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

May 14, 2004

BANKING SUPERVISION AND REGULATION:
RISK-BASED CAPITAL STANDARDS

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

Risk-Based Capital Standards: Trust Preferred Securities and the Definition of Capital (Docket R-1193)

The Federal Reserve Board is requesting public comment on a proposed rule that would retain trust preferred securities in the tier 1 capital of bank holding companies (BHCs), but with stricter quantitative limits and clearer qualitative standards.

Under the proposal, after a three-year transition period, the aggregate amount of trust preferred securities and certain other capital elements would be limited to 25 percent of tier 1 capital elements, net of goodwill. The amount of trust preferred securities and certain other elements in excess of the limit could be included in tier 2 capital, subject to restrictions. Internationally-active BHCs would generally be expected to limit trust preferred securities and certain other capital elements to 15 percent of tier 1 capital elements, net of goodwill.

Comments are requested by July 11, 2004.

Additional Information

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.

For additional information about the proposed rule, please contact our Banking Supervision and Regulation Department at (415) 974-2849.

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Attachment: Docket R-1193