

**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:** Notice of proposed rulemaking: request for comments.

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**SUMMARY:** The Federal Housing Finance Agency (FHFA or the Agency) is seeking comments on a notice of proposed rulemaking (proposed rule) that would introduce new standardized approach 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), including disclosures related to regulatory capital instruments and risk-weighted assets calculated under the Enterprise Regulatory Capital Framework (ERCF).

**DATES:** Comments must be received on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** You may submit your comments on the proposed rule, identified by regulatory information number (RIN) 2590-AB18, by any one of the following methods:

- *Agency website:* [www.fhfa.gov/open-for-comment-or-input](http://www.fhfa.gov/open-for-comment-or-input).
- *Federal eRulemaking Portal:* <https://www.regulations.gov>. Follow the instructions for submitting comments. If you submit your comment to the

Federal eRulemaking Portal, please also send it by e-mail to FHFA at [RegComments@fhfa.gov](mailto:RegComments@fhfa.gov) to ensure timely receipt by FHFA. Include the following information in the subject line of your submission: Comments/RIN 2590-AB18.

- *Hand Delivered/Courier:* The hand delivery address is: Clinton Jones, General Counsel, Attention: Comments/RIN 2590-AB18, Federal Housing Finance Agency, 400 Seventh Street, SW., Washington, DC 20219. Deliver the package at the Seventh Street entrance Guard Desk, First Floor, on business days between 9 a.m. and 5 p.m.
- *U.S. Mail, United Parcel Service, Federal Express, or Other Mail Service:* The mailing address for comments is: Clinton Jones, General Counsel, Attention: Comments/RIN 2590-AB18, Federal Housing Finance Agency, 400 Seventh Street, SW., Washington, DC 20219. Please note that all mail sent to FHFA via U.S. Mail is routed through a national irradiation facility, a process that may delay delivery by approximately two weeks. For any time-sensitive correspondence, please plan accordingly.

**FOR FURTHER INFORMATION CONTACT:** Andrew Varrieur, Senior Associate Director, Office of Capital Policy, (202) 649-3141, [Andrew.Varrieur@fhfa.gov](mailto:Andrew.Varrieur@fhfa.gov); Christopher Vincent, Senior Financial Analyst, Office of Capital Policy, (202) 649-3685, [Christopher.Vincent@fhfa.gov](mailto:Christopher.Vincent@fhfa.gov); or James Jordan, Associate General Counsel, Office of General Counsel, (202) 649-3075, [James.Jordan@fhfa.gov](mailto:James.Jordan@fhfa.gov). These are not toll-free numbers. For TTY/TRS users with hearing and speech disabilities, dial 711 and ask to be connected to any of the contact numbers above.

## **SUPPLEMENTARY INFORMATION:**

### **Comments**

FHFA invites comments on all aspects of the proposed rule. Copies of all comments will be posted without change and will include any personal information you provide, such as your name, address, email address, and telephone number, on the FHFA website at <https://www.fhfa.gov>. In addition, copies of all comments received will be available for examination by the public through the electronic rulemaking docket for this proposed rule also located on the FHFA website.

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## I. Introduction

FHFA is seeking comments on new public disclosure requirements for the Enterprises. This proposed rule would expand the disclosure requirements set forth in the ERCF published in the *Federal Register* on December 17, 2020 (85 FR 82150) in order to improve market discipline and encourage sound risk-management practices through meaningful public disclosure.<sup>1</sup> With public disclosures that are clear, comprehensive, useful, consistent over time, and comparable across Enterprises, FHFA believes that market participants would have sufficient information to assess an Enterprise's material risks and capital adequacy, contributing to the safety and soundness of the Enterprises and decreasing risk to the U.S. taxpayers.

The proposed rule would implement standardized approach public disclosure requirements for the Enterprises that 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

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<sup>1</sup> In conservatorships, the Enterprises are supported by Senior Preferred Stock Purchase Agreements (PSPAs) between the U.S. Department of the Treasury (Treasury) and each Enterprise, through FHFA as its conservator (Fannie Mae's Amended and Restated Senior Preferred Stock Purchase Agreement with Treasury (September 26, 2008), [https://www.fhfa.gov/Conservatorship/Documents/Senior-Preferred-Stock-Agree/FNM/SPSPA-amends/FNM-Amend-and-Restated-SPSPA\\_09-26-2008.pdf](https://www.fhfa.gov/Conservatorship/Documents/Senior-Preferred-Stock-Agree/FNM/SPSPA-amends/FNM-Amend-and-Restated-SPSPA_09-26-2008.pdf); Freddie Mac's Amended and Restated Senior Preferred Stock Purchase Agreement with Treasury (September 26, 2008), [https://www.fhfa.gov/Conservatorship/Documents/Senior-Preferred-Stock-Agree/FRE/SPSPA-amends/FRE-Amended-and-Restated-SPSPA\\_09-26-2008.pdf](https://www.fhfa.gov/Conservatorship/Documents/Senior-Preferred-Stock-Agree/FRE/SPSPA-amends/FRE-Amended-and-Restated-SPSPA_09-26-2008.pdf)). The PSPAs, as amended by letter agreements executed by the parties on January 14, 2021 (2021 Fannie Mae Letter Agreement, <https://home.treasury.gov/system/files/136/Executed-Letter-Agreement-for-Fannie-Mae.pdf>; 2021 Freddie Mac Letter Agreement, <https://home.treasury.gov/system/files/136/Executed-Letter-Agreement-for-Freddie%20Mac.pdf>), include a covenant at section 5.15 which states: “[The Enterprise] shall comply with the Enterprise Regulatory Capital Framework [published in the *Federal Register* at 85 FR 82150 on December 17, 2020] disregarding any subsequent amendment or other modifications to that rule.” Modifying that covenant will require agreement between the Treasury and FHFA under section 6.3 of the PSPAs.

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 proposed rule would complement 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.

Consistent with these stated objectives, and complementary to the Enterprises' statutory duties and purposes, the proposed rule would implement disclosure requirements related to risk management, corporate governance, and regulatory capital, including risk-weighted assets calculated under the ERCF's standardized approach, statutory capital requirements, supplemental capital requirements, and capital buffers. In contrast to U.S. banking organizations that are each either a standardized approach institution or an advanced approaches institution, an Enterprise is required to satisfy all requirements under both the standardized approach and the advanced approach in the ERCF, including any associated disclosure requirements. Therefore, the proposed 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 and establishing a level playing field for public disclosures between the Enterprises and large, domestic banking organizations. While the proposed rule would implement disclosure requirements for the ERCF's standardized approach only, FHFA may in the future consider additional disclosure requirements related to the advanced approaches. FHFA seeks comments on all elements of the proposed public disclosure requirements.

## **II. Proposed Disclosure Requirements**

### **A. General Requirements**

The proposed public disclosure requirements are designed to facilitate market discipline of the Enterprises. By allowing market participants to assess key information about an Enterprise's risk profile and its associated levels of capital, FHFA believes the proposed rule would encourage sound risk management practices and foster financial stability both during and after conservatorship. However, enhanced public disclosures would necessarily be somewhat costly for the Enterprises. With the proposed rule, FHFA aims to strike an appropriate balance between the market benefits of disclosure and the additional financial burden to an Enterprise that provides the disclosures. Importantly, 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 Securities and Exchange Commission (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 explain any material differences between the accounting or other disclosures and the disclosures required under the proposed rule.

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.

For items not explicitly identified in the proposed rule and in a manner similar to the requirements for U.S. banking organizations, an Enterprise would 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. 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. Accordingly, FHFA encourages 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.

*Question 1:* What additional general disclosure requirements should FHFA consider, and why?

#### **B. Standardized Approach**

The standardized approach disclosures in the proposed rule are described across eleven categories, each detailing qualitative disclosures, quantitative disclosures, or both. 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. 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. The proposed rule's disclosure requirements for market risk are described in section II.C.



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, and after as well, the Enterprises are subject to an operational risk capital requirement floor 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. For this reason, FHFA is including the leverage disclosure category within the standardized approach section of the ERCF.

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 includes them. In contrast, the proposed rule excludes disclosure requirements specific to the advanced approaches such

as the amount of credit risk-weighted assets calculated using an Enterprise's internal models.

### **C. Market Risk**

The proposed rule includes market risk disclosure requirements for covered positions under the standardized approach. These requirements include a formal disclosure policy approved by the 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 ongoing 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 credit and market risk of securitization positions and a description of the Enterprise's policy governing the

use of credit risk mitigation to mitigate the risks of securitization and resecuritization positions.

### **III. 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. However, qualitative disclosures that provide a general summary of an Enterprise's risk-management objectives and policies, reporting system, and definitions may be disclosed annually, provided any significant changes are disclosed in the interim.

The proposed rule would also require that the disclosures are 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 calendar quarters that do not correspond to fiscal year-end, FHFA would consider those disclosures that are made within 45 days as timely. In general, where an Enterprise's fiscal year-end coincides with the end of a calendar quarter, FHFA would consider disclosures to be timely if they are made no later than the applicable SEC disclosure deadline for the corresponding Form 10-K annual report. 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 significant 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 significant change has occurred.

#### **IV. Compliance Period**

The standardized approach disclosure requirements in the proposed rule would promote market discipline and prudent risk management practices at the Enterprises regardless of the conservatorship status of either Enterprise. Therefore, an Enterprise's compliance date for the disclosure requirements outlined in the proposed rule would be six months from the date of publication of the final rule in the *Federal Register*.

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.

#### **V. 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 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. 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.

## **VI. 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 disclosure of certain items of information required by the proposed rule compel an Enterprise to reveal confidential and proprietary information. In these unusual situations, FHFA proposes 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 this proposed rule and does not apply to disclosure requirements imposed by accounting standards or other regulatory agencies.

*Question 2:* In terms of proprietary and confidential information, are any of the proposed disclosure requirements problematic, and why?

## **VII. Specific Public Disclosure Requirements**

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. The substantive content of the tables in the proposed rule is the focus of the disclosure requirements, not the tables themselves.

An Enterprise would make the disclosures described in tables 1 through 11 to proposed § 1240.63 and market risk disclosures described in proposed § 1240.205. The Enterprise would make these disclosures publicly available for each of the last three years or such shorter time period beginning when the proposed requirements come into effect.

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 prescribed capital conservation buffer amount, the prescribed leverage buffer amount,

eligible retained income, and any limitations on capital distributions and certain discretionary bonus payments, as applicable.

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 a better understanding of how securitization transactions impact the credit risk of an Enterprise. For purposes of these disclosures, “exposures securitized” include underlying exposures originated by an Enterprise, whether generated by the Enterprise or purchased from third parties, and third-party exposures included in sponsored programs. 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.

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 this proposed regulation is 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 market risk 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.

*Question 3:* Should FHFA consider any additional specific public disclosure requirements?

*Question 4:* Should FHFA consider requiring additional disclosures pertaining to the single-family countercyclical adjustment?

### **VIII. 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 proposed rule contains no such collection of information requiring OMB approval under the PRA. Therefore, no information has been submitted to OMB for review.

### **IX. 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 proposed rule under the Regulatory Flexibility Act. FHFA certifies that the proposed rule, if adopted as a final rule, would not have a significant

economic impact on a substantial number of small entities because the proposed rule is applicable only to the Enterprises, which are not small entities for purposes of the Regulatory Flexibility Act.

**Proposed Rule**

**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 proposes to amend 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 to 1240.63, the compliance date will be six months from the date of publication of the final rule for §§ 1240.61 to 1240.63 in the *Federal Register*.

(3) For any reporting requirement under § 1240.205, the compliance date will be six months from the date of publication of the final rule for § 1240.205 in the *Federal Register*.

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3. Add new §§ 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 described in subpart B.

**§ 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. If a significant change occurs, such that the most recent reported 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 disclosed 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 (for example, a general summary of the Enterprise's risk management objectives and policies, reporting system, and definitions) may be omitted from the next quarterly disclosure, but must be disclosed at least annually after the end of the fourth

calendar quarter. 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.

(b) 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. The board of directors and senior management are responsible for establishing and maintaining an effective internal control structure over financial reporting, including 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.

(c) If an Enterprise concludes that specific commercial or financial information that it would otherwise be required to disclose under this section would be exempt from disclosure by FHFA under the Freedom of Information Act (5 U.S.C. 552), then the Enterprise is not required to disclose that specific information pursuant to this section, unless otherwise directed by FHFA to amend the disclosure, 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.

(d) An Enterprise must publicly disclose each quarter its tier 1 leverage ratio and the components thereof (that is, tier 1 capital and adjusted total assets) as calculated

under subpart B of this part beginning with the calendar quarter immediately following the quarter in which this § 1240.62 becomes effective, if adopted as a final rule.

**§ 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 on *Month Day Year*.

(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 and the differential effects, if any, the buffers have on an Enterprise’s business by geographic breakdown. <sup>1</sup>
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.

<sup>1</sup>The geographic breakdown must consist of areas within the United States and territories.

(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/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 is encouraged also to 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.
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<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 are encouraged to 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:
		(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>
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<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**

	<b>Dollar amounts in thousands</b>			
	<b>Tril</b>	<b>Bil</b>	<b>Mil</b>	<b>Thou</b>
<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 new § 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. 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 significant changes are disclosed in the interim. 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. 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.

(b) *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 financial reporting, including the disclosures required by this section.

(c) *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;

(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.

(d) *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;
- (5) For each market risk category (that is, interest rate risk, credit spread risk, equity price risk, foreign exchange risk, and commodity price risk), a description of the stress tests applied to the positions subject to the factor;
- (6) The results of the comparison of the Enterprise's internal estimates for purposes of this subpart with actual outcomes during a sample period not used in model development;
- (7) A description of the Enterprise's processes for monitoring changes in the credit and market risk of securitization positions, including how those processes differ for resecuritization positions; and
- (8) A description of the Enterprise's policy governing the use of credit risk mitigation to mitigate the risks of securitization and resecuritization positions.

\_\_\_\_\_/s/\_\_\_\_\_  
Sandra L. Thompson,  
*Acting Director, Federal Housing Finance Agency.*

October 27, 2021