



**Title: Risk Based Capital
Frequently Asked Questions (FAQs) for Risk Based Capital Operations**

Approved By: Armando Falcon, Jr.

Date: November 7, 2002

I. PURPOSE:

FAQs are used for two purposes:

- To publicly communicate forthcoming Risk Based Capital (RBC) Rule technical corrections, RBC Report Instruction amendments, and software operating instructions modifications in advance of publication of updated documents.
- To add contextual or explanatory detail that may assist users of the RBC Rule, RBC Report Instructions, and software operating instructions.

Answers to FAQs can be relied upon as an accurate and reliable representation of OFHEO policy for purposes of determining the Enterprises' Risk Based capital classification and data provisioning processes.

II. Scope:

The policy set forth in this guideline applies to OFHEO employees and contractors. Operating procedures are outlined in the Appendix to this guideline.

The Director of OFHEO or his/her designee has the discretion to alter any of the procedures set forth within this guideline.

III. Authority And References:

12 U. S. C. 4611.
Change Management Control Board (CMCB) Charter.

IV. Effective Date:

These guidelines are effective upon approval by the Director of OFHEO.

Implementation dates for specific FAQs will adhere to the Change Management Cycle determined by the Change Management Control Board and detailed in OFHEO Guideline 409.



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V. Policy:

FAQs clarify, or amplify information contained in the RBC Rule (or technical amendments), the RBC Report Instructions, or any public technical documentation developed to facilitate the installation, use, and maintenance of the related software. FAQs can also serve to notify the public about a forthcoming technical rule change. FAQs relate only to subject matter that is already addressed in another public source and are not used to make amendments to the RBC Rule. Additionally, FAQs do not contain information proprietary to any entity, and are of a scope that is broad enough to be of use to more than a single party or organization.

OFHEO's CMCB reviews FAQs for approval. The Proprietary Information Review Group (PIRG) reviews FAQs for proprietary information. Once approved, the FAQs are posted on OFHEO's web site under the appropriate heading(s) and communicated to the Enterprises through the guidelines for SCRs as outlined in OFHEO Guideline 408. FAQs used to amend other documents prior to the publication of document revisions will remain available on the web site until the revised document is published. FAQs used to provide additional detail not found in other published sources will remain posted on the web site as long as necessary. Periodically, the CMCB will review posted FAQs to determine the appropriateness and relevance of the posting.

VI. Responsibilities:

All OFHEO offices – Receive external queries relating to the RBC Rule or otherwise identify a need for an FAQ.

Office of General Counsel (OGC) –As appropriate, provide subject matter expertise to research the identified FAQ issue and prepare the FAQ Systems Change Request. Review all draft FAQs prior to submission to the CMCB for approval.

Office of Information Technology (OIT) –As appropriate, provide subject matter expertise to research the identified FAQ issue and prepare the FAQ Systems Change Request.

Office of Policy Analysis and Research (OPAR) –As appropriate, provides subject matter expertise to research the identified FAQ issue and prepare the FAQ Systems Change Request.



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Office of Risk Analysis and Model Development (ORAMD) –As appropriate, provides subject matter expertise to research the identified FAQ issue and prepare the FAQ Systems Change Request.

Chair of the Change Management Control Board (CMCB Chair) or Designee – Assigns topics identified for FAQs to the appropriate Office and/or staff member for analysis and research.

Office of External Relations (OER) – Review all draft FAQs prior to submission to the CMCB for approval. Control public access to the FAQs by posting and removing FAQs from OFHEO’s public web site, as directed by the CMCB.

Change Management Control Board (CMCB) – Evaluate all proposed FAQs and approve for publication as appropriate. Periodically review FAQs posted on OFHEO’s public web site to determine the appropriateness of the posting. Direct OER in the posting and removal of FAQs.

Proprietary Information Review Group (PIRG) – Review all FAQs prior to distribution to address issues relating to Enterprise or OFHEO proprietary information.

VII. Definitions:

FAQs – Frequently Asked Questions references both the question and the answer when published by OFHEO.

VIII. Types of Records Created or Received:

- System Change Requests
- FAQs



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**Appendix
OFHEO Procedures for FAQs**

Overview

To facilitate the use and understanding of the Risk Based Capital Model, OFHEO has elected to provide additional documentation across a variety of very specific topics. This documentation will be in the form of questions accompanied by detailed answers, and will be collectively referred to as **Frequently Asked Questions**, or **FAQs**. Topics may be based on questions or recommendations received from outside of OFHEO, or may be submitted from within OFHEO. The FAQs do not have to be based on actual questions received, but may be created in anticipation of such questions.

FAQs exhibit three primary characteristics:

- FAQs clarify or amplify information contained in the Risk Based Capital Rule (or related amendments), the Risk Based Capital Report Instructions, or any public technical documentation developed to facilitate the installation, use and maintenance of the related software. In some instances, an FAQ may be used to notify the public about a forthcoming technical rule change. Information relating to Technical corrections will be published periodically in the Federal Register as amendments to the RBC rule. FAQs may not be used to communicate RBC rule changes, which are more properly the subject of notice and comment rulemaking.
- FAQs relate only to subject matter that is already addressed in another public source.
- FAQs do not deal with any proprietary information, and are of a scope that is broad enough to be of use to more than a single party or entity.

Process

The process for developing, approving and implementing FAQs is as follows:

1. The topic or question will be submitted for consideration to the Office of General Counsel (OGC), the Office of Information Technology (OIT), the Office of Policy Analysis and Research (OPAR), or the Office of Risk Analysis and Model Development (ORAMD). (These Offices are the most likely to receive external inquiries relating to the rule, or to identify internally a need for a FAQ).



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2. Once received, the topic will then be forwarded to the Chair of the Change Management Control Board (CMCB) who will assign the topic to the appropriate office for analysis and research. The analysis must include a determination that the issue meets the FAQ characteristics noted above, and that publication of a FAQ is an appropriate means to address the issue. The results of this analysis must be included with the FAQ (but not necessarily incorporated in the body of the FAQ) when it is submitted for approval.
3. If the topic has the requisite characteristics, the subject matter expert(s) will develop a complete FAQ. The subject matter expert must indicate the section(s) of the related document(s) to which the FAQ relates, including other System Change Requests or Form 40 (for proposing a technical amendment) and must further indicate if the FAQ is:
 - a. providing an interim amendment to existing documentation until the documentation is formally amended and published;
 - b. providing explanatory detail that will not be included in the existing documentation; or
 - c. both.
4. Upon completion of the draft FAQ, the subject matter expert(s) will submit the document to the designated OGC staff member for review of relevant legal issues. OGC shall determine whether to include additional language that notifies the public that a particular FAQ contains information that may be the subject of a technical amendment to the RBC rule. In those instances where such additional language is indicated, the following clause will be added to the text of the FAQ:

" This FAQ contains information that will be the subject of a technical amendment to the (insert section) RBC rule. The reader is advised to check the Federal Register and OFHEO's web site www.OFHEO.gov periodically, to determine the issue date of the technical amendment."
5. Concurrent with submission of the draft FAQ to OGC, the subject matter expert(s) will submit the document to the designated Office of External Relations (OER) staff member for review. The draft FAQ shall also be submitted to the Proprietary Information Review Group (PIRG) to address any issues related to the use of Enterprise or OFHEO proprietary information.



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6. Upon completion of review by OGC, OER, and the PIRG, the document will be submitted to the CMCB via a Systems Change Request (SCR). In addition to the FAQ text, the preparer must include the following additional elements:
 - a. The analysis performed to determine that an FAQ is an appropriate means for addressing the issue.
 - b. An indication that sign-off has been obtained from OGC, OER, and the PIRG.
 - c. Identification of any document(s) and specific section(s) relevant to the SCR.
 - d. Copies of SCRs (or Form 40s for Technical Corrections to the Rule) to formally amend the existing documentation, if applicable.
 - e. In cases where the FAQ provides explanatory detail, a representation that an affirmative determination has been made that the text of the FAQ does not contradict any information contained in any of the existing documentation sources relating to the Risk Based Capital Rule.
7. The CMCB will review and discuss the proposed FAQ and will vote on whether or not to approve.
8. If approved, the FAQ will be made publicly available by OER, upon completion of appropriate web site clearance procedures, on OFHEO's public web site.
9. If the FAQ is not approved, the CMCB will indicate to the preparer the concerns, and provide guidance as to whether or how the FAQ should be modified and resubmitted.

Maintenance

After each amendment to the Risk Based Capital Rule, changes to the RBC Report Instructions, or modification to the RBC software technical instructions, the CMCB will review the published FAQs to determine if they require modification or elimination, and notify OER as necessary.



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Report Instruction Amendments

In determining whether an amendment to the RBC Report Instructions requires interim publication via a FAQ, the preparer should consider the extent to which the amendment will affect the way the Enterprises prepare their quarterly submissions, and the timing of the next update to the Report Instructions. For example, an amendment to the Report Instructions that changes the field length for an existing text data field (such as the OFHEO ledger code description) generally will not warrant a FAQ because of the minimal impact on the Enterprises submission process and on the calculation of their capital requirements.

Similarly, if revised Report Instructions will be published before the Enterprises begin preparing their next data submission, FAQs highlighting amendments incorporated into the Report Instructions will not be necessary.