



FEDERAL RESERVE BANK OF DALLAS

2200 N. PEARL ST.
DALLAS, TX 75201-2272

May 8, 2003

Notice 03-24

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

SUBJECT

Request for Comments on Basel Accord Consultative Paper

DETAILS

On April 29, 2003, the Basel Committee on Banking Supervision, based in Basel, Switzerland, released for comment its third consultative paper on the new Basel Capital Accord. The paper seeks to continue the consultation process on revising the 1988 Capital Accord.

The Basel Committee released the previous consultative paper on the new Accord in January 2001. The proposals have been substantially revised since that time to reflect the comments received on the 2001 document, as well as comments on several other documents released by the Basel Committee. Particular focus has been given to the Internal Ratings Based Approaches for commercial and retail credits, securitization, and the quantitative methodologies for operational risk. These changes reflect the continuing development of the new Accord and do not reflect a fundamental change to the overall framework, which establishes minimum capital for credit, market and operational risks. The framework also encompasses supervisory review of capital adequacy and market discipline through enhanced disclosure.

The U.S. agencies plan to follow the release of this consultative paper with an Advance Notice of Proposed Rulemaking (ANPR) in the next few months. This ANPR will be based on the Committee's third consultative paper and will focus on how the U.S. agencies intend to implement domestic changes that reflect the specific nature of U.S. banks and banking. The ANPR will also provide a proposal on the scope of application of the new Accord (i.e., the

criteria in the U.S. rule governing the population of U.S. banks that will be required to comply with Basel II). Banks and other interested parties will be given the opportunity to comment on the ANPR proposals, as well as on the Notice of Proposed Rulemaking that will follow the ANPR.

Comments on the third consultative paper must be submitted by July 31, 2003, and may be sent to both the Basel Committee and the Board. Comments for the Basel Committee can be sent electronically to BCBS.Capital@bis.org or can be mailed to:

Basel Committee on Banking Supervision
Bank for International Settlements
CH – 4002, Basel
Switzerland

Comments can be sent to the Board electronically to regs.comments@federalreserve.gov or can be mailed to:

Basel 2003 Capital Proposal
Board of Governors of the Federal Reserve System
Mail stop 155
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

MORE INFORMATION

For more information, please contact Dave Skidmore, Board of Governors, at (202) 452-2955. The Board's press release, along with the Basel Committee's 226-page paper, is available on the Board's web site at www.federalreserve.gov/boarddocs/press/bcreg/2003/20030430/default.htm.

Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at <http://www.dallasfed.org/banking/notices/index.html>.