



On-Balance Sheet Netting Proposal

FIL-37-98
April 9, 1998

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Basle Committee Proposal for On-Balance Sheet Netting*

The Basle Committee on Banking Supervision has issued the attached proposal that establishes principles for the capital treatment of on-balance sheet netting transactions. The proposal differs from current U.S. Generally Accepted Accounting Principles (GAAP). However, institutions should continue to follow the GAAP standards for regulatory reporting until notified otherwise.

The proposal allows on-balance sheet netting if these four conditions are met:

- The reporting bank has a well-founded legal basis for determining that the netting or offsetting and agreement are enforceable in each relevant jurisdiction.
- The maturity of the deposit is at least as long as the corresponding loan.
- The positions are denominated in the same currency.
- The reporting bank monitors and controls the exposures on a net basis.

The Basle Committee is seeking comments on the proposal, particularly as it relates to the overall scope of netting transactions and netting across currencies. Comments are due by June 30, 1998, and may be submitted directly to the Basle Committee at facsimile number 011 41 61 280 9100.

Nicholas J. Ketcha Jr.
Director

Attachment:

Basle Committee on Banking Supervision - [Consultative paper on on-balance-sheet netting](#)

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