

**FEDERAL HOUSING FINANCE AGENCY**

**12 CFR Part 1240**

**RIN 2590-AB18**

**Enterprise Regulatory Capital Framework – Public Disclosures for the  
Standardized Approach**

**AGENCY:** Federal Housing Finance Agency.

**ACTION:** Final rule.

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**SUMMARY:** The Federal Housing Finance Agency (FHFA or the Agency) is adopting a final rule (final rule) that amends the Enterprise Regulatory Capital Framework (ERCF) by introducing new public disclosure requirements for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac, and with Fannie Mae, each an Enterprise). The requirements include quantitative and qualitative disclosures related to risk management, corporate governance, capital structure, and capital requirements and buffers under the standardized approach.

**DATES:** This rule is effective [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER.]

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For TTY/TRS users with hearing and speech disabilities, dial 711 and ask to be connected to any of the contact numbers above.

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#### **I. Introduction**

On November 3, 2021, FHFA published in the **Federal Register** a notice of proposed rulemaking (proposed rule) seeking comments on amendments to the ERCF that would implement new public disclosure requirements for the Enterprises.<sup>1</sup> FHFA

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<sup>1</sup> 86 FR 60589.

proposed these amendments to improve market discipline and encourage sound risk-management practices at the Enterprises by ensuring that market participants have access to sufficient information with which they can assess an Enterprise’s material risks and capital adequacy and make informed investment decisions. Public disclosures that are clear, comprehensive, useful, consistent over time, and comparable across Enterprises will facilitate such analyses and will therefore contribute to the safety and soundness of the Enterprises, decreasing risk to U.S. taxpayers. FHFA is now adopting in this final rule the proposed amendments, substantially as proposed, with minor modifications as discussed in the relevant sections of this preamble.

The public disclosure requirements in the final rule align with many of the public disclosure requirements for large banking organizations under the regulatory capital framework adopted by United States banking regulators (U.S. banking framework). Modern bank disclosure requirements were initially contemplated by the Basel Committee on Banking Supervision (BCBS) under Pillar 3 of Basel II in order to complement the minimum capital requirements and the supervisory review process and were later expanded with additional requirements in Basel III. In much the same way, the public disclosure requirements in the final rule will bolster the ERCF as it aims to ensure that each Enterprise operates in a safe and sound manner and is positioned to fulfill its statutory mission to provide stability and ongoing assistance to the secondary mortgage market across the economic cycle, in particular during periods of financial stress.<sup>2</sup>

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<sup>2</sup> 85 FR 82150.

## **II. Overview of the Final Rule**

The final rule implements quantitative and qualitative disclosure requirements related to risk management, corporate governance, capital structure, statutory capital requirements, supplemental capital requirements, including risk-weighted assets calculated under the standardized approach, and capital buffers. In contrast to the U.S. banking framework, which has fewer requirements and buffers under the standard approach than under the advanced approaches, the ERCF requires the Enterprises to satisfy the same capital buffers and leverage requirements under the standard approach and under the advanced approaches. Therefore, the final rule adapts the public disclosure requirements in the U.S. banking framework to reflect the ERCF's standardized approach, blending elements from the U.S. banking framework's standardized and advanced approaches. While the final rule implements disclosure requirements for the ERCF's standardized approach only, FHFA may in the future consider additional disclosure requirements related to the advanced approaches.

In general, the final rule requires quarterly quantitative disclosures and annual qualitative disclosures, provided the Enterprises disclose any material changes to disclosure items as soon as practicable, and no later than the end of the next calendar quarter. As discussed below, Enterprises will publish on their websites their first public disclosure reports under the final rule in the first quarter of 2023. This timeframe will allow the Enterprises to establish the internal reporting and governance functions necessary to fulfill the disclosure requirements and will minimize duplicative reporting by aligning the schedule of annual qualitative disclosures with the Securities and Exchange Commission's (SEC) reporting schedule for Form 10-K.

The final rule balances the potential costs of disclosures with the many benefits, including the benefits of increased market discipline of the Enterprises. By allowing market participants to assess key information about the Enterprises' risk profiles and associated levels of capital, the final rule will promote transparency, increase the amount of information available to the public, and encourage sound risk management practices at the Enterprises. In doing so, the final rule will foster financial stability at the Enterprises and in the broader housing finance market both during and after the Enterprises' conservatorships. However, enhanced public disclosures could be costly for the Enterprises. The final rule strikes an appropriate balance between the market benefits of disclosure and the additional financial burden to the Enterprises by permitting the Enterprises to fulfill many of the disclosure requirements by relying on similar disclosures made in accordance with accounting standards or SEC mandates. When an Enterprise fulfills a disclosure requirement using information provided in a different regulatory report, the Enterprise must provide a summary table that specifically indicates where the cross-referenced disclosures may be found and provide a reconciliation of regulatory capital elements as they relate to its balance sheet in any audited consolidated financial statements should there be differences between the accounting or other disclosures and the disclosures required under the final rule.

As proposed, the final rule also introduces a materiality concept for items not explicitly identified as required disclosures. The materiality concept is designed to ensure that improvements in public disclosures come not only from regulatory standards, but also as a result of efforts made by management at the Enterprises to communicate advances in risk management processes and internal reporting systems to public

shareholders and other market participants. In a manner similar to the requirements for U.S. banking organizations, the final rule requires an Enterprise to decide which additional disclosures are relevant based on this materiality concept. Information is material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making investment decisions. Similarly, the final rule requires an Enterprise to have a formal disclosure policy approved by its board of directors that addresses the Enterprise's approach for determining which disclosures are necessary and appropriate. The policy must address internal controls, disclosure controls, and procedures.

### **III. General Overview of Comments on the Proposed Rule**

FHFA received six public comment letters on the proposed rule.<sup>3</sup> In general, commenters were very supportive of the proposed disclosure requirements. Most commenters recommended FHFA adopt the amendments to the ERCF as proposed, with a few specific recommendations which are discussed in the relevant sections below.

However, one commenter expressed only measured support for the disclosure requirements due to the Enterprises being in conservatorships. The commenter stated that without more certainty regarding the future of the Enterprises, a rule requiring the Enterprises to devote substantial time and resources to developing and producing these disclosures seems to be premature. FHFA maintains that requirements that encourage sound risk-management practices, such as comprehensive, consistent, and comparable

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<sup>3</sup> See comments on Amendments to the Enterprise Regulatory Capital Framework Rule – Public Disclosures for the Standardized Approach, available at <https://www.fhfa.gov/SupervisionRegulation/Rules/Pages/Comment-List.aspx?RuleID=710>. The comment period for the proposed rule closed on January 3, 2022.

public disclosures, serve an important function at the Enterprises regardless of an Enterprise's conservatorship status.

In addition to comments directly related to the proposed amendments, FHFA also received several comments on other matters, such as the magnitude of funds remitted to the U.S. Department of the Treasury by the Enterprises relative to cumulative draws, the costs of owning or renting a home in the U.S., and the implications of mortgage originators selling their debt to other financial institutions. FHFA acknowledges the importance of these topics and will thoroughly consider the public's feedback on these issues when relevant rulemakings and policy decisions are under consideration.

#### **IV. Public Disclosure Requirements**

##### **A. General Requirements**

The proposed rule would implement general requirements related to a formal disclosure policy, the concept of materiality, and fulfilling disclosure requirements by relying on other required public reports.

Market participants consider many factors when making their assessment of an Enterprise, including the Enterprise's risk profile and the techniques it uses to identify, measure, monitor, and control the risks to which the Enterprise is exposed. Accordingly, the proposed rule would require an Enterprise to have a formal disclosure policy approved by its board of directors that addresses the Enterprise's approach for determining which disclosures are necessary and appropriate. The policy would be required to address internal controls, disclosure controls, and procedures. The board of directors and senior management would ensure the appropriate review of the disclosures and that effective internal controls, disclosure controls, and procedures are maintained.

One or more senior officers of the Enterprise would be required to attest that the disclosures meet the requirements of the proposed rule. The final rule adopts the requirements related to a formal disclosure policy as proposed.

For items not explicitly identified as required disclosures, the proposed rule would require an Enterprise to decide which additional disclosures are relevant based on a materiality concept. Information is material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making investment decisions. Through the implementation of a materiality concept, FHFA would encourage the management of each Enterprise to regularly review its public disclosures and enhance these disclosures, where appropriate, to clearly identify all significant risk exposures and their effects on the Enterprise's financial condition and performance, cash flow, and earnings potential. The final rule adopts the requirements related to the materiality concept as proposed.

To help mitigate the financial burden of public disclosures, the proposed rule would allow an Enterprise to fulfill some of the disclosure requirements by relying on similar disclosures made in accordance with accounting standards or SEC mandates. In addition, an Enterprise could use information provided in regulatory reports to fulfill the disclosure requirements. In these situations, an Enterprise would be required to provide a reconciliation of regulatory capital elements as they relate to its balance sheet in any audited consolidated financial statements should there be differences between the accounting or other disclosures and the disclosures required under the proposed rule. In addition, an Enterprise would be required to provide a summary table that specifically indicates where all the cross-referenced disclosures may be found. The final rule adopts,

without change, the proposed requirements related to fulfilling disclosure requirements by relying on other required reports.

## **B. Standardized Approach**

The proposed rule would require public disclosures related to the ERCF standardized approach across eleven categories, with each category containing qualitative disclosures and quantitative disclosures, with one exception. The categories are: (1) capital structure; (2) capital adequacy; (3) capital buffers; (4) credit risk: general disclosures; (5) general disclosure for counterparty credit risk-related exposures; (6) credit risk mitigation; (7) credit risk transfers (CRT) and securitization; (8) equities; (9) interest rate risk for non-trading activities; (10) operational risk; and (11) tier 1 leverage ratio. The first 10 categories would require both quantitative and qualitative disclosures, while the required disclosures related to the tier 1 leverage ratio would be quantitative only. Many of the disclosures described within the categories are identical to the disclosures applicable to U.S. banking organizations subject to the standardized approach. Others have been modified to reflect the ERCF, such as those referring to statutory core capital and statutory total capital, adjusted total capital, the prescribed capital conservation buffer amount (PCCBA), and CRT. In addition, FHFA has excluded several disclosure items that are included in the U.S. banking framework for activities or categorizations not relevant in the ERCF, such as exposures to foreign banks, statutory multifamily mortgages, and high volatility commercial real estate (HVCRE).

The standardized approach in the ERCF differs broadly from the U.S. banking standardized approach in its inclusion of risk-weighted assets for operational risk and market risk, in its application of capital buffers, and in its application of leverage ratio

requirements. In contrast to capital requirements for banking organizations subject to the standardized approach in the U.S. banking framework, the standardized approach in the ERCF requires an Enterprise to capitalize operational and market risks, to apply every component of the PCCBA including the countercyclical capital buffer, and to apply the same leverage ratio requirements and prescribed leverage buffer amount (PLBA) regardless of approach. Accordingly, the proposed rule would require an Enterprise to publicly disclose qualitative and quantitative information related to these items in the standardized approach.

Several of the proposed rule's qualitative disclosure requirements for operational risk pertain to the advanced measurement approach (AMA). These disclosures would include a description of the AMA, as well as a discussion of relevant internal and external factors considered in the Enterprise's measurement approach. Because the Enterprises are not required to implement the AMA approach until at least January 1, 2025, FHFA would expect the AMA-related disclosures to begin at the same time. Until then, the Enterprises are required to adhere to an operational risk capital requirement of 15 basis points of adjusted total assets.

Advanced approaches banking organizations must disclose information related to total leverage exposure (TLE) and the supplementary leverage ratio, while standardized approach banking institutions are not required to do so. The ERCF analog to the concept of TLE is adjusted total assets, and the analog to the concept of the supplementary leverage ratio is the tier 1 leverage ratio. In contrast to the U.S. banking framework, the ERCF tier 1 leverage ratio requirement is the same for an Enterprise operating under the standardized or advanced approaches. In addition, under the ERCF the PCCBA is based

on adjusted total assets, while the capital conservation buffer in the U.S. banking framework is based on risk-weighted assets. For these reasons, FHFA included disclosures related to the leverage ratio and adjusted total assets within the disclosure requirements for the standardized approach.

Many of the disclosure requirements for the standardized approach are also applicable to the advanced approach. For example, the disclosure items described within the categories for capital structure, PCCBA, PLBA, operational risk, and leverage would not differ conditional on whether an Enterprise's total risk-weighted assets are higher under the standardized approach or the advanced approach. Because these items are applicable to the standardized approach, the proposed rule would include disclosures related to these items within the disclosure requirements for the standardized approach.

The proposed rule would require an Enterprise to make the required disclosures publicly available for each of the last three years or such shorter time period beginning when the disclosure requirements come into effect. The public disclosure requirements are designed to provide important information to market participants on capital, risk exposures, risk assessment processes, and, thus, the capital adequacy of an Enterprise. Although the disclosure requirements are categorized into tables, the substantive content is the focus of the disclosure requirements, not the tables themselves. The proposed rule would require an Enterprise to make the disclosures described in tables 1 through 11 to § 1240.63.

Table 1 disclosures, "Capital Structure," would provide summary information on the terms and conditions of the main features of regulatory capital instruments, which would allow for an evaluation of the quality of the capital available to absorb losses

within an Enterprise. An Enterprise also would disclose the total amount of common equity tier 1, core, tier 1, total, and adjusted total capital, with separate disclosures for deductions and adjustments to capital.

Table 2 disclosures, “Capital Adequacy,” would provide information on an Enterprise’s approach for categorizing and risk-weighting its exposures, as well as the amount of total risk-weighted assets. The table would also include common equity tier 1, tier 1, and adjusted total risk-based capital ratios.

Table 3 disclosures, “Capital Buffers,” would require an Enterprise to disclose the PCCBA, the PLBA, eligible retained income, and any limitations on capital distributions and certain discretionary bonus payments, as applicable.

One commenter recommended FHFA either clarify or remove the proposed requirement that an Enterprise discuss the differential effects, if any, the buffers have on an Enterprise’s business by geographic breakdown. The commenter noted that the ERCF buffers are applied at the Enterprise-level, not by business line, and are based on adjusted total assets rather than risk-weighted assets. For these reasons, items that do vary by geographic region, such as house price appreciation, should have no differential impact on the capital buffers. In light of the commenter’s recommendation and rationale, FHFA removed from the final rule the Table 3 line (a) requirement to discuss the differential effects, if any, the buffers have on an Enterprise’s business by geographic breakdown.

Tables 4, 5, and 6 disclosures, related to credit risk, counterparty credit risk, and credit risk mitigation, respectively, would provide market participants with insight into different types and concentrations of credit risk to which an Enterprise is exposed and the techniques it uses to measure, monitor, and mitigate those risks. These disclosures are

intended to enable market participants to assess the credit risk exposures of the Enterprise without revealing proprietary information.

Table 7 disclosures, “CRT and Securitization,” would provide information to market participants on the amount of credit risk transferred and retained by an Enterprise through CRT and securitization transactions, the types of products securitized by the Enterprise, the risks inherent in the Enterprise’s securitized assets, the Enterprise’s policies regarding credit risk mitigation, and the names of any entities that provide external credit assessments of a securitization. These disclosures would provide for a better understanding of how securitization transactions impact the credit risk of an Enterprise. To further facilitate that understanding, securitization transactions in which the originating Enterprise does not retain any securitization exposure would be shown separately and would only be reported for the year of inception.

One commenter recommended that certain required market risk disclosures from proposed §§ 1240.205(d)(7) and (d)(8) be relocated to this Table 7. These disclosures relate to the monitoring of changes in the credit risk of securitization positions and to the policy governing the use of credit risk mitigation to mitigate the risks of securitization and resecuritization positions. While FHFA agrees that these required disclosures are more appropriate to Table 7, FHFA determined that no additions to the table in the final rule were necessary given disclosure items (a)(4) and (a)(5) of Table 7, which adequately cover these topics.

Table 8 disclosures, “Equities,” would provide market participants with an understanding of the types of equity securities held by the Enterprise and how they are valued. The table would also provide information on the capital allocated to different

equity products and the amount of unrealized gains and losses. (In comparison with bank holding companies subject to the Federal Reserve Board's Regulation Q, on which the proposed regulation was based, the types of equity securities that may be held by the Enterprises are limited. Their capital treatment is governed by 12 CFR 1240.51 and 1240.52.)

Table 9 disclosures, "Interest Rate Risk for Non-trading Activities," would require an Enterprise to provide certain quantitative and qualitative disclosures regarding the Enterprise's management of interest rate risks.

Table 10 disclosures, "Operational Risk," would require an Enterprise to provide certain qualitative disclosures regarding the advanced measurement approach, when applicable, and a description of the use of insurance for the purpose of mitigating operational risk. These disclosures would include a description of the AMA, as well as a discussion of relevant internal and external factors considered in the Enterprise's measurement approach.

Table 11 disclosures, "Tier 1 Leverage Ratio," would provide information related to an Enterprise's adjusted total assets, including adjustments for fiduciary assets, derivative exposures, repo-style transactions, and off-balance sheet exposures. The table would also include an Enterprise's tier 1 leverage ratio. These disclosures are intended to enable market participants to assess the aggregate exposure to risk at an Enterprise and to consider that risk against the Enterprise's capital backstop.

The final rule adopts the disclosure requirements for the standardized approach substantially as proposed, with one adjustment to Table 3, as discussed above.

### **C. Market Risk**

In § 1240.205, the proposed rule would require an Enterprise to make public disclosures related to market risk for covered positions under the standardized approach. These disclosures would provide quantitative and qualitative information related to an Enterprise's market risk profile, market risk valuation strategies, internal controls, and disclosure controls and procedures. The quantitative disclosures would detail exposure amounts and risk-weighted assets for material portfolios of covered positions, as well as on-balance sheet and off-balance sheet securitization positions by exposure type.

The proposed rule's market risk disclosure requirements would include a formal disclosure policy approved by an Enterprise's board of directors that addresses the Enterprise's approach for determining its market risk disclosures. The policy would address the associated internal controls and disclosure controls and procedures and would contain requirements related to the verification and attestation of disclosures and the maintaining of effective controls and procedures. The requirements would also include quarterly quantitative disclosures for each material portfolio of covered positions related to exposure and risk-weighted asset amounts as well as the aggregate amount of on-balance sheet and off-balance sheet securitization positions by exposure type.

In addition, an Enterprise would be required to make annual public disclosures for each material portfolio of covered positions related generally to portfolio composition and valuation policies, procedures, and methodologies. These disclosures would include, among other things, key valuation assumptions and information on significant changes, model characteristics used to calculate risk-weighted assets for market risk, and a description of the approaches used for validating and evaluating the accuracy of internal

models and modeling processes. In addition, the annual disclosures would include a description of the Enterprise's processes for monitoring changes in the market risk of securitization positions.

As discussed above, one commenter recommended that certain credit risk disclosures in proposed §§ 1240.205(d)(7) and (d)(8) be relocated to a more appropriate section. FHFA determined that these disclosures, related to the monitoring of changes in the credit risk of securitization positions and to the policy governing the use of credit risk mitigation to mitigate the risks of securitization and resecuritization positions, were already present in Table 7 of § 1240.63. As a result, FHFA has removed reference to credit risk from proposed § 1240.205(d)(7) and deleted proposed § 1240.205(d)(8).

The final rule adopts the disclosure requirements for market risk under the standardized approach substantially as proposed, with adjustments to proposed §§ 1240.205(d)(7) and (d)(8), as discussed above.

## **V. Frequency of Disclosures**

The proposed rule would require the Enterprises to make quantitative disclosures on a quarterly basis, consistent with the disclosure requirements for most regulated financial institutions and frequently enough to capture most changes in risk profiles. The proposed rule would also require the Enterprises to make qualitative disclosures that provide a general summary of an Enterprise's risk-management objectives and policies, reporting system, and definitions may be disclosed annually. However, if a material change occurs, where for the purpose of these disclosure requirements a material change means a change such that the omission or misstatement of which could change or influence the assessment or decision of a user relying on that information for the purpose

of making investment decisions, the proposed rule would require the Enterprises to disclose a brief discussion of this change and its likely impact as soon as practicable, and no later than the end of the next calendar quarter.

The proposed rule would also require that the disclosures be timely. As described above, an Enterprise may be able to fulfill some of the proposed disclosure requirements by relying on similar disclosures made in accordance with accounting standards or SEC mandates. FHFA acknowledges that timing of disclosures required under other federal laws, including disclosures required under the federal securities laws and their implementing regulations by the SEC, may not always align with the timing of required Enterprise disclosures. For this reason, the proposed rule described timely disclosures as being no later than the applicable SEC disclosure deadlines for the corresponding Form 10-K annual report at the end of a fiscal year and the corresponding Form 10-Q at the end of other calendar quarters. In cases where an Enterprise's fiscal year-end does not coincide with the end of a calendar quarter, FHFA would consider the timeliness of disclosures on a case-by-case basis. In some cases, management may determine that a material change has occurred, such that the most recent reported amounts do not reflect the Enterprise's capital adequacy and risk profile. In those cases, an Enterprise would need to disclose the general nature of these changes and briefly describe how they are likely to affect public disclosures going forward. An Enterprise would make these interim disclosures as soon as practicable after the determination that a material change has occurred.

The concept of timely disclosures was described in the preamble to the proposed rule, but not explicitly in the proposed rule itself. FHFA has determined to formalize the

concept of timely disclosures in the final rule by adopting similar disclosure deadlines as those discussed above, while adding a short buffer of 10 business days. Therefore, the final rule adopts, without change, the proposed requirements related to the frequency of public disclosures and requires the proposed disclosure requirements to be made in a timely manner no later than 10 business days after an Enterprise files its corresponding Annual Report or Quarterly report on SEC Form 10-K or Form 10-Q, respectively.

## **VI. Compliance Dates**

The compliance date for the disclosure requirements under the proposed rule would be six months from the date of publication of the final rule in the **Federal Register**. In addition, the proposed rule would generally require qualitative disclosures to be made annually “after the end of the fourth calendar quarter.” One commenter recommended that FHFA reconsider this compliance date to align the required annual qualitative public disclosures, and in particular an Enterprise’s first public disclosures under the final rule which must be made after the end of the fourth calendar quarter, with the more comprehensive annual qualitative disclosures included in an Enterprise’s Annual Report on the SEC’s Form 10-K. The commenter recommended this alignment because the required public disclosures under the final rule would likely reference disclosures made on Form 10-K.

Upon consideration of the commenter’s recommendation, the final rule adopts a compliance date for the new standardized approach disclosure requirements in §§ 1240.61 to 1240.63 and § 1240.205 of no later than 10 business days after an Enterprise files its Annual Report on SEC Form 10-K for the fiscal year ending December 31, 2022. This compliance date will align the new public disclosures with the reporting cycle for

the Enterprises' Annual Reports, while providing a short buffer for the publication of an Enterprise's first disclosure report. Further, FHFA has determined that the costs to an Enterprise of producing a public disclosure report containing extensive qualitative disclosures one quarter before the Enterprise produces a public disclosure report where many of the same qualitative disclosures will likely be included by reference outweigh the benefits to investors and market participants of having the report one quarter earlier, in particular given the Enterprises' current significant capital deficits relative to capital requirements and buffers under the ERCF.

The proposed rule would also amend the reporting requirement compliance dates in § 1240.4(b) to remove references to parts of the ERCF that do not contain reporting requirements. Specifically, the proposed rule would remove references to compliance dates for reporting requirements in subparts C and G of 12 CFR 1240, §§ 1240.162(d) and 1240.204, as these parts do not contain reporting requirements. The proposed rule would retain without modification the January 1, 2022 compliance dates for reporting requirements outlined in §§ 1240.1(f) and 1240.41.

The final rule adopts, without change, the proposed amendments to other reporting requirement compliance dates in the ERCF.

## **VII. Location of Disclosures and Audit Requirements**

The proposed rule would require an Enterprise to ensure that required disclosures are publicly available (for example, included on a public website) for each of the last three years or such shorter time period beginning when the proposed rule, if adopted as a final rule, comes into effect. In general, management of an Enterprise would have some discretion to determine the appropriate medium and location of the disclosures, provided

the Enterprise meets the requirements related to cross-referencing described below. Furthermore, an Enterprise would have flexibility in formatting its public disclosures unless otherwise ordered by FHFA under its general authority to follow specific reporting guidelines or procedures, including potentially utilizing specified templates for certain quantitative disclosure elements. For example, FHFA may determine that standardizing the way the Enterprises present a subset of the required quantitative disclosures would facilitate the ability of market participants to compare attributes or results across Enterprises and better assess the risk profile and capital adequacy of each Enterprise. Conversely, there may be aspects of the required disclosures that cannot easily be standardized or where comparison across Enterprises may be less meaningful to market participants, such as descriptions of an Enterprise's risk management practices or certain analyses that contain bespoke risk metrics.

FHFA encourages each Enterprise to make all required disclosures available in one place on the Enterprise's public website, the address of which should be communicated in the Enterprise's regulatory report. However, the proposed rule would permit an Enterprise to provide the disclosures in more than one place, such as in its public financial reports (for example, in Management's Discussion and Analysis included in SEC filings) or other regulatory reports, as long as the Enterprise also provides a summary table on its public website that specifically indicates where all the disclosures may be found (for example, regulatory report schedules, page numbers in annual reports).

The proposed rule would require an Enterprise to reconcile disclosures of regulatory capital elements as the elements relate to an Enterprise's balance sheet in any audited consolidated financial statements. However, disclosures under the proposed rule

which are not included in the footnotes to the audited financial statements would not be subject to external audit reports for financial statements or internal control reports from management and the external auditor. Therefore, the proposed rule would not introduce any new audit requirements, and under the proposed rule, the audit requirements for an Enterprise's required public disclosures would be identical to the audit requirements for a banking organization's required public disclosures in the U.S. banking framework.

The final rule adopts, without change, the proposed requirements related to the location of disclosures and audit requirements.

### **VIII. Proprietary and Confidential Information**

FHFA believes that the proposed disclosure requirements strike an appropriate balance between the need for meaningful disclosure and the protection of proprietary and confidential information. Accordingly, FHFA believes that an Enterprise would be able to provide all these disclosures without revealing proprietary and confidential information. Only in rare circumstances might the required disclosure of certain items of information compel an Enterprise to reveal confidential and proprietary information. In these unusual situations, FHFA proposed that if an Enterprise believes that disclosure of specific commercial or financial information would compromise its position by making public information that is either proprietary or confidential in nature, the Enterprise need not disclose those specific items. Instead, the Enterprise must disclose more general information about the subject matter of the requirement, together with the fact that, and the reason why, the specific items of information have not been disclosed. This provision would apply only to those disclosures included in the proposed rule and would not apply to disclosure requirements imposed by accounting standards or other regulatory agencies.

The final rule adopts the requirements related to proprietary and confidential information as proposed.

#### **IX. Paperwork Reduction Act**

The Paperwork Reduction Act (PRA) (44 U.S.C. 3501 *et seq.*) requires that regulations involving the collection of information receive clearance from the Office of Management and Budget (OMB). The final rule contains no such collection of information requiring OMB approval under the PRA. Therefore, no information has been submitted to OMB for review.

#### **X. Regulatory Flexibility Act**

The Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*) requires that a regulation that has a significant economic impact on a substantial number of small entities, small businesses, or small organizations must include an initial regulatory flexibility analysis describing the regulation's impact on small entities. FHFA need not undertake such an analysis if the agency has certified that the regulation will not have a significant economic impact on a substantial number of small entities. 5 U.S.C. 605(b). FHFA has considered the impact of the final rule under the Regulatory Flexibility Act. FHFA certifies that the final rule will not have a significant economic impact on a substantial number of small entities because the final rule is applicable only to the Enterprises, which are not small entities for purposes of the Regulatory Flexibility Act.

#### **XI. Congressional Review Act**

In accordance with the Congressional Review Act (5 U.S.C. 801 *et seq.*), FHFA has determined that this final rule is a major rule and has verified this determination with the Office of Information and Regulatory Affairs of OMB.

**List of Subjects for 12 CFR Part 1240**

Capital, Credit, Enterprise, Investments, Reporting and recordkeeping requirements

**Authority and Issuance**

For the reasons stated in the Preamble, under the authority of 12 U.S.C. 4511, 4513, 4513b, 4514, 4515-17, 4526, 4611-4612, 4631-36, FHFA amends part 1240 of title 12 of the Code of Federal Regulation as follows:

**CHAPTER XII—FEDERAL HOUSING FINANCE AGENCY**

**SUBCHAPTER C—ENTERPRISES**

**Part 1240—CAPITAL ADEQUACY OF ENTERPRISES**

1. The authority citation for part 1240 is revised to read as follows:

**Authority:** 12 U.S.C. 4511, 4513, 4513b, 4514, 4515, 4517, 4526, 4611-4612, 4631-36.

2. Amend § 1240.4 by revising paragraph (b) to read as follows:

**§ 1240.4 Transition.**

\* \* \* \* \*

(b) *Reporting Requirements.* (1) For any reporting requirement under § 1240.1(f) or 1240.41, the compliance date will be January 1, 2022.

(2) For any reporting requirement under §§ 1240.61 through 1240.63, the compliance date will be no later than 10 business days after an Enterprise files its Annual Report on SEC Form 10-K for the fiscal year ending December 31, 2022.

(3) For any reporting requirement under § 1240.205, the compliance date will be no later than 10 business days after an Enterprise files its Annual Report on SEC Form 10-K for the fiscal year ending December 31, 2022.

\* \* \* \* \*

3. Add §§ 1240.61 through 1240.63 to Subpart D to read as follows:

**Subpart D—Risk-Weighted Assets—Standardized Approach**

\* \* \* \* \*

RISK-WEIGHTED ASSETS FOR STANDARDIZED APPROACH DISCLOSURES

**§ 1240.61 Purpose and scope.**

Sections 1240.61 through 1240.63 of this subpart establish public disclosure requirements related to the capital requirements and buffers described in subpart B and subpart G.

**§ 1240.62 Disclosure requirements.**

(a) An Enterprise must provide timely public disclosures each calendar quarter of the information in the applicable tables in § 1240.63, where for the purpose of these disclosure requirements timely means no later than 10 business days after an Enterprise files its corresponding Annual Report on SEC Form 10-K at the end of a fiscal year or its corresponding Quarterly Report on SEC Form 10-Q at the end of other calendar quarters. If a material change occurs, where for the purpose of these disclosure requirements a material change means a change such that the omission or misstatement of which could change or influence the assessment or decision of a user relying on that information for the purpose of making investment decisions, then an Enterprise must disclose a brief discussion of this change and its likely impact as soon as practicable thereafter, and no later than the end of the next calendar quarter. Qualitative disclosures

that have not changed from the prior quarter may be omitted from the next quarterly disclosure but must be disclosed at least annually after the end of the fourth calendar quarter.

(b) Unless otherwise directed by FHFA, the Enterprise's management may provide all of the disclosures required by §§ 1240.61 through 1240.63 in one place on the Enterprise's public website or may provide the disclosures in more than one public financial report or other regulatory reports, provided that the Enterprise publicly provides a summary table specifically indicating the location(s) of all such disclosures.

(c) An Enterprise must have a formal disclosure policy approved by the board of directors that addresses its approach for determining the disclosures it makes. The policy must address the associated internal controls and disclosure controls and procedures.

(d) The Enterprise's board of directors and senior management are responsible for establishing and maintaining an effective internal control structure over the disclosures required by this subpart, and must ensure that appropriate review of the disclosures takes place. The Chief Risk Officer and the Chief Financial Officer of the Enterprise must attest that the disclosures meet the requirements of this subpart.

(e) If an Enterprise believes that disclosure of specific commercial or financial information would prejudice seriously its position by making public certain information that is either proprietary or confidential in nature, the Enterprise is not required to disclose these specific items but must disclose more general information about the subject matter of the requirement, together with the fact that, and the reason why, the specific items of information have not been disclosed.

**§ 1240.63 Disclosures.**

(a) Except as provided in § 1240.62, an Enterprise must make the disclosures described in Tables 1 through 11 of this section publicly available for each of the last three years (that is, twelve quarters) or such shorter period until an Enterprise has made twelve quarterly disclosures pursuant to this part beginning with the disclosure for the quarter ending December 31, 2022.

(b) An Enterprise must publicly disclose each quarter the following:

(1) Regulatory capital ratios for common equity tier 1 capital, additional tier 1 capital, tier 1 capital, tier 2 capital, total capital, core capital, and adjusted total capital, including the regulatory capital elements and all the regulatory adjustments and deductions needed to calculate the numerator of such ratios;

(2) Total risk-weighted assets, including the different regulatory adjustments and deductions needed to calculate total risk-weighted assets; and

(3) A reconciliation of regulatory capital elements as they relate to its balance sheet in any audited consolidated financial statements.

**TABLE 1 TO PARAGRAPH (b)(3): CAPITAL STRUCTURE**

Qualitative Disclosures	(a)	Summary information on the terms and conditions of the main features of all regulatory capital instruments.
Quantitative Disclosures	(b)	The amount of common equity tier 1 capital, with separate disclosure of:
		(1) Common stock and related surplus;
		(2) Retained earnings;
		(3) AOCI (net of tax) and other reserves; and
		(4) Regulatory adjustments and deductions made to common equity tier 1 capital.
	(c)	The amount of core capital, with separate disclosure of:

		(1) The par or stated value of outstanding common stock;
		(2) The par or stated value of outstanding perpetual, noncumulative preferred stock;
		(3) Paid-in capital; and
		(4) Retained earnings.
	(d)	The amount of tier 1 capital, with separate disclosure of:
		(1) Additional tier 1 capital elements, including additional tier 1 capital instruments and tier 1 minority interest not included in common equity tier 1 capital; and
		(2) Regulatory adjustments and deductions made to tier 1 capital.
	(e)	The amount of total capital, with separate disclosure of:
		(1) The general allowance for foreclosure losses; and
		(2) Other amounts from sources of funds available to absorb losses incurred by the Enterprise that the Director by regulation determines are appropriate to include in determining total capital.
	(f)	The amount of adjusted total capital, with separate disclosure of:
		(1) Tier 2 capital elements, including tier 2 capital instruments; and
		(2) Regulatory adjustments and deductions made to adjusted total capital.

**TABLE 2 TO PARAGRAPH (b)(3): CAPITAL ADEQUACY**

Qualitative disclosures	(a)	A summary discussion of the Enterprise's approach to assessing the adequacy of its capital to support current and future activities.
Quantitative disclosures	(b)	Risk-weighted assets for:
		(1) Exposures to sovereign entities;
		(2) Exposures to certain supranational entities and MDBs;
		(3) Exposures to GSEs;
		(4) Exposures to depository institutions and credit unions;
		(5) Exposures to PSEs;
		(6) Corporate exposures;

		(7) Aggregate single-family mortgage exposures categorized by:
		(i) Performing loans;
		(ii) Non-modified re-performing loans;
		(iii) Modified re-performing loans;
		(iv) Non-performing loans;
		(8) Aggregate multifamily mortgage exposures categorized by:
		(i) Multifamily fixed-rate exposures;
		(ii) Multifamily adjustable-rate exposures;
		(9) Past due loans;
		(10) Other assets;
		(11) Insurance assets;
		(12) Off-balance sheet exposures;
		(13) Cleared transactions;
		(14) Default fund contributions;
		(15) Unsettled transactions;
		(16) CRT and other securitization exposures; and
		(17) Equity exposures.
	(c)	Standardized market risk-weighted assets as calculated under subpart F of this part.
	(d)	Risk-weighted assets for operational risk.
	(e)	Common equity tier 1, tier 1, and adjusted total risk-based capital ratios.
	(f)	Total standardized risk-weighted assets.

**TABLE 3 TO PARAGRAPH (b)(3): CAPITAL BUFFERS**

Qualitative disclosures	(a)	A summary discussion of the Enterprise's capital buffers.
Quantitative Disclosures	(b)	At least quarterly, the Enterprise must calculate and publicly disclose the prescribed capital conservation buffer amount and all its components as described under § 1240.11.

	(c)	At least quarterly, the Enterprise must calculate and publicly disclose the prescribed leverage buffer amount as described under § 1240.11.
	(d)	At least quarterly, the Enterprise must calculate and publicly disclose the eligible retained income of the Enterprise, as described under § 1240.11.
	(e)	At least quarterly, the Enterprise must calculate and publicly disclose any limitations it has on distributions and discretionary bonus payments resulting from the capital buffer framework described under § 1240.11, including the maximum payout amount for the quarter.

(c) For each separate risk area described in Tables 4 through 9, the Enterprise must, as a general qualitative disclosure requirement, describe its risk management objectives and policies, including: strategies and processes; the structure and organization of the relevant risk management function; the scope and nature of risk reporting and/or measurement systems; policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges and/or mitigants.

**TABLE 4 TO PARAGRAPH (c)<sup>1</sup>: CREDIT RISK: GENERAL DISCLOSURES**

Qualitative Disclosures	(a)	The general qualitative disclosure requirement with respect to credit risk (excluding counterparty credit risk disclosed in accordance with Table 5 of this section), including the:
		(1) Policy for determining past due or delinquency status;
		(2) Policy for placing loans on nonaccrual;
		(3) Policy for returning loans to accrual status;
		(4) Description of the methodology that the Enterprise uses to estimate its adjusted allowance for credit losses, including statistical methods used where applicable;
		(5) Policy for charging-off uncollectible amounts; and
		(6) Discussion of the Enterprise's credit risk management policy.
Quantitative Disclosures	(b)	Total credit risk exposures and average credit risk exposures, after accounting offsets in accordance with GAAP, without taking into

		account the effects of credit risk mitigation techniques (for example, collateral and netting not permitted under GAAP), over the period categorized by major types of credit exposure. For example, the Enterprises could use categories similar to that used for financial statement purposes. Such categories might include, for instance:
		(1) Loans, off-balance sheet commitments, and other non-derivative off-balance sheet exposures;
		(2) Debt securities; and
		(3) OTC derivatives.
	(c)	Geographic distribution of exposures, categorized in significant areas by major types of credit exposure. <sup>2</sup>
	(d)	Industry or counterparty type distribution of exposures, categorized by major types of credit exposure.
	(e)	By major industry or counterparty type:
		(1) Amount of loans not past due or past due less than 30 days;
		(2) Amount of loans past due 30 days but less than 90 days;
		(3) Amount of loans past due 90 days and on nonaccrual;
		(4) Amount of loans past due 90 days and still accruing; <sup>3</sup>
		(5) The balance in the adjusted allowance for credit losses at the end of each period, disaggregated on the basis of loans not past due or past due less than 30 days, loans past due 30 days but less than 90 days, loans past due 90 days and on nonaccrual, and loans past due 90 days and still accruing; and
		(6) Charge-offs during the period.
	(f)	Amount of past due loans categorized by significant geographic areas including, if practical, the amounts of allowances related to each geographical area, <sup>4</sup> further categorized as required by GAAP.
	(g)	Reconciliation of changes in the adjusted allowance for credit losses. <sup>5</sup>
	(h)	Remaining contractual maturity delineation (for example, one year or less) of the whole portfolio, categorized by credit exposure.

<sup>1</sup> Table 4 does not cover equity exposures, which should be reported in Table 8 of this section.

<sup>2</sup> Geographical areas consist of areas within the United States and territories. An Enterprise might choose to define the geographical areas based on the way the

Enterprise's portfolio is geographically managed. The criteria used to allocate the loans to geographical areas must be specified.

<sup>3</sup> An Enterprise may, but is not required to, also provide an analysis of the aging of past-due loans.

<sup>4</sup> The portion of the general allowance that is not allocated to a geographical area should be disclosed separately.

<sup>5</sup> The reconciliation should include the following: A description of the allowance; the opening balance of the allowance; charge-offs taken against the allowance during the period; amounts provided (or reversed) for estimated expected credit losses during the period; any other adjustments (for example, exchange rate differences, business combinations, acquisitions, and disposals of subsidiaries), including transfers between allowances; and the closing balance of the allowance. Charge-offs and recoveries that have been recorded directly to the income statement should be disclosed separately.

**TABLE 5 TO PARAGRAPH (c): GENERAL DISCLOSURE FOR COUNTERPARTY CREDIT RISK-RELATED EXPOSURES**

Qualitative Disclosures	(a)	The general qualitative disclosure requirement with respect to OTC derivatives, eligible margin loans, and repo-style transactions, including a discussion of:
		(1) The methodology used to assign credit limits for counterparty credit exposures;
		(2) Policies for securing collateral, valuing and managing collateral, and establishing credit reserves;
		(3) The primary types of collateral taken; and
		(4) The impact of the amount of collateral the Enterprise would have to provide given a deterioration in the Enterprise's own creditworthiness.
Quantitative Disclosures	(b)	Gross positive fair value of contracts, collateral held (including type, for example, cash, government securities), and net unsecured credit exposure. <sup>1</sup> An Enterprise also must disclose the notional value of credit derivative hedges purchased for counterparty credit risk protection and the distribution of current credit exposure by exposure type. <sup>2</sup>
	(c)	Notional amount of purchased and sold credit derivatives, segregated between use for the Enterprise's own credit portfolio and in its intermediation activities, including the distribution of the credit derivative products used, categorized further by protection bought and sold within each product group.

<sup>1</sup> Net unsecured credit exposure is the credit exposure after considering both the benefits from legally enforceable netting agreements and collateral arrangements without taking into account haircuts for price volatility, liquidity, etc.

<sup>2</sup> This may include interest rate derivative contracts, foreign exchange derivative contracts, equity derivative contracts, credit derivatives, commodity or other derivative contracts, repo-style transactions, and eligible margin loans.

**TABLE 6 TO PARAGRAPH (c): CREDIT RISK MITIGATION<sup>1 2</sup>**

Qualitative Disclosures	(a)	The general qualitative disclosure requirement with respect to credit risk mitigation, including:
		(1) Policies and processes for collateral valuation and management;
		(2) A description of the main types of collateral taken by the Enterprise;
		(3) The main types of guarantors/credit derivative counterparties and their creditworthiness; and
		(4) Information about (market or credit) risk concentrations with respect to credit risk mitigation.
Quantitative Disclosures	(b)	For each separately disclosed credit risk portfolio, the total exposure that is covered by eligible financial collateral, and after the application of haircuts.
	(c)	For each separately disclosed portfolio, the total exposure that is covered by guarantees/credit derivatives and the risk-weighted asset amount associated with that exposure.

<sup>1</sup> At a minimum, an Enterprise must provide the disclosures in Table 6 in relation to credit risk mitigation that has been recognized for the purposes of reducing capital requirements under this subpart. Where relevant, the Enterprises may give further information about mitigants that have not been recognized for that purpose.

<sup>2</sup> Credit derivatives that are treated, for the purposes of this subpart, as synthetic securitization exposures should be excluded from the credit risk mitigation disclosures and included within those relating to securitization (Table 7 of this section).

**TABLE 7 TO PARAGRAPH (c): CRT AND SECURITIZATION**

Qualitative Disclosures	(a)	The general qualitative disclosure requirement with respect to a securitization (including synthetic securitizations), including a discussion of:
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		(1) The Enterprise's objectives for securitizing assets, including the extent to which these activities transfer credit risk of the underlying exposures away from the Enterprise to other entities and including the type of risks assumed and retained with resecuritization activity; <sup>1</sup>
		(2) The nature of the risks (e.g., liquidity risk) inherent in the securitized assets;
		(3) The roles played by the Enterprise in the securitization process <sup>2</sup> and an indication of the extent of the Enterprise's involvement in each of them;
		(4) The processes in place to monitor changes in the credit and market risk of securitization exposures including how those processes differ for resecuritization exposures;
		(5) The Enterprise's policy for mitigating the credit risk retained through securitization and resecuritization exposures; and
		(6) The risk-based capital approaches that the Enterprise follows for its securitization exposures including the type of securitization exposure to which each approach applies.
	(b)	A list of:
		(1) The type of securitization SPEs that the Enterprise, as sponsor, uses to securitize third-party exposures. The Enterprise must indicate whether it has exposure to these SPEs, either on- or off-balance sheet; and
		(2) Affiliated entities:
		(i) That the Enterprise manages or advises; and
		(ii) That invest either in the securitization exposures that the Enterprise has securitized or in securitization SPEs that the Enterprise sponsors. <sup>3</sup>
	(c)	Summary of the Enterprise's accounting policies for CRT and securitization activities, including:
		(1) Whether the transactions are treated as sales (i.e., sale accounting has been obtained) or financings;
		(2) Recognition of gain-on-sale;
		(3) Methods and key assumptions applied in valuing retained or purchased interests;
		(4) Changes in methods and key assumptions from the previous period for valuing retained interests and impact of the changes;

		(5) Treatment of synthetic securitizations;
		(6) How exposures intended to be securitized are valued and whether they are recorded under subpart D of this part; and
		(7) Policies for recognizing liabilities on the balance sheet for arrangements that could require the Enterprise to provide financial support for securitized assets.
	(d)	An explanation of significant changes to any quantitative information since the last reporting period.
Quantitative Disclosures	(e)	The total outstanding exposures securitized by the Enterprise in securitizations that meet the operational criteria provided in § 1240.41 (categorized into traditional and synthetic securitizations), by exposure type, separately for securitizations of third-party exposures for which the bank acts only as sponsor. <sup>4</sup>
	(f)	For exposures securitized by the Enterprise in securitizations that meet the operational criteria in § 1240.41:
		(1) Amount of securitized assets that are past due categorized by exposure type; and
		(2) Losses recognized by the Enterprise during the current period categorized by exposure type. <sup>5</sup>
	(g)	The total amount of outstanding exposures intended to be securitized categorized by exposure type.
	(h)	Aggregate amount of:
		(1) On-balance sheet securitization exposures retained or purchased categorized by exposure type; and
		(2) Off-balance sheet securitization exposures categorized by exposure type.
	(i)	(1) Aggregate amount of securitization exposures retained or purchased and the associated capital requirements for these exposures, categorized between securitization and resecuritization exposures, further categorized into a meaningful number of risk weight bands and by risk-based capital approach (e.g., CRTA, SSFA); and
		(2) Aggregate amount disclosed separately by type of underlying exposure in the pool of any:
		(i) After-tax gain-on-sale on a securitization that has been deducted from common equity tier 1 capital; and
		(ii) Credit-enhancing interest-only strip that is assigned a 1,250 percent risk weight.

	(j)	Summary of current year's securitization activity, including the amount of exposures securitized (by exposure type), and recognized gain or loss on sale by exposure type.
	(k)	Aggregate amount of resecuritization exposures retained or purchased categorized according to:
		(1) Exposures to which credit risk mitigation is applied and those not applied; and
		(2) Exposures to guarantors categorized according to guarantor creditworthiness categories or guarantor name.

<sup>1</sup> The Enterprise should describe the structure of resecuritizations in which it participates; this description should be provided for the main categories of resecuritization products in which the Enterprise is active.

<sup>2</sup> For example, these roles may include originator, investor, servicer, provider of credit enhancement, sponsor, liquidity provider, or swap provider.

<sup>3</sup> Such affiliated entities may include, for example, money market funds, to be listed individually, and personal and private trusts, to be noted collectively.

<sup>4</sup> “Exposures securitized” include underlying exposures originated by the Enterprise, whether generated by them or purchased, and recognized in the balance sheet, from third parties, and third-party exposures included in sponsored transactions. Securitization transactions (including underlying exposures originally on the Enterprise’s balance sheet and underlying exposures acquired by the Enterprise from third-party entities) in which the originating Enterprise does not retain any securitization exposure should be shown separately but need only be reported for the year of inception. Enterprises are required to disclose exposures regardless of whether there is a capital charge under this part.

<sup>5</sup> For example, charge-offs/allowances (if the assets remain on the Enterprise’s balance sheet) or credit-related write-off of interest-only strips and other retained residual interests, as well as recognition of liabilities for probable future financial support required of the bank with respect to securitized assets.

**TABLE 8 TO PARAGRAPH (c): EQUITIES**

Qualitative Disclosures	(a)	The general qualitative disclosure requirement with respect to equity risk for equities, including:
		(1) Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and

		(2) Discussion of important policies covering the valuation of and accounting for equity holdings. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.
Quantitative Disclosures	(b)	Carrying value disclosed on the balance sheet of investments, as well as the fair value of those investments; for securities that are publicly traded, a comparison to publicly-quoted share values where the share price is materially different from fair value.
	(c)	The types and nature of investments, including the amount that is:
		(1) Publicly traded; and
		(2) Non publicly traded.
	(d)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.
	(e)	(1) Total unrealized gains (losses) recognized on the balance sheet but not through earnings.
		(2) Total unrealized gains (losses) not recognized either on the balance sheet or through earnings.
		(3) Any amounts of the above included in tier 1 or tier 2 capital.
	(f)	Capital requirements categorized by appropriate equity groupings, consistent with the Enterprise's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory transition regarding regulatory capital requirements. <sup>1</sup>

<sup>1</sup> This disclosure must include a breakdown of equities that are subject to the 0 percent, 20 percent, 100 percent, 300 percent, 400 percent, and 600 percent risk weights, as applicable.

**TABLE 9 TO PARAGRAPH (c): INTEREST RATE RISK FOR NON-TRADING ACTIVITIES**

Qualitative disclosures	(a)	The general qualitative disclosure requirement, including the nature of interest rate risk for non-trading activities and key assumptions, including assumptions regarding loan prepayments and frequency of measurement of interest rate risk for non-trading activities.
Quantitative disclosures	(b)	The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring interest rate risk for non-trading activities, categorized by currency (as appropriate).

**TABLE 10 TO PARAGRAPH (c): OPERATIONAL RISK**

Qualitative disclosures	(a)	The general qualitative disclosure requirement for operational risk.
	(b)	Description of the AMA, when applicable, including a discussion of relevant internal and external factors considered in the Enterprise's measurement approach.
	(c)	A description of the use of insurance for the purpose of mitigating operational risk.

**TABLE 11 TO PARAGRAPH (c): TIER 1 LEVERAGE RATIO**

	Dollar amounts in thousands			
	Tril	Bil	Mil	Thou
<b>Part 1: Summary comparison of accounting assets and adjusted total assets</b>				
1 Total consolidated assets as reported in published financial statements				
2 Adjustment for fiduciary assets recognized on balance sheet but excluded from total leverage exposure				
3 Adjustment for derivative exposures				
4 Adjustment for repo-style transactions				
5 Adjustment for off-balance sheet exposures (that is, conversion to credit equivalent amounts of off-balance sheet exposures)				
6 Other adjustments				
7 Adjusted total assets (sum of lines 1 to 6)				
<b>Part 2: Tier 1 leverage ratio</b>				
<b>On-balance sheet exposures</b>				
1 On-balance sheet assets (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but including cash collateral received in derivative transactions)				
2 LESS: Amounts deducted from tier 1 capital				
3 Total on-balance sheet exposures (excluding on-balance sheet assets for repo-style transactions and derivative exposures, but				

including cash collateral received in derivative transactions) (sum of lines 1 and 2)				
<b>Derivative exposures</b>				
4 Current exposure for derivative exposures (that is, net of cash variation margin)				
5 Add-on amounts for potential future exposure (PFE) for derivative exposures				
6 Gross-up for cash collateral posted if deducted from the on-balance sheet assets, except for cash variation margin				
7 LESS: Deductions of receivable assets for cash variation margin posted in derivative transactions, if included in on-balance sheet assets				
8 LESS: Exempted CCP leg of client-cleared transactions				
9 Effective notional principal amount of sold credit protection				
10 LESS: Effective notional principal amount offsets and PFE adjustments for sold credit protection				
11 Total derivative exposures (sum of lines 4 to 10)				
<b>Repo-style transactions</b>				
12 On-balance sheet assets for repo-style transactions, except include the gross value of receivables for reverse repurchase transactions. Exclude from this item the value of securities received in a security-for-security repo-style transaction where the securities lender has not sold or re-hypothecated the securities received. Include in this item the value of securities that qualified for sales treatment that must be reversed				
13 LESS: Reduction of the gross value of receivables in reverse repurchase transactions by cash payables in repurchase transactions under netting agreements				
14 Counterparty credit risk for all repo-style transactions				
15 Exposure for repo-style transactions where a banking organization acts as an agent				
16 Total exposures for repo-style transactions (sum of lines 12 to 15)				
<b>Other off-balance sheet exposures</b>				
17 Off-balance sheet exposures at gross notional amounts				
18 LESS: Adjustments for conversion to credit equivalent amounts				

19	Off-balance sheet exposures (sum of lines 17 and 18)				
<b>Capital and adjusted total assets</b>					
20	Tier 1 capital				
21	Adjusted total assets (sum of lines 3, 11, 16, and 19)				
<b>Tier 1 leverage ratio</b>					
22	Tier 1 leverage ratio	(in percent)			

4. Add § 1240.205 to Subpart F to read as follows:

**Subpart F—Risk-weighted Assets—Market Risk**

\* \* \* \* \*

**§ 1240.205 Market risk disclosures.**

(a) *Scope.* An Enterprise must make timely public disclosures each calendar quarter, where for the purpose of these disclosure requirements timely means no later than 10 business days after an Enterprise files its corresponding Annual Report on SEC Form 10-K at the end of a fiscal year or its corresponding Quarterly Report on SEC Form 10-Q at the end of other calendar quarters. If a significant change occurs, such that the most recent reporting amounts are no longer reflective of the Enterprise's capital adequacy and risk profile, then a brief discussion of this change and its likely impact must be provided as soon as practicable thereafter. Qualitative disclosures that typically do not change each quarter may be disclosed annually, provided any material changes are disclosed as soon as practicable thereafter, and no later than the end of the next calendar quarter, where for the purpose of these disclosure requirements a material change means a change such that the omission or misstatement of which could change or influence the assessment or decision of a user relying on that information for the purpose of making investment decisions. If an Enterprise believes that disclosure of specific commercial or

financial information would prejudice seriously its position by making public certain information that is either proprietary or confidential in nature, the Enterprise is not required to disclose these specific items but must disclose more general information about the subject matter of the requirement, together with the fact that, and the reason why, the specific items of information have not been disclosed.

(b) *Location.* The Enterprise's management may provide all of the disclosures required by this section in one place on the Enterprise's public website or may provide the disclosures in more than one public financial report or other regulatory reports, provided that the Enterprise publicly provides a summary table specifically indicating the location(s) of all such disclosures.

(c) *Disclosure policy.* The Enterprise must have a formal disclosure policy approved by the board of directors that addresses the Enterprise's approach for determining its market risk disclosures. The policy must address the associated internal controls and disclosure controls and procedures. The board of directors and senior management must ensure that appropriate verification of the disclosures takes place and that effective internal controls and disclosure controls and procedures are maintained. The Chief Risk Officer and the Chief Financial Officer of the Enterprise must attest that the disclosures meet the requirements of this subpart, and the board of directors and senior management are responsible for establishing and maintaining an effective internal control structure over the disclosures required by this section.

(d) *Quantitative disclosures.* (1) For each material portfolio of covered positions, the Enterprise must provide timely public disclosures of the following information at least quarterly:

(i) Exposure amounts for each product type included in covered positions as described in § 1240.202; and

(ii) Risk-weighted assets for each product type included in covered positions as described in § 1240.202.

(2) In addition, the Enterprise must disclose publicly the aggregate amount of on-balance sheet and off-balance sheet securitization positions by exposure type at least quarterly.

(e) *Qualitative disclosures.* For each material portfolio of covered positions as identified using the definitions in § 1240.202, the Enterprise must provide timely public disclosures of the following information at least annually after the end of the fourth calendar quarter, or more frequently in the event of material changes for each portfolio:

(1) The composition of material portfolios of covered positions;

(2) The Enterprise's valuation policies, procedures, and methodologies for covered positions including, for securitization positions, the methods and key assumptions used for valuing such positions, any significant changes since the last reporting period, and the impact of such change;

(3) The characteristics of the internal models used for purposes of this subpart;

(4) A description of the approaches used for validating and evaluating the accuracy of internal models and modeling processes for purposes of this subpart;

