

TABLE 7.—EARLY AMORTIZATION
CREDIT CONVERSION FACTORS—
Continued

Excess spread trapping point ratio	CCF (percent)
Less than 75 percent to 50 percent of trapping point	50
Less than 50 percent of trapping point	100

6. In § 567.11, revise paragraph (c)(2), redesignate paragraph (c)(3) as paragraph (c)(4) and add new paragraph (c)(3) to read as follows:

§ 567.11 Reservation of authority.

* * * * *

(c) * * *

(2) Notwithstanding §§ 567.6 and 567.7 of this part, OTS will look to the substance of a transaction and may find that the assigned risk-weight for any asset, or credit equivalent amount or credit conversion factor for any off-balance sheet item does not appropriately reflect the risks imposed on the savings association. OTS may require the savings association to apply another risk weight, credit equivalent amount, or credit conversion factor that the OTS deems appropriate. Similarly, OTS may override the use of certain ratings or ratings on certain instruments, if necessary or appropriate to reflect the risk that that an instrument poses to a savings association.

(3) OTS may require a savings association to use § 567.6 or § 567.7 of this part to compute risk-weighted assets, if OTS determines that the risk-weighted capital requirement computed under that section is more appropriate for the risk profile of the savings association or would otherwise enhance the safety and soundness of the savings association. In making a determination under this paragraph (c)(3), OTS will apply notice and response procedures in the same manner and to the same extent as the notice procedures in 12 CFR 567.3(d).

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Dated: December 12, 2006.

John C. Dugan,
Comptroller of the Currency.

By order of the Board of Governors of the Federal Reserve System, December 8, 2006.

Jennifer J. Johnson,
Secretary of the Board.

Dated at Washington, D.C., this 5th Day of December, 2006.

By order of the Board of Directors.

Federal Deposit Insurance Corporation.

Valerie J. Best,
Assistant Executive Secretary.

Dated: December, 11, 2006.
By the Office of Thrift Supervision

John Reich,
Director.
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DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 3

[Docket No. 06-09]

RIN 1557-AC91

FEDERAL RESERVE SYSTEM

12 CFR Parts 208 and 225

[Regulations H and Y; Docket No. R-1261]

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 325

RIN 3064-AC73

DEPARTMENT OF THE TREASURY

Office of Thrift Supervision

12 CFR Part 566

[Docket No. 2006-33]

RIN 1550-AB56

**Risk-Based Capital Standards:
Advanced Capital Adequacy
Framework**

AGENCIES: Office of the Comptroller of the Currency, Treasury; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; and Office of Thrift Supervision, Treasury.

ACTION: Joint notice of proposed rulemaking; extension of comment period.

SUMMARY: On September 25, 2006, the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS) (collectively, the agencies) issued a joint notice of proposed rulemaking for public comment that proposed a new risk-based capital adequacy framework (Basel II NPR). The Basel II NPR would

require some and permit other qualifying banks¹ 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. The Basel II NPR describes the qualifying criteria for banks required or seeking to operate under the proposed framework and the applicable risk-based capital requirements for banks that operate under the framework. The Basel II NPR comment period will end on January 23, 2007.

In today's issue of the **Federal Register**, the agencies are proposing revisions to the existing risk-based capital framework that would apply to banks that do not use the Basel II NPR (Basel IA NPR). The agencies have determined that an extension of the Basel II NPR comment period is appropriate to allow interested parties 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.

DATES: The comment period for the proposed rule published at 71 FR 55830 (Sept. 25, 2006) is extended until March 26, 2007.

ADDRESSES: You may submit comments by any of the methods identified in the Basel II NPR (See 71 FR 55830, September 25, 2006.)

FOR FURTHER INFORMATION CONTACT:
OCC: Roger Tufts, Senior Economic Advisor, Capital Policy (202-874-4925) or Ron Shimabukuro, Special Counsel, Legislative and Regulatory Activities Division (202-874-5090). Office of the Comptroller of the Currency, 250 E Street, SW., Washington, DC 20219.

Board: Barbara Bouchard, Deputy Associate Director (202-452-3072 or barbara.bouchard@frb.gov) or Anna Lee Hewko, Senior Supervisory Financial Analyst (202-530-6260 or anna.hewko@frb.gov), Division of Banking Supervision and Regulation; or Mark E. Van Der Weide, Senior Counsel (202-452-2263 or mark.vanderweide@frb.gov), Legal Division. For users of Telecommunications Device for the Deaf ("TDD") only, contact 202-263-4869.

FDIC: Jason C. Cave, Associate Director, Capital Markets Branch, (202) 898-3548, Bobby R. Bean, Chief, Policy Section, Capital Markets Branch, (202) 898-3575, Kenton Fox, Senior Capital Markets Specialist, Capital Markets

¹ As used in this notice, the term "bank" includes banks, savings associations, and bank holding companies.

Branch, (202) 898-7119, Division of Supervision and Consumer Protection; or Michael B. Phillips, Counsel, (202) 898-3581, Supervision and Legislation Branch, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

OTS: Michael D. Solomon, Director, Capital Policy, Supervision Policy (202) 906-5654; David W. Riley, Senior Analyst, Capital Policy (202) 906-6669; or Karen Osterloh, Special Counsel, Regulations and Legislation Division (202) 906-6639, Office of Thrift Supervision, 1700 G Street, NW., Washington, DC 20552.

SUPPLEMENTARY INFORMATION: On September 25, 2006, the agencies issued the Basel II NPR, which 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. *See* 71 FR 55830. The proposed rule describes the qualifying criteria for banks required or seeking to operate under the proposed framework and the applicable risk-based capital requirements for banks that would operate under that framework.

In today's issue of the **Federal Register**, the agencies are proposing revisions to the existing risk-based capital framework applicable to banks that would not use the Basel II NPR. The Basel IA NPR proposes to expand the number of risk weight categories, allow the use of external credit ratings to risk weight certain exposures, expand the range of recognized collateral and eligible guarantors, use loan-to-value ratios to risk weight most residential mortgages, and revise other provisions of the existing risk-based capital requirements to increase the risk sensitivity of the risk-based capital rules for those banks that will not use the proposed risk-based capital requirements in the Basel II NPR.

The agencies believe that it is important for interested parties to be

able to compare the risk-based capital requirements in the Basel II NPR and Basel IA NPR. Therefore, the agencies are extending the comment period for the Basel II NPR from January 23, 2007, to March 26, 2007.

Dated: December 5, 2006.

John C. Dugan,
Comptroller of the Currency.

Dated: December 8, 2006.

By order of the Board of Governors of the Federal Reserve System.

Jennifer J. Johnson,
Secretary of the Board.

Dated at Washington, DC, this 5th day of December, 2006.

By order of the Board of Directors,
Federal Deposit Insurance Corporation.

Valerie J. Best,
Assistant Executive Secretary.

Dated: December 11, 2006.

John Reich,
Director.

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