

credit equivalent amount for those facilities even though they are structured or characterized as derivatives or other trading book assets.

* * * * *

3. *Items with a 20 percent conversion factor.* * * *

a. * * *

b. Undrawn portions of eligible liquidity facilities with an original maturity of one year or less that banks provide to asset-backed commercial paper (ABCP) programs also are converted at 20 percent. The resulting credit equivalent amount is then assigned to the risk category appropriate to the underlying assets or the obligor, after consideration of any collateral or guarantees, or external credit ratings, if applicable. Banks that are subject to the market risk rules are required to convert the notional amount of short-term covered positions carried in the trading account that act as eligible liquidity facilities to ABCP programs, in form or in substance, at 20 percent to determine the appropriate credit equivalent amount for those facilities even though they are structured or characterized as derivatives or other trading book assets. Liquidity facilities extended to ABCP programs that do not meet the following criteria are to be considered recourse obligations or direct credit substitutes and assessed the appropriate risk-based capital requirement in accordance with section II.B.5. of this appendix. Eligible liquidity facilities must be subject to a reasonable asset quality test at the time of draw that precludes funding against assets in the ABCP program that are 60 days or more past due or in default. In addition, if the assets that eligible liquidity facilities are required to fund against are externally rated exposures, the facility can be used to fund only those exposures that are externally rated investment grade at the time of funding. Furthermore, eligible liquidity facilities must contain provisions that, prior to any draws, reduces the bank's funding obligation to cover only those assets that would meet the funding criteria under the facilities' asset quality tests. * * *

4. * * * These include unused portions of commitments, with the exception of eligible liquidity facilities provided to ABCP programs, with an original maturity of one year or less, or which are unconditionally cancelable at any time, provided a separate credit decision is made before each drawing under the facility. * * *

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3. In appendix C to part 325, add two new sentences to the end of section 2.(a) to read as follows:

Appendix C to Part 325—Risk-Based Capital for State Non-Member Banks; Market Risk

Section 2. Definitions.

(a) * * * Covered positions exclude all positions in a bank's trading account that, in form or in substance, act as eligible liquidity facilities (as defined in section II.B.5.a. of appendix A of this part), to asset-backed commercial paper programs (as defined in section II.B.6. of appendix A of this part).

Such excluded positions are subject to the risk-based capital requirements set forth in appendix A of this part.

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Dated at Washington, DC, this 5th day of September 2003.

By order of the Board of Directors.
Federal Deposit Insurance Corporation.

Robert E. Feldman,
Executive Secretary.

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Chapter V

Authority and Issuance

For the reasons set out in the preamble, part 567 of chapter V of title 12 of the Code of Federal Regulations is proposed to be amended as follows:

PART 567—CAPITAL

1. The authority citation for part 567 continues to read as follows:

Authority: 12 U.S.C. 1462, 1462a, 1463, 1464, 1467a, 1828 (note).

2. Section 567.1 is amended by adding definitions of early amortization trigger, excess spread, qualifying liquidity facility, and revolving retail credit in alphabetical order to read as follows:

§ 567.1 Definitions.

* * * * *

Early amortization trigger. The term *early amortization trigger* means a contractual requirement that, if triggered, would cause a securitization to begin repaying investors prior to the originally scheduled payment dates.

* * * * *

Excess spread. The term *excess spread* means gross finance charge collections and other income received by the trust or special purpose entity minus certificate interest, servicing fees, charge-offs, and other trust or special purpose entity expenses.

* * * * *

Qualifying liquidity facility. The term *qualifying liquidity facility* means a liquidity facility provided to an ABCP program provided that:

(1) At the time of the draw, the liquidity facility must be subject to a reasonable asset quality test that precludes funding against or purchase of assets from the ABCP program that are 60 days or more past due or in default;

(2) If the assets that the liquidity facility is required to fund are externally rated securities, (at the time they are transferred into the program) the facility can be used to fund only exposures that

are externally rated investment grade at the time of funding; and

(3) The liquidity facility must provide that, prior to any draws, the savings association's funding obligation is reduced to cover only those assets that satisfy the funding criteria under the asset quality test of the liquidity facility.

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Revolving retail credit. The term *revolving retail credit* means an exposure to an individual or a business where the borrower is permitted to vary both the drawn amount and the amount of repayment within an agreed limit under a line of credit (such as personal or business credit card accounts).

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3. Amend § 567.5 by revising paragraph (a)(1)(iii) to read as follows:

§ 567.5 Components of capital.

(a) * * *

(1) * * *

(iii) Minority interests in the equity accounts of subsidiaries that are fully consolidated. However, minority interests in consolidated ABCP programs sponsored by a savings association are excluded from the association's core capital or total capital base if the consolidated assets are excluded from risk-weighted assets pursuant to § 567.6 (a)(3);

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4. Amend § 567.6 by:

- A. Revising paragraph (a)(2)(ii)(B);
- B. Redesignating paragraph (a)(2)(iii) as paragraph (a)(2)(iii)(A);
- C. Adding paragraph (a)(2)(iii)(B);
- D. Revising paragraph (a)(2)(iv)(A);
- E. Removing paragraph (a)(3)(iv);
- F. Adding paragraph (b)(9).

§ 576.6 Risk-based capital credit risk-weight categories.

(a) * * *

(2) * * *

(ii) * * *

(B) Unused portions of commitments, including home equity lines of credit and qualifying liquidity facilities with an original maturity exceeding one year except those listed in paragraph (a)(2)(iv) of this section; and

* * * * *

(iii) *20 percent credit conversion factor (Group C).* * * *

(B) Undrawn portions of qualifying liquidity facilities with an original maturity of one year or less that a savings association provides to ABCP programs.

(iv) *Zero percent credit conversion factor (Group D).* (A) Unused commitments, with the exception of liquidity facilities provided to ABCP