

Press Releases

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OTS 07-080 - OTS Announces Approval of Final Rule on Basel II

Office of Thrift Supervision

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For further information

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OTS Announces Approval of Final Rule on Basel II

Washington, D.C. -- The Office of Thrift Supervision (OTS) announced today that it has approved the issuance of a final rule on risk-based capital adequacy implementing the advanced approaches of the Basel II framework. The rule must also be approved by the other federal banking agencies.

In signing the final rule, OTS Director John Reich stated, "We are pleased that the process is moving forward and are confident that the advanced approaches will provide an improved method for more accurately aligning regulatory capital with risk. We have included in the final rule layers of prudential safeguards critical for safety and soundness. These safeguards include an interagency study that will jointly evaluate the effectiveness of the new capital regime."

The final rule requires some banking organizations --and allows others--to use an internal ratings-based approach to calculate credit risk-based capital requirements and to use advanced measurement approaches to calculate operational risk-based capital requirements.

Director Reich added, "While adoption of the final rule is a significant accomplishment, more remains to be done. We must still introduce into the United States a standardized (non-advanced) approach, consistent with the Basel II framework. We hope to bring forward a Notice of Proposed Rulemaking on the standardized approach in the first quarter of 2008."

The final rule is attached and is also available on the OTS website at www.ots.treas.gov.

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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.