§ 3.155 Equity derivative contracts.

(a) Under the IMA, in addition to holding risk-based capital against an equity derivative contract under this part, a national bank or Federal savings association must hold risk-based capital against the counterparty credit risk in the equity derivative contract by also treating the equity derivative contract as a wholesale exposure and computing a supplemental risk-weighted asset amount for the contract under §3.132.

(b) Under the SRWA, a national bank or Federal savings association may choose not to hold risk-based capital against the counterparty credit risk of equity derivative contracts, as long as it does so for all such contracts. Where the equity derivative contracts are subject to a qualified master netting agreement, a national bank or Federal savings association using the SRWA must either include all or exclude all of the contracts from any measure used to determine counterparty credit risk exposure.

§§ 3.166—3.160 [Reserved]

RISK-WEIGHTED ASSETS FOR OPERATIONAL RISK

§ 3.161 Qualification requirements for incorporation of operational risk mitigants.

(a) Qualification to use operational risk mitigants. A national bank or Federal savings association may adjust its estimate of operational risk exposure to reflect qualifying operational risk mitigants if:

(1) The national bank’s or Federal savings association’s operational risk quantification system is able to generate an estimate of the national bank’s or Federal savings association’s operational risk exposure (which does not incorporate qualifying operational risk mitigants) and an estimate of the...
§ 3.172 Mechanics of risk-weighted asset calculation.

(a) If a national bank or Federal savings association does not qualify to use or does not have qualifying operational risk mitigants, the national bank's or Federal savings association's dollar risk-based capital requirement for operational risk is its operational risk exposure minus eligible operational risk offsets (if any).

(b) If a national bank or Federal savings association qualifies to use operational risk mitigants and has qualifying operational risk mitigants, the national bank’s or Federal savings association’s dollar risk-based capital requirement for operational risk is the greater of:

(1) The national bank’s or Federal savings association’s operational risk exposure adjusted for qualifying operational risk mitigants minus eligible operational risk offsets (if any); or

(2) 0.8 multiplied by the difference between:

(i) The national bank’s or Federal savings association’s operational risk exposure; and

(ii) Eligible operational risk offsets (if any).

(c) The national bank’s or Federal savings association’s risk-weighted asset amount for operational risk equals the national bank’s or Federal savings association’s dollar risk-based capital requirement for operational risk determined under sections 162(a) or (b) multiplied by 12.5.

§§ 3.163–3.170 [Reserved]

DISCLOSURES

§ 3.171 Purpose and scope.

§§ 3.171 through 3.173 establish public disclosure requirements related to the capital requirements of a national bank or Federal savings association that is an advanced approaches national bank or Federal savings association.

§ 3.172 Disclosure requirements.

(a) A national bank or Federal savings association that is an advanced approaches national bank or Federal savings association that has completed the parallel run process and that has

national bank’s or Federal savings association’s operational risk exposure adjusted to incorporate qualifying operational risk mitigants; and

(2) The national bank’s or Federal savings association’s methodology for incorporating the effects of insurance, if the national bank or Federal savings association uses insurance as an operational risk mitigant, captures through appropriate discounts to the amount of risk mitigation:

(i) The residual term of the policy, where less than one year;

(ii) The cancellation terms of the policy, where less than one year;

(iii) The policy’s timeliness of payment;

(iv) The uncertainty of payment by the provider of the policy; and

(v) Mismatches in coverage between the policy and the hedged operational loss event.

(b) Qualifying operational risk mitigants. Qualifying operational risk mitigants are:

(1) Insurance that:

(i) Is provided by an unaffiliated company that the national bank or Federal savings association deems to have strong capacity to meet its claims payment obligations and the obligor rating category to which the national bank or Federal savings association assigns the company is assigned a PD equal to or less than 10 basis points;

(ii) Has an initial term of at least one year and a residual term of more than 90 days;

(iii) Has a minimum notice period for cancellation by the provider of 90 days;

(iv) Has no exclusions or limitations based upon regulatory action or for the receiver or liquidator of a failed depositary institution; and

(v) Is explicitly mapped to a potential operational loss event;

(2) Operational risk mitigants other than insurance for which the OCC has given prior written approval. In evaluating an operational risk mitigant other than insurance, the OCC will consider whether the operational risk mitigant covers potential operational losses in a manner equivalent to holding total capital.