RESCINDED

OCC 1994-14

Subject: Risk-Based Capital; Concentrations of Credit & Nontraditional Activities
Date: February 24, 1994

To: Chief Executive Officers of National Banks, Department and Division Heads, Examining Personnel, and Other Interested Parties

Description: Proposed Rule

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revise their risk-based capital standards to take adequate account of the risks involved in credit concentrations and nontraditional activities. The OTS sought comment in a separate notice in October 1992.

Background

The agencies have carefully considered the comments received. The proposed rule would amend the risk -based capital standards by citing the risks associated with concentrations of credit and nontraditional activities and a bank's ability to manage those risks as important factors in assessing a bank's capital adequacy.

Concentrations of Credit

Comments received highlighted the fact that there is no generally accepted way to identify and quantify the risks associated with concentrations. Thus, the agencies do not believe that it is feasible at this time, given the variables, to quantify risk using a formula-based capital calculation. Techniques do exist, however, to identify broad classes of concentrations and recognize significant exposures.

Nontraditional Activities

Comments addressing the risks of nontraditional activities said it was difficult to identify activities that should be considered nontraditional. Comments suggested that the risks depend on the nature of the activity and the nature of the particular bank. And so, the comments concluded that each bank should be treated on a case-by-case basis.

The agencies propose to take account of the risks by promptly analyzing new activities and by incorporating them into risk-based capital calculations. The agencies also propose to amend their capital standards to explicitly identify management of nontraditional activities as an important factor in assessing a bank's capital adequacy.

Comments on Proposal

The OCC encourages all interested parties to carefully review and comment on the attached proposal. All comments should be forwarded to: Communications Division, 250 E Street SW, Washington, DC 20219, Attention Docket No 94-01. Comments must be received by March 24, 1994.

RESCINDED

For Further Information Contact

Roger Tufts, Senior Economic Advisor, or Tom Rollo, National Bank Examiner, Office of the Chief National Bank Examiner (202) 874-5070. Questions may also be addressed to: Elizabeth Milor, Financial Economist, Regulatory and Statistical Analysis (202) 874-5240; or Ron Shimabukuro, Senior Attorney, Bank Operations and Assets Division (202) 874-4460.

Donald G. Coonley
Chief National Bank Examiner

Related Links

- Notice of Proposed Rulemaking

[Federal Register: February 22, 1994]

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OFFICE OF PERSONNEL MANAGEMENT
DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 3

[Docket No. 94-01]

FEDERAL RESERVE SYSTEM

12 CFR Part 208

[Docket No. R-0764]

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 325

RIN 3064-AB15

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Part 567

[Docket No. 93-90]
RIN 1550-AA59

Risk-Based Capital Standards; Concentration of Credit Risk and Risks of Nontraditional Activities

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: Notice of proposed rulemaking.

SUMMARY: The OCC, the Board, the FDIC and the OTS (collectively ``the agencies'') are issuing this proposed rule to implement the portions of section 305 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) that require the agencies to revise their risk-based capital standards for insured depository institutions to ensure that those standards take adequate account of concentration of credit risk and the risks of nontraditional activities. The intended effect of

this proposed rule is to ensure that the agencies take adequate account of concentration of credit risk and the risks of nontraditional activities in assessing an institution's capital adequacy. The proposed rule amends the risk-based capital standards by explicitly identifying concentration of credit risk and certain risks arising from nontraditional activities, as well as an institution's ability to manage these risks, as important factors in assessing an institution's overall capital adequacy.

DATES: Written comments must be received on or before March 24, 1994.

ADDRESSES: Interested parties are invited to submit written comments to any or all of the agencies. All comments will be shared among the agencies.

OCC: Written comments should be submitted to Docket No. 94-01, Communications Division, Ninth Floor, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219. Attention: Karen Carter. Comments will be available for inspection and photocopying at that address.

Board: Comments, which should refer to Docket No. R-0764, may be mailed to Mr. William Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th and Constitution Avenue, NW., Washington, DC 20551. Comments addressed to Mr. Wiles may also be delivered to the Board's mail room between 8:45 a.m. and 5:15 p.m. and to the security control room outside of those hours. Both the mail room and control room are accessible from the courtyard entrance on 20th Street between Constitution Avenue and C Street, NW. Comments may be inspected in room B-1122 between 9 a.m. and 5 p.m., except as provided in Sec. 261.8 of the Board's Rules Regarding Availability of Information, 12 CFR 261.8.

FDIC: Robert E. Feldman, Acting Executive Secretary, Attention: room F-402, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429. Comments may be hand-delivered to room F-400, 1776 F Street NW., Washington, DC, on business days between 8:30 a.m. and 5 p.m. (FAX number (202) 898-3838). Comments will be available for inspection and photocopying in room 7118, 550 17th Street, NW., Washington, DC 20429, between 9 a.m. and 4:30 p.m. on business days.

OTS: Written comments should be submitted to Director, Information Services Division, Public Affairs, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, Attention Docket No. 93-90. These submissions may be hand delivered at 1700 G Street, NW., from 9 a.m. to 5 p.m. on business days; they may be sent by facsimile transmission to FAX Number (202) 906-7755. Submissions must be received by 5 p.m. on the day they are due in order to be considered by the OTS. Late filed, misaddressed or misidentified submissions will not be considered in this notice of proposed rulemaking. Comments will be available for public inspection at 1700 G Street, NW., from 1 p.m. until 4 p.m. on business days. Visitors will be escorted to and from the Public Reading Room at established intervals.

FOR FURTHER INFORMATION CONTACT:

OCC: For issues relating to concentration of credit risk and the risks of nontraditional activities, Roger Tufts, Senior Economic Advisor (202/874-5070), Office of the Chief National Bank Examiner. For legal issues, Ronald Shimabukuro, Senior Attorney, Bank Operations and Assets Division (202/874-4460), Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

Board: For issues related to concentration of credit risk, David Wright, Supervisory Financial Analyst, (202/728-5854) and for issues related to the risks of nontraditional activities, William Treacy, Supervisory Financial Analyst, (202/452-3859), Division of Banking Supervision and Regulation; Scott G. Alvarez, Associate General Counsel (202/452-3583), Gregory A. Baer, Senior Attorney (202/452-3236), Legal Division, Board of Governors of the Federal Reserve System. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Dorothea Thompson (202/452-3544), Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551.

FDIC: Daniel M. Gautsch, Examination Specialist (202/898-6912), Stephen G. Pfeifer, Examination Specialist (202/898-8904), Division of Supervision, or Fred S. Carns, Chief, Financial Markets Section, Division of Research and Statistics (202/898-3930). For legal issues, Pamela E. F. LeCren, Senior Counsel (202/898-3730) or Claude A. Rollin, Senior Counsel (202/898-3985), Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

OTS: John F. Connolly, Senior Program Manager, Capital Policy (202) 906-6465; Robert Fishman, Senior Program Manager, Supervision Policy (202) 906-5672; Dorene Rosenthal, Senior Attorney, Regulations, Legislation and Opinions Division (202) 906-7268, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION:

A. Background

The risk-based capital standards tailor an institution's minimum capital requirement to broad categories of credit risk embodied in its assets and off-balance-sheet instruments. These standards require institutions to have total capital equal to at least 8 percent of their risk-weighted assets.<SUP>1 Institutions with high or inordinate levels of risk are expected to operate above minimum capital standards.

\1\As defined, risk-weighted assets include credit exposures contained in off-balance-sheet instruments.

Section 305(b) of FDICIA, (12 U.S.C. 1828 note) requires the agencies to revise their risk-based capital standards for insured depository institutions to ensure that those standards take adequate account of interest rate risk, concentration of credit risk and the risks of nontraditional activities. This proposed rule addresses concentration of credit risk and the risks of nontraditional activities. Rulemakings regarding interest rate risk are being issued separately.

Advance notices of proposed rulemaking issued by the agencies with respect to section 305 requested comment through a series of questions on possible approaches to defining, measuring and incorporating these risks in the risk-based capital standards. Comments received in response to the notices are summarized in the following discussions of each risk.

Currently, each agency addresses capital adequacy through a variety of supervisory actions and considers the risks of credit concentrations and nontraditional activities in taking those varied supervisory actions.

B. Concentration of Credit Risk

Summary of Comments

The agencies received 107 responses to the advance notice of proposed rulemaking on concentration of credit risk, with some duplication among agencies. In response to the question of what factors should be used in defining concentrations, most commenters agreed that borrower, industry, geography, collateral and loan type are relevant factors to define concentration risk. There was less consensus on which of these factors is the most significant or how to apply these factors in determining concentrations. Some commenters suggested using a narrow definition for concentrations to make any rule the agencies might adopt easier to implement and less burdensome to the industry. Others suggested caution in defining concentrations given data limitations and differences in the way definitions are applied by institutions in managing risk.

Few commenters offered specific guidance as to an appropriate objective formula to assess capital for concentration risk. However, many commenters indicated that determinations should be performed on a case-by-case basis because of the high variability in type and riskiness of concentrations among institutions. Regarding the general levels of capital appropriate for concentrations, some commenters suggested requiring higher than minimum capital ratios for affected institutions, while others suggested reducing reported capital to reflect the additional risk. Other commenters indicated that concentration risk should be viewed in the context of all other factors affecting the capital adequacy of the institution, including the size of the allowance for loan losses, profitability, liquidity, and internal controls.

Some commenters were concerned that proposed regulations might be overly burdensome or provide incentives for institutions to engage in activities such as out-of-territory lending that, while adding to diversity, also add to an institution's overall risk. Some commenters were also concerned that new regulations might place the banking industry at a competitive disadvantage.

Proposed Approach

Most institutions, large and small, can identify and track large concentrations of credit risk by individual or related groups of borrowers. Many institutions are also able to identify concentrations by either industry, geography, country, loan type or other relevant factors. However, because of practical and theoretical problems, there is no generally accepted approach to identify and quantify the magnitude of risk associated with concentrations of credit. In particular, definitions and analyses of concentrations are not uniform within the industry and are based in part on the subjective judgments of each institution using its experience and knowledge of its specific borrowers, market area and products. For these reasons, it is not feasible at this time to quantify the risk related to concentrations of credit for use in a formula-based capital calculation. However, techniques do exist to identify broad classes of concentrations and to recognize significant exposures.

The volatile and unpredictable nature of the timing and magnitude of losses associated with concentrations suggests that the effective tracking and management of such risk is important to ensuring the safety and soundness of financial institutions. Moreover, the agencies believe that institutions with significant levels of concentrations of credit risk should hold capital above the regulatory minimums.

With these considerations in mind, the agencies propose to take account of concentration of credit risk in their risk-based capital guidelines or regulations by amending the standards to explicitly identify concentrations of credit risk and an institution's ability to manage them as important factors in assessing an institution's overall capital adequacy.

In addition to reviewing concentrations of credit risk pursuant to section 305, the agencies also may review an institution's management of concentrations of credit risk for adequacy and consistency with safety and soundness standards regarding internal controls, credit underwriting or other relevant operational and managerial areas to be promulgated pursuant to section 132 of FDICIA (12 U.S.C. 1831p-1).

In implementing regulations concerning concentration of credit risk, the agencies recognize the need to ensure that any treatment does not inadvertently create false incentives or unintended consequences that might decrease the safety and soundness of the banking and thrift industries or unnecessarily reduce the availability of credit to potential borrowers. For example, while portfolio diversification is a desirable goal, it may also increase an institution's overall risk if accomplished by lending in unfamiliar market areas to out-of-territory borrowers or by rapid expansion of new loan products for which the institution does not have adequate expertise. In addition, to the extent certain loan products, geographic areas or borrowers are perceived to fit into generic designations of concentrations, credit availability to certain groups of borrowers might be severely limited, despite the creditworthiness of individual borrowers, or the neutral or beneficial impact a single credit might have on the overall risk of the institution's portfolio.

Another consideration in evaluating credit concentrations is the ``Qualified Thrift Lender'' test that requires thrifts by statute to hold 65 percent of their assets in qualifying categories. This requirement necessarily ``concentrates'' a thrift's portfolio in certain types of assets. OTS does not intend to implement section 305 in such a way as to penalize thrift institutions for fulfilling this obligation.

C. Risks of Nontraditional Activities

Summary of Comments

The agencies received 69 comment letters on nontraditional activities, with some duplication among the agencies. Many commenters believed that it would be very difficult to create a definitive list of activities that should be considered nontraditional. Some commenters indicated that the risks of nontraditional activities depend on both the activity and the institution involved, and thus that each depository institution should be addressed on a case-by-case basis through the examination process. It was also observed that, while the activities themselves might be new or nontraditional, the risks of these activities can be segmented into components (e.g., credit risk, interest-rate risk, operating risk) that are normally associated with traditional banking activities.

Commenters also raised concerns that explicit capital requirements for nontraditional activities might affect the competitive balance between insured depository institutions and non-bank financial firms such as securities firms. In particular, concern was raised that restricting new activities could limit the ability of banks and thrifts to compete with non-bank competitors, or alternatively restrictions might unduly discourage depository institutions from undertaking otherwise prudent initiatives. Some commenters also indicated that capital standards imposed for an activity should be parallel to standards imposed on non-banks that compete in the same activity.

Some commenters expressed concern about the potential risks that arise from inexperience when a smaller or less- sophisticated institution first embarks on a new business venture, while others believed that the activities undertaken by the larger and more experienced institutions present greater risks.

Proposed Approach

New developments in technology and financial markets have introduced significant changes to the banking industry, and in some cases have led institutions to engage in activities not traditionally considered part of their business. Both in the risk-based capital regulations and guidelines adopted by the agencies in 1989, and in subsequent revisions and interpretations, the agencies have adopted measures to take adequate account of the risks of nontraditional activities under the risk-based capital standards. Thus, to the extent that section 305 constitutes a mandate to the agencies to make certain that risk-based capital standards are kept current with industry practices, the agencies have been acting consistently with section 305. Furthermore, in keeping with section 305, the agencies will continue their efforts to incorporate nontraditional activities into risk-based capital.

The agencies propose to take account of the risks posed by nontraditional activities by ensuring that, as members of the industry begin to engage in, or significantly expand their participation in, a nontraditional activity, the risks of that activity are promptly analyzed and the activity is given appropriate capital treatment. Moreover, the agencies recognize that an institution's ability to adequately manage the risks posed by nontraditional activities affects its risk exposure. Therefore, the agencies also propose to amend their risk-based capital standards to explicitly identify the management of nontraditional activities as an important factor to consider in assessing an institution's overall capital adequacy.

D. Biennial Review of Risk-Based Capital Standards

Section 305(a) of FDICIA requires the agencies to review their capital standards biennially to determine whether those standards are sufficient to facilitate prompt corrective action under section 38 of FDICIA, 12 U.S.C. 1831o. As part of any such review, the agencies expect that they will consider the asset coverage of the risk-based capital standards, including in particular the coverage of concentrations of credit and nontraditional activities. The agencies, though, do not intend to wait until the next biennial review should a nontraditional activity evolve rapidly in the industry; rather, such products will be promptly reviewed for proper treatment under risk-based capital. Similarly, as new developments in identifying and measuring concentration of credit risk emerge, potential refinements to risk-based capital standards will be considered.

In addition, to the extent appropriate, the agencies will issue examination guidelines on new developments in nontraditional activities or concentrations of credit to ensure that adequate account is taken of the risks of these activities.

E. Paperwork Reduction Act

No collections of information pursuant to section 3504(h) of the Paperwork Reduction Act (44 U.S.C. 3501 et seq.) are contained in this notice. Consequently, no information has been submitted to the Office of Management and Budget for review.

F. Regulatory Flexibility Act Statement

Each agency has concluded after reviewing the proposed regulation that the regulation, if adopted, will not impose a significant economic hardship on small institutions. The proposal does not necessitate the development of sophisticated recordkeeping or reporting systems by small institutions nor will small institutions need to seek out the expertise of specialized accountants, lawyers, or managers in order to comply with the regulation. Each agency therefore hereby certifies pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 605(b)) that the proposal, if adopted, will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act (5 U.S.C. 601 et seq.).

G. Executive Order 12866

The OCC and the OTS have determined that this proposed rule does not constitute a ``significant regulatory action.'' This proposed rule will amend the risk-based capital guidelines to clarify that the agencies may impose additional capital requirements above the minimum capital leverage and risk-based capital requirements where an institution has significant concentration of credit risk or risks from nontraditional activities. This proposed rule is consistent with the current practice and policies of the agencies and is required by section 305 of FDICIA.

H. Proposed Regulation

In consideration of the foregoing, the OCC, the Board, the FDIC and the OTS hereby propose to amend title 12 of the Code of Federal Regulations by amending their respective parts as follows:

OFFICE OF THE COMPTROLLER OF THE CURRENCY

12 CFR CHAPTER I

List of Subjects in 12 CFR Part 3

Administrative practice and procedure, Capital risk, National banks, Reporting and recordkeeping requirements.

Authority and Issuance

For the reasons set out in the preamble, part 3 of title 12, chapter I, of the Code of Federal Regulations is proposed to be amended as set forth below.

PART 3--MINIMUM CAPITAL RATIOS; ISSUANCE OF DIRECTIVES

1. The authority citation for part 3 continues to read as follows:

Authority: 12 U.S.C. 93a, 161, 1818, 1828(n), 1828 note, 1831n note, 3907 and 3909.

2. In part 3, Sec. 3.10 is revised to read as follows:

Sec. 3.10 Applicability.

The OCC may require higher minimum capital ratios for an individual bank in view of its circumstances. For example, higher capital ratios may be appropriate for:

(a) A newly chartered bank;

(b) A bank receiving special supervisory attention;

(c) A bank that has, or is expected to have, losses resulting in capital inadequacy;

(d) A bank with significant exposure due to interest rate risk, the risks from concentrations of credit, certain risks arising from nontraditional activities, or management's overall inability to monitor and control financial and operating risks presented by concentrations of credit and nontraditional activities;

(e) A bank with significant exposure due to fiduciary or operational risk;

(f) A bank exposed to a high degree of asset depreciation, or a low level of liquid assets in relation to short-term liabilities;

(g) A bank exposed to a high volume of, or particularly severe, problem loans;

(h) A bank that is growing rapidly, either internally or through acquisitions; or

(i) A bank that may be adversely affected by the activities or condition of its holding company, affiliate(s), or other persons or institutions including chain banking organizations, with which it has significant business relationships.

FEDERAL RESERVE SYSTEM

12 CFR CHAPTER II

List of Subjects in 12 CFR Part 208

Accounting, Agriculture, Banks, banking, Confidential business information, Currency, Reporting and record keeping requirements, Securities.

For the reasons set forth in the preamble, the Board is proposing to amend 12 CFR part 208 as follows:

PART 208--MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (REGULATION H)

1. The authority citation for part 208 continues to read as follows:

Authority: 12 U.S.C. 36, 248(a), 248(c), 321-338, 461, 481-486, 601, and 611, 1814 and 1823(j); 3105; 3310 and 3331-3351, 3906-3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c) (5), 78q, 78q-1, and 78w.

2. Appendix A to part 208 is amended by revising the fifth and sixth paragraphs under ``I. Overview'' to read as follows:

Appendix A to Part 208--Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure

I. Overview

* * * * *

The risk-based capital ratio focuses principally on broad categories of credit risk, although the framework for assigning assets and off-balance-sheet items to risk categories does incorporate elements of transfer risk, as well as limited instances of interest rate and market risk. The framework incorporates risks arising from traditional banking activities as well as risks arising from nontraditional activities. The risk-based ratio does not, however, incorporate other factors that can affect an institution's financial condition. These factors include overall interest-rate exposure; liquidity, funding and market risks; the quality and level of earnings; investment, loan portfolio, and other concentrations of credit risk; certain risks arising from nontraditional activities; the quality of loans and investments; the effectiveness of loan and investment policies; and management's overall ability to monitor and control financial and operating risks, including the risks presented by concentrations of credit and nontraditional activities.

In addition to evaluating capital ratios, an overall assessment of capital adequacy must take account of those factors, including, in particular, the level and severity of problem and classified assets. For this reason, the final supervisory judgement on a bank's capital adequacy may differ significantly from conclusions that might be drawn solely from the level of its risk-based capital ratio.

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FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR CHAPTER III

List of Subjects in 12 CFR Part 325

Bank deposit insurance, Banks, Banking, Capital adequacy, Reporting and recordkeeping requirements, Savings associations, State nonmember banks.

For the reasons set forth in the preamble, the Board of Directors of the Federal Deposit Insurance Corporation hereby proposes to amend part 325 of title 12 of the Code of Federal Regulations as follows:

PART 325--CAPITAL MAINTENANCE

1. The authority citation for part 325 is revised to read as follows:

Authority: 12 U.S.C. 1815(a), 1815(b), 1816, 1818(a), 1818(b), 1818(c), 1818(t), 1819(Tenth), 1828(c), 1828(d), 1828(i), 1828(n), 1828(o), 1831o, 3907, 3909; Pub. L. 102-233, 105 Stat. 1761, 1790 (12 U.S.C. 1831n note); Pub. L. 102-242, 105 Stat. 2236, 2386 (12 U.S.C. 1828 note).

Sec. 325.3 [Amended]

2. Section 325.3(a) is amended in the fourth sentence by adding ``significant risks from concentrations of credit or nontraditional activities,'' immediately after ``funding risks,'' and by adding ``will take these other factors into account in analyzing the bank's capital adequacy and'' immediately after the third time ``FDIC'' appears in the section.

3. The fifth paragraph of the undesignated text of appendix A to part 325 is revised to read as follows:

Appendix A to Part 325--Statement of Policy on Risk-Based Capital

* * * * *

The risk-based capital ratio focuses principally on broad categories of credit risk; however, the ratio does not take account of many other factors that can affect a bank's financial condition. These factors include overall interest rate risk exposure; liquidity, funding and market risks; the quality and level of earnings; investment, loan portfolio, and other concentrations of credit risk; certain risks arising from nontraditional activities; the quality of loans and investments; the effectiveness of loan and investment policies; and management's overall ability to monitor and control financial and operating risks, including the risk presented by concentrations of credit and nontraditional activities. In addition to evaluating capital ratios, an overall assessment of capital adequacy must take account of each of these other factors, including, in particular, the level and severity of problem and adversely classified assets. For this reason, the final supervisory judgement on a bank's capital adequacy may differ significantly from the conclusions that might be drawn solely from the absolute level of the bank's risk-based capital ratio.

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OFFICE OF THRIFT SUPERVISION

12 CFR CHAPTER V

List of Subjects in 12 CFR Part 567

Capital, Reporting and recordkeeping requirements, Savings associations.

Accordingly, the Office of Thrift Supervision hereby proposes to amend part 567, chapter V, title 12, Code of Federal Regulation as set

forth below:
SUBCHAPTER D--REGULATIONS APPLICABLE TO ALL SAVINGS ASSOCIATIONS

PART 567--CAPITAL

1. The authority citation for part 567 continues to read as follows:

Authority: 12 U.S.C. 1462, 1462a, 1463, 1464, 1467a, 1828 (note).

2. Section 567.3 is amended by revising paragraphs (b)(3) and (9) to read as follows:

Sec. 567.3 Individual minimum capital requirements.

* * * * *

(b) Appropriate considerations for establishing individual minimum capital requirements. * * *

* * * * *

(3) A savings association that has a high degree of exposure to interest rate risk, prepayment risk, credit risk, concentration of credit risk, certain risks arising from nontraditional activities, or similar risks; or a high proportion of off-balance sheet risk, especially standby letters of credit;

* * * * *

(9) A savings association that has a record of operational losses that exceeds the average of other, similarly situated savings associations; has management deficiencies, including failure to adequately monitor and control financial and operating risks, especially the risks presented by concentrations of credit and nontraditional activities; or has a poor record of supervisory compliance.

* * * * *

Dated: September 14, 1993.
Eugene A. Ludwig,
Comptroller of the Currency.

Dated: June 14, 1993.
William W. Wiles,
Secretary of the Board of Governors of the Federal Reserve System.

By order of the Board of Directors.

Dated at Washington, DC, this 11th day of May, 1993.

Federal Deposit Insurance Corporation.
Robert E. Feldman,
Acting Executive Secretary.

By the Office of Thrift Supervision.

Dated: June 7, 1993.
Jonathan L. Fiechter,
Acting Director.

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