



# PRESS RELEASE

Federal Deposit Insurance Corporation

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## **FDIC Acting Chairman Gruenberg Outlines Basel II Capital Objectives Affirms Commitment to Improve Risk Management Without a Significant Reduction in Aggregate Risk-based Minimum Capital**

In a speech today before the Conference of State Bank Supervisors in Norfolk, Virginia, Federal Deposit Insurance Corporation Acting Chairman Martin Gruenberg outlined overall capital objectives contained in the proposed rule for proceeding with Basel II in the U.S. Basel II is a new, international standard for the way the largest banks calculate their capital levels.

"Basel II was intended to bring about technical improvements in the risk-sensitivity of bank capital in the United States while broadly maintaining the overall level of risk-based capital requirements," Acting Chairman Gruenberg told the group. "I think those are both worthy goals, and the achievement of both goals is essential for the safety and soundness of the U.S. banking system."

Gruenberg highlighted five capital objectives contained in the proposed rule for Basel II soon to be issued by the federal bank regulators. Those objectives are:

- Broad maintenance of the overall level of risk-based capital requirements;
- A 10 percent downward limit on aggregate reduction in minimum risk-based capital;
- Comparable capital requirements for similar portfolios to minimize dispersion;
- A level playing field between institutions which participate in Basel II and those which do not; and
- Retention of the leverage ratio and prompt corrective action.

Gruenberg noted, "We should keep in mind that the United States has enjoyed an unusual period of sustained economic growth with only a mild recession over the past



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.

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decade. It would be a mistake to take for granted that the next 10 years will be equally benign. We should be cautious and prudent in making changes to our system of bank capital."

**Attachment:**

[Remarks by Martin J. Gruenberg Acting Chairman, FDIC to Conference of State Bank Supervisors \(CSBS\) 2006 Annual Meeting and Conference](#)