

New York Bankers Association
July 23, 2003
New Basel Capital Accord
Regulations H and Y; Docket Nos. R-1154
Draft Supervisory Guidance; Docket No. OP-1153

On June 23, 2003, representatives of the New York Bankers Association met with Governor Olson to discuss, among other things, the advance notice of proposed rulemaking seeking public comment on the implementation of the New Basel Capital Accord, and related draft supervisory guidance.

In preparation for the meeting, the bankers association submitted the following comments to Governor Olson:

Risk-Based Capital Proposals – Basel Accord II

For several years, international banking regulators, under the aegis of the Bank for International Settlements headquartered in Basel, Switzerland, have been working to develop revised risk-based capital standards that would reflect changes in banking markets since the last set of such standards were adopted worldwide in the late 1980's. Unfortunately, earlier drafts contained standards for operational and other risk that would be highly costly to implement and of very doubtful utility. These proposals have been subject to searching criticism by federal banking regulators and the U.S. banking industry. The Basel regulators have substantially revised the proposal, and U.S. banking regulators have put the revised standards out for comment. However, there exist continuing concerns with regard to competitive imbalances that the revised standards may cause both between large internationally active U.S. banks and their foreign counterparts and between different sizes of U.S. banks. The New York Bankers Association urges that federal regulators ensure that the revision does not impose unnecessary or impractical regulatory burdens on U.S. banks or create a competitive imbalance within the U.S. banking system or between U.S. and other multinational banks.

The House Financial Services Committee is considering legislation to require the U.S. financial institutions regulators to arrive at a common position on new capital requirements before continuing discussions with international bank supervisors.

*OP 1153-1
Accord*