

FEDERAL RESERVE BANK OF SAN FRANCISCO
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105

August 12, 2003

**BANKING SUPERVISION AND REGULATION:
PROPOSED IMPLEMENTATION OF NEW
BASEL CAPITAL ACCORD**

To State Member Banks, Bank
Holding Companies, U.S. Branches
and Agencies of Foreign Banks, and Others Concerned,
in the Twelfth Federal Reserve District

**Interagency Announcement of Publications of Documents Related to Basel Accord
Implementation (R-1154 and OP-1153)**

The Federal Reserve Board, The Office of the Comptroller of the Currency, The Federal Deposit Insurance Agency, and The Office of Thrift Supervision have published joint Federal Register notices and requests for comment on two interagency documents related to the proposed implementation of the new Basel Capital Accord in the United States.

Earlier this month, the agencies approved issuance of the two documents for public comment. The new Accord, which is being developed by the Basel Committee on Banking Supervision, builds on and, for certain banks, would replace the Basel Capital Accord of 1988. The Basel Accord of 1988 is the framework for capital adequacy standards for large, internationally active banks and the basis for the risk-based capital adequacy standards now in place for all U.S. banks and bank holding companies.

The first document, an Advance Notice of Proposed Rulemaking, sets forth for public comment the agencies' current views on a proposed framework for implementing the revised Capital Accord in the United States. Under the proposal, internationally active banks meeting certain criteria would be subject to the advanced internal ratings-based approach for credit risk and the advanced measurement approaches for operational risk.

The second document contains two sections. The first section sets forth draft supervisory guidance on internal ratings-based systems for corporate credits and the second describes draft supervisory expectations for operational risk management.

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>. You may also view and download the documents directly at <http://www.federalreserve.gov/boarddocs/press/bcreg/2003/20030804/default.htm>.

Comments on the two documents will be accepted through November 3, 2003.

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