



# PRESS RELEASE

Federal Deposit Insurance Corporation

Media Contact:  
Jay Rosenstein (202) 898-7303

December 9, 1997

---

## **FDIC EASES BURDEN OF RULE THAT WILL REQUIRE BANKS TO BETTER PREDICT MARKET RISK**

FOR IMMEDIATE RELEASE

The FDIC Board today agreed to reduce the regulatory burden of its risk-based capital standard for banks with significant trading activities.

Under an interagency rule adopted last year and effective January 1, 1998, banks with large trading portfolios will be required to measure their market risk and hold sufficient capital. Moreover, institutions must measure and hold capital for exposures to general market risk (from fluctuations in interest rates, equity prices, foreign exchange rates and commodity prices) and exposures to specific risks (associated with debt and equity positions in the trading portfolio).

The FDIC Board today eliminated a requirement that an institution must hold capital for specific risks equal to at least 50 percent of what would be derived using a standardized calculation from the international Basle Committee on Banking Supervision. This change will reduce regulatory burden because institutions will not have to develop and maintain two systems -- their own internal model plus the standardized method.

The market-risk rule applies to banks whose trading activity equals ten percent or more of their total assets, or whose trading activity equals \$1 billion or more. The Federal Reserve Board and the Office of the Comptroller of the Currency are expected to approve similar revisions for the banks they regulate. Together, the three agencies supervise fewer than 20 banks affected by the market-risk rule. This latest change also implements a recent revision to the Basle Capital Accord that sets an international supervisory framework for measuring market risk.



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at [www.fdic.gov](http://www.fdic.gov), by subscription electronically (go to [www.fdic.gov/about/subscriptions/index.html](http://www.fdic.gov/about/subscriptions/index.html)) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-92-97

Today's FDIC's action is an interim final rule. As such, the rule change will become effective with the rest of the market-risk rule on January 1, 1998, but public comments will be accepted for 60 days after the amendment appears in the Federal Register.

Last Updated 07/14/1999

