

Office of the Comptroller of the Currency
Board of Governors of the Federal Reserve System
Federal Deposit Insurance Company
Office of Thrift Supervision
January 18, 2006
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Appendix C: The RMA Capital Working Group (CWG) was established in 1999 to provide industry commentary on the various consultative papers that comprised the initial reform of the 1988 Basel Accord, commonly known as Basel II. The CWG remains very active and has conducted industry research and provided extensive commentary around best practice economic capital estimation practices and procedures. Members of this group will be required to adopt the AIRB Basel II approach or are planning to opt-in to the framework, and believe that the use of the ANPR framework as a possible floor for AIRB banks would be unnecessarily burdensome. Like the banks responding in Appendix B, this group as well is recommending a multi-tier approach to better align the risk-based capital guidelines more appropriately to risk sensitivity. CWG members are also committed to continuing to work with the regulatory agencies regarding on-going implementation of Basel II without further delay and believe that a more risk sensitive framework for non-AIRB banks should, and can, be adopted within a similar timeframe.

Summary Recommendations: There are a number of institutions that would not derive any material benefit from moving to a more risk sensitive capital framework and RMA recommends strongly that institutions have the option to remain under the existing risk-based capital guidelines. For institutions that have, or are developing, more risk sensitive measurement and management frameworks, RMA believes that a multi-tier approach to risk-based capital guidelines is necessary to ensure that capital regulations are appropriately risk sensitive and that such regulations continue to evolve over time as best practice within the industry is enhanced. To facilitate the development of such a multi-tier approach, RMA recommends that an industry/inter-agency task force be created to work jointly to develop appropriate risk parameter specifications for risk-based capital guidelines. Moreover, RMA believes that an industry/inter-agency task forces must be established to resolve on-going implementation issues surrounding Basel II.

As always, RMA is ready to assist the regulatory agencies in any way that you may deem appropriate, but would recommend strongly that an industry/inter-agency task force be formalized to assist further in the development of a multi-tier approach to risk-based capital guidelines, in addition to continuing to work with the regulatory agencies regarding on-going implementation of Basel II. This approach would be far preferable to the existing procedure, which results in long lapses of time as the regulatory agencies draft regulatory guidance and then involve the industry for review and comment.

Again, RMA appreciates the opportunity to offer commentary on the ANPR and would be happy to answer any questions you may have.

Very Sincerely,



