



Federal Deposit Insurance Corporation
550 17th Street NW, Washington, D.C. 20429-9990

Financial Institution Letter
FIL-111-2006
December 26, 2006

RISK-BASED CAPITAL RULES

Notice of Proposed Rulemaking on Modifications to the Risk-Based Capital Framework (Basel IA)

Summary: The federal bank and thrift regulatory agencies have jointly issued the attached Notice of Proposed Rulemaking (NPR) and are seeking comment on possible modifications to the risk-based capital standards for all domestic banks, bank holding companies and savings associations that are not subject to the risk-based capital framework proposed in the Basel II NPR. The FDIC will accept comments on the NPR through March 26, 2007.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)

Suggested Routing:

Chief Executive Officer
Chief Financial Officer
Chief Accounting Officer

Related Topics:

Risk-Based Capital Rules
12 CFR Part 325
Basel II

Attachment:

- "Key Aspects of the Proposed Rule on Modifications to the Risk-Based Capital Framework"
- Notice of Proposed Rulemaking, Risk-Based Capital Guidelines; Capital Adequacy Guidelines; Capital Maintenance: Domestic Capital Modifications

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Note:

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Highlights:

The modifications under consideration in the NPR are intended to:

- Modernize the risk-based capital rules to ensure that the capital framework remains a relevant and reliable measure of risks present in the banking system.
- Mitigate, to the extent possible, potentially material differences in capital requirements that may arise between banks that adopt Basel II and those banks that remain under the existing risk-based capital rules.
- Maintain an operationally feasible capital framework that is relatively simple to implement for banking organizations subject to the existing risk-based capital rules.

A banking organization would be able to elect to adopt the modifications or remain subject to the agencies' existing risk-based capital rules.

The NPR includes a series of questions to solicit further comment on possible alternatives to the advanced approaches set forth in the Basel II NPR for determining risk-based capital requirements for large U.S. banking organizations.