

DATE: June 4, 2002

SUBJECT: Questions and Answers on the Capital Treatment of Recourse, Direct Credit Substitutes, and Residual Interests in Asset Securitizations (SR 02-16)

HIGHLIGHTS: On November 29, 2001, the Federal Reserve and the other federal banking agencies published a final rule on the Capital Treatment of Recourse, Direct Credit Substitutes, and Residual Interests in Asset Securitizations. Since the rule became effective on January 1, 2002, the industry has raised several questions with regard to the appropriate application of certain aspects of the rule. In response, the federal banking agencies jointly developed a question-and-answer document that provides interpretive guidance on some of these issues. Further guidance will be provided as necessary.

DOCUMENT LOCATION: An electronic version of the SR letter, including the question-and-answer document, is available under the "SR Letters" section of the Board of Governors' web site:
<http://www.federalreserve.gov/boarddocs/SRLETTERS/2002>

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