
Press Release

November 02, 2007

Statement by Chairman Ben S. Bernanke

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Today, the Board is considering an interagency final rule that will implement an advanced risk-based capital framework for large, complex U.S. banking organizations.

Strong capital levels and sound risk management are important for maintaining bank safety and soundness and, thus, promoting financial stability more generally. The increasing complexity of financial markets and financial products makes it imperative that banks have robust risk measurement and management practices. The advanced risk-based capital framework before us today is designed to foster good risk measurement and management practices and to significantly improve the risk sensitivity of our existing capital rules. A more risk-sensitive capital framework aligned with an appropriate incentive structure to improve current risk management practices is a welcome development.

Finalizing this new rule today does not mean that we are finished with Basel II implementation. Rather, it means we are moving forward to the next step in the process. We need to ensure that capital requirements resulting from this framework are appropriate, both in terms of the risk they reflect and in the dollar level of capital that is generated under the framework. We must also ensure that all three pillars of the framework--capital requirements, supervisory oversight, and market discipline--are functioning as intended. Our overarching objective continues to be the safety and soundness of the banking system.

Governor Kroszner, in a moment I will turn the floor over to you to introduce the presentation. Before I do that, I would like to congratulate you and your predecessors on the Committee on Supervisory and Regulatory Affairs, notably former Governor Susan Bies and former Vice Chairman Roger Ferguson, for leading this long effort to fruition. And I want to extend my strongest commendation to the Federal Reserve staff, who have demonstrated remarkable expertise and dedication throughout this process. We will be counting heavily on both the staff and on Board leadership to make the implementation of the Basel II capital framework a success.



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