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

CAPITAL FRAMEWORK FOR "NON-COMPLEX" INSTITUTIONS

FIL-73-2000
November 3, 2000

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Advance Notice of Proposed Rulemaking Regarding a Simplified Capital Framework*

The Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision have jointly issued the attached advance notice of proposed rulemaking (ANPR) seeking public comment on whether to develop a simplified regulatory capital framework for "non-complex" banking and thrift institutions. Comments are due by February 1, 2001.

Banks and thrifts are required to maintain minimum levels of capital that have been set by U.S. regulators under a framework established by the Basel Accord in 1988. Regulators in the U.S. and in other countries have been revising the 1988 Accord to better address the capital needs of large, complex and internationally active institutions. However, U.S. regulators also believe that a large number of community banks and thrifts could benefit from a simpler capital framework that would conform to the principles of a revised Basel Accord and maintain prudential standards, yet relieve unnecessary regulatory burden. The ANPR solicits public comment on the agencies' preliminary views and on the following issues in particular:

- Should there be a simpler capital framework for non-complex institutions? If so, what kind of regulatory capital framework would be appropriate? Possible examples include a simplified risk-based framework, a simple leverage framework (essentially the capital-to-assets ratio in current use), or a leverage framework modified to incorporate certain off-balance sheet exposures (such as commitments or certain derivatives).
- How should a new capital framework define a non-complex institution?
- Which factors should determine an institution's eligibility for a simplified capital framework? Possible criteria include the nature of a bank's activities, its asset size and risk profile.
- What is an appropriate minimum capital threshold for non-complex institutions?
- Which additional options should be considered for measuring regulatory capital at non-complex institutions?
- What other implementation issues associated with a simplified capital framework must be resolved?

For more information, please contact Keith A. Ligon (202-898-3618) in the FDIC's Division of Supervision or Michael B. Phillips (202-898-3581) in the FDIC's Legal Division.

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Director

Attachments: Federal Register, November 3, 2000 (Volume 65, Number 214), pages 66193-66197
HTML or PDF (134 KB File - PDF Help or Hard Copy)

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