



PRESS RELEASE

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FDIC Board Approves Basel II-Based Standardized Approach Capital Proposal as an Alternative to the Current Rules

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) today approved an interagency proposal that would provide banks with the option to adopt an alternative risk-based capital framework based largely upon the Standardized Approach set forth in the Basel II Framework.

The Standardized Approach capital framework would be available to all banks except the largest and most complex banks that are subject to the Advanced Approaches final rule issued on December 7, 2007.

"The Standardized Approach proposal is expected to add greater risk sensitivity without creating excessive complexity and burden and, thus, should minimize competitive inequities between large and small banks," noted FDIC Chairman Sheila C. Bair in support of the proposal.

"The agencies are also seeking comment on whether the Standardized Approach should be made available to large banks. Given the turbulence in the credit markets, I take some comfort in the fixed risk weights established under the Standardized Approach as they provide supervisors with some control over unconstrained reductions in risk-based capital."

Some of the key aspects of the proposal include:

- adding more risk buckets to the existing rules;
- expanding the use of external ratings to a broader range of exposures;
- expanding the recognition of credit risk mitigants, such as collateral and guarantees;



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, by subscription electronically (go to 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-50-2008**

- establishing a more risk-sensitive approach for residential mortgages based largely on loan-to-value measures;
- increasing the capital requirements on certain off-balance sheet exposures, including liquidity lines to asset-backed commercial paper exposures; and
- requiring a capital charge for operational risk using the Basic Indicator Approach under the Basel II capital framework.

The agencies are seeking comment on various aspects of the proposed framework, including possible enhancements and alternatives to the use of external credit ratings, especially for structured finance exposures.

Comments will be accepted for 90 days from the date of publication in the *Federal Register* once all of the agencies have approved the interagency Notice of Proposed Rulemaking.

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Attachment:

[Risk-Based Capital Guidelines; Capital Adequacy Guidelines: Standardized Framework; Proposed Rule and Notice - PDF 765k \(PDF Help\)](#)