

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

February 28, 2007

**BANKING SUPERVISION AND REGULATION:
REQUEST FOR PUBLIC COMMENT**

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

Request for Public Comment on Proposed Supervisory Guidance for Basel II

The federal bank and thrift regulatory agencies announced that they will seek public comment on three proposed supervisory guidance documents related to the September 2006 notice of proposed rulemaking (NPR) on new risk-based capital requirements in the United States for large, internationally active banking organizations.

The September 2006 NPR detailed the agencies' proposal for implementing the new capital framework issued by the Basel Committee on Banking Supervision in 2004 (Basel II). The proposed U.S. Basel II capital framework would be mandatory for large, internationally active U.S. banking organizations and optional for other institutions. The Basel II NPR includes requirements that banking organizations would need to satisfy to calculate their risk-based capital under the proposed new capital framework. The proposed supervisory guidance provides information to assist bankers, as well as supervisors, in addressing the Basel II qualification requirements.

Two of the proposed documents issued relate to the Basel II advanced approaches for calculating risk-based capital requirements: the advanced internal ratings-based (IRB) approach for credit risk, and the advanced measurement approaches (AMA) for operational risk. These guidance documents have been updated since they were previously issued for public comment in 2003 and 2004. The third document proposes guidance on the Basel II supervisory review process for assessing capital adequacy and is being issued for the first time.

The proposed supervisory guidance documents are being issued by the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision.

The docket is attached. Comments are requested by May 29, 2007.

Additional Information

All circulars and documents are available on the internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact our Banking Supervision and Regulation Department at (415) 974-3206.

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Attachment: Docket No. 1277
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