



Federal Deposit Insurance Corporation  
550 17th Street NW, Washington, DC 20429-9990

Financial Institution Letter  
FIL-87-2010  
December 16, 2010

## Risk-Based Capital Rules Proposed Rule on Risk-Based Capital Standards: Market Risk

**Summary:** The federal banking regulatory agencies (agencies) have jointly issued the attached notice of proposed rulemaking on possible modifications to the risk-based capital standards for market risk. The proposed rule would incorporate improvements to the current trading book regime as proposed by the Basel Committee on Banking Supervision in *Revisions to the Basel II Market Risk Framework* published in July 2009 and *The Application of Basel II to Trading Activities and the Treatment of Double Default Effects*, published in July 2005.

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FDIC-Supervised Banks (Commercial and Savings)

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### Related Topics:

Risk-Based Capital Rules  
12 CFR Part 325  
Basel II  
Market Risk

### Attachment:

[Joint Notice of Proposed Rulemaking, Risk-Based Capital Standards: Market Risk - PDF](#) ([PDF Help](#))

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### Highlights:

The proposed rule:

- Applies to banks with aggregate trading assets and liabilities equal to 10 percent or more of quarter-end total assets, or aggregate trading assets and liabilities equal to \$1 billion or more.
- Establishes more explicit eligibility criteria for positions that receive market risk capital treatment; sets requirements for prudent valuation, robust stress testing and the control, oversight and validation mechanisms for models; and expects banks to have an internal capital adequacy assessment for market risk.
- Introduces a stress-value-at-risk requirement, which better captures market risk during periods of stress.
- Introduces an incremental risk charge, which captures default and migration risks at a 99.9 percent confidence level over a one-year horizon.
- Introduces a risk-based capital charge for correlation trading positions.

The proposed rule does not reference the use of credit ratings for the assignment of standardized charges for securitization positions. However, the agencies intend to implement these standardized charges in a subsequent rulemaking in a manner that appropriately reflects the requirements of Section 939A of the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. The agencies intend to develop alternatives that will result in capital requirements for securitization positions that are comparable to the Basel Committee for Banking Supervision's proposed charges for such positions.