

RESOLUTION

WHEREAS, the International Lending Supervision Act of 1983 requires each appropriate Federal banking agency to cause banking institutions to achieve and maintain adequate capital by establishing minimum levels of capital for such banking institutions and by using such other methods as the Federal banking agency deems appropriate; and

WHEREAS, section 38(c)(1) of the Federal Deposit Insurance Act prescribes that the capital standards of each appropriate Federal banking agency include leverage and risk-based capital requirements; and

WHEREAS, the regulations of the Federal Deposit Insurance Corporation (the “Corporation”) in Appendix A to 12 C.F.R. Part 325 set forth the Corporation’s risk-based capital requirements for insured state nonmember banks in its Statement of Policy on Risk-Based Capital; and

WHEREAS, the risk-based capital requirements in Appendix A to 12 C.F.R. Part 325 are based on an internationally based framework that was developed by the Basel Committee on Banking Supervision (“BSC”) in 1988 (“1988 Capital Accord”) and have been adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, and the Corporation (the “Agencies”); and

WHEREAS, in June, 2004, the BSC issued certain revisions to the 1988 Capital Accord, the “International Convergence of Capital Measurement and Capital Standards: A Revised Framework” (the “Basel II framework”), which provided internal ratings-based approaches for the calculation of minimum regulatory risk-based capital requirements; and

WHEREAS, on October 20, 2005, the Agencies issued an Advance Notice of Proposed Rulemaking (“Basel IA ANPR”) in the Federal Register, 70 Fed. Reg. 61, 068, which discussed

various possible modifications to the existing risk-based capital requirements to enhance their risk sensitivity; and

WHEREAS, in response to comments received on the Basel IA ANPR, the staff of the Agencies have prepared a Notice of Proposed Rulemaking (the “Basel IA NPR”) for purposes of enhancing the risk sensitivity of the current risk-based capital rules for those banking organizations that would not use the Basel II framework, with a public comment period of 90 days after its date of publication in the Federal Register; and

WHEREAS, the Basel IA NPR would, in part, expand the number of risk weight categories, allow the use of external credit ratings to risk weight certain exposures, expand the range of recognized collateral and eligible guarantors, use loan-to-value ratios to risk weight residential mortgages, increase the credit conversion factor for certain commitments, assess a charge for early amortization in securitizations of revolving exposures, and remove the 50 percent limit on the risk weight for certain derivative transactions; and

WHEREAS, staff of the Agencies recommend that the Board publish the Basel IA NPR for comment as set forth in the attached Federal Register document.

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the Executive Secretary, or his designee, to cause the attached Basel IA NPR to be published in the Federal Register jointly with the other Agencies, in a form and manner acceptable to the Executive Secretary, or his designee, and the General Counsel, or his designee.

BE IT FURTHER RESOLVED, that the Board hereby delegates authority to the Executive Secretary, or his designee, and the General Counsel, or his designee, to make technical, nonsubstantive, or conforming changes to the text of the attached Basel IA NPR to ensure that the Corporation and the other Agencies can issue jointly this document in the Federal

Register, and to take such other actions and issue such other documents incident and related to the foregoing as they deem necessary or appropriate to fulfill the Board's objectives in connection with its publication for public comment.