



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-51-2013
October 29, 2013

Uniform Agreement on the Classification and Appraisal of Securities Held by Financial Institutions

Summary: The FDIC and the other federal banking agencies are issuing the attached joint statement to update and revise the *2004 Uniform Agreement on the Classification of Assets and Appraisal of Securities Held by Banks and Thrifts* (2004 Agreement). The statement reiterates the importance of a robust investment analysis process and the agencies' longstanding asset classification definitions. It also addresses Section 939A of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank Act), which directed the agencies to remove any reference to or requirement of reliance on credit ratings in the regulations and replace them with appropriate standards of creditworthiness. State nonmember institutions should use this statement for the classification and treatment of investment securities.

Statement of Applicability to Institutions With Total Assets Under \$1 Billion: This Financial Institution Letter applies to all FDIC-supervised banks and savings associations, including community institutions.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)
FDIC-Supervised Savings Associations

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Risk Officer

Attachment:

[Uniform Agreement on the Classification and Appraisal of Securities Held by Financial Institutions](#)

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Note:

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Highlights:

- Fundamental credit analysis is critical to understanding the risk associated with all assets and should be applied to investment securities as a part of a pre-purchase and ongoing due-diligence process.
- This joint statement replaces the 2004 Agreement and is consistent with Section 939A of the Dodd-Frank Act, which directed the agencies to remove references to credit ratings in the regulations.
- State nonmember institutions are expected to perform an investment security creditworthiness assessment that does not rely solely on external credit ratings.
- The federal banking agencies' longstanding asset classification definitions have not changed and are attached.
- The statement cites examples of how the agencies will apply the uniform classification approach to specific situations.
- FDIC examiners will use the statement to determine whether an asset should be adversely classified during supervisory reviews.