KOREA FEDERATION OF BANKS

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Subject: Comment on Joint Notice of Proposed Rulemaking Regarding Establishment of a Risk-Based Capital Floor

OCC Docket ID OCC-2010-0009
Federal Reserve Board Docket No. R-1402, RIN No. 7100-AD62
FDIC RIN 3064-AD58

Dear Sir or Madam

The Korea Federation of Banks (KFB) is a bankers' association, similar to the American Bankers Association in America. The KFB represents Korea's banking industry including foreign banks operating in Korea. Some of our member banks are participating in the US financial markets, and accordingly they are affected by the US regulation. In this regard, the KFB appreciates this opportunity to comment on the Joint Notice of Proposed Rulemaking on the advanced risk-based capital adequacy standards, dated December 30, 2011.

We believe that foreign or non-US banks should not have to comply with the proposed US minimum capital standards and capital adequacy framework(the "Proposed Rules") for the following reasons.

1. Section 171 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") on establishing minimum risk-based capital requirements, which applies to "depository institution holding companies," expressly excludes foreign organizations. Section 171(a)(3) of the Dodd-Frank Act states, in relevant part:

   > The definition of "depository institution holding company" means a bank holding company or a savings and loan holding company. . . that is organized in the United States. . . but does not include the foreign organization.

   We also do not believe there is any legislative intent to subject foreign organizations to the requirements of Section 171.

2. Subjecting foreign banking organizations to dual capital adequacy standards is inconsistent with the national treatment and well-established practices of the federal regulatory authorities. To date, the US federal regulatory authorities have deferred to the calculation of minimum capital standards under Basel I or Basel II as adopted by the foreign banking organization's home country regulator. We believe the US federal regulatory authorities can achieve the same regulatory purpose by continuing to make the capital adequacy assessment of foreign banking organizations operating under Basel II by reviewing their compliance with the Basel II standards and comparability to the requirements applicable to US banking organizations under the applicable requirements.

3. Applying the Proposed Rules to foreign banks runs counter to the extensive efforts of the member countries of the Basel Committee to harmonize regulations governing capital adequacy. The Basel II requirements provide for stringent capital requirements with improved methods of risk assessment and have been further strengthened by Basel III after recent global financial crisis. The fundamental objective of the Basel Committee's work to revise Basel I has been to develop a framework that would further strengthen the soundness and stability of the international banking system while maintaining sufficient consistency of capital adequacy regulation.

4. The Korean regulators have adopted Basel II recommendations, including Basel I risk-based capital floor, after careful consideration of, among other things, the conditions of the Korean banking organizations. Further, Korean banks are required by the Korean financial regulators to implement Basel III recommendations from 2013. Subjecting Korean banking organizations to a separate set of capital adequacy requirements when they are already subject to Basel II-based guidelines would cause inefficiency in terms of cost and procedural implementation.

In closing, we thank you for your consideration of these remarks and look forward to the adoption of the final rules in a cooperative and internationally accepted manner.

Sincerely yours,

Sang-Cheon Ma

Sang-Cheon Ma
Executive Director
Korea Federation of Banks