

Press Releases

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OTS 06-038 - Agencies Seek Public Comment on Basel II and Market Risk Proposed Rulemakings

Office of Thrift Supervision

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For further information

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OTS 06-038

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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**

Agencies Seek Public Comment on Basel II and Market Risk Proposed Rulemakings

The federal bank and thrift regulatory agencies announced today that they will request public comment on a notice of proposed rulemaking (NPR) that would implement new risk-based capital requirements in the United States for large, internationally active banking organizations. The NPR details the agencies' plans for implementing the Basel Committee on Banking Supervision's (BCBS) new capital accord (Basel II) that was issued in 2004. The agencies also will request comment on proposed Basel II supervisory reporting templates.

The Federal Reserve Board (Board), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS) first adopted risk-based capital standards in 1989. Those standards were based on the Basel Capital Accord that the BCBS originally issued in 1988 (Basel I). For banking organizations that meet qualifying criteria, the Basel II NPR would replace U.S. rules implementing Basel I. The proposed framework would be mandatory for large, internationally active banking organizations and optional for others.

In March of this year, the Board released a preliminary draft of the Basel II NPR. The version being made available today differs in some respects from the March draft. For example, the agencies have responded to certain requests from the industry to seek comment on alternative risk-based capital approaches and have clarified that in evaluating credit risk, banking organizations should not rely on the possibility of U.S. government financial assistance, except for the financial assistance that the government has legally committed to provide. The final document, which will be published in the Federal Register shortly, should be used as the basis for comments.

Separately, the agencies announced that they will request comment on proposed revisions to the market risk capital rules that the OCC, Board, and FDIC have used since 1997 for banking organizations with significant exposure to market risk. Under the market risk capital rule, certain banking organizations are required to calculate a capital requirement for the general market risk of their covered positions and the specific risk of their covered debt and equity positions. The proposed revisions would enhance the rule's risk sensitivity and would require public disclosures of certain qualitative and quantitative market risk information.

The notice of proposed rulemaking on the market risk capital rule would implement changes the BCBS approved in 2005 and also would apply to certain savings associations, which currently are not covered under the rule. The agencies will also seek comment on proposed supervisory reporting templates related to the market risk capital rule.

The Board, FDIC, OCC and OTS request comments on the proposals within 120 days of publication in the Federal Register. The proposals are attached.

The agencies remain committed to issuing in the near future additional proposed revisions to their existing risk-based capital rules, known as Basel IA, in a timeframe that will allow for overlapping comment periods for both the Basel II NPR and the NPR for the proposed Basel IA revisions.

Attachments:

Basel II

Notice of proposed rulemaking - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2006-38a.pdf>

Federal Register notice regarding supervisory reporting templates - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2006-38b.pdf>

Market risk

Notice of proposed rulemaking - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2006-38c.pdf>

Federal Register notice regarding supervisory reporting templates - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2006-38d.pdf>

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The Office of Thrift Supervision, an office of the Department of the Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of, and compliance with consumer protection laws by, thrift institutions, and to support their role as home mortgage lenders and providers of other community credit and financial services. OTS also oversees the activities and operations of thrift holding companies that own or control thrift institutions. Copies of OTS news releases and other documents are available at the OTS web page at www.ots.treas.gov.