

(2) Any interest rate or foreign exchange rate contract that is traded on an exchange requiring the daily payment of any variations in the market value of the contract.

(3) *Alternative capital computation for small business obligations*— (i) *Definitions*. For the purposes of this paragraph (a)(3):

(A) *Qualified savings association* means a savings association that:

(1) Is well capitalized as defined in 12 CFR 565.4 without applying the capital treatment described in paragraph (a)(3)(ii) of this section; or

(2) Is adequately capitalized as defined in 12 CFR 565.4 without applying the capital treatment described in paragraph (a)(3)(ii) of this section and has received written permission from the OTS to apply that capital calculation.

(B) *Small business* means a business that meets the criteria for a small business concern established by the Small Business Administration in 12 CFR 121 pursuant to 15 U.S.C. 632.

(ii) *Capital requirement*. With respect to a transfer of a small business loan or lease of personal property with recourse that is a sale under generally accepted accounting principles, a qualified savings association may elect to include only the amount of its retained recourse in its risk-weighted assets for the purposes of paragraph (a)(2)(i)(C) of this section. To qualify for this election, the savings association must establish and maintain a reserve under generally accepted accounting principles sufficient to meet the reasonable estimated liability of the savings association under the recourse arrangement.

(iii) *Aggregate amount of recourse*. The total outstanding amount of recourse retained by a qualified savings association with respect to transfers of small business loans and leases of personal property and included in the risk-weighted assets of the savings association as described in paragraph (a)(3)(ii) of this section, may not exceed 15 percent of the association's total capital computed under § 567.5(c)(4).

(iv) *Savings association that ceases to be a qualified savings association or that exceeds aggregate limits*. If a savings association ceases to be a qualified sav-

ings association or exceeds the aggregate limit described in paragraph (a)(3)(iii) of this section, the savings association may continue to apply the capital treatment described in paragraph (a)(3)(ii) of this section to transfers of small business loans and leases of personal property that occurred when the association was a qualified savings association and did not exceed the limit.

(v) *Prompt corrective action not affected*. (A) A savings association shall compute its capital without regard to this paragraph (a)(3) of this section for purposes of prompt corrective action (12 U.S.C. 1831o), unless the savings association is adequately or well capitalized without applying the capital treatment described in this paragraph (a)(3) and would be well capitalized after applying that capital treatment.

(B) A savings association shall compute its capital without regard to this paragraph (a)(3) for the purposes of applying 12 U.S.C. 1831o(g), regardless of the association's capital level.

(b) [Reserved]

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§ 567.7 Interest-rate risk component.

(a) Except as provided in paragraph (c) of this section, a savings association's interest rate risk (IRR) is measured by the decline in the Net Portfolio Value (NPV) that would result from a 200 basis point increase or decrease in market interest rates (whichever results in the lower NPV) divided by the estimated economic value of assets, as calculated in accordance with the OTS Model and guidance issued by the OTS, which will be provided to savings associations and to others in accordance with paragraph (f) of this section. A savings association whose measured IRR exposure exceeds .02 (*i.e.*, 2%) must deduct an IRR component in calculating its total capital for purposes of determining whether it meets its risk-based capital requirement under § 567.2 of this part. The IRR component is an

amount equal to one-half of the difference between its measured interest rate risk and .02, multiplied by the estimated economic value of its total assets. Except as provided in paragraph (d) of this section, the IRR component deduction becomes effective beginning on the last day of the third quarter following the reporting date of the Schedule CMR on which the IRR component was based. For the purpose of this section, the reporting date is the last business day of each quarter.

(b) Unless they are exempt from this reporting requirement, all saving associations must file information pertaining to their interest rate risk exposure on a form or schedule designated by the Director. Savings associations with less than \$300 million in assets and risk-based capital ratios in excess of 12 percent are exempt from filing the Schedule CMR but will be required to provide selected information in the manner determined by the OTS. The Director of the OTS or his designee may, within his discretion, require any otherwise exempt savings association to file the Schedule CMR on a quarterly basis.

(c) A savings association's interest rate risk exposure is measured by the decline in the NPV that would result from a 200 basis point increase or decrease in market interest rates, except when the 3-month Treasury bond equivalent yield falls below 400 basis points. In that case, the decrease will be equal to one-half of that Treasury rate.

(d) If a savings association, demonstrates to the OTS that it has reduced its IRR, in dollar amount, by the end of the quarter following the reporting date of the Schedule CMR on which the savings association's IRR component was based, the IRR component shall be lowered to that amount.

(e) Exception. Notwithstanding paragraph (a) of this section, upon the request by a savings association, the Director of the OTS, or his designee, may waive or defer, but not lower except as a result of an appeal, a savings association's IRR component. For example, the Director may determine that a waiver or deferral is warranted if the savings association has taken meaning-

ful steps to reduce or control its interest rate risk exposure.

(f) Manuals describing the OTS Model and guidance issued by the OTS will be provided to savings associations and will be available, upon request, to others at the address set forth in § 516.1(a) of this chapter.

[58 FR 45813, Aug. 31, 1993, as amended at 59 FR 12811, Mar. 18, 1994]

§ 567.8 Leverage ratio.

Savings associations shall have and maintain core capital, as defined at 12 CFR 567.5(a), in an amount equal to at least 3.0% of adjusted total assets.

§ 567.9 Tangible capital requirement.

(a) Savings associations shall have and maintain tangible capital in an amount equal to at least 1.5% of adjusted total assets.

(b) The following elements, less the amount of any deductions pursuant to paragraph (c) of this section, comprise a savings association's tangible capital:

- (1) Common stockholders' equity (including retained earnings);
- (2) Noncumulative perpetual preferred stock and related earnings;
- (3) Nonwithdrawable accounts and pledged deposits that would qualify as core capital under § 567.5 of this part; and
- (4) Minority interests in the equity accounts of fully consolidated subsidiaries.

(c) *Deductions from tangible capital.* In calculating tangible capital, a savings association must deduct from assets, and, thus, from capital:

- (1) Intangible assets, as defined in § 567.1 of this part, and mortgage servicing rights (purchased or originated) not includable in core and tangible capital pursuant to § 567.12 of this part.
- (2) Investments, both equity and debt, in subsidiaries that are not includable subsidiaries (including those subsidiaries where the savings association has a minority ownership interest), except as provided in paragraphs (c)(3) and (c)(4) of this section.

(3) If a savings association has any investments (both debt and equity) in one or more subsidiary(ies) engaged as of April 12, 1989 and continuing to be engaged in any activity that would not