

**DEPARTMENT OF THE TREASURY****Office of the Comptroller of the Currency**

[Docket No. 03–15]

**FEDERAL RESERVE SYSTEM**

[Docket No. OP–1153]

**FEDERAL DEPOSIT INSURANCE CORPORATION****DEPARTMENT OF THE TREASURY****Office of Thrift Supervision**

[No. 2003–28]

**Internal Ratings-Based Systems for Corporate Credit and Operational Risk Advanced Measurement Approaches for Regulatory Capital**

**AGENCIES:** Office of the Comptroller of the Currency (OCC), Treasury; Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); and Office of Thrift Supervision (OTS), Treasury.

**ACTION:** Draft supervisory guidance with request for comment.

**SUMMARY:** The OCC, Board, FDIC, and OTS (the Agencies) are publishing for industry comment two documents that set forth draft supervisory guidance for implementing proposed revisions to the risk-based capital standards in the United States. These proposed revisions, which would implement the New Basel Capital Accord in the United States, are published as an advance notice of proposed rulemaking (ANPR) elsewhere in today's **Federal Register**. Under the advanced approaches for credit and operational risk described in the ANPR, banking organizations would use internal estimates of certain risk components as key inputs in the determination of their regulatory capital requirements. The Agencies believe that supervisory guidance is necessary to balance the flexibility inherent in the advanced approaches with high standards that promote safety and soundness and encourage comparability across institutions.

The first document sets forth Draft Supervisory Guidance on Internal Ratings-Based Systems for Corporate Credit (corporate IRB guidance). This document describes supervisory expectations for institutions that intend to adopt the advanced internal ratings-based approach (A-IRB) for credit risk as set forth in today's ANPR. The corporate IRB guidance is intended to provide supervisors and institutions

with a clear description of the essential components and characteristics of an acceptable A-IRB framework. The guidance focuses specifically on corporate credit portfolios; further guidance is expected at a later date on other credit portfolios (including, for example, retail and commercial real estate portfolios).

The second document sets forth Draft Supervisory Guidance on Operational Risk Advanced Measurement Approaches for Operational Risk (AMA guidance). This document outlines supervisory expectations for institutions that intend to adopt an advanced measurement approach (AMA) for operational risk as set forth in today's ANPR.

The Agencies are seeking comments on the supervisory standards set forth in both documents. In addition to seeking comment on specific aspects of the supervisory guidance set forth in the documents, the Agencies are seeking comment on the extent to which the supervisory guidance strikes the appropriate balance between flexibility and specificity. Likewise, the Agencies are seeking comment on whether an appropriate balance has been struck between the regulatory requirements set forth in the ANPR and the supervisory standards set forth in these documents.

**DATES:** Comments must be received no later than November 3, 2003.

**ADDRESSES:** Comments should be directed to:

**OCC:** Please direct your comments to: Office of the Comptroller of the Currency, 250 E Street, SW., Public Information Room, Mailstop 1–5, Washington, DC 20219, Attention: Docket No. 03–15; fax number (202) 874–4448; or Internet address:

[regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov). Due to delays in paper mail delivery in the Washington area, we encourage the submission of comments by fax or e-mail whenever possible. Comments may be inspected and photocopied at the OCC's Public Information Room, 250 E Street, SW., Washington, DC. You may make an appointment to inspect comments by calling (202) 874–5043.

**Board:** Comments should refer to Docket No. OP–1153 and may be mailed to Ms. Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC, 20551. However, because paper mail in the Washington area and at the Board of Governors is subject to delay, please consider submitting your comments by e-mail to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov), or faxing them to the Office of the

Secretary at 202/452–3819 or 202/452–3102. Members of the public may inspect comments in Room MP–500 of the Martin Building between 9 a.m. and 5 p.m. on weekdays pursuant to § 261.12, except as provided in § 261.14, of the Board's Rules Regarding Availability of Information, 12 CFR 261.12 and 261.14.

**FDIC:** Written comments should be addressed to Robert E. Feldman, Executive Secretary, Attention: Comments, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC, 20429. Comments are encouraged to submit comments by facsimile transmission to (202) 898–3838 or by electronic mail to [Comments@FDIC.gov](mailto:Comments@FDIC.gov). Comments also may be hand-delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 8:30 a.m. and 5 p.m. Comments may be inspected and photocopied at the FDIC's Public Information Center, Room 100, 801 17th Street, NW., Washington, DC between 9 a.m. and 4:30 p.m. on business days.

**OTS:** Send comments to Regulation Comments, Chief Counsel's Office, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, Attention: No. 2003–28. Delivery: Hand deliver comments to the Guard's desk, east lobby entrance, 1700 G Street, NW., from 9 a.m. to 4 p.m. on business days, Attention: Regulation Comments, Chief Counsel's Office, Attention: No. 2003–28. Facsimiles: Send facsimile transmissions to FAX Number (202) 906–6518, Attention: No 2003–28. e-mail: Send e-mails to [regs.comments@ots.treas.gov](mailto:regs.comments@ots.treas.gov), Attention: No. 2003–28, and include your name and telephone number. Due to temporary disruptions in mail service in the Washington, DC area, commenters are encouraged to send comments by fax or e-mail, if possible.

**FOR FURTHER INFORMATION CONTACT:**

**OCC:** Corporate IRB guidance: Jim Vesely, National Bank Examiner, Large Bank Supervision (202/874–5170 or [james.vesely@occ.treas.gov](mailto:james.vesely@occ.treas.gov)); AMA guidance: Tanya Smith, Senior International Advisor, International Banking & Finance (202/874–4735 or [tanya.smith@occ.treas.gov](mailto:tanya.smith@occ.treas.gov)).

**Board:** Corporate IRB guidance: David Palmer, Supervisory Financial Analyst, Division of Banking Supervision and Regulation (202/452–2904 or [david.e.palmer@frb.gov](mailto:david.e.palmer@frb.gov)); AMA guidance: T. Kirk Odegard, Supervisory Financial Analyst, Division of Banking Supervision and Regulation (202/530–6225 or [thomas.k.odegard@frb.gov](mailto:thomas.k.odegard@frb.gov)). For users of Telecommunications Device for