

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, since the issuance of the 1988 Capital Accord, the BSC has determined that the world financial system has become significantly more complex due to various factors including the development of new financial products and the related risks to the financial system; and

WHEREAS, in April, 2003, the BSC released for public consultation a document entitled “The New Basel Capital Accord” that sets forth proposed revisions to the 1988 Capital Accord (“2003 Capital Accord”); and

WHEREAS, the New Capital Accord was based on three “pillars,” i.e., (1) minimum regulatory capital requirements, (2) supervisory capital requirements, and (3) market discipline; and

WHEREAS, on August 4, 2003, the Agencies issued an Advanced Notice of Proposed Rulemaking (“Basel II ANPR”) in the Federal Register, 68 Fed. Reg. 45,900, concerning internal ratings-based approaches for the calculation of minimum regulatory risk-based capital requirements , which sought industry and public comment on all aspects of the implementation of the proposed new regulatory capital framework in the 2003 Capital Accord; and

WHEREAS, in June, 2004, the BSC issued a revision to the New Capital Accord “International Convergence of Capital Measurement and Capital Standards: A Revised Framework” (the “Basel II framework”); and

WHEREAS, for purposes of their consideration of the implementation of the Basel II framework for large, internationally active banking organizations in the United States, the Agencies conducted a Quantitative Impact Study (the “QIS-4”) during late 2004 and early 2005 of twenty-six banking organizations; and

WHEREAS, the results from the QIS-4 indicate that material reductions in the minimum capital requirements under the Basel II framework could occur for the surveyed banking organizations; and

WHEREAS, in response to industry comments on the Basel II ANPR, a Congressional hearing held in May, 2005, and various industry forums sponsored by the Agencies in 2005 and 2006, the Agencies believe that changes need to be considered to the existing risk-based capital requirements to enhance the risk sensitivity of those capital requirements and to address any competitive equity concerns that could arise from the U.S. implementation of the Basel II framework; and

WHEREAS, in September, 2005, the Agencies issued their agreement to implement the Basel II framework, which included various prudential safeguards including a one year delay in the targeted effective date of the final rule, a longer transition to the unconstrained use of the Basel II risk-based capital requirements, limitations on the amount risk-based capital requirements at individual banks could decline during the transition period, and retention of the U.S. leverage capital and Prompt Correction Action requirements; and

WHEREAS, the staff of the Agencies have prepared a Notice of Proposed Rulemaking (the “Basel II NPR”) for purposes of implementing the Basel II framework, with a public comment period of 120 days after the date of publication in the Federal Register; and

WHEREAS, staff of the Agencies recommend that the Board of Directors of the Corporation (the “Board”) publish the Basel II NPR 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 II 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 II 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.