Interpretations

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July [Interpretations and Actions]

1033, 6/14/2005, Letter confirms that the bank, with approval of its examiner-in-charge, may engage in customer-driven equity index derivatives transactions and may use baskets of securities to hedge its risk exposures to the index swaps where the baskets do not exactly match the underlying index, but are designed to replicate the sector and industry weightings and general risks of the index.

1034, 4/1/2005, Letter states that the bank may construct a new office complex on existing bank premises and lease unused space as excess bank premises.

August [Interpretations and Actions]

1035, 7/21/2005, Letter concludes that in the bank's securitization of its own home equity lines of credit (HELOCs), the bank may hold the securitized HELOC notes as Type V securities, the usual 25 percent prudential limit is not intended to apply under the specific facts and circumstances represented, and retention of the subordinated interest is permissible under 12 USC 24(Seventh). The conclusions are subject to various safety and soundness requirements. The appropriate risk-based capital treatment is the risk-based capital charge for the underlying HELOCs.

1036, 8/10/2005, Letter states that a remote check scanning terminal at a customer's location, which permits the customer to deposit checks electronically, is not a branch.

September [Interpretations and Actions]

1037, 8/9/2005, Letter concludes that trust company may use cash-settled derivatives linked to S&P 500 Index to hedge the market risk associated with the fees it charges customers as part of its investment advisory activities, provided the trust company establishes to the satisfaction of its supervisory office, an appropriate risk management and compliance process.

1038, 8/16/2005, A national bank, under contract with the General Services Administration, provides purchasing, travel, and fleet charge cards to government agencies and employees as a payment tool for official government purchases and travel expenses. This letter responds to a request from the bank for an opinion the appropriate capital treatment for unused portions of lines of credit (unused lines) on cards issued to federal employees. Liability for all charges and fees incurred on government credit cards rests solely with the cardholder; the government bears no secondary liability. In the letter, we conclude that the OCC will use its reservation of authority in 12 CFR 3.4 to assign a zero percent conversion factor to the unused lines. This reflects our conclusion that a zero percent conversion factor more appropriately reflects the credit risk to the bank associated with the lines.

1039, 9/13/2005, Letter concludes that the bank may engage in customer-driven, perfectly matched, cash-settled derivative transactions provided the bank's examiner-in-charge is satisfied that the bank has adequate risk management and measurement systems and controls to conduct the activities on a safe and sound basis.

1040, 9/15/2005, Letter states that the bank, with the approval of its examiner-in-charge, may engage in customer-driven, physically settled emissions derivative transactions and may enter into physical transactions in emission allowances to hedge its risk exposures to the emissions derivative transactions.