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#### OCC Highlights Basle Report on Highly Leveraged Institutions

WASHINGTON, DC -- The Office of the Comptroller of the Currency (OCC) advised national banks today that the Basle Committee on Banking Supervision has issued a new report that includes risk management guidelines for banks to consider in their relationships with highly leveraged institutions (HLIs). The Basle Committee is made up of representatives of central banks and supervisory authorities of the Group of Ten countries and Luxembourg.

"Banks have an abiding responsibility to manage their credit exposures in a safe and sound manner," said Susan Krause, OCC Senior Deputy Comptroller for International Affairs and member of the Basle Committee on Banking Supervision. "The guidance contained in this report can be used by banks and supervisors alike to promote sound risk management practices."

The report, titled, "Banks' Interactions with Highly Leveraged Institutions," recounts events surrounding the near collapse of Long Term Capital Management (LTCM); evaluates the potential risks resulting from the activities of HLIs and their relationships with banks; assesses the deficiencies in banks' risk management practices with respect to HLIs; and evaluates alternative policy responses for addressing these risks.

"This report is the product of several leading bank supervisors throughout the world," said Mike Brosnan, OCC Deputy Comptroller for Risk Evaluation. "We mutually agree that prudent bank relationships with HLIs would include adherence to the guidance contained in this report." Mr. Brosnan represented the OCC on the Basle Committee on Banking Supervision Working Group that drafted this report.

While noting it is virtually impossible to provide a precise definition of HLIs, the Basle Committee report defines them as large financial institutions that have the following characteristics: (a) they are subject to little or no direct regulatory oversight, as a significant proportion operate through offshore financial centers; (b) they are subject to limited disclosure requirements; and (c) they take on significant leverage.

The report is available from the Internet site of the Bank for International Settlements at [www.bis.org](http://www.bis.org) or may be requested from the OCC's Communication department at (202) 874-4700.

The OCC issued new risk management guidance on derivatives and other bank activities on Monday, January 25, 1999. The guidance applies to a broad range of activities, including bank transactions with hedge funds and other highly leveraged institutions, and will aid examiners in identifying design weaknesses in bank risk management systems. This document is available on the OCC's Web site at [www.occ.treas.gov](http://www.occ.treas.gov).

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.