

The following news release was issued today, April 12, 1995. NR 95-38

BASLE COMMITTEE ISSUES PROPOSAL ON MARKET RISK

The Basle Committee on Banking Supervision issued for public comment a revised proposal on market risk today. The proposal would amend the 1988 Basle Capital Accord to establish capital requirements for the market risks in certain on- and off-balance sheet positions. Market risks are defined as the risk of losses due to changes in market prices. The proposal would apply to the market risks in a bank's trading activities, as well as their overall exposure to changes in foreign exchange rates or commodity prices.

The Committee first published a proposal to consider the capital adequacy related to market risk in April 1993. The comments received on that original proposal have been reflected in this substantially revised approach. Most notably, the revised proposal includes an alternative for a bank to use its value-at-risk model for measuring its level of market risk, when the model meets certain criteria.

"The Basle Committee proposal is clear evidence of the fact that banking regulators are taking important steps to ensure that banks participate in the changing financial marketplace in a safe and sound manner," said Comptroller of the Currency Eugene A. Ludwig. Mr. Ludwig is an active participant in meetings of the Basle Supervisors Committee.

The OCC plans to issue for public comment a notice of proposed rulemaking to modify its risk-based capital guidelines to reflect market risk.

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