FDIC
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429

Division of Supervision

Capital Standards

FIL-84-95
December 22, 1995

TO: CHIEF EXECUTIVE OFFICER

SUBJECT: *Amended Risk-Based Capital Definition of Claims on OECD-Based Governments and Banks*

The FDIC Board of Directors has approved a final rule modifying the risk-based capital definition for claims on central governments and banks in countries that are members of the Organization for Economic Cooperation and Development (OECD). This rule, which was adopted jointly with the Federal Reserve Board and the Office of the Comptroller of the Currency, amends the FDIC's Statement of Policy on Risk-Based Capital (Appendix A to Part 325) and becomes effective on April 1, 1996.

The OECD is an international organization of countries committed to market-oriented economic policies. Under the FDIC's existing risk- based capital standards, claims on OECD-based countries (such as loans to and securities issued by their central governments and banks) generally receive lover risk-weights than corresponding claims on countries that are not OECD-based. However, questions were raised as to whether this favorable capital treatment should be limited to the countries that were OECD members when the risk- based capital framework was adopted in 1989 or expanded so that new OECD members also could receive the favorable risk-weightings. The final rule clarifies that any country that is a full member of the OECD, regardless of entry date, will be eligible for the favorable capital treatment unless that country has rescheduled its external sovereign debt within the previous five years.

The attached *Federal Register* notice includes a detailed explanation of the FDIC's final rule. For more information, contact Stephen G. Pfeifer, an Examination Specialist in the Division of Supervision's Accounting Section (202-898-8904).

Nicholas J. Ketcha Jr.
Acting Director

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