

DATE: December 4, 2006

MEMORANDUM TO: Board of Directors

FROM: Sandra L. Thompson, Director
Division of Supervision and Consumer Protection

SUBJECT: Extension of Comment Period for the Basel II Notice of Proposed Rulemaking and the Proposed Reports Notice for that Rulemaking

Proposal: That the Board of Directors of the Federal Deposit Insurance Corporation (FDIC) approve the publication in the Federal Register of an extension of the comment period for (1) the Notice of Proposed Rulemaking regarding *Risk-Based Capital Standards: Advanced Capital Adequacy Framework* (Basel II NPR) (see 71 FR 55830), and (2) the proposed Reports Notice for the Basel II NPR (see 71 FR 55981).

On September 25, 2006, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, and the Office of Thrift Supervision (collectively, the agencies) issued the Basel II NPR for comment that proposed a new risk-based capital adequacy framework that would require some and permit other qualifying banks to use an internal ratings-based approach to calculate regulatory credit risk capital requirements and advanced measurement approaches to calculate regulatory operational risk capital requirements. Similarly, on that date, the agencies issued a Reports Notice with respect to the scope of reporting and the proposed reporting requirements in conjunction with the Basel II NPR (Reports Notice).

The Basel II NPR and the proposed Reports Notice were issued for a 120-day comment period that will end on January 23, 2007. The agencies have determined that an extension of that comment period is necessary to allow banks additional time to compare the risk-based capital requirements as proposed in the Basel II NPR with the risk-based capital requirements as proposed in the Basel IA NPR, which will be issued in the near future. The related extension of the comment period for the proposed Reports Notice is necessary in order to maintain these initiatives as a "package," which should facilitate the notice and comment process.

Recommendation: That the Board approve the extension of the comment period for the Basel II NPR and the proposed Reports Notice for the Basel II NPR from January 23, 2007, to the date of the comment period deadline for the Basel IA NPR.

Concur:

Douglas H. Jones
Acting General Counsel