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FDIC Director Thomas Curry Testifies On Basel II Concerns

Federal Deposit Insurance Corporation (FDIC) Director Thomas Curry testified today before Congress regarding the FDIC’s views on the implementation of Basel II in the United States. The testimony focused on the potential impact of Basel II on minimum capital requirements and on the competitive playing field for U.S. banks.

While acknowledging the significant concerns outlined in his testimony before the Subcommittee on Financial Institutions and Consumer Credit and the Subcommittee on Domestic and International Monetary Policy, Trade, and Technology of the House Financial Services Committee, Director Curry expressed a belief that these issues could be resolved, and that the FDIC stands ready to move forward with Basel implementation when this is done.

Director Curry reported the FDIC’s preliminary conclusion that the results of a recent quantitative impact study, QIS-4, do not provide comfort that the Basel II framework will require an adequate level of capital. He went on to outline FDIC concerns about the consistent applicability of the framework across banks and the potentially significant competitive implications.

Director Curry said, "The QIS-4 results suggest to us that our U.S. leverage requirements will be even more important under Basel II." With regard to Basel II itself, he said, "Thought needs to be given to finding ways to implement this new framework in ways that are less extreme and more consistently applicable across banks."

With respect to Basel II’s Advanced Measurement Approach (AMA) to operational risk, Director Curry articulated the FDIC’s willingness to explore simpler approaches. "The tensions between the important principle of stand-alone bank capital calculation, and the costs and burdens of the AMA, can be resolved," he concluded. "The FDIC is committed to working with our fellow regulators to arrive at a sensible solution that does not impose excessive burdens on U.S. banks or banking organizations." The testimony is available at http://www.fdic.gov/news/news/speeches/archives/2005/others/spmay1105.html.