## TABLE IV.—CALCULATION OF CREDIT EQUIVALENT AMOUNTS FOR DERIVATIVE CONTRACTS—Continued

Potential exposure	+	Current ex-	=	Credit equiv	Credit		
Type of contract (remaining maturity)	Notional principal (dollars)	Conversion factor	Potential exposure (dollars)	Mark-to market value	Current ex- posure (dol- lars)	equivalent amount	
(4) 6-Month Oil Swap(5) 7-Year Cross-Currency Floating/Floating Interest	10,000,000	.10	1,000,000	-250,000	0	1,000,000	
Rate Swap	20,000,000	.075	1,500,000 2,900,000	-1,500,000 	300,000	1,500,000 3,200,000	

(1) If contracts (1) through (5) above are subject to a qualifying bilateral netting contract, then the following applies:

	Potential fu- ture expo- sure (from above)		Net current exposure*		Credit equivalent amount
(1)(2)	50,000 300,000				
(3)(4)	50,000 1,000,000				
(5)	1,500,000 2,900,000	+	0	=	2,900,000

<sup>\*</sup>The total of the mark-to-market values from above is -1,370,000. Since this is a negative amount, the net current exposure is zero.

(2) To recognize the effects of netting on potential future exposure, the following formula applies:

 $A_{net}$ =(0.4× $A_{gross}$ )+0.6(NGR× $A_{gross}$ )

(3) In the above example:

NGR=0=(0/300,000)

 $A_{\text{net}} = (0.4 \times 2,900,000) + 0.6(0 \times 2,900,000)$ 

 $A_{net} = 1,160,000$ 

Credit Equivalent Amount: 1,160,000+0=1,160,000

(4) If the net current exposure was a positive amount, for example, \$200,000, the credit equivalent amount would be calculated as follows:

NGR=.67=(200,000/300,000)

 $A_{\text{net}}$ =(0.4×2,900,000)+0.6(.67×2,900,000)  $A_{\text{net}}$ =2,325,800

Credit Equivalent Amount: 2,325,800+200,000=2,525,800

By order of the Board of Directors.

Dated at Washington, D.C. this 25th day of August, 1995.

Federal Deposit Insurance Corporation.

Jerry L. Langley,

Executive Secretary.

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