

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

June 14, 2012

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, Savings and Loan Holding Companies,
and Foreign Banking Offices
in the Twelfth Federal Reserve District

Federal Reserve Board Approves Final Rule to Implement Changes to Market Risk Capital Rule

The Federal Reserve Board on June 7, 2012 approved a final rule to implement changes to the market risk capital rule, which requires banking organizations with significant trading activities to adjust their capital requirements to better account for the market risks of those activities.

The final rule implements certain revisions made by the Basel Committee on Banking Supervision to its market risk framework between 2005 and 2010. The final rule will better capture positions for which the market risk capital rule is appropriate, reduce procyclicality in market risk capital requirements, enhance sensitivity to risks that are not adequately captured by the current regulatory methodologies, and increase transparency through enhanced disclosures.

The final rule does not include those aspects of the Basel Committee's market risk framework that rely on credit ratings. Instead, the final rule includes alternative standards of creditworthiness for determining specific risk capital requirements for certain debt and securitization positions. These standards are consistent with the requirements of the Dodd-Frank Wall Street Reform and Consumer Protection Act, under which all federal agencies must remove from their regulations references to, and requirements of reliance on, credit ratings.

The final rule applies to bank holding companies and state-chartered banks that are members of the Federal Reserve System. Separately, on June 7, 2012 the Board proposed to apply the market risk capital rule to savings and loan holding companies that meet the thresholds described in the final rule.

The final rule is effective January 1, 2013.

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:

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Attachment: [Joint Final Rule \(437 KB PDF\)](#)