



Library
NEWS RELEASE

FOR IMMEDIATE RELEASE

FEDERAL DEPOSIT INSURANCE CORPORATION
APR 8 1987
PR-6A-87 (3-31-87)

FDIC AGREES TO ISSUE RISK-BASED CAPITAL PROPOSAL

The Board of Directors of the Federal Deposit Insurance Corporation today agreed to issue for public comment a risk-based capital proposal that redefines primary capital, assigns risk weights to on-balance sheet assets and certain off-balance sheet items, and lays the groundwork for establishing a minimum risk-based capital ratio.

The Board's proposal is based in part on the joint United States/United Kingdom Agreement proposed in January of this year by the FDIC, the Federal Reserve Board, the Comptroller of the Currency (OCC) and the Bank of England. The joint agreement establishes a uniform framework for measuring risk-based capital. The FDIC's proposal also is based on comments received in response to the FDIC's February 1986 supplemental adjusted capital proposal.

The FDIC proposes to consider the risk-based capital measure in tandem with its existing minimum primary and total capital to total assets ratios when analyzing the capital levels of insured state nonmember banks.

The risk-based capital measure, as proposed, attempts to (1) assess capital requirements against certain off-balance sheet exposures; (2) temper disincentives inherent in the existing capital requirements to hold low risk, relatively liquid assets; and (3) move U.S. capital adequacy policies into closer alignment with policies currently in use or under development in other major industrial countries. This last objective is considered of particular importance in view of increasing global banking competition and the desirability of achieving' greater convergence in the measurement and assessment of capital adequacy of multinational banking organizations.

The FDIC's revised proposal is part of an ongoing process to set uniform capital standards for federally-supervised banking organizations in the U.S. and coordinate with foreign regulators in establishing appropriate international capital standards.

Individuals who want to comment on the risk-based capital proposal may send their comments to Hoyle L. Robinson, Executive Secretary, FDIC, 550 17th Street, N.W., Washington, D.C. 20429. Comments must be received no later than 60 days from the date of publication in the Federal Register.

###