PRESS RELEASE
Federal Deposit Insurance Corporation

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FDIC ANNOUNCES PROPOSAL TO SIMPLIFY CAPITAL CALCULATION FOR MOST U.S. BANKS

FOR IMMEDIATE RELEASE

Community banks and thrifts would be eligible for simpler, less burdensome capital rules under an interagency proposal to be released for comment next month, Federal Deposit Insurance Corporation Chairman Donna Tanoue announced today.

"A capital framework can be developed for small banks and thrifts with limited business lines that would be more efficient and less burdensome -- without compromising prudential standards. This concept is the right idea at the right time," said Chairman Tanoue in a speech to Women in Housing and Finance.

Federal bank and thrift regulators plan to issue an interagency Advanced Notice of Proposed Rulemaking that will consider alternatives for a bifurcated approach to bank capital calculations. Three options under review include (1) a simplified risk-based ratio, (2) a leverage only ratio, and (3) a modified leverage ratio.

Currently, financial institutions are required to comply with two key minimum capital standards: a leverage ratio and a risk-based ratio.

The FDIC and other agencies have taken no position on the three options.

Chairman Tanoue said that the challenge for bank regulators is to find the right balance between simplicity and accuracy in capital requirements, in keeping with safety and soundness, for traditional community banks.

The Chairman stressed: "Today, for 98 percent of all banks and thrifts, the leverage ratio alone could tell us whether they are well capitalized. The risk-based ratio may not necessarily add anything for the narrow purpose of meeting minimum capital standards.

"This is a great argument for reform of our current system," the Chairman said.

Banks are required to maintain minimum levels of capital that have been set by U.S. regulators under a framework established by the Basel Accord in 1988.

The U.S. and other regulators are currently revising the Accord to better address the capital needs of large, complex institutions. Any changes for community banks will conform to the principles of the revised Basel Accord.