

Federal Reserve Bank of San Francisco  
101 Market Street, San Francisco, California 94105

November 12, 2013

To State Member Banks, Bank Holding Companies, Financial Holding  
Companies, Savings and Loan Holding Companies,  
and Foreign Banking Offices  
in the Twelfth Federal Reserve District

**SR 13-18 Uniform Agreement on the Classification and Appraisal of Securities Held by Depository  
Institutions**

On October 29, 2013, the Federal Reserve issued [SR 13-18 Uniform Agreement on the Classification and Appraisal of Securities Held by Depository Institutions](#). The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (OCC) have issued the attached *Uniform Agreement on the Classification and Appraisal of Securities Held by Depository Institutions* (2013 Securities Classification Guidance). This guidance outlines principles related to the proper classification of securities without relying on ratings issued by nationally recognized statistical rating organizations (external credit ratings) and applies to state member banks and in principle to all institutions supervised by the Federal Reserve.

The 2013 Securities Classification Guidance supersedes SR letter 04-9, "Revised Uniform Agreement on the Classification of Assets and Appraisal of Securities Held by Banks and Thrifts." Section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires each federal agency to remove references to, and requirements of reliance on, external credit ratings in any regulation issued by the agency that requires the assessment of the creditworthiness of a security or money market instrument. Therefore, in 2012, the OCC revised its investment security regulations (12 CFR part 1) to remove reliance on external credit ratings. Investment in securities and stock by state member banks are required under the Federal Reserve Act (12 USC 335) and Regulation H (12 CFR 208.21) to comply with the OCC investment security regulations.

The 2013 Securities Classification Guidance clarifies the classification standards for securities held by an institution and provides examples that demonstrate when a security is investment grade and when it is not investment grade.

**Additional Information**

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking-supervision/publications/district-circular-letters/>

For additional information, please contact:  
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**Attachment:** [2013 Securities Classification Guidance](#)