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*Joint Release*

**Board of Governors of the Federal Reserve System  
Federal Deposit Insurance Corporation  
Office of the Comptroller of the Currency**

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FOR IMMEDIATE RELEASE

December 5, 2000

**Agencies Issue Interim Capital Rule  
For Collateral in Securities Borrowings**

WASHINGTON – The federal bank regulatory agencies today issued and requested public comment on an interim rule revising the risk-based capital treatment of cash collateral posted in connection with certain securities borrowing transactions. The agencies are also requesting comment on the capital treatment of securities borrowing transactions where securities are posted as collateral. The rule applies only to those banking organizations with significant trading activities that are subject to capital treatment under the market risk rules.

The interim rule, published in the Federal Register by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency, provides a capital treatment for U.S. banking organizations that is more in line with the capital treatment applied to their domestic and foreign competitors.

The interim rule is effective January 4, 2001. U.S. banking organizations may apply the provisions of this interim rule beginning December 5, 2000. Comments on the rule are due by January 19, 2001.

Neither the Basel Accord nor the risk-based capital guidelines adopted by the three agencies specifically address securities borrowing transactions. The Accord is an international framework for assessing the capital adequacy of depository institutions by risk weighting their assets and off-balance sheet exposures and serves as a basis for the banking agencies' risk-based capital guidelines. In recent years, U.S. banking organizations have experienced rapid growth in securities borrowing transactions, which are used for various purposes, including short sales and securities fails (securities sold but not made available for delivery on the settlement date), and in conjunction with option and arbitrage positions.

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The agencies recognize that securities borrowing is a long-established financial activity that historically has resulted in an exceedingly low level of losses. The interim rule recognizes this low risk and effectively lowers the capital requirement associated with these transactions. The interim rule is attached.

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[Attachment](#)

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