
**Office of the Comptroller of the Currency
Board of Governors of the Federal Reserve Board
Federal Deposit Insurance Corporation
Office of Thrift Supervision**

Joint Release

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**Agencies Issue Final Rule on Capital Requirements for
Asset-Backed Commercial Paper Programs**

The federal banking and thrift regulatory agencies today issued a final rule amending their risk-based capital standards. The rule permits sponsoring banks, bank holding companies, and thrifts (banking organizations) to continue to exclude from their risk-weighted asset base for purposes of calculating the risk-based capital ratios asset-backed commercial paper (ABCP) program assets that are consolidated onto sponsoring banking organizations' balance sheets as a result of Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities, as revised (FIN 46-R). This provision of the final rule will make permanent an existing interim final rule.

The final rule also requires banking organizations to hold risk-based capital against eligible ABCP liquidity facilities with an original maturity of one year or less that provide liquidity support to ABCP by imposing a 10 percent credit conversion factor on such facilities. Eligible ABCP liquidity facilities with an original maturity exceeding one year remain subject to the current 50 percent credit conversion factor. Ineligible liquidity facilities are treated as direct credit substitutes or recourse obligations and are subject to a 100 percent credit conversion factor. The resulting credit equivalent amount is then risk weighted according to the underlying assets, after consideration of any collateral, guarantees, or external ratings, if applicable. All liquidity facilities that provide liquidity support to ABCP will be treated as eligible liquidity facilities for a one-year transition period.

The rule, which will be published shortly in the Federal Register, will become effective on September 30, 2004.

The Federal Register notice is attached.

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[Attachment](#)

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