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**Joint Release**

**Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
Office of the Comptroller of the Currency**

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For Immediate Release

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**Agencies Seek Comment on Regulatory Capital Rules and Finalize Market Risk Rule**

The Office of the Comptroller of the Currency (OCC), Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) are seeking comment on three notices of proposed rulemaking (NPRs) that would revise and replace the agencies' current capital rules. The agencies also announced the finalization of the market risk capital rule that was proposed in 2011.

In the first Basel III NPR, Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions (Basel III NPR), the agencies are proposing to revise their risk-based and leverage capital requirements consistent with agreements reached by the Basel Committee on Banking Supervision (Basel III). The Basel III NPR would apply to all insured banks and savings associations, top-tier bank holding companies domiciled in the United States with more than \$500 million in assets, and savings and loan holding companies that are domiciled in the United States. Provisions of this NPR that would apply to these banking organizations include implementation of a new common equity tier 1 minimum capital requirement, a higher minimum tier 1 capital requirement, and, for banking organizations subject to the advanced approaches capital rules, a supplementary leverage ratio that incorporates a broader set of exposures. Additionally, consistent with Basel III, the agencies propose to apply limits on a banking organization's capital distributions and certain discretionary bonus payments if the banking organization does not hold a specified "buffer" of common equity tier 1 capital in addition to the minimum risk-based capital requirements. The revisions set forth in this NPR are consistent with section 171 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which requires the agencies to establish minimum risk-based and leverage capital requirements.

The Basel III NPR also would revise the agencies' prompt corrective action framework by incorporating the new regulatory capital minimums and updating the definition of tangible common equity. Prompt corrective action is an enforcement framework that constrains the activities of insured depository institutions based on their level of regulatory capital.

The second Basel III NPR, "Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule" (Advanced Approaches and Market Risk NPR), would revise the advanced approaches risk-based capital rules consistent with Basel III and other changes to the Basel Committee's capital standards. The agencies also propose revising the advanced approaches risk-based capital rules to be

consistent with section 939A and section 171 of the Dodd-Frank Act. Additionally in this NPR, the OCC and FDIC propose that the market risk capital rules apply to federal and state savings associations, and the Board proposes that the advanced approaches and market risk capital rules apply to top-tier savings and loan holding companies domiciled in the United States, if stated thresholds for trading activity are met. Generally, the advanced approaches rules would apply to such institutions with \$250 billion or more in consolidated assets or \$10 billion or more in foreign exposure, and the market risk rule would apply to savings and loan holding companies with significant trading activity.

In the third capital NPR, "Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements" (Standardized Approach NPR), the agencies propose to revise and harmonize rules for calculating risk-weighted assets to enhance risk sensitivity and address weaknesses identified over recent years, including by incorporating aspects of the Basel II standardized framework, and alternatives to credit ratings, consistent with section 939A of the Dodd-Frank Act. The revisions include methods for determining risk-weighted assets for residential mortgages, securitization exposures, and counterparty credit risk. The NPR also would introduce disclosure requirements that would apply to U.S. banking organizations with \$50 billion or more in total assets. The Standardized Approach NPR would apply to the same set of institutions as the Basel III NPR.

The proposals are published in three separate NPRs to reflect the distinct objectives of each proposal, to allow interested parties to better understand the various aspects of the overall capital framework, including which aspects of the rules would apply to which banking organizations, and to help interested parties better focus their comments on areas of particular interest.

The final market risk rule amends the calculation of market risk to better characterize the risks facing a particular institution and to help ensure the adequacy of capital related to the institution's market risk-related positions. It applies to a banking organization with aggregate trading assets and liabilities equal to 10 percent of total assets, or \$1 billion or more. The most significant change from the proposal relates to the methods for determining the capital requirements for securitization positions. Specifically, under the final rule the mechanism to calculate the capital charges on securitization exposures when the underlying pool of assets demonstrates credit weakness was altered to focus on delinquent exposures rather than on cumulative losses. This change has the effect of imposing greater capital requirements on the more subordinate tranches in a securitization. Under the proposal, when the underlying pool of assets demonstrates credit weakness, increased capital requirements would have applied to the entire range of outstanding securities, including the most senior tranches in a securitization. The final rule will be effective on January 1, 2013.

Comments on the three NPRs are requested by September 7, 2012.

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**Attachments:**

- [Basel III NPR - PDF \(PDF Help\)](#)
- [Advanced Approaches and Market Risk NPR - PDF \(PDF Help\)](#)
- [Standardized Approach NPR - PDF \(PDF Help\)](#)
- [Final Rule Regarding Market Risk Capital - PDF \(PDF Help\)](#)

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