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February 20, 2020

The Honorable Mike Crapo
Chairman
The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Maxine Waters
Chairwoman
The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Department of the Treasury, Office of the Comptroller of the Currency; Federal Reserve System; Federal Deposit Insurance Corporation: Standardized Approach for Calculating the Exposure Amount of Derivative Contracts*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Department of the Treasury, Office of the Comptroller of the Currency (OCC); Federal Reserve System (Board), Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) entitled “Standardized Approach for Calculating the Exposure Amount of Derivative Contracts” (RINs: 1557-AE44, 7100-AF22, 3064-AE80). We received the rule on February 6, 2020. It was published in the *Federal Register* as a final rule on January 24, 2020. 85 Fed. Reg. 4362. The effective date of the rule is April 1, 2020.

The final rule, according to the agencies, implements a new approach—the standardized approach for counterparty credit risk (SA-CCR)—for calculating the exposure amount of derivative contracts under the agencies’ regulatory capital rule. Under the final rule, an advanced approaches banking organization may use SA-CCR or the internal models methodology to calculate its advanced approaches total risk-weighted assets, and must use SA-CCR, instead of the current exposure methodology, to calculate its standardized total risk-weighted assets. A non-advanced approaches banking organization may use the current exposure methodology or SA-CCR to calculate its standardized total risk-weighted assets. The final rule also implements SA-CCR in other aspects of the capital rule. The final rule requires an advanced approaches banking organization to use SA-CCR to determine the exposure amount of derivative contracts included in the banking organization’s total leverage exposure, the denominator of the supplementary leverage ratio. In addition, the final rule incorporates SA-CCR into the cleared transactions framework and makes other amendments, generally with respect to cleared transactions.

The Congressional Review Act (CRA) requires a 60-day delay in the effective date of a major rule from the date of publication in the *Federal Register* or receipt of the rule by Congress, whichever is later. 5 U.S.C. § 801(a)(3)(A). The final rule was published in the *Federal Register* on January 24, 2020. 85 Fed. Reg. 4362. The House of Representatives received the rule on February 7, 2020, and the *Congressional Record* does not indicate when the Senate received it. 166 Cong. Rec. H975 (daily ed. Feb. 7, 2020). The rule has a stated effective date of April 1, 2020. Therefore the final rule does not have the required 60-day delay in its effective date. However, the agencies stated that the final rule has a compliance date of January 1, 2022. 85 Fed. Reg. 4362.

Enclosed is our assessment of the agencies' compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Janet Temko-Blinder, Assistant General Counsel, at (202) 512-7104.

signed

Shirley A. Jones
Managing Associate General Counsel

Enclosure

cc: Mary Hoyle Gottlieb
Regulatory Specialist, Chief Counsel's Office
Department of the Treasury

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
DEPARTMENT OF THE TREASURY,
OFFICE OF THE COMPTROLLER OF THE CURRENCY;
FEDERAL RESERVE SYSTEM;
FEDERAL DEPOSIT INSURANCE CORPORATION
ENTITLED
“STANDARDIZED APPROACH FOR CALCULATING
THE EXPOSURE AMOUNT OF DERIVATIVE CONTRACTS”
(RINs: 1557-AE44, 7100-AF22, 3064-AE80)

(i) Cost-benefit analysis

In its submission to us, the Department of the Treasury, Office of the Comptroller of the Currency (OCC); Federal Reserve System (Board), Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) indicated that they did not prepare an analysis of the costs and benefits of the final rule. In the final rule, the agencies explained how changes in the methodologies required by the final rule would impact regulated entities.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The agencies determined the final rule would not have a substantial economic impact on a significant number of small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

OCC determined the final rule would not result in expenditures by state, local, or tribal governments, or the private sector of \$100 million or more, adjusted for inflation, in any one year.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 *et seq.*

On December 17, 2018, the agencies published a proposed rule. 83 Fed. Reg. 64660. The agencies received approximately 58 comments from interested parties, including banking organizations, trade groups, Members of Congress, and advocacy organizations. The agencies responded to the comments in the final rule.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The agencies determined the final rule contains information collection requirements (ICRs) under the Act. OCC and FDIC submitted the ICRs to the Office of Management and Budget (OMB). The ICRs are associated with OMB control numbers 1557-0318, 7100-0313, and 3064-0153.

Statutory authorization for the rule

The agencies promulgated the final rule pursuant to various sections of title 12, and sections 78o-7 note and 1639h of title 15, United States Code.

Executive Order No. 12,866 (Regulatory Planning and Review)

As independent regulatory agencies, the agencies are not subject to the Order.

Executive Order No. 13,132 (Federalism)

As independent regulatory agencies, the agencies are not subject to the Order.