



FEDERAL RESERVE BANK
OF DALLAS

ROBERT D. McTEER, JR.
PRESIDENT
AND CHIEF EXECUTIVE OFFICER

DALLAS, TEXAS
75265-5906

November 18, 1998

Notice 98-106

TO: The Chief Executive Officer of each
financial institution and others concerned
in the Eleventh Federal Reserve District

SUBJECT

**Sound Practices for Loan Accounting,
Credit Risk Disclosure, and
Related Matters**

DETAILS

As part of its ongoing work to improve the transparency of banking organizations, the Basle Committee on Banking Supervision has issued a policy paper entitled *Sound Practices for Loan Accounting, Credit Risk Disclosure, and Related Matters*. Once finalized, the Basle Committee policy paper will represent the first comprehensive international supervisory guidance on sound practices for loan loss allowances, accounting for troubled loans, and related credit risk disclosures of banking organizations.

The policy paper presents guidance on sound practices through the discussion of 25 principles. The paper provides guidance on sound practices regarding key loan accounting issues, such as the initial recognition and measurement of loans, subsequent measurement of impairment loans, establishment of loan loss allowances, income recognition, and issues relating to troubled debt restructurings. Moreover, the paper presents sound disclosure practices for loan portfolios, troubled loans, loan loss allowances, and related credit risk management practices. The paper concludes with a brief discussion of the role of supervisors in assessing a bank's management of asset quality and the adequacy of loan loss allowances.

The Basle Committee has requested public comment on the paper. Comments must be received by March 15, 1999. The Basle Committee's press release and paper can be obtained from the Internet at <<http://www.bis.org>>, or from the Basle Committee Secretariat, Bank of International Settlements, Centralbahnplatz 2, CH-4002, Basle, Switzerland.

For additional copies, bankers and others are encouraged to use one of the following toll-free numbers in contacting the Federal Reserve Bank of Dallas: Dallas Office (800) 333-4460; El Paso Branch *Intrastate* (800) 592-1631, *Interstate* (800) 351-1012; Houston Branch *Intrastate* (800) 392-4162, *Interstate* (800) 221-0363; San Antonio Branch *Intrastate* (800) 292-5810.

MORE INFORMATION

For more information, please contact Dorsey Davis at (214) 922-6051. For additional copies of this Bank's notice, contact the Public Affairs Department at (214) 922-5254.

Sincerely yours,

Robert D. McTeer, Jr.