



**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**

WASHINGTON, D.C. 20551

DIVISION OF BANKING  
SUPERVISION AND REGULATION

**SR 15-4**

**February 13, 2015**

**TO THE OFFICER IN CHARGE OF SUPERVISION AND APPROPRIATE  
SUPERVISORY AND EXAMINATION STAFF AT EACH FEDERAL RESERVE  
BANK AND TO FINANCIAL INSTITUTIONS SUPERVISED BY THE FEDERAL  
RESERVE**

**SUBJECT: Tool for Calculating Capital Requirements Using the Simplified Supervisory  
Formula Approach**

**Applicability:** This tool is available for all financial institutions subject to the Federal Reserve Board's regulatory capital rules. The tool is not a part of the regulatory capital rules or a component of regulatory reporting. Financial institutions may use the tool solely at their own discretion. This letter is not applicable to financial institutions subject to the Board's Small Bank Holding Company Policy Statement.

The Board of Governors of the Federal Reserve System (the Board), the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively, the agencies) have developed an automated tool to assist financial institutions subject to the agencies' regulatory capital rules<sup>1</sup> in calculating risk-based capital requirements for individual securitization exposures. Specifically, institutions that use the rules' Simplified Supervisory Formula Approach (SSFA)<sup>2</sup> to calculate risk-based capital requirements for securitization exposures may use the tool, at their discretion, to calculate capital requirements for such exposures. A link to the tool appears at the bottom of this letter.

The SSFA is designed to apply relatively higher risk-based capital requirements to the more risky junior tranches of securitizations that are the first to absorb losses, and relatively lower requirements to the most senior tranches. The automated tool:

- is designed to reduce potential burden by helping institutions calculate risk-based capital for securitization exposures, and
- requires five inputs to calculate the risk-based capital requirement for a securitization exposure per the requirements of the SSFA.

<sup>1</sup> For the Board's rules, see 12 CFR 217 (Regulation Q).

<sup>2</sup> See 12 CFR 217.43 and 144.

Financial institutions using this tool remain solely responsible for the accuracy of the reporting data produced with the assistance of this tool, as well as for ensuring compliance with the Board's Regulation Q. Institutions are expected to have a comprehensive understanding of their securitization exposures and to conduct due diligence requirements in accordance with the requirements of Regulation Q and consistent with supervisory expectations related to investment activities and safe-and-sound banking practices.

Reserve Banks are asked to distribute this letter to institutions supervised by the Federal Reserve in their districts, as well as to appropriate supervisory and examination staff. Questions regarding the attached guidance should be addressed to staff in the Capital and Regulatory Policy section: Thomas Boemio, Manager, at (202) 452-2982, or Page Conkling, Supervisory Financial Analyst, at (202) 912-4647. In addition, questions may be sent via the Board's public website.<sup>3</sup>

Michael S. Gibson  
Director

**Related Link:** [SSFA calculation tool](#)

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<sup>3</sup> <http://www.federalreserve.gov/apps/contactus/feedback.aspx>