



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-104-2005
October 20, 2005

RISK-BASED CAPITAL RULES

Advance Notice of Proposed Rulemaking on Modifications to the Risk-Based Capital Framework

Summary: The federal bank and thrift regulatory agencies have jointly issued the attached advance notice of proposed rulemaking (ANPR) on possible modifications to the risk-based capital standards for all domestic banks, bank holding companies and savings associations. The agencies are seeking public comment on the proposal. The FDIC will accept comments through January 18, 2006.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Accounting Officer

Related Topics:

Risk-Based Capital Rules
12 CFR Part 325
Basel II

Attachments:

- . Chart 1, "QIS 4 Preliminary Change in Minimum Capital Requirements of 26 Participating Institutions: Basel I to Basel II"
- . Joint Advance Notice of Proposed Rulemaking, Risk-Based Capital Guidelines; Capital Adequacy Guidelines; Capital Maintenance: Domestic Capital Modifications

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Highlights:

The modifications under consideration in the ANPR are intended to:

- Modernize the risk-based capital rules to ensure that the capital framework remains a relevant and reliable measure of risks present in the banking system.
- Minimize potentially material differences in capital requirements that may arise between banks that adopt Basel II and banks that remain under the existing risk-based capital rules.
- Maintain an operationally feasible capital framework that is relatively simple to implement for banking organizations subject to the existing risk-based capital rules.

The modifications are designed to use currently available data to implement any required changes, with the intention of minimizing the burden associated with compliance.

As required under section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA), the ANPR also solicits comments on any outdated, unnecessary or unduly burdensome requirements in the regulatory capital rules.