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

Division of Supervision

Capital Standards

FIL-18-95
February 23, 1995

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Proposed Changes to Risk-Based Capital Treatment of Claims on OECD-Based Governments and Banks*

Under the FDIC's current risk-based capital standard, claims (primarily loans or securities) on central governments and banks in countries that are members of the Organization for Economic Cooperation and Development (OECD) generally receive more favorable capital treatment than similar claims on governments and banks in non-OECD countries. On January 31, 1995, the FDIC Board of Directors agreed to issue for public comment a proposal that would retain this preferential capital treatment for claims on any OECD-based central government or bank unless the country has rescheduled its external sovereign debt within the last five years. This proposal is based on plans being developed on an international basis by the Basle Committee on Banking Supervision. A copy of the proposed regulation is attached.

The OECD is an international organization of countries committed to market-oriented economic policies. The FDIC's current risk-based capital guidelines, which are broadly based on the Basle Committee's 1988 risk-based capital framework (the Basle Accord), provide that claims on central governments and banks located in the 24 countries that then were full members of the OECD (plus Saudi Arabia) are eligible to receive preferential risk-weights. When Mexico became a full member of the OECD in 1994, questions were raised over whether the Basle Accord also permits new OECD members to receive favorable risk-weights. The proposed change to the FDIC's risk-based capital standard would clarify that all full members of the OECD can qualify for lower risk-weights, except for any member country that has rescheduled its external sovereign debt within the previous five years.

The FDIC's proposal is consistent with those recently issued by the Federal Reserve Board and the Office of the Comptroller of the Currency. Written comments will be accepted through March 17, 1995.

The attached Federal Register notice includes a detailed explanation of the FDIC's proposed rule. For more information, contact Stephen G. Pfeifer, an Examination Specialist in the Division of Supervision's Accounting Section (202-898-8914).

Stanley J. Poling
Director

Attachments: PDF Format (21 kb, PDF help or hard copy), HTML Format

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