



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

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To: Chief Executive Officers of National Banks, All Examining Personnel, and Comptroller's Handbook Subscribers

The enclosed "Leveraged Lending" booklet is part of the revised *Comptroller's Handbook*. It reinforces existing regulatory guidance in Examining Circular 245, "Highly Leveraged Transactions," dated December 14, 1988; Advisory Letter 99-4, "Leveraged Lending," dated May 3, 1999; and interagency guidance in OCC Bulletin 2001-18, "Leveraged Finance," dated April 9, 2001.

The booklet provides an overview of leveraged lending and its associated risks, the syndicated loan market, and the components of an effective risk management system. It discusses enterprise value, risk rating guidelines for troubled leveraged loans, and the role of deal sponsors. Three appendices provide examples of adverse risk ratings, a glossary of terms, and accounting guidance for leveraged lending.

The booklet also provides national bank examiners with expanded examination procedures that supplement the core assessment standards in the "Large Bank Supervision," "Loan Portfolio Management," and the "Classification of Credit" booklets in the *Comptroller's Handbook*. These examination procedures, which are optional, may be used when specific bank lending products, practices, or the risks associated with them warrant review. They may also be modified for use in community or mid-size banks that engage in leveraged lending.

Questions and comments regarding this booklet should be directed to Vance S. Price, Commercial Credit Risk Group Leader, at 202-874-4564, or NBE Greg Larm at 314-436-3078.

To order more copies of the booklet, please send your request and \$25 for each booklet to the Comptroller of the Currency, Attn.: Accounts Receivable, 250 E Street, S.W., Washington, D.C. 20219.