

DATE: August 1, 2007

SUBJECT: The Fair Value Option and the applicability of the Market Risk Capital Rule. (SR 07-11)

HIGHLIGHTS: This SR Letter reminds banking organizations that reporting an amount of gross trading assets and liabilities that equals 10 percent or more of total assets, or \$1 billion or more, may subject a banking organization to the market risk capital rule. The market risk capital rule requires banking organizations subject to the rule to have in place adequate risk management processes (including but not limited to Value-at-Risk model(s) approved by the Federal Reserve) and capital sufficient to support the market risk of their covered positions.

**DOCUMENT
LOCATION:**

<http://www.federalreserve.gov/boarddocs/srletters/2007/SR0711.htm>

**FURTHER
INFORMATION:**

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