

Press Releases

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OTS 08-030 - Agencies Issue Final Guidance on Supervisory Review Process (Pillar 2) Related to Implementation of Basel II Advanced Approaches Rule

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For further information
Contact: William Ruberry
(202) 906-6677

Joint Release

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency
Office of Thrift Supervision

WASHINGTON — The federal banking and thrift agencies today issued final guidance outlining the supervisory review process for banking organizations implementing the new advanced capital adequacy framework known as Basel II. The final guidance relating to supervisory review is aimed at helping banking organizations meet certain qualification requirements in the advanced approaches rule, which took effect April 1.

The advanced approaches rule consists of three pillars: minimum risk-based capital requirements (Pillar 1); supervisory review of capital adequacy (Pillar 2); and market discipline through enhanced public disclosures (Pillar 3). The final Pillar 2 guidance details the agencies' standards for ensuring that each institution subject to the advanced approaches rule has a rigorous process for assessing its overall capital adequacy in relation to its risk profile and a comprehensive strategy for maintaining appropriate capital levels.

Although the guidance does not differ significantly from the proposed Pillar 2 guidance issued in February 2007, the agencies made some enhancements based on comments received and in consideration of key lessons from the events of the past year. The Pillar 2 guidance is being issued by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision. The effective date of the Pillar 2 guidance is 30 days following its publication in the Federal Register, which is expected shortly. The final Pillar 2 guidance is attached.

Attachment - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2008-30a.pdf>

Media Contacts:

Federal Reserve Deborah Lagomarsino	(202) 452-2955
FDIC LaJuan Williams-Dickerson	(202) 898-6993
OCC Kevin Mukri	(202) 874-5770
OTS William Ruberry	(202) 906-6677