

balance of the investors' interest at the securitization's inception, regardless of the level of the transaction's excess spread. Once the difference between the spread trapping point and the early amortization trigger is determined, this difference must be divided into four equal segments.

For example, if the spread trapping point is 4.5 percent and the early amortization trigger is zero, then the 450 basis point difference would be divided into four equal segments of 112.5 basis points. A credit conversion factor of zero percent would be applied to the outstanding principal balance of the off-balance sheet investors' interest if a securitization's three-month average excess spread equaled or exceeded the spread trapping point (4.5 percent in the example). Credit conversion factors of 5 percent, 10 percent, 50 percent, and 100 percent are assigned to each segment in descending order beginning at the spread trapping point as the securitization approaches early amortization as follows:

EXAMPLE OF CREDIT CONVERSION FACTOR ASSIGNMENT BY SEGMENT

Segment of excess spread differential	Credit conversion factor (percent)
450 bp or more	0
Less than 450 bp to 337.5 bp ..	5
Less than 337.5 bp to 225 bp ..	10
Less than 225 bp to 112.5 bp ..	50
Less than 112.5 bp	100

In this example, if the three-month average excess spread is greater than 450 or equal to basis points, the banking organization would not incur a risk-based capital charge for early amortization. However, once the three-month average excess spread declines below 450 basis points, a positive credit conversion factor would be applied against the outstanding principal balance of the off-balance sheet investors' interest to calculate the credit equivalent amount of assets that is to be risk weighted according to the asset type, typically the 100 percent risk weight category.

On the other hand, if the spread trapping point instead were 6 percent and the early amortization trigger were 2 percent, then the ESD would be 4 percent, resulting in four equal segments of 100 basis points. The 5 percent credit conversion factor would be applied to the off-balance sheet investors' interest when the three-month average excess spread declined to between 6 percent and 5 percent.

The agencies seek comment on whether to adopt such a treatment of securitization of revolving credit facilities containing early amortization mechanisms. Would such a treatment satisfactorily address the potential risks such transactions pose to originators? Are there other approaches, treatments, or factors that the agencies should consider? Comments also are invited on the interplay and timing between this proposal and the proposed capital treatment for securitization structures contained in the agencies' July 2003 advanced notice of proposed rulemaking regarding the implementation of the proposed Basel Capital Accord.

III. Elimination of Summary Sections of Rules Text

The agencies also are proposing to amend their risk-based capital standards by deleting tables and attachments that summarize the risk categories, credit conversion factors, and transitional arrangements. These tables and attachments have become outdated and unnecessary because the substance of these summaries is included in the main text of the risk-based capital standards. Furthermore, these summary tables and attachments were originally provided to assist banking organizations unfamiliar with the new framework during the transition period when the agencies' risk-based capital requirements were initially implemented. Deleting the tables and attachments will remove unnecessary regulatory text.

IV. Regulatory Analysis

Regulatory Flexibility Act Analysis

Pursuant to section 605(b) of the Regulatory Flexibility Act, the Agencies have determined that this proposed rule would not have a significant impact on a substantial number of small entities in accordance with the spirit and purposes of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*). The agencies believe that this proposed rule should not impact a substantial number of small banking organizations because such organizations typically do not sponsor ABCP programs, provide liquidity facilities to such programs, or engage in securitizations of revolving retail credit facilities. Accordingly, a regulatory flexibility analysis is not required.

Paperwork Reduction Act

The Agencies have determined that this proposed rule does not involve a collection of information pursuant to the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*).

Unfunded Mandates Reform Act of 1995

OCC: Section 202 of the Unfunded Mandates Reform Act of 1995, Pub. L. 104-4 (Unfunded Mandates Act) requires that an agency prepare a budgetary impact statement before promulgating a rule that includes a Federal mandate that may result in expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year. If a budgetary impact statement is required, section 205 of the Unfunded Mandates Act also requires an agency to identify and consider a reasonable number of regulatory alternatives before promulgating a rule. The OCC believes that exclusion of consolidated ABCP program assets from risk-weighted assets for risk-based capital purposes will not result in a significant impact for national banks because the exclusion of consolidated ABCP program assets is designed to offset the effect of FIN 46 on risk-based capital. With respect to the proposed capital treatment of liquidity facilities, because national banks that provide liquidity facilities to ABCP programs currently exceed regulatory minimum capital requirements, the OCC does not believe these banks will be required to raise additional capital. Finally, while the OCC and the other Federal banking agencies do not currently collect data on the excess spread levels for individual revolving securitizations, the OCC does not believe that the proposed capital charge on revolving securitizations will have a significant impact on the capital requirements of national banks because currently, most revolving securitizations are operating with excess spread levels above the proposed capital triggers.

OTS: Section 202 of the Unfunded Mandates Reform Act of 1995, Pub. L. 104-4 (Unfunded Mandates Act) requires that an agency prepare a budgetary impact statement before promulgating a rule that includes a Federal mandate that may result in expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year. If a budgetary impact statement is required, section 205 of the Unfunded Mandates Act also requires an agency to identify and consider a reasonable number of regulatory alternatives before promulgating a rule.

Plain Language

Section 722 of the Gramm-Leach-Bliley (GLB) Act requires the Federal banking agencies to use "plain language" in all proposed and final rules published after January 1, 2000. In light of this requirement, the agencies