



OCC BULLETIN

Comptroller of the Currency
Administrator of National Banks

Subject: Regulatory Capital: Asset-Backed
Commercial Paper Liquidity Facilities

Description: Interagency Guidance

TO: Chief Executive Officers of National Banks, Department and Division Heads, All Examining Personnel, and Other Interested Parties

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (the agencies) have jointly issued the attached interagency guidance. This guidance clarifies the application of the asset quality test set forth in the agencies' final risk-based capital rule on asset-backed commercial paper (ABCP) programs. The ABCP rule, which was published in the *Federal Register* on July 28, 2004, instituted a new capital charge for ABCP liquidity facilities.

The ABCP rule requires a 10 percent credit conversion factor (CCF) for ABCP liquidity facilities with an original maturity of one year or less, and a 50 percent CCF for facilities with a maturity of longer than one year. However, as of September 30, 2005, only "eligible" ABCP liquidity facilities qualify for this treatment. To qualify as an "eligible" liquidity facility, the liquidity provider must have no obligation to fund against assets that are 90 days or more past due, in default or below investment grade. If the ABCP liquidity facility fails this asset quality test, it is deemed "ineligible" and is treated as a recourse exposure or direct credit substitute for purposes of determining the risk-based capital charge.

The agencies, through the attached guidance, are further clarifying that they will consider an ABCP liquidity facility "eligible" if the liquidity provider has access to certain types of seller-specific credit enhancements and the amount of these credit enhancements exceeds the amount of assets that are 90 days or more past due, in default, or below investment grade.

For further information, contact Nancy Hunt, risk expert, Capital Policy Division at (202) 874-4923; or Laura Goldman, counsel, Legislative and Regulatory Activities Division at (202) 874-5090.

Tommy Snow
Director for Capital Policy

Attachment: [Interagency guidance](http://www.occ.treas.gov/ftp/bulletin/2005-26.pdf)
[<http://www.occ.treas.gov/ftp/bulletin/2005-26.pdf>]