FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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FDIC PROPOSES CAPITAL RULE REVISIONS ADDRESSING RISKS OF CONCENTRATIONS OF CREDIT AND "NONTRADITIONAL" ACTIVITIES

The FDIC's Board of Directors today proposed revisions to its capital rules to ensure that concentration of credit risk and the risks of "nontraditional" activities are adequately taken into account when assessing an institution's capital adequacy. Revisions to the risk-based capital rules are required by Section 305 of the Federal Deposit Insurance Corporation Improvement Act of 1991.

The FDIC sought public comment on these risks last August in an advance notice of proposed rulemaking. The comments received were considered in preparing this proposed rulemaking. Similar revisions are in the process of being proposed by the other federal bank and thrift regulatory agencies.

The proposal would specifically cite concentration of credit risk and the risks of nontraditional activities -- as well as an institution's ability to manage these risks -- as important factors in assessing an institution's overall capital adequacy. No mathematical formulas or explicit capital requirements for these risks are incorporated in the proposal.

Concentrations of credit typically refer to situations when a lender has a relatively large portion of loans to a particular borrower, industry, location, collateral or loan type. The proposal would address nontraditional activities as simply those not traditionally considered part of an institution's business but that now are being conducted as a result of recent developments in technology or financial markets. As a bank begins to engage in or significantly expand its participation in a nontraditional activity, the

-moreprimary federal regulator would analyze the risks and give appropriate capital and supervisory treatment.

Written comments on the proposed rule will be considered for 30 days after publication in the Federal Register.

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