



FEDERAL RESERVE BANK of KANSAS CITY

March 13, 2015

**TOOL FOR CALCULATING CAPITAL REQUIREMENTS
USING THE SIMPLIFIED SUPERVISORY FORMULA APPROACH (“SSFA”)**

Attention: Chief Executive Officer of Each Tenth District State Member Bank or Holding Company with \$1 Billion or More in Total Consolidated Assets

In Brief: The Board of Governors of the Federal Reserve System (the Board), the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, the agencies), have developed an automated spreadsheet tool for calculating risk-based capital requirements when the SSFA approach is used.

Highlights: Institutions subject to the Board’s capital rules are required to calculate risk-weighted assets for securitization exposures such as exposures related to asset-backed securities. The SSFA is one alternative method for calculating risk-weighted assets for such exposures. Section 217.43 of Regulation Q (12 CFR §217.43) defines the SSFA calculation method and related requirements.

The SSFA tool produces results which apply relatively higher risk-based capital requirements to riskier junior tranches of securitizations that are the first to absorb losses, and relatively lower requirements to the most senior tranches.

In using the tool, financial institutions are reminded that they remain solely responsible for the accuracy of data reporting as well as compliance with the Board’s Regulation Q. The tool is not a part of the regulatory capital rules or a component of regulatory reporting. Financial institutions may use the tool solely at their own discretion.

Contact: Please direct any questions concerning the SSFA tool to Lead Risk Specialists Joe Van Wallegem at (816) 881-2387, Nancy Fitzgerald at (816) 881-6847, or contact your Federal Reserve Bank of Kansas City Examinations & Inspections central point of contact at (800) 333-1010.

Internet Link: A copy of the Federal Reserve Supervision and Regulation Letter SR 15-4, which contains a link to the new tool, is available on the Board’s public web site at: <http://www.federalreserve.gov/bankinforeg/srletters/SR1504.htm>