



NEW BASEL CAPITAL ACCORD

FIL-31-2003
April 30, 2003

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: Bank Supervisors Issue Third Consultative
Paper on the New Basel Capital Accord

Summary: *The Basel Committee on Banking Supervision has issued a third consultative paper on the New Basel Capital Accord. The paper responds to comments received in two earlier rounds of consultation conducted by the Basel Committee in the summer of 1999 and the winter of 2001. Comments on the third consultative paper are due by July 31, 2003.*

On April 29, 2003, the Basel Committee on Banking Supervision issued a third consultative paper on the New Basel Capital Accord. The relevant documents are available on the Federal Deposit Insurance Corporation's (FDIC) Web site, www.fdic.gov. The Overview Paper provides a concise summary of the key elements of the New Capital Accord, and the Rules Document sets forth in detail the proposed content and structure of the New Capital Accord. The third consultative paper responds to comments received in two earlier rounds of consultation conducted by the Basel Committee in the summer of 1999 and the winter of 2001. Comments are due by July 31, 2003.

It is important to recognize that discussion is still ongoing about the scope of application of the New Capital Accord. While the 1988 Capital Accord was applied to all banks in the United States, it is likely that the internal ratings-based approaches set forth in the New Capital Accord will only be applied in the United States to a small group of large and internationally active banks. The vast majority of small and less complex banking institutions will remain subject to the current capital framework, including any refinements adopted over time. Notwithstanding the focus of the New Capital Accord on large, internationally active institutions, banks of all size are encouraged to review the proposals and are urged to provide their primary federal regulators with comments.

To develop a full discussion of all issues regarding implementation of the New Capital Accord in the United States, the federal banking and thrift regulatory agencies plan to follow the release of the third consultative paper with an Advance Notice of Proposed Rulemaking (ANPR). This ANPR will focus on how the U.S. agencies intend to implement domestic changes that reflect the specific nature of U.S. banks and banking. The ANPR will also provide a proposal on the scope of application of the New Capital Accord. Banks and other interested parties are encouraged to comment on the ANPR proposals.

Comments on the Committee's third consultative paper on the New Basel Capital Accord may be sent to both the Basel Committee and the FDIC

Basel Committee: Written comments should be addressed to Basel Committee on Banking Supervision, Bank for International Settlements, CH - 4002, Basel, Switzerland, or by electronic mail to BCBS.Capital@bis.org.

FDIC: Written comments should be addressed to Robert E. Feldman, Executive Secretary, Attention: Comments, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429. Commenters are encouraged to submit comments by facsimile transmission to (202) 898-3838 or by electronic mail to comments@fdic.gov. Comments also may be hand-delivered to the guard station at the rear of the 550 17th

Street Building (located on F Street) on business days between 8:30 a.m. and 5 p.m. Comments may be inspected and photocopied at the FDIC's Public Information Center, Room 100, 801 17th Street, NW, Washington, DC, between 9 a.m. and 4:30 p.m. on business days.

The FDIC is publishing a series of articles about the New Capital Accord. Two papers have been published to date, the first dealing with the history of capital and providing context to the changes being considered in Basel, and the second addressing the new risk-based capital requirements for commercial lending and the impact of the New Capital Accord proposals. Over the coming year, this FDIC series will explore various aspects of Basel II. This series and all other FYI articles can be accessed at www.fdic.gov/bank/analytical/index.html. For additional information, please contact your FDIC Division of Supervision and Consumer Protection regional office.

For your reference, FDIC Financial Institution Letters may be accessed from the FDIC's Web site at www.fdic.gov/news/news/financial/2003/index.html. To learn how to automatically receive FDIC Financial Institution Letters through e-mail, please visit <http://www.fdic.gov/news/news/announcements/index.html>.

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NOTE: The paper is available on the Basel Committee's Web site at www.bis.org.

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