



# RESCINDED

OCC 2000-31

**Subject: Risk-Based Capital**  
**Date: December 6, 2000**

**To: Chief Executive Officers of All National  
Banks, Department and Division Heads, and All  
Examining Personnel**

## **Description: Joint Agency Notice of Proposed Rulemaking**

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(the Agencies). The Agencies are proposing to modify the risk-based capital treatment on claims against certain securities firms. The proposal would reduce the risk weight on claims on, or guaranteed by, qualifying securities firms to 20 percent from 100 percent.

### **Summary**

For loans or other claims against a securities firm to qualify for the preferential risk weight, the firm must be incorporated in the United States or another Organization of Economic Cooperation and Development (OECD) country, be subject to supervisory and regulatory arrangements that are comparable to those imposed on banks under the Basel Accord,<sup>1</sup> and have a credit rating in one of the three highest investment-grade rating categories. The NPR would implement a change in the Basel Accord adopted by the Basel Committee in April 1998 that lowered the risk weight to 20 percent from 100 percent on claims against certain securities firms.

A U.S. broker–dealer that is registered with the Securities and Exchange Commission (SEC) and in compliance with the SEC’s net capital rule<sup>2</sup> and margin and other regulatory requirements applicable to registered broker–dealers would meet the comparable regulatory arrangement criterion. However, a claim against a U.S. securities firm that is registered with the SEC as an over-the-counter derivatives dealer would not satisfy that criterion. Over-the-counter derivatives dealer firms are subject to a less rigorous net capital rule and are exempt from a variety of regulatory requirements applicable to registered broker–dealers such as certain margin requirements. For a non-U.S. OECD securities firm to meet the criterion, the firm must be subject to consolidated supervision and regulation comparable to that imposed on depository institutions in that country, including capital requirements that are comparable to those applied to depository institutions under the Basel Accord.<sup>1</sup>

To meet the credit rating requirement, the securities firm or its parent must have a long-term issuer credit rating or a rating on at least one issue of long-term (*i.e.*, one year or longer) unsecured debt from a nationally recognized statistical rating organization that is in one of the three highest investment grade rating categories, *i.e.*, "A" or above.

Claims against a holding company or other affiliate of a qualifying securities firm would not receive the preferential risk weight, but continue to receive a 100 percent risk weight under the Agencies’ current risk-based capital rules.

### **Comments**

The Agencies have requested comments on the proposal. Comments may be sent to the OCC electronically to [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov), or by mail to Docket No. 00-27, Public Information Room, Office of the Comptroller of the Currency, 250 E Street, SW, Mail Stop 1-5, Washington, DC 20219, or by fax to (202) 874-4135. Comments must be received by January 22, 2001.

For further information about this bulletin, contact Margot Schwadron in the Capital Policy Division at (202) 874-5070 or Ken Shinduburo, Legislative and Regulatory Activities Division, at (202) 874-5090.

Jonathan L. Fiechter  
Senior Deputy Comptroller for International and Economic Affairs

#### Related Links

- [Notice of Proposed Rulemaking \(FR 76180\)](#)

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<sup>1</sup> The Accord on International Convergence of Capital Measurement and Capital Standards as adopted by the Basel Committee on Banking Supervision, dated July 1988.

<sup>2</sup> The SEC net capital rule (17 CFR 240.15c3-1) requires broker-dealers to maintain a minimum ratio of net capital to either liabilities or customer-related receivables.

[Federal Register: December 6, 2000 (Volume 65, Number 235)]  
[Proposed Rules]  
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From the Federal Register Online via GPO Access [wais.access.gpo.gov]  
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DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 3

[Docket No. 00-27]  
RIN 1557-AB14

FEDERAL RESERVE SYSTEM

12 CFR Parts 208 and 225

[Regulations H and Y; Docket No. R-1085]

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 325

RIN 3064-AC17

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Part 567

[Docket No. 2000-96]  
RIN 1550-AB11

Risk-Based Capital Standards: Claims on Securities Firms

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

ACTION: Joint notice of proposed rulemaking.

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SUMMARY: The Board, OCC, FDIC and OTS (collectively, the Agencies) are  
proposing to amend their respective risk-based capital standards for  
banks, bank holding companies, and savings associations (collectively,

institutions) with regard to the risk weighting of claims on, and claims guaranteed by, qualifying securities firms. This proposed rule would reduce the risk weight applied to claims on, and claims guaranteed by, qualifying securities firms incorporated in countries that are members of the Organization for Economic Cooperation and Development (OECD) from 100 percent to 20 percent under the Agencies' risk-based capital rules.

DATES: Your comments must be received by January 22, 2001.

ADDRESSES: Comments should be directed as follows:

OCC: You may send comments electronically to [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov) or by mail to Docket No. 00-27, Office of the Comptroller of the Currency, Public Information Room, 250 E Street, SW., Mail Stop 1-5, Washington, DC 20219. In addition, you may send comments by facsimile transmission to (202) 874-5274. You can inspect and photocopy comments at that address. You can make an appointment to inspect the comments by calling (202) 874-5043.

Board: Comments should refer to docket number R-1085, and should be sent to Ms. Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551 or mailed electronically to [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Comments addressed to Ms. Johnson also may be delivered to the Board's mailroom between the hours of 8:45 a.m. and 5:15 p.m. and, outside those hours, to the Board's security control room. Both the mailroom and the security control room are accessible from the Eccles Building courtyard entrance, located on 20th Street between Constitution Avenue and C Street, NW. 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.

FDIC: Written comments should be addressed to Robert E. Feldman, Executive Secretary, Attention: Comments/OES, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429. Comments may be hand-delivered to the guard station at the rear of the 17th Street Building (located on F Street), on business days between 7 a.m. and 5 p.m. (FAX number (202) 898-3838; Internet address; [comments@fdic.gov](mailto:comments@fdic.gov)). Comments may be inspected and photocopied in the FDIC Public Information Center, Room 100, 801 17th Street, NW., Washington, DC 20429, between 9 a.m. and 4:30 p.m. on business days.

OTS: Send comments to Manager, Dissemination Branch, Records Management and Information Policy, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552, Attention Docket No. 2000-96. 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 Docket No. 2000-96. Send facsimile transmissions to FAX Number (202) 906-7755, Attention Docket No. 2000-96; or (202) 906-6956 (if comments are over 25 pages). Send e-mails to [public.info@ots.treas.gov](mailto:public.info@ots.treas.gov), Attention Docket No. 2000-96, and include your name and telephone number. Interested persons may inspect comments at the Public Reference Room, 1700 G St. NW., from 10 a.m. until 4 p.m. on Tuesdays and Thursdays or obtain comments and/or an index of comments by facsimile by telephoning the Public Reference Room at (202) 906-5900 from 9 a.m. until 5 p.m. on business days. Comments and the related index will also be posted on the OTS Internet Site at [www.ots.treas.gov](http://www.ots.treas.gov).

FOR FURTHER INFORMATION CONTACT:

OCC: Margot Schwadron, Risk Expert (202/874-5070), Capital Policy

Division; or Ron Shimabukuro, Senior Attorney (202/874-5090), Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

Board: Norah Barger, Assistant Director (202/452-2402), Barbara Bouchard, Manager (202-452-3072), or John F. Connolly, Supervisory Financial Analyst (202/452-3621), Division of Banking Supervision and Regulation; or Mark E. Van Der Weide, Counsel (202/452-2263), Legal Division. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Janice Simms (202/872-4984), Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

FDIC: For supervisory issues, Stephen G. Pfeifer, Examination Specialist (202/898-8904), Accounting Section, Division of Supervision; for legal issues, Leslie Sallberg, Counsel, (202/898-8876), Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

OTS: David W. Riley, Project Manager, (202/906-6669), Supervision Policy; Teresa A. Scott, Counsel, Banking and Finance (202/906-6478), Regulations and Legislation Division, Office of the Chief Counsel, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION: The Agencies' risk-based capital standards are based upon principles contained in the July 1988 agreement entitled ``International Convergence of Capital Measurement and Capital Standards'' (Basel Accord or Accord). The Basel Accord was developed by the Basel Committee on Banking Supervision (Basel Committee) and endorsed by the central bank governors of the Group of Ten (G-10) countries.\1\ The Basel Accord provides a framework for assessing the capital adequacy of a depository institution by risk weighting

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its assets and off-balance-sheet exposures primarily based on credit risk.

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\1\ The G-10 countries are Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, the United Kingdom, and the United States. The Basel Committee is comprised of representatives of the central banks and supervisory authorities from the G-10 countries and Luxembourg.

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The original Basel Accord imposed a 20 percent risk weight for claims on banks incorporated in OECD countries \2\ and a 100 percent risk weight for claims on securities firms and most other nonbanking firms. In April 1998, the Basel Committee amended the Basel Accord to lower the risk weight from 100 percent to 20 percent for claims on, and claims guaranteed by, securities firms incorporated in OECD countries if such firms are subject to supervisory and regulatory arrangements that are comparable to those imposed on OECD banks. Such arrangements must include risk-based capital requirements that are comparable to those applied to depository institutions under the Accord and its amendment to incorporate market risks. The term ``comparable'' is also intended to require that qualifying securities firms (but not

necessarily their parent organizations) be subject to consolidated regulation and supervision with respect to any of their subsidiaries.

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\2\ The OECD is an international organization of countries that are committed to market-oriented economic policies, including the promotion of private enterprise and free market prices, liberal trade policies, and the absence of exchange controls. For purposes of the Basel Accord, OECD countries are those countries that are full members of the OECD or that have concluded special lending arrangements associated with the International Monetary Fund's General Arrangements to Borrow. A listing of OECD member countries is available at [www.oecdwash.org](http://www.oecdwash.org). Any OECD country that has rescheduled its external sovereign debt, however, may not receive the preferential capital treatment generally granted to OECD countries under the Accord for five years after such rescheduling.

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One of the primary reasons that the Basel Committee amended the Accord was to make it consistent with the treatment of claims on securities firms permitted under the European Union's (EU) Capital Adequacy Directive (CAD). A number of European countries have followed the CAD for some time. The CAD, which subjects EU depository institutions and securities firms to the same capital requirements, applies a 20 percent risk weight to claims on both depository institutions and securities firms.

This proposed rule would reduce the risk weight applied to claims on, and claims guaranteed by, qualifying securities firms from 100 percent to 20 percent under the Agencies' risk-based capital rules. Under this proposal, qualifying securities firms must be incorporated in an OECD country, be subject to supervisory and regulatory arrangements that are comparable to those imposed on OECD banks, and have a credit rating that is in one of the three highest investment grade rating categories used by a nationally recognized statistical rating organization (rating agency).

Qualifying U.S. securities firms must be broker-dealers registered with the Securities and Exchange Commission (SEC). Qualifying U.S. securities firms also must be subject to and comply with the SEC's net capital rule,\3\ and margin and other regulatory requirements applicable to registered broker-dealers.\4\  

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\3\ The SEC's net capital rule, as set forth at 17 CFR 240.15c3-1, requires broker-dealers to maintain continually sufficient liquid assets to protect the interests of customers and other market participants if a broker-dealer becomes insolvent. Under the SEC's rules, a broker-dealer must maintain a minimum ratio of net capital to either liabilities or customer-related receivables.

\4\ U.S. securities firms that have registered with the SEC as over-the-counter derivatives dealers would not be qualifying securities firms because they are subject to a less rigorous net capital rule and are exempt from a variety of regulatory requirements applicable to fully regulated broker-dealers, including certain margin requirements. See 63 FR 59362 (Nov. 3, 1998).

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Qualifying securities firms incorporated in any other OECD country must be subject to consolidated supervision and regulation (covering their subsidiaries, but not necessarily their parent organizations) comparable to that imposed on depository institutions in OECD countries, including risk-based capital requirements comparable to those applied to depository institutions under the Accord.\5\  
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\5\ For example, this generally would include firms engaged in securities activities in the EU that are subject to the CAD. Securities firms in other OECD countries would need to demonstrate to lending institutions and regulatory authorities that their supervision and regulation qualify as comparable under this rule and the Accord.  
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The Agencies are of the view that supervision and regulation alone are not necessarily sufficient indicators of creditworthiness to warrant a 20 percent risk weight. Consequently, a qualifying securities firm, or the parent consolidated group of a qualifying securities firm, must have a long-term issuer credit rating,\6\ or a rating on at least one issue of long-term (i.e., one year or longer) unsecured debt, from a nationally recognized statistical rating organization (rating agency) that is in one of the three highest investment grade rating categories used by the rating agency.\7\  
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\6\ A long issuer credit rating is one that assesses a firm's overall capacity and willingness to pay on a timely basis its unsecured financial obligations. Issuer credit ratings that are assigned to non-broker-dealer subsidiary or affiliate of the securities firm, or debt ratings on long-term unsecured debt issues of such a subsidiary or affiliate of the securities firm, would not satisfy the rating criteria to be a qualifying securities firm.

\7\ The Agencies recognize that two recent proposals used the two highest investment grade rating categories to identify assets that would qualify for a 20 percent risk weight. The Basel Committee's June 1999 consultative paper entitled ``A New Capital Adequacy Framework'' proposed that a bank, commercial firm or securitization position rated in one of the two highest investment grade rating categories would qualify for a 20 percent risk weight. In addition, the Agencies' recent proposed rule on recourse and direct credit substitutes proposed that a securitization position rated in one of the two highest investment grade rating categories would qualify for a 20 percent risk weight. 65 FR 12319 (March 8, 2000).

The Agencies considered proposing a rating requirement for securities firms consistent with these other proposals, but decided for several reasons that it would be appropriate to propose requiring qualifying securities firms to be rated in one of the top three rating categories of a rating agency. In addition to meeting

the rating standard, qualifying securities firms are subject to supervision and regulation comparable to depository institutions in OECD countries. This supervision distinguishes qualifying securities firms from other types of entities, such as commercial firms. Further, under the current Basel Accord, claims on OECD depository institutions and securities firms receive a 20 percent risk weight without satisfying a similar credit rating requirement. Thus, while the Agencies considered both a higher rating requirement, on the one hand, and whether any rating requirement should be imposed on securities firms, on the other, the Agencies believe the proposed rating requirement strikes an appropriate balance.

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Claims on, and claims guaranteed by, holding companies and other affiliates of a qualifying securities firm, would retain their current 100 percent risk weighting under the Agencies' risk-based capital rules. This treatment is consistent with the existing treatment for depository institution holding companies and other affiliates of depository institutions in consolidated holding companies. Claims on, and claims guaranteed by, a subsidiary of a qualifying securities firm also would retain their current 100 percent risk weight, unless such subsidiary's obligations were guaranteed by a qualifying securities firm (e.g., its parent qualifying securities firm).

The Agencies are proposing to revise their rules to apply a 20 percent risk weight to qualifying securities firms for several reasons. First, claims on qualifying securities firms generally involve relatively low credit risk because such firms are subject to supervision and regulation, including capital requirements, comparable to banks in OECD countries and have ratings in one of the three highest investment grade rating categories. Second, the 100 percent risk weight applied to claims on securities firms under the Agencies' current capital rules is more stringent than the 20 percent capital charge applied to claims on securities firms under the Basel Accord and the CAD. This results in a competitive inequity for U.S. depository institutions, which would be mitigated by this proposed rule.

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The Agencies are seeking comment on all aspects of this rule. Particularly, the Agencies request comment on their proposed criteria for qualifying securities firms.

(1) Does the rating of a broker-dealer's parent consolidated organization serve as a reliable indicator of the credit quality of claims on, or guaranteed by, the broker-dealer?

(2) Is there a rating or other indicator of a broker-dealer's credit quality that is more reliable and more consistent with market practices than the proposed standard?

(3) Should claims on, and claims guaranteed by, certain subsidiaries of qualifying securities firms be accorded a 20 percent risk weight? If so, what should the qualifying criteria be for such subsidiaries?

Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act, the Agencies certify that this proposed rule would 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.) because it would not have a significant impact on the amount of capital required to be held by small institutions. The proposed rule: (1) Only covers a narrow category of assets that might be held by an institution, (2) decreases the amount of capital that an institution must hold for those assets, (3) does not significantly change the amount of total capital an institution must hold, and (4) will have a positive impact on an affected institution's capital requirements. Accordingly, a regulatory flexibility analysis is not required.

#### Paperwork Reduction Act

The Agencies have determined that this proposal does not involve a collection of information pursuant to the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501, et seq.).

#### Executive Order 12866

The Comptroller of the Currency and the Director of the OTS have determined that this proposed rule is not a significant regulatory action for purposes of Executive Order 12866. This proposed rule would reduce the current risk weighting applied to claims on qualifying securities firms and would not impose additional cost or burden on institutions.

#### OCC and OTS--Unfunded Mandates Reform Act of 1995

Section 202 of the Unfunded Mandates Reform Act of 1995, Pub. L. 104-4 (Unfunded Mandates Act), requires that an agency prepare a budgetary impact statement before promulgating a rule that includes a federal mandate that may result in the expenditure by state, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year. If a budgetary impact statement is required, section 205 of the Unfunded Mandates Act also requires an agency to identify and consider a reasonable number of regulatory alternatives before promulgating a rule. As discussed in the preamble, this proposal would reduce the current risk-based capital charge for claims on, and claims guaranteed by, qualifying securities firms. Accordingly, the OCC and OTS have determined that this proposed rule would not result in the expenditure by state, local, and tribal governments, or by the private sector, of more than \$100 million or more in any one year. In fact, this proposed rule would impose no new cost or burden on state, local, or tribal governments, or the private sector. Therefore, the OCC and OTS have not prepared a budgetary impact statement or specifically addressed the regulatory alternatives considered.

#### Plain Language Requirement

Section 722 of the Gramm-Leach-Bliley Act of 1999 requires the federal banking agencies to use ``plain language'' in all proposed and final rules published after January 1, 2000. We invite your comments on how to make this proposal easier to understand. For example:

- (1) Have we organized the material to suit your needs?
- (2) Are the requirements in the rule clearly stated?
- (3) Does the rule contain technical language or jargon that isn't

clear? Would a different format (grouping and order of sections, use of headings, paragraphing) make the rule easier to understand?

(5) Would more (but shorter) sections be better?

(6) What else could we do to make the rule easier to understand?

#### FDIC Assessment of Impact of Federal Regulation On Families

The FDIC has determined that this proposed rule would not affect family well being within the meaning of section 654 of the Treasury and General Government Appropriations Act of 1999 (Pub. L. 105-277).

#### List of Subjects

##### 12 CFR Part 3

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

##### 12 CFR Part 208

Accounting, Agriculture, Banks, banking, Confidential business information, Crime, Currency, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements, Securities.

##### 12 CFR Part 225

Administrative practice and procedure, Banks, banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

##### 12 CFR Part 325

Administrative practice and procedure, Banks, banking, Capital adequacy, Reporting and recordkeeping requirements, Savings associations, State non-member banks.

##### 12 CFR Part 567

Capital, Reporting and recordkeeping requirements, Savings associations.

#### Department of the Treasury

#### Office of the Comptroller of the Currency

#### 12 CFR Chapter I

#### Authority and Issuance

For the reasons set out in the joint preamble, the Office of the Comptroller of the Currency proposes to amend part 3 of chapter I of title 12 of the Code of Federal Regulations as follows:

#### 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, 1835, 3907, and 3909.

2. In appendix A to part 3:
  - A. In section 1:
    - i. Redesignate paragraphs (c)(17) through (c)(31) as (c)(18) through (c)(32); and
    - ii. Add new paragraph (c)(17).
  - B. In section 3:
    - i. Redesignate footnotes 11a and 11b as 11b and 11c;
    - ii. Add new paragraph (a)(2)(xiii);
    - iii. Add new footnote 11a to read as follows:

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## Appendix A to Part 3--Risk-Based Capital Guidelines

### Section 1. Purpose, Applicability of Guidelines, and Definitions.

\* \* \* \* \*

(c) \* \* \*

(17) Nationally recognized statistical rating organization (NRSRO) means an entity recognized by the Division of Market Regulation of the Securities and Exchange Commission (or any successor Division) as a nationally recognized statistical rating organization for various purposes, including the Securities Exchange Commission net capital requirement for brokers and dealers.

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### Section 3. Risk Categories/Weights for On-Balance Sheet Assets and Off-Balance Sheet Items.

\* \* \* \* \*

(a) \* \* \*

(2) \* \* \*

(xiii) Claims on, or guaranteed by, a qualifying securities firms incorporated in an OECD country, subject to the following conditions:

(A) If the securities firm is incorporated in the United States, then the securities firm must be a broker-dealer that is registered with the Securities and Exchange Commission and must be subject to and comply with the Securities Exchange Commission net capital regulation (17 CFR 240.15c3(1)), margin regulations and other regulatory requirements applicable to a registered broker-dealer.

(B) If the securities firm is incorporated in any other OECD country, then the securities firm must be subject to consolidated supervision and regulation (covering its subsidiaries, but not necessarily its parent organization) comparable to that imposed on depository institutions under the Basel Capital Accord.\11a\  
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\11a\ See Accord on International Convergence of Capital Measurement and Capital Standards as adopted by the Basle Committee on Banking Regulations and Supervisory Practices (renamed as the Basel Committee on Banking Supervision), dated July 1988.  
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(C) A securities firm (or its parent consolidated group), whether

incorporated in the United States or another OECD country, must also have a long-term issuer credit rating, or a credit rating on at least one issue of long-term unsecured debt, from a nationally recognized statistical rating organization. The credit rating must be in one of the three highest investment grade categories used by the nationally recognized statistical rating organization.

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Dated: November 6, 2000.  
John D. Hawke, Jr.,  
Comptroller of the Currency.

Federal Reserve System

12 CFR Chapter II

For the reasons set forth in the joint preamble, parts 208 and 225 of chapter II of title 12 of the Code of Federal Regulations are proposed to be amended 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. 24, 36, 92a, 93a, 248(a), 248(c), 321-338a, 371d, 461, 481-486, 601, 611, 1814, 1816, 1818, 1820(d)(9), 1823(j), 1828(o), 1831, 1831o, 1831p-1, 1831r-1, 1835(a), 1882, 2901-2907, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 78b, 781(b), 781(g), 781(i), 78o-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128.

2. In appendix A to part 208, the following amendments are made:
- a. In sections III. and IV., redesignate footnotes 34 through 52 as footnotes 35 through 53;
  - b. In section III.C.2., the three existing paragraphs are designated as III.C.2.a. through III.C.2.c., and a new section III.C.2.d. is added with a new footnote 34; and
  - c. In Attachment III, under Category 2, a new paragraph 12. is added. The revision and additions read as follows:

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

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III. \* \* \*  
C. \* \* \*  
2. \* \* \*

d. This category also includes claims on, and claims guaranteed by, qualifying securities firms incorporated in the OECD-based group of countries.\34\  
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\34\ With regard to securities firms incorporated in the United States, qualifying securities firms are those securities that are

broker-dealers registered with the Securities and Exchange Commission (SEC). They must be subject to and in compliance with the SEC's net capital rule, 17 CFR 240.15c3-1, and subject to the margin and other regulatory requirements applicable to registered broker-dealers. With regard to securities firms incorporated in any other country in the OECD-based group of countries, qualifying securities firms are those securities firms that are subject to consolidated supervision and regulation (covering their direct and indirect subsidiaries, but not necessarily their parent organizations) comparable to that imposed on banks in OECD countries. Such regulation must include risk-based capital requirements comparable to those applied to banks under the Accord on International Convergence of Capital Measurement and Capital Standards (1988, as amended in 1998) (Basel Accord). Furthermore, any qualifying securities firm, or its parent consolidated group, must have a long-term issuer credit rating, or a rating on at least one issue of long-term unsecured debt, from a nationally recognized statistical rating organization that is in one of the three highest investment grade rating categories used by the rating agency.

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#### Attachment III--Summary of Risk Weights and Risk Categories for State Member Banks

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Category 2: 20 Percent \* \* \*

12. Claims on, and claims guaranteed by, qualifying securities firms incorporated in the OECD-based group of countries.

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#### Part 225--Bank Holding Companies and Change in Bank Control (Regulation Y)

1. The authority citation for part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(1), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

2. In appendix A to part 225, the following amendments are made:

a. In sections III. and IV., redesignate footnotes 37 through 57 as footnotes 38 through 58;

b. In section III.C.2., the three existing paragraphs are designated as III.C.2.a. through III.C.2.c., and a new section III.C.2.d. is added with a new footnote 37; and

c. In Attachment III, under Category 2, a new paragraph 12 is added. The revision and additions read as follows:

#### Appendix A to Part 225--Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure

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III. \* \* \*

C. \* \* \*

2. \* \* \*

d. This category also includes claims on, and claims guaranteed by, qualifying securities firms incorporated in the OECD-based group of countries.\37\  
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\37\ With regard to securities firms incorporated in the United States, qualifying securities firms are those securities that are broker-dealers registered with the Securities and Exchange Commission (SEC). They must be subject to and in compliance with the SEC's net capital rule, 17 CFR 240.15c3-1, and subject to the margin and other regulatory requirements applicable to registered broker-dealers. With regard to securities firms incorporated in other countries in the OECD-based group of countries, qualifying securities firms are those securities firms that are subject to consolidated supervision and regulation (covering their direct and indirect subsidiaries, but not necessarily their parent organizations) comparable to that imposed on banks in OECD countries. Such regulation must include risk-based capital requirements comparable to those applied to banks under the Accord on International Convergence of Capital Measurement and Capital Standards (1988, as amended in 1998) (Basel Accord). Furthermore, any qualifying securities firm, or its parent consolidated group, must have a long-term issuer credit rating, or a rating on at least one issue of long-term unsecured debt, from a nationally recognized statistical rating organization that is in one of the three highest investment grade rating categories used by the rating agency.  
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Attachment III--Summary of Risk Weights and Risk Categories for Bank Holding Companies

\* \* \* \* \*

Category 2: 20 Percent \* \* \*

12. Claims on, and claims guaranteed by, qualifying securities firms incorporated in the OECD-based group of countries.

\* \* \* \* \*

By order of the Board of Governors of the Federal Reserve System, November 27, 2000.

Jennifer J. Johnson,  
Secretary of the Board.

Federal Deposit Insurance Corporation

12 CFR Chapter III

For the reasons set forth in the joint preamble, part 325 of chapter III of title 12 of the Code of Federal Regulations is proposed to be amended as follows:

PART 325--CAPITAL MAINTENANCE

1. The authority citation for part 325 continues 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, 1835, 3907, 3909, 4808; Pub. L. 102-233, 105 Stat. 1761, 1789, 1790 (12 U.S.C. 1831n note); Pub. L. 102-242, 105 Stat. 2236, 2355, as amended by Pub. L. 103-325, 108 Stat. 2160, 2233 (12 U.S.C. 1828 note); Pub. L. 102-242, 105 Stat. 2236, 2386, as amended by Pub. L. 102-550, 106 Stat. 3672, 4089 (12 U.S.C. 1828 note).

2. In appendix A to part 325, section II.B.3., the phrase ``U.S. depository institutions and foreign banks'' is removed and the phrase ``U.S. depository institutions, foreign banks, and qualifying OECD-based securities firms'' is added in its place.

3. In appendix A to part 325:

- a. In section II.C., under Category 2--20 Percent Risk Weight, add a new sentence immediately after the existing first sentence;
- b. Redesignate footnotes 23 through 42 as footnotes 24 through 43;
- c. Add a new footnote 23; and
- d. In Table II, add a new paragraph (13) under Category 2--20 Percent Risk Weight.

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

\* \* \* \* \*

II. \* \* \*

C. \* \* \*

Category 2-20 Percent Risk Weight \* \* \* This category also includes claims on, and claims guaranteed by, qualifying securities firms incorporated in the OECD-based group of countries.\23\ \* \* \*

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\23\ With regard to securities firms incorporated in the United States, qualifying securities firms are those securities firms that are broker-dealers registered with the Securities and Exchange Commission (SEC). They must be subject to and in compliance with the SEC's net capital rule, 17CFR 240.15c3-1, and subject to the margin and other regulatory requirements applicable to registered broker-dealers. With regard to securities firms incorporated in any other country in the OECD-based group of countries, qualifying securities firms are those securities firms that are subject to consolidated supervision and regulation (covering their direct and indirect subsidiaries, but not necessarily their parent organizations) comparable to that imposed on banks in OECD countries. Such regulation must include risk-based capital requirements comparable to those applied to banks under the Accord on International Convergence of Capital Measurement and Capital Standards (1988, as amended in 1998) (Basel Accord). Furthermore, any qualifying securities firm, or its parent consolidated group, must have a long-term issuer credit rating, or a rating on at least one issue of long-term unsecured debt, from a nationally recognized statistical rating organization that is in one of the three highest rating

categories used by the rating agency.

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\* \* \* \* \*

Table II--Summary of Risk Weights and Risk Categories

\* \* \* \* \*

Category 2-20 Percent Risk Weight

\* \* \* \* \*

(13) Claims on, and claims guaranteed by, qualifying securities firms incorporated in the OECD-based group of countries.

\* \* \* \* \*

By order of the Board of Directors.

Dated at Washington, D.C., this 17th day of October, 2000.

Federal Deposit Insurance Corporation.

Robert E. Feldman,  
Executive Secretary.

Office of Thrift Supervision

For the reasons set forth in the joint preamble, the Office of Thrift Supervision amends part 567 of chapter V of title 12 of the Code of Federal Regulations as follows:

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 567.6 is amended by adding paragraph (a)(1)(ii)(T) to read as follows:

Sec. 567.6 Risk-based capital credit risk-weight categories.

(a) \* \* \*

(1) \* \* \*

(ii) \* \* \*

(T) Claims on, and claims guaranteed by, a qualifying securities firms incorporated in an OECD-based country.

(1)(i) A qualifying securities firm incorporated in the United States must be a broker-dealer that is registered with the Securities and Exchange Commission (SEC). It must be subject to and comply with the SEC's net capital rule (17 CFR 240.15c3(1)), margin regulations and other regulatory requirements applicable to a registered broker-dealer.

(ii) A qualifying securities firm incorporated in any other OECD-based country must be a security firm that is subject to consolidated supervision and regulation (covering its subsidiaries, but not necessarily its parent organization) comparable to that imposed on depository institutions under the Accord on International Convergence



of Capital Measurement and Capital Standards (1988, as amended in 1998).

(2) A qualifying securities firm (or its parent consolidated group) must also have a long-term issuer credit rating, or a rating on at least one issue of long-term unsecured debt, from a nationally recognized statistical rating organization. The rating must be in one of the three highest investment grade categories used by the ratings agency.

\* \* \* \* \*

By the Office of Thrift Supervision.

Dated: November 3, 2000.

Ellen Seidman,  
Director.

[FR Doc. 00-30615 Filed 12-5-00; 8:45 am]

BILLING CODES 4810-33-P; 6210-01-P; 6714-01-P; 6720-01-P