 19)				
	<b>Supplementary leverage ratio</b>				
22:	Supplementary leverage ratio				(in percent)

*Board of Governors of the Federal Reserve System*

12 CFR CHAPTER II

Authority and Issuance

For the reasons set forth in the ~~common~~-preamble, part 217 of chapter II of title 12 of the Code of Federal Regulations is ~~proposed to be~~ amended as follows:

**PART 217 – CAPITAL ADEQUACY OF ~~BANK HOLDING COMPANIES, SAVINGS- AND LOAN HOLDING COMPANIES, AND STATE MEMBER BANKS (REGULATION Q)~~BOARD-RELATED INSTITUTIONS**

1. 7. The authority citation for part 217 ~~shall~~continues to read as follows:

**Authority:** 12 U.S.C. 248(a), 321–338a, 481-486, 1462a, 1467a, 1818, 1828, 1831n, 1831o, 1831p–l, 1831w, 1835, 1844(b), 1851, 3904, 3906-3909, 4808, 5365, 5368, 5371.

2. 8. In § 217.1(d)(4), replace “leverage exposure amount” with “total leverage exposure.”

\* \* \* \* \*

2. 2. In ~~section~~ § 217.2, revise the definition of “total leverage exposure” to read as follows:

~~\* \* \* \* \*~~

**§ 217.2 Definitions.**

~~\* \* \* \* \*~~

*Total leverage exposure is defined in §~~3.10~~ 217.10(c)(4)(ii).*

~~\* \* \* \* \*~~

3. 9. Revise ~~section~~ § 217.10(c)(4) to read as follows:

**~~Subpart B—Capital Ratio Requirements and Buffers~~**

**~~§ 217.10. Minimum capital requirements.~~**

~~\* \* \* \* \*~~

(c) ~~\* \* \* \* \*~~

(4) Supplementary leverage ratio. (i) An advanced approaches Board-regulated institution’s supplementary leverage ratio is the ratio of its tier 1 capital ~~calculated as of the last day of each reporting quarter~~ to total leverage exposure, the latter which is calculated as the arithmetic sum of: (A) the mean of the total leverage exposure on-balance sheet assets calculated as of each day of the reporting quarter, using and (B) the mean of the off-balance sheet exposures calculated as of the last day of each of the most recent three months, minus the applicable deductions under §§217.22(a), (c), and (d) ~~as of the last day of the previous reporting quarter.~~

(ii) For purposes of this part, *total leverage exposure* means the sum of the items described ~~as follows~~ in paragraphs (c)(4)(ii)(A) through ~~(e)(4)(ii)(H)~~ of this section, as adjusted ~~by any applicable requirement for a clearing member Board-regulated institution described in~~ pursuant to paragraph (c)(4)(ii)(I) for a clearing member Board-regulated institution:

(A) The balance sheet carrying value of all of the Board-regulated institution’s on-balance sheet assets, plus the value of securities sold under a ~~repo-style arrangement that are not included on-balance sheet~~ repurchase transaction or a securities lending transaction that qualifies

for sales treatment under U.S. GAAP, less amounts deducted from tier 1 capital under §§ 217.22(a), (c), and (d), and less the value of securities received in security-for-security repo-style transactions, where the Board-regulated institution acts as a securities lender and includes the securities received in its on-balance sheet assets but has not sold or re-hypothecated the securities received;

(B) The PFE for each derivative contract or each single-product netting set of derivative contracts (including a cleared ~~transactions~~transaction except as provided in paragraph (c)(4)(ii)(I) of this section) and, at the discretion of the Board-supervised institution, excluding a forward agreement treated as a derivative contract that is part of a repurchase or reverse repurchase or a securities borrowing or lending transaction that qualifies for sales treatment under U.S. GAAP, to which the Board-regulated institution is a counterparty ~~(or each single-product netting set of such transactions)~~ as determined under § 217.34, but without regard to § 217.34(b), provided that:

(1) A Board-regulated institution may choose to adjust~~exclude~~ the PFE ~~for~~of all credit derivatives or other similar instruments through which it provides credit protection, ~~as included in paragraph (D) of this section,~~ when calculating the PFE under § 217.34, but without regard to § 217.34(b), provided that it does not adjust the net-to-gross ratio (NGR); and

(2) A Board-regulated institution that ~~makes such election~~ chooses to exclude the PFE of credit derivatives or other similar instruments through which it provides credit protection pursuant to paragraph (c)(4)(ii)(B)(1) of this section must do so consistently over time for the calculation of the PFE for all ~~credit derivative contracts or similar~~such instruments ~~through which it provides credit protection;~~

(C) The amount of cash collateral that is received from a counterparty to a derivative contract and that has offset the mark-to-fair value of the derivative asset, or cash collateral that is posted to a counterparty to a derivative contract and that has reduced the ~~banking organization~~Board-regulated institution's on-balance sheet assets, ~~except if~~unless such cash collateral is all or part of variation margin that satisfies the following requirements ~~in paragraphs (C)(1) through (C)(5) of this section. Cash variation margin that satisfies the requirements in paragraphs (C)(1) through (C)(5) of this section may only be used to reduce the current credit exposure of the derivative contract, calculated as described in §217.34(a)(i), and not the PFE. In the calculation of the NGR described in §217.34(a)(2)(ii)(B), cash variation margin that satisfies the requirements in paragraphs (C)(1) through (C)(5) of this section may not reduce the net current credit exposure or the gross current credit exposure.;~~

(1) For derivative contracts that are not cleared through a QCCP, the cash collateral received by the recipient counterparty is not segregated (by law, regulation or an agreement with the counterparty);

(2) Variation margin is calculated and transferred on a daily basis based on the mark-to-fair value of the derivative contract;

(3) The variation margin transferred under the derivative contract or the governing rules for a cleared transaction is the full amount that is necessary to fully extinguish the net current

credit exposure to the counterparty of the derivative ~~contract~~contracts, subject to the threshold and minimum transfer amounts applicable to the counterparty under the terms of the derivative contract or the governing rules for a cleared transaction;

(4) The variation margin is in the form of cash in the same currency as the currency of settlement set forth in the derivative contract. ~~For, provided that for the~~ purposes of this paragraph, currency of settlement means any currency for settlement specified in the governing qualifying master netting agreement; and the credit support annex to the qualifying master netting agreement, or in the governing rules for a cleared transaction; ~~and~~

(5) The derivative contract and the variation margin are governed by a qualifying master netting agreement between the legal entities that are the counterparties to the derivative contract or by the governing rules for a cleared transaction. ~~The, and the~~ qualifying master netting agreement or the governing rules for a cleared transaction must explicitly stipulate that the counterparties agree to settle any payment obligations on a net basis, taking into account any variation margin received or provided under the contract if a credit event involving either counterparty occurs;

(6) The variation margin is used to reduce the current credit exposure of the derivative contract, calculated as described in § 217.34(a), and not the PFE; and

(7) For the purpose of the calculation of the NGR described in § 217.34(a)(2)(ii)(B), variation margin described in paragraph (c)(4)(ii)(C)(6) of this section may not reduce the net current credit exposure or the gross current credit exposure;

(D) The effective notional principal amount (that is, the apparent or stated notional principal amount multiplied by any multiplier in the derivative contract) of a credit derivative, or other similar instrument, through which the Board-regulated institution provides credit protection, provided that:

(1) The Board-regulated institution may reduce the effective notional principal amount of the credit derivative by the amount of any reduction in the mark-to-fair value of the credit derivative if the reduction is recognized in common equity tier 1 capital;

(2) The Board-regulated institution may reduce the effective notional principal amount of the credit derivative by the effective notional principal amount of a purchased credit derivative; or other similar instrument, provided that the remaining maturity of the purchased credit derivative is equal to or greater than the remaining maturity of the credit derivative through which the Board-regulated institution provides credit protection and that:

(i) With respect to a credit derivative that references a single exposure, the reference exposure of the purchased credit derivative is to the same legal entity and ranks pari passu with, or is junior to, the reference exposure of the credit derivative through which the Board-regulated institution provides credit protection; or

(ii) With respect to a credit derivative that references multiple ~~exposures, such as securitization~~ exposures, the reference exposures of the purchased credit derivative are to the same legal entities and rank pari passu with the reference exposures of the credit derivative

through which the Board-regulated institution provides credit protection, and the level of seniority of the purchased credit derivative ranks *pari passu* to the level of seniority of the credit derivative ~~underthrough~~ which the Board-regulated institution provides credit protection.;

(iii) Where a Board-regulated institution has reduced the effective notional ~~principal~~ amount of a credit derivative through which the Board-regulated institution provides credit protection in accordance with paragraph (c)(4)(ii)(D)(1) of this section, the Board-regulated institution must also reduce the effective notional principal amount of a purchased credit derivative, used to offset the credit derivative through which the Board-regulated institution provides credit protection, by the amount of any increase in the mark-to-fair value of the purchased credit derivative that is recognized in common equity tier 1 capital; and

(iv) Where the Board-regulated institution purchases credit protection through a total return swap and records the net payments received on a credit derivative through which the Board-regulated institution provides credit protection in net income, but does not record offsetting deterioration in the mark-to-fair value of the credit derivative through which the Board-regulated institution provides credit protection in net income (either through reductions in fair value or by additions to reserves), the Board-regulated institution may not use the purchased credit protection to offset the effective notional principal amount of the related credit derivative through which the Board-regulated institution provides credit protection.;

(E) Where a Board-regulated institution acting as a principal has more than one repo-style transaction with the same counterparty and has ~~applied the GAAP offset for repo-style transactions, and the criteria in paragraphs (E)(1) through (E)(3) of this section are not satisfied~~ offset the gross value of receivables due from a counterparty under reverse repurchase transactions by the gross value of payables under repurchase transactions due to the same counterparty, the gross value of receivables associated with the repo-style transactions less any on-balance sheet receivables amount associated with these repo-style transactions included under paragraph (c)(4)(ii)(A) of this section, unless the following criteria are met:

(1) The offsetting transactions have the same explicit final settlement date under their governing agreements;

(2) The right to offset the amount owed to the counterparty with the amount owed by the counterparty is legally enforceable in the normal course of business and in the event of receivership, insolvency, liquidation, or similar proceeding; and

(3) Under the governing agreements, the counterparties intend to settle net, settle simultaneously, or settle according to a process that is the functional equivalent of net settlement. ~~That, (that~~ is, the cash flows of the transactions are equivalent, in effect, to a single net amount on the settlement date. ~~To achieve this result,~~ where both transactions ~~must be~~ are settled through the same settlement system ~~and,~~ the settlement arrangements ~~must be~~ are supported by cash or intraday credit facilities intended to ensure that settlement of both transactions will occur by the end of the business day, and the settlement of the underlying securities does not interfere with the net cash settlement.;

(F) The counterparty credit risk of a repo-style transaction, including where the Board-regulated institution acts as an agent for a repo-style transaction and indemnifies the customer with respect to the performance of the customer's counterparty in an amount limited to the difference between the fair value of the security or cash its customer has lent and the fair value of the collateral the borrower has provided, calculated as follows:

(1) If the transaction is not subject to a qualifying master netting agreement, the counterparty credit risk ( $E^*$ ) for transactions with a counterparty must be calculated on a transaction by transaction basis, such that each transaction  $i$  is treated as its own netting set, in accordance with the following formula, where  $E_i$  is the fair value of the instruments, gold, or cash that the Board-regulated institution has lent, sold subject to repurchase, or provided as collateral to the counterparty, and  $C_i$  is the fair value of the instruments, gold, or cash that the Board-regulated institution has borrowed, purchased subject to resale, or received as collateral from the counterparty:

$$E_i^* = \max \{0, [E_i - C_i]\}; \text{ and}$$

(2) If the transaction is subject to a qualifying master netting agreement, the counterparty credit risk ( $E^*$ ) must be calculated as the greater of zero and the total fair value of the instruments, gold, or cash that the Board-regulated institution has lent, sold subject to repurchase or provided as collateral to a counterparty for all transactions included in the qualifying master netting agreement ( $\sum E_i$ ), less the total fair value of the instruments, gold, or cash that the Board-regulated institution borrowed, purchased subject to resale or received as collateral from the counterparty for those transactions ( $\sum C_i$ ), in accordance with the following formula:

$$E^* = \max \{0, [\sum E_i - \sum C_i]\}$$

(G) If a Board-regulated institution acting as an agent for a repo-style transaction provides a guarantee to a customer of the security or cash its customer has lent or borrowed with respect to the performance of the customer's counterparty and the guarantee is not limited to the difference between the fair value of the security or cash its customer has lent and the fair value of the collateral the borrower has provided, the amount of the guarantee that is greater than the difference between the fair value of the security or cash its customer has lent and the value of the collateral the borrower has provided; ~~and~~

(H) The credit equivalent amount of all off-balance sheet exposures of ~~at the~~ Board-regulated institution, excluding repo-style transactions ~~and derivatives, repurchase or reverse repurchase or securities borrowing or lending transactions that qualify for sales treatment under U.S. GAAP, and derivative transactions~~, determined using the applicable credit conversion factor under § 217.33(b), provided, however, that the minimum credit conversion factor that may be assigned to an off-balance sheet exposure under this paragraph is 10 percent; ~~and~~

(I) ~~Requirements for~~ For a Board-regulated institution that is a clearing member:

(1) A clearing member Board-regulated institution that guarantees the performance of a clearing member client with respect to a cleared transaction must treat its exposure to the clearing member client as a derivative contract for purposes of determining its total leverage exposure; ~~and~~

(2) A clearing member Board-regulated institution that guarantees the performance of a CCP with respect to a transaction cleared on behalf of a clearing member client must treat its exposure to the CCP as a derivative contract for purposes of determining its total leverage exposure~~;~~

(3) A clearing member Board-regulated institution that does not guarantee the performance of a CCP with respect to a transaction cleared on behalf of a clearing member client may exclude its exposure to the CCP for purposes of determining its total leverage exposure~~;~~

(4) A Board-regulated institution that is a clearing member may exclude from its total leverage exposure the effective notional principal amount of credit protection sold through a credit derivative contract, or other similar instrument, that it clears on behalf of a clearing member client through a CCP as calculated in accordance with part (c)(4)(ii)(D); and

(5) Notwithstanding paragraphs (c)(4)(ii)(I)(1), (2), and (3) of this section, a Board-regulated institution may exclude from its total leverage exposure a clearing member's exposure to a clearing member client for a derivative contract, if the clearing member client and the clearing member are affiliates and consolidated for financial reporting purposes on the Board-regulated institution's balance sheet.

~~4. Amend §~~ 10. Section 217.172 is amended by adding ~~a new~~ paragraph (d) to read as follows:

**~~Subpart E Risk-Weighted Assets-Internal ratings-Based and Advanced Measurement Approaches~~**

**§ 217.172 Disclosure requirements.**

\* \* \* \* \*

(d) ~~Notwithstanding~~Except as otherwise provided in paragraph (b) of this section, an advanced approaches Board-regulated institution must publicly disclose each quarter its supplementary leverage ratio and its components as calculated under subpart B of this part in compliance with paragraph (c) of this section~~;~~ however, the disclosures required under this paragraph are required without regard to whether the Board-regulated institution has completed the parallel run process and has received notification from the Board pursuant to § 217.121(d).

11. Amend § 217.173 as follows:

a. Revise the introductory text of paragraph (a); and

~~5.5. Amend § 217.173 by adding a new~~ b. Add paragraph (c) and Table 13 to ~~paragraph (e) to read as follows:~~§ 217.173.

**~~Subpart E Risk-Weighted Assets-Internal ratings-Based and Advanced Measurement Approaches~~**

The revision and additions are set forth below.

**§ 217.173 Disclosures by certain advanced approaches Board-regulated institutions.**

(a) Except as provided in § 217.172(b), a Board-regulated institution described in § 217.172(b) must make the disclosures described in Tables 1 through 13 to § 217.173. The Board-regulated institution must make the disclosures required under Tables 1 through 12 publicly available for each of the last three years (that is, twelve quarters) or such shorter period beginning on January 1, 2014. The Board-regulated institution must make the disclosures required under Table 13 publicly available beginning on January 1, 2015.

\* \* \* \* \*

(c) Except as ~~otherwise~~ provided in §217.172(b), a Board-regulated institution described in § 217.172(d) must make the disclosures described in Table 13 to § 217.173; provided, however, the disclosures required under this paragraph are required without regard to whether the Board-regulated institution has completed the parallel run process and has received notification from the Board pursuant to § 217.121(d). The Board-regulated institution must make these disclosures publicly available beginning on January 1, 2015.

**Table 13 to § 217.173—~~Supplementary Leverage Ratio~~**

Supplementary Leverage Ratio

		<u>Dollar Amounts in Thousands</u>			
<u>Dollar Amounts in Thousands</u>		Tril	Bil	Mil	Thou
<b>Part 1: Summary comparison of accounting assets and total leverage exposure</b>					
1	Total consolidated assets as reported in published financial statements				
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation				
3	Adjustment for fiduciary assets recognized on balance sheet but excluded from total leverage exposure				
4	<del>Adjustments</del> <u>Adjustment</u> for derivative exposures				
5	Adjustment for repo-style transactions				
6	Adjustment for off-balance sheet exposures (that is, conversion to credit equivalent amounts of off-balance sheet exposures)				
7	Other adjustments				
8	Total leverage exposure				
<b>Part 2: Supplementary leverage ratio</b>					
<b>On-balance sheet exposures</b>					
1	On-balance sheet assets (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions)				
2	LESS: Amounts deducted from tier 1 capital				
3	Total on-balance sheet exposures (excluding on-balance sheet assets for				

	repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions) (sum of lines 1 and 2)				
	<b>Derivative exposures</b>				
4	Replacement cost for derivative exposures (that is, net of cash variation margin)				
5	Add-on amounts for potential future exposure (PFE) for - <del>derivatives</del> <u>derivative</u> exposures				
6	Gross-up for cash collateral posted if deducted from the <del>on-</del> <del>balance</del> <u>onbalance</u> sheet assets, except for cash variation margin				
7	LESS: Deductions of receivable assets for cash variation margin posted in <del>derivatives</del> <u>derivative</u> transactions, if included in <del>on-</del> <del>balance</del> <u>onbalance</u> sheet assets				
8	LESS: Exempted CCP leg of client-cleared transactions				
9	Effective notional principal amount of sold credit protection				
10	<u>LESS:</u> Effective notional principal amount offsets and PFE adjustments for sold credit protection				
11	Total derivative exposures (sum of lines 4 to 10)				
	<b>Repo-style transactions</b>				
12	On-balance sheet assets for repo-style transactions, except include the gross value of receivables for reverse repurchase transactions. Exclude from this item the value of securities received in a security-for-security repo-style <del>transaction</del> <u>transaction</u> where the securities lender has not sold or re-hypothecated the securities received. Include in this item the value of securities <del>sold under a repo-style arrangement</del> <u>that qualified for sales treatment that must be reversed.</u>				
13	LESS: Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions under netting agreements				
14	Counterparty credit risk for all repo-style transactions				
15	Exposure for repo-style transactions where <u>a</u> banking organization acts as an agent				
16	Total exposures for repo-style transactions (sum of lines 12 to 15)				
	<b>Other off-balance sheet exposures</b>				
17	Off-balance sheet exposures at gross notional amounts				
18	LESS: Adjustments for conversion to credit equivalent amounts				
19	Off-balance sheet exposures (sum of lines 17 and 18)				
	<b>Capital and total leverage exposure</b>				
20	Tier 1 capital				
21	Total leverage exposure (sum of lines 3, 11, 16 and 19)				
	<b>Supplementary leverage ratio</b>				
22	Supplementary leverage ratio				(in percent)

**Federal Deposit Insurance Corporation**

**12-CFR Chapter III**

**Authority and Issuance**

~~For the reasons stated in the preamble, the Federal Deposit Insurance Corporation proposes to amend part 324 of chapter III of Title 12, Code of Federal Regulations as follows:~~

**PART 324—CAPITAL ADEQUACY**

~~(1)~~ 12. The authority citation for part 324 ~~shall continue~~continues to read as follows:

**Authority:** 12 U.S.C. 1815(a), 1815(b), 1816, 1818(a), 1818(b), 1818(c), 1818(t), 1819(Tenth), 1828(c), 1828(d), 1828(i), 1828(n), 1828(o), 1831o, 1835, 3907, 3909, 4808; 5371; 5412; Pub. L. 102-233, 105 Stat. 1761, 1789, 1790 (12 U.S.C. 1831n note); Pub. L. 102-242, 105 Stat. 2236, 2355, as amended by Pub. L. 103-325, 108 Stat. 2160, 2233 (12 U.S.C. 1828 note); Pub. L. 102-242, 105 Stat. 2236, 2386, as amended by Pub. L. 102-550, 106 Stat. 3672, 4089 (12 U.S.C. 1828 note); Pub. L. 111-203, 124 Stat. 1376, 1887 (15 U.S.C. 78o-7 note).

13. In § 324.1(d)(4), replace “leverage exposure amount” with “total leverage exposure.”

\*\*\*\*\*

~~(2)~~ 324.2. In ~~section~~§ 324.2, revise the definition of “total leverage exposure” to read as follows:

**Subpart A—General Provisions**

\*\*\*\*\*

**§ 324.2 Definitions.**

\*\*\*\*\*

*Total leverage exposure* is defined in § 324.10(c)(4)(ii).

\*\*\*\*\*

~~(3)~~ 14. Revise ~~section~~§ 324.10(c)(4) to read as follows:

**Subpart B—Capital Ratio Requirements and Buffers**

**§ 324.10. Minimum capital requirements.**

\*\*\*\*\*

(c) \*\*\*

(4) *Supplementary leverage ratio.* (i) An advanced approaches FDIC-supervised institution’s supplementary leverage ratio is the ratio of its tier 1 capital ~~calculated as of the last day of each~~

~~reporting quarter~~ to total leverage exposure, the latter which is calculated as the arithmetic sum of:  
(A) the mean of the ~~total leverage exposure~~on-balance sheet assets calculated as of each day of the reporting quarter, ~~using~~ and (B) the mean of the off-balance sheet exposures calculated as of the last day of each of the most recent three months, minus the applicable deductions under §§324.22(a), (c), and (d) ~~as of the last day of the previous reporting quarter.~~

(ii) For purposes of this part, *total leverage exposure* means the sum of the items described ~~as follows~~ in paragraphs (c)(4)(ii)(A) through ~~(e)(4)(ii)(H)~~ of this section, as adjusted ~~by any applicable requirement for clearing member FDIC-supervised institutions described in~~ pursuant to paragraph (c)(4)(ii)(I) for a clearing member FDIC-supervised institution:

(A) The balance sheet carrying value of all of the FDIC-supervised institution's on-balance sheet assets, plus the value of securities sold under a ~~repo-style arrangement that are not included on-balance sheet~~repurchase transaction or a securities lending transaction that qualifies for sales treatment under U.S. GAAP, less amounts deducted from tier 1 capital under §§ 324.22(a), (c), and (d), and less the value of securities received in security-for-security repo-style transactions, where the FDIC-supervised institution acts as a securities lender and includes the securities received in its on-balance sheet assets but has not sold or re-hypothecated the securities received;

(B) The PFE for each derivative contract or each single-product netting set of derivative contracts (including a cleared ~~transactions~~transaction except as provided in paragraph (c)(4)(ii)(I) of this section) and, at the discretion of the FDIC-supervised institution, excluding a forward agreement treated as a derivative contract that is part of a repurchase or reverse repurchase or a securities borrowing or lending transaction that qualifies for sales treatment under U.S. GAAP, to which the FDIC-supervised institution is a counterparty ~~(or each single-product netting set of such transactions)~~ as determined under § 324.34, but without regard to § 324.34(b), provided that:

(1) An FDIC-supervised institution may choose to ~~adjust~~exclude the PFE ~~for~~of all credit derivatives or other similar instruments through which it provides credit protection, ~~as included in paragraph (D) of this section,~~ when calculating the PFE under § 324.34, but without regard to § 324.34(b), provided that it does not adjust the net-to-gross ratio (NGR); and

(2) An FDIC-supervised institution that ~~makes such election~~chooses to exclude the PFE of credit derivatives or other similar instruments through which it provides credit protection pursuant to paragraph (c)(4)(ii)(B)(1) of this section must do so consistently over time for the calculation of the PFE for all ~~credit-derivative contracts or similar~~such instruments ~~through which it provides credit protection;~~

(C) The amount of cash collateral that is received from a counterparty to a derivative contract and that has offset the mark-to-fair value of the derivative asset, or cash collateral that is posted to a counterparty to a derivative contract and that has reduced the FDIC-supervised institution's on-balance sheet assets, ~~except if~~unless such cash collateral is all or part of variation margin that satisfies the following requirements ~~in paragraphs (C)(1) through (C)(5) of this section. Cash variation margin that satisfies the requirements in paragraphs (C)(1) through (C)(5) of this section may only be used to reduce the current credit exposure of the derivative contract,~~

~~calculated as described in section 324.34(a)(2)(ii)(B), and not the PFE. In the calculation of the NGR described in §324.34(a)(2)(ii)(B), cash variation margin that satisfies the requirements in paragraphs (C)(1) through (C)(5) of this section may not reduce the net current credit exposure or the gross current credit exposure.~~

(1) For derivative contracts that are not cleared through a QCCP, the cash collateral received by the recipient counterparty is not segregated (by law, regulation or an agreement with the counterparty);

(2) Variation margin is calculated and transferred on a daily basis based on the mark-to-fair value of the derivative contract;

(3) The variation margin transferred under the derivative contract or the governing rules for a cleared transaction is the full amount that is necessary to fully extinguish the net current credit exposure to the counterparty of the derivative contracts, subject to the threshold and minimum transfer amounts applicable to the counterparty under the terms of the derivative contract or the governing rules for a cleared transaction;

(4) The variation margin is in the form of cash in the same currency as the currency of settlement set forth in the derivative contract, provided that for the purposes of this paragraph, currency of settlement means any currency for settlement specified in the governing qualifying master netting agreement and the credit support annex to the qualifying master netting agreement, or in the governing rules for a cleared transaction; ~~and~~

(5) The derivative contract and the variation margin are governed by a qualifying master netting agreement between the legal entities that are the counterparties to the derivative contract or by the governing rules for a cleared transaction. ~~The, and the~~ qualifying master netting agreement or the governing rules for a cleared transaction must explicitly stipulate that the counterparties agree to settle any payment obligations on a net basis, taking into account any variation margin received or provided under the contract if a credit event involving either counterparty occurs;

(6) The variation margin is used to reduce the current credit exposure of the derivative contract, calculated as described in § 324.34(a), and not the PFE; and

(7) For the purpose of the calculation of the NGR described in § 324.34(a)(2)(ii)(B), variation margin described in paragraph (c)(4)(ii)(C)(6) of this section may not reduce the net current credit exposure or the gross current credit exposure;

(D) The effective notional principal amount (that is, the apparent or stated notional principal amount multiplied by any multiplier in the derivative contract) of a credit derivative, or other similar instrument, through which the FDIC-supervised institution provides credit protection, provided that:

(1) The FDIC-supervised institution may reduce the effective notional principal amount of the credit derivative by the amount of any reduction in the mark-to-fair value of the credit derivative if the reduction is recognized in common equity tier 1 capital;

(2) The FDIC-supervised institution may reduce the effective notional principal amount of the credit derivative by the effective notional principal amount of a purchased credit derivative or other similar instrument, provided that the remaining maturity of the purchased credit derivative is equal to or greater than the remaining maturity of the credit derivative through which the FDIC-supervised institution provides credit protection and that:

(i) With respect to a credit derivative that references a single exposure, the reference exposure of the purchased credit derivative is to the same legal entity and ranks pari passu with, or is junior to, the reference exposure of the credit derivative through which the FDIC-supervised institution provides credit protection; or

(ii) With respect to a credit derivative that references multiple ~~exposures, such as securitization~~ exposures, the reference exposures of the purchased credit derivative are to the same legal entities and rank pari passu with the reference exposures of the credit derivative through which the FDIC-supervised institution provides credit protection, and the level of seniority of the purchased credit derivative ranks pari passu to the level of seniority of the credit derivative through which the FDIC-supervised institution provides credit protection~~;~~;

(iii) Where an FDIC-supervised institution has reduced the effective notional amount of a credit derivative through which the FDIC-supervised institution provides credit protection in accordance with paragraph ~~(c)(4)(ii)(D)(1)~~ of this section, the FDIC-supervised institution must also reduce the effective notional principal amount of a purchased credit derivative~~;~~ used to offset the credit derivative through which the FDIC-supervised institution provides credit protection, by the amount of any increase in the mark-to-fair value of the purchased credit derivative that is recognized in common equity tier 1 capital; and

(iv) Where the FDIC-supervised institution purchases credit protection through a total return swap and records the net payments received on a credit derivative through which the FDIC-supervised institution provides credit protection in net income, but does not record offsetting deterioration in the mark-to-fair value of the credit derivative through which the FDIC-supervised institution provides credit protection in net income (either through reductions in fair value or by additions to reserves), the FDIC-supervised institution may not use the purchased credit protection to offset the effective notional principal amount of the related credit derivative through which the FDIC-supervised institution provides credit protection~~;~~;

(E) Where an FDIC-supervised institution acting as a principal has more than one repo-style transaction with the same counterparty and has ~~applied the GAAP offset for repo-style transactions, and the criteria in paragraphs (E)(1) through (E)(3) of this section are not satisfied~~offset the gross value of receivables due from a counterparty under reverse repurchase transactions by the gross value of payables under repurchase transactions due to the same counterparty, the gross value of receivables associated with the repo-style transactions less any on-balance sheet receivables amount associated with these repo-style transactions included under paragraph ~~(c)(4)(ii)(A)~~ of this section~~;~~, unless the following criteria are met:

(I) The offsetting transactions have the same explicit final settlement date under their governing agreements;

(2) The right to offset the amount owed to the counterparty with the amount owed by the counterparty is legally enforceable in the normal course of business and in the event of receivership, insolvency, liquidation, or similar proceeding; and

(3) Under the governing agreements, the counterparties intend to settle net, settle simultaneously, or settle according to a process that is the functional equivalent of net settlement. ~~That, (that~~ is, the cash flows of the transactions are equivalent, in effect, to a single net amount on the settlement date. ~~To achieve this result,)~~ where both transactions ~~must be~~ are settled through the same settlement system ~~and,~~ the settlement arrangements ~~must be~~ are supported by cash or intraday credit facilities intended to ensure that settlement of both transactions will occur by the end of the business day, and the settlement of the underlying securities does not interfere with the net cash settlement.;

(F) The counterparty credit risk of a repo-style transaction, including where the FDIC-supervised institution acts as an agent for a repo-style transaction and indemnifies the customer with respect to the performance of the customer's counterparty in an amount limited to the difference between the fair value of the security or cash its customer has lent and the fair value of the collateral the borrower has provided, calculated as follows:

(I) If the transaction is not subject to a qualifying master netting agreement, the counterparty credit risk (E\*) for transactions with a counterparty must be calculated on a transaction by transaction basis, such that each transaction i is treated as its own netting set, in accordance with the following formula, where E<sub>i</sub> is the fair value of the instruments, gold, or cash that the FDIC-supervised institution has lent, sold subject to repurchase, or provided as collateral to the counterparty, and C<sub>i</sub> is the fair value of the instruments, gold, or cash that the FDIC-supervised institution has borrowed, purchased subject to resale, or received as collateral from the counterparty:

$$E_i^* = \max \{0, [E_i - C_i]\}; \text{ and}$$

(2) If the transaction is subject to a qualifying master netting agreement, the counterparty credit risk (E\*) must be calculated as the greater of zero and the total fair value of the instruments, gold, or cash that the FDIC-supervised institution has lent, sold subject to repurchase or provided as collateral to a counterparty for all transactions included in the qualifying master netting agreement ( $\sum E_i$ ), less the total fair value of the instruments, gold, or cash that the FDIC-supervised institution borrowed, purchased subject to resale or received as collateral from the counterparty for those transactions ( $\sum C_i$ ), in accordance with the following formula:

$$E^* = \max \{0, [\sum E_i - \sum C_i]\}$$

(G) If an FDIC-supervised institution acting as an agent for a repo-style transaction provides a guarantee to a customer of the security or cash its customer has lent or borrowed with respect to the performance of the customer's counterparty and the guarantee is not limited to the difference between the fair value of the security or cash its customer has lent and the fair value of the collateral the borrower has provided, the amount of the guarantee that is greater than the

difference between the fair value of the security or cash its customer has lent and the value of the collateral the borrower has provided; ~~and~~

(H) The credit equivalent amount of all off-balance sheet exposures of the FDIC-supervised institution, excluding repo-style transactions ~~and derivatives, repurchase or reverse repurchase or securities borrowing or lending transactions that qualify for sales treatment under U.S. GAAP, and derivative transactions~~, determined using the applicable credit conversion factor under §324.33(b), provided, however, that the minimum credit conversion factor that may be assigned to an off-balance sheet exposure under this paragraph is 10 percent; ~~and~~

(I) ~~Requirements for~~ For an FDIC-supervised institution that is a clearing member:

(1) A clearing member FDIC-supervised institution that guarantees the performance of a clearing member client with respect to a cleared transaction must treat its exposure to the clearing member client as a derivative contract for purposes of determining its total leverage exposure; ~~and~~

(2) A clearing member FDIC-supervised institution that guarantees the performance of a CCP with respect to a transaction cleared on behalf of a clearing member client must treat its exposure to the CCP as a derivative contract for purposes of determining its total leverage exposure; ~~and~~

(3) A clearing member FDIC-supervised institution that does not guarantee the performance of a CCP with respect to a transaction cleared on behalf of a clearing member client may exclude its exposure to the CCP for purposes of determining its total leverage exposure; ~~and~~

(4) An FDIC-supervised institution that is a clearing member may exclude from its total leverage exposure the effective notional principal amount of credit protection sold through a credit derivative contract, or other similar instrument, that it clears on behalf of a clearing member client through a CCP as calculated in accordance with part (c)(4)(ii)(D); and

(5) Notwithstanding paragraphs (c)(4)(ii)(I)(1), (2), and (3) of this section, an FDIC-supervised institution may exclude from its total leverage exposure a clearing member's exposure to a clearing member client for a derivative contract, if the clearing member client and the clearing member are affiliates and consolidated for financial reporting purposes on the FDIC-supervised institution's balance sheet.

~~(4) Revise the first sentence of § 15. Section 324.172(e)(1) and add a~~ is amended by adding paragraph (d) to read as follows:

**~~Subpart E—Risk-Weighted Assets—Internal Ratings-Based and Advanced Measurement Approaches~~**

**§ 324.172 Disclosure requirements.**

\* \* \* \* \*

~~(e)(1) A FDIC-supervised institution described in paragraphs (b) and (d) of this section...~~

\*\*\*\*\*

(d) ~~Notwithstanding §324.172~~ Except as otherwise provided in paragraph (b) of this section, an advanced approaches FDIC-supervised institution must publicly disclose each quarter its supplementary leverage ratio and its components as calculated under subpart B of this part: in compliance with paragraph (c) of this section; however, the disclosures required under this paragraph are required without regard to whether the FDIC-supervised institution has completed the parallel run process and has received notification from the FDIC pursuant to §324.121(d).

(5) ~~Revise~~ 16. Amend § 324.173 ~~(a) and add paragraph (c) to read~~ as follows:

- a. Revise the introductory text of paragraph (a); and
- b. Add paragraph (c) and Table 13 to § 3.173.

The revision and additions are set forth below.

**§ 324.173 Disclosures by certain advanced approaches FDIC-supervised institutions.**

(a) Except as provided in § 324.172(b), an FDIC-supervised institution described in § 324.172(b) must make the disclosures described in Tables 1 through 13 to § 324.173. The FDIC-supervised institution must make the disclosures required under Tables 1 through 12 publicly available for each of the last three years (that is, twelve quarters) or such shorter period beginning on January 1, 2014. The FDIC-supervised institution must make the disclosures required under Table 13 publicly available beginning on January 1, 2015.

\*\*\*\*\*

(c) Except as provided in § 324.172(b), an FDIC-supervised institution described in § 324.172(d) must make the disclosures described in Table 13 to § 324.173: provided, however, the disclosures required under this paragraph are required without regard to whether the FDIC-supervised institution has completed the parallel run process and has received notification from the FDIC pursuant to § 324.121(d). The FDIC-supervised institution must make these disclosures publicly available beginning on January 1, 2015.

~~(5) Insert Table 13 to § 324.173 to read as follows:~~

~~§324.173 Disclosures by certain advanced approaches FDIC-supervised institutions~~

~~Table 13 to §324.173~~

Supplementary Leverage Ratio

	<u>Dollar Amounts in Thousands</u>			
	<u>Tril</u>	<u>Bil</u>	<u>Mil</u>	<u>Thou</u>
<b>Part 1: Summary comparison of accounting assets and total leverage exposure</b>				

1-	Total consolidated assets as reported in published financial statements				
2-	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation				
3-	Adjustment for fiduciary assets recognized on balance sheet but excluded from total leverage exposure				
4-	<del>Adjustments</del> <u>Adjustment</u> for derivative exposures				
5-	Adjustment for repo-style transactions				
6-	Adjustment for off-balance sheet exposures (that is, conversion to credit equivalent amounts of off-balance sheet exposures)				
7-	Other adjustments				
8-	Total leverage exposure				
<b>Part 2: Supplementary leverage ratio</b>					
<b>On-balance sheet exposures</b>					
1-	On-balance sheet assets (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions)				
2-	LESS: <del>Assets</del> <u>Amounts</u> deducted from tier 1 capital				
3-	Total on-balance sheet exposures (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions) (sum of lines 1 and 2)				
<b>Derivative exposures</b>					
4-	Replacement cost for derivative exposures (that is, net of cash variation margin)				
5-	Add-on amounts for potential future exposure (PFE) for <del>derivatives</del> <u>derivative</u> exposures				
6-	Gross-up for cash collateral posted if deducted from the <del>on-</del> <u>onbalance</u> sheet assets, except for cash variation margin				
7-	LESS: Deductions of receivable assets for cash variation margin posted in <del>derivatives</del> <u>derivative</u> transactions, if included in <del>on-balance</del> <u>onbalance</u> sheet assets				
8-	LESS: Exempted CCP leg of client-cleared transactions				
9-	Effective notional principal amount of sold credit protection				
10-	LESS: Effective notional principal <u>amount</u> offsets and PFE adjustments for sold credit protection				
11-	Total derivative exposures (sum of lines 4 to 10)				
<b>Repo-style transactions</b>					
12-	On-balance sheet assets for repo-style transactions, except include the gross value of receivables for reverse repurchase transactions. Exclude from this item the value of securities received in a security-for-security repo-style transaction where the securities lender has not sold or re-hypothecated the securities received. Include in this item the value of securities <del>sold under a repo-style arrangement</del> <u>that qualified for sales treatment that must be reversed</u> .				
13-	LESS: Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions under netting				

	agreements:				
14:	Counterparty credit risk <del>exposure</del> for all repo-style transactions				
15:	Exposure for repo-style transactions where a banking organization acts as an agent:				
16:	Total exposures for repo-style transactions (sum of lines 12 to 15)				
	<b>Other off-balance sheet exposures</b>				
17:	Off-balance sheet exposures at gross notional amounts				
18:	LESS: Adjustments for conversion to credit equivalent amounts				
19:	Off-balance sheet exposures (sum of lines 17 and 18)				
	<b>Capital and total leverage exposure</b>				
20:	Tier 1 capital				
21:	Total leverage exposure (sum of lines 3, 11, 16 and 19)				
	<b>Supplementary leverage ratio</b>				
22:	Supplementary leverage ratio				(in percent)