

Press Releases

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OTS 00-105 - Agencies Propose Lower Risk Weighting For Bank Claims on Securities Firms

Office of Thrift Supervision

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For further information

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Joint Release

Office of the Comptroller of the Currency
Board of Governors of the Federal Reserve System
Federal Deposit
Insurance Corporation
Office of Thrift Supervision

Agencies Propose Lower Risk Weighting for Bank Claims on Securities Firms

The federal banking regulatory agencies today requested public comment on a proposal to amend their capital standards for banks, bank holding companies and savings associations to reduce the risk weight applied to claims on, or guaranteed by, qualifying securities firms.

The Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision published the proposal in today's *Federal Register*.

The proposal would mitigate a competitive inequity for U.S. depository institutions and holding companies by lowering the risk weight applied to claims on qualifying securities firms from 100 percent to 20 percent. This change is consistent with the treatment of claims on securities firms under an April 1998 amendment to the Basel Accord. The Accord is an international framework for assessing the capital adequacy of depository institutions by risk weighting their assets and off-balance-sheet exposures and serves as a basis for the banking agencies' risk-based capital guidelines.

Under the proposal, qualifying securities firms incorporated in the United States must be registered broker-dealers subject to and in compliance with the net capital rule of the Securities and Exchange Commission, and subject to margin and other regulatory requirements applicable to registered broker-dealers. Securities firms incorporated in other countries that are members of the Organization for Economic Cooperation and Development (OECD) must be subject to supervisory and regulatory arrangements, including risk-based capital requirements, comparable to those imposed on depository institutions under the Basel Accord. Qualifying U.S. and OECD securities firms also must have a long-term credit rating in

one of the three highest investment-grade credit ratings categories used by a nationally recognized statistical rating organization.

Comments are due by January 22, 2001.

The proposed rule is attached.

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Attachment - <http://www.occ.gov/static/news-issuances/ots/press-releases/ots-pr-2000-105a.pdf>

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.