

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

November 2, 2005

**BANKING SUPERVISION AND REGULATION:  
REQUEST FOR COMMENT: 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

**Proposed Revisions to the U.S. Risk-Based Capital Standards (Docket R-1238)**

The Federal Reserve Board has decided to request public comment on proposed revisions to the U.S. risk-based capital standards for banking organizations. These current standards are based upon the 1988 Basel Capital Accord, also known as Basel I.

The proposed revisions should more closely align risk-based capital requirements with the risk inherent in various exposures and could mitigate competitive inequalities that may arise as new capital rules, known as Basel II, are implemented for the most complex internationally active banking organizations.

The modifications that the Board, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and Office of Thrift Supervision are considering would apply to banks, bank holding companies, and savings associations.

Comment is requested by January 18, 2006.

In considering possible revisions, the agencies are seeking to enhance risk sensitivity without undue complexity or regulatory burden.

Specifically, the agencies are soliciting comment on the following:

- Increasing the number of risk-weight categories
- Permitting greater use of external ratings as an indicator of credit risk for exposures for purposes of determining the appropriate risk weight
- Expanding the types of guarantees and collateral that may be recognized
- Modifying the risk weights associated with one-to-four family residential mortgages Applying credit conversion factors to certain types of commitments, as well as the appropriate risk-based capital treatment of certain securitizations with early-amortization provisions
- Modifying the risk weights for loans that are ninety days or more past due or in nonaccrual status, as well as for certain commercial real estate exposures, and other retail and commercial exposures

**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 revisions, please contact our Banking Supervision and Regulation Department at (415) 974-3206.

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Attachment: Docket R-1238