

**§ 955.4**

credit quality that is equivalent to that of an instrument having the fourth highest credit rating from an NRSRO, or such higher rating as the Bank may require; or

(ii) The methodology used by the Bank for estimating the level of credit enhancement provided by the member or housing associate is in accordance with the practices established by the NRSRO.

(c) *Timing of NRSRO opinions.* For AMA programs already in operation at the time of the effective date of this rule, a Bank shall have 90 days from the effective date of this rule to obtain the NRSRO verifications required under paragraphs (a) and (b)(4) of this section.

[65 FR 43981, July 17, 2000, as amended at 67 FR 12852, Mar. 20, 2002]

**§ 955.4 Reporting requirement for acquired member assets.**

Each Bank shall report information related to AMA in accordance with the instructions provided in the Data Reporting Manual issued by the Finance Board, as amended from time to time.

[71 FR 35500, June 21, 2006]

**§ 955.5 Administrative and investment transactions between Banks.**

(a) *Delegation of administrative duties.* A Bank may delegate the administration of an AMA program to another Bank whose administrative office has been examined and approved by the Finance Board to process AMA trans-

actions. The existence of such a delegation, or the possibility that such a delegation may be made, must be disclosed to any potential participating member or housing associate as part of any AMA-related agreements are signed with that member or housing associate.

(b) *Terminability of Agreements.* Any agreement made between two or more Banks in connection with any AMA program shall be made terminable by either party after a reasonable notice period.

(c) *Delegation of Pricing Authority.* A Bank that has delegated its AMA pricing function to another Bank shall retain a right to refuse to acquire AMA at prices it does not consider appropriate.

**§ 955.6 Risk-based capital requirement for acquired member assets.**

(a) *General.* Each Bank shall hold retained earnings plus general allowance for losses as support for the credit risk of all AMA estimated by the Bank to represent a credit risk that is greater than that of comparable instruments that have received the second highest credit rating from an NRSRO in an amount equal to or greater than the outstanding balance of the assets or pools of assets times a factor associated with the putative credit rating of the assets or pools of assets as determined by the Finance Board on a case-by-case basis. For single-family mortgage assets, the factors are as set forth in Table 1 of this part.

TABLE 1

Putative rating of single-family mortgage assets	Percentage applicable to on-balance sheet equivalent value of AMA
Third Highest Investment Grade .....	0.90
Fourth Highest Investment Grade .....	1.50
If Downgraded to Below Investment Grade After Acquisition By Bank:	
Highest Below Investment Grade .....	2.25
Second Highest Below Investment Grade .....	2.60
All Other Below Investment Grade .....	100.00

(b) *Recalculation of credit enhancement.* For risk-based capital purposes, each Bank shall recalculate the estimated credit rating of a pool of AMA if there is evidence that a decline in the

credit quality of that pool may have occurred.