

TABLE 1 TO PARAGRAPH (A)(1)(IV)—
Continued

Column A—variety	Column B—maturity guide
Berenda Sun	I
Blum's Beauty	G
Cal Red	I
Carnival	I
Cassie	H
Coronet	E
Crimson Lady	J
Crown Princess	J
David Sun	I
Diamond Princess	J
Early Delight	H
Early Elegant Lady	L
Early May Crest	H
Early O'Henry	I
Early Top	G
Elberta	B
Elegant Lady	L
Fairtime	G
Fancy Lady	J
Fay Elberta	C
Fayette	I
Fire Red	I
First Lady	D
Flamecrest	I
Flavorcrest	G
Flavor Queen	H
Flavor Red	G
Franciscan	G
Goldcrest	H
Golden Crest	H
Golden Lady	F
Honey Red	G
John Henry	J
July Elberta	C
June Lady	G
June Pride	J
June Sun	H
Kern Sun	H
Kingscrest	H
Kings Lady	I
Kings Red	I
Lacey	I
Lady Sue	L
Mary Anne	G
May Crest	G
May Sun	I
Merrill Gem	G
Merrill Gemfree	G
O'Henry	I
Pacifica	G
Parade	I
Pat's Pride	D
Prima Gattie 8	L
Prima Lady	J
Queencrest	G
Ray Crest	G
Red Cal	I
Red Dancer (Red Boy)	I
Redhaven	G
Red Lady	G
Redtop	G
Regina	G
Rich Lady	J
Rich May	H
Rich Mike	H
Rio Oso Gem	I
Royal Lady	J
Royal May	G
Ruby May	H

TABLE 1 TO PARAGRAPH (A)(1)(IV)—
Continued

Column A—variety	Column B—maturity guide
Ryan Sun	I
Scarlet Lady	F
September Sun	I
Sierra Crest	H
Sierra Lady	I
Sparkle	I
Springcrest	G
Spring Lady	H
Springold	D
Sugar Lady	J
Summer Lady	L
Summerset	I
Suncrest	G
Sweet Scarlet	J
Topcrest	H
Tra Zee	J
Willie Red	G
Zee Lady	L

Note: Consult with the Federal or Federal-State Inspection Service Supervisor for the maturity guides applicable to the varieties not listed in table 1 of this paragraph.

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(3) Any package or container of Goldcrest, Super Rich, or Topcrest variety peaches unless:

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(4) Any package or container of Snow Dance variety peaches unless:

* * * * *

(5) Any package or container of Babcock, Crimson Lady, Crown Princess, David Sun, Early May Crest, Flavorcrest, Golden Crest, June Lady, Kern Sun, May Crest, May Sun, Merrill Gemfree, Pink Rose, Prima Peach IV, Queencrest, Ray Crest, Redtop, Rich May, Rich Mike, Snow Brite, Springcrest, Spring Lady, Spring Snow, Sugar May, Sweet Scarlet, or White Dream variety of peaches unless:

* * * * *

(6) Any package or container of Amber Crest, August Lady, Autumn Flame, Autumn Lady, Autumn Rose, Cal Red, Carnival, Cassie, Champagne, Diamond Princess, Early Elegant Lady, Early O'Henry, Elegant Lady, Fairtime, Fancy Lady, Fay Elberta, Flamecrest, John Henry, June Pride, Kaweah, Kings Lady, Lacey, Late Ito Red, Madonna Sun, Morning Lord, O'Henry, Prima Gattie, Prima Peach 13, Prima Peach 20, Prima Peach 23, Red Dancer, Rich Lady, Royal Lady, Ryan Sun, Saturn (Donut), Scarlet Snow, September Snow, September Sun, Sierra Lady, Snow Diamond, Snow Giant, Snow King, Sparkle, Sprague Last Chance, Sugar Giant, Sugar Lady, Summer Lady, Summer Sweet, Summer Zee, Suncrest, Tra Zee, Vista, White Lady, Yukon King,

Zee Lady, or 1-01-505 variety of peaches unless:

* * * * *

Dated: April 14, 1999.

Robert C. Keeney,
Deputy Administrator, Fruit and Vegetable Programs.

[FR Doc. 99-9678 Filed 4-14-99; 1:28 pm]

BILLING CODE 3410-02-P

DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

7 CFR Part 1079

Milk in the Iowa Marketing Area

CFR Correction

In Title 7 of the Code of Federal Regulations, parts 1000 to 1199, revised as of Jan. 1, 1998, page 611, § 1079.7(b) is corrected by revising "30 percent" to read "20 percent".

[FR Doc. 99-55514 Filed 4-16-99; 8:45 am]

BILLING CODE 1505-01-P

DEPARTMENT OF THE TREASURY

Office of the Comptroller of the Currency

12 CFR Part 3

[Docket No. 99-04]

RIN 1557-AB14

FEDERAL RESERVE SYSTEM

12 CFR Parts 208 and 225

[Regulations H and Y; Docket No. R-0996]

FEDERAL DEPOSIT INSURANCE CORPORATION

12 CFR Part 325

RIN 3064-AC14

Risk-Based Capital Standards: Market Risk

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

ACTION: Joint final rule.

SUMMARY: The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) are adopting as a final rule an interim rule amending their respective risk-based capital standards for market risk applicable to

certain banks and bank holding companies with significant trading activities. The interim rule implemented a revision to the Basle Accord adopted in 1997. Prior to the revision, an institution that measured specific risk with an internal model that adequately measured such risk was subject to a minimum capital charge. An institution's capital charge for specific risk had to be at least as large as 50 percent of a specific risk charge calculated using the standardized approach. The rule will finalize the interim rule, which reduced regulatory burden for institutions with qualifying internal models because they no longer must calculate a standardized specific risk capital charge.

EFFECTIVE DATE: This final rule is effective on July 1, 1999.

FOR FURTHER INFORMATION CONTACT: OCC: Margot Schwadron, Risk Expert (202/874-5070), Amrit Sekhon, Risk Specialist (202/874-5070), Capital Policy Division; or Ronald Shimabukuro, Senior Attorney (202/874-5090), Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 250 E Street, S.W., Washington, DC 20219.

Board: James Hout, Deputy Associate Director (202/452-3358), Barbara Bouchard, Manager (202/452-3072), T. Kirk Odegard, Financial Analyst (202/530-6225), Division of Banking Supervision; or Stephanie Martin, Senior Counsel (202/452-3198), Mark E. Van Der Weide, Attorney (202/452-2263), Legal Division. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), Diane Jenkins (202/452-3544), Board of Governors of the Federal Reserve System, 20th and C Streets, N.W., Washington, DC 20551.

FDIC: William A. Stark, Assistant Director (202/898-6972), Miguel Browne, Manager (202/898-6789), John J. Feid, Chief (202/898-8649), Division of Supervision; for legal issues, Jamey Basham, Counsel (202/898-7265), Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, DC 20429.

SUPPLEMENTARY INFORMATION:

I. Background

The agencies' risk-based capital standards are based upon principles contained in the July 1988 agreement entitled "International Convergence of Capital Measurement and Capital Standards" (Accord). The Accord, developed by the Basle Committee on Banking Supervision (Basle Committee) and endorsed by the central bank governors of the Group of Ten (G-10)

countries (G-10 Governors), provides a framework for assessing an institution's capital adequacy by weighting its assets and off-balance sheet exposures on the basis of general counterparty credit risk.¹ In December 1995, the G-10 Governors endorsed the Basle Committee's amendment to the Accord (effective by year-end 1997) to incorporate a measure for exposure to market risk (market risk amendment) into the capital adequacy assessment. On September 6, 1996, the agencies issued revisions to their risk-based capital standards implementing the Basle Committee's market risk amendment (market risk rules) (61 FR 47358). In September 1997, the Basle Committee modified the market risk amendment and on December 30, 1997, the agencies issued an interim rule implementing that modification (62 FR 68064).

Under the agencies' market risk rules, banks and bank holding companies (institutions) with significant trading activities must measure and hold capital for exposure to both general market risk and specific risk. *General market risk* refers to changes in the market value of on-and off-balance-sheet items resulting from broad market movements in interest rates, equity prices, foreign exchange rates, and commodity prices. An institution must measure its general market risk using its internal risk measurement model, subject to certain qualitative and quantitative criteria, to calculate a capital charge based on the model-determined value-at-risk (VAR).²

Specific risk refers to changes in the market value of individual debt and equity positions in a trading portfolio due to factors other than broad market movements. Under the agencies' market risk rules, an institution may measure its specific risk by using either the standardized approach³ or its own internal model, if the institution can

¹ The G-10 countries are Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, the United Kingdom, and the United States. The Basle Committee is comprised of representatives of the central banks and supervisory authorities from the G-10 countries and Luxembourg.

² The VAR-based capital charge is the higher of (i) the previous day's VAR measure, or (ii) the average of the daily VAR measures for each of the preceding 60 business days multiplied by a factor of three. Beginning no later than one year after becoming subject to the market risk rules, an institution is required to backtest its internal model. An institution may be required to apply a higher multiplication factor, up to a factor of four, based on backtesting results.

³ The standardized approach applies a risk-weighting process developed by the Basle Committee to individual financial instruments. Under this approach, debt and equity instruments in the institution's trading account are assessed a category-based fixed capital charge.

demonstrate to the appropriate banking agency that the model adequately measures specific risk. When the agencies initially adopted the market risk rules, an institution using its internal model to measure specific risk was required to hold capital for specific risk equal to at least 50 percent of the specific risk charge calculated using the standardized approach (the minimum specific risk charge). If the portion of the institution's VAR attributable to specific risk did not equal the minimum specific risk charge, the institution's VAR-based capital charge was subject to an add-on charge of the difference between the two. In practice, this required an institution employing an internal model to measure specific risk to also calculate the specific risk charge using the standardized approach.

When the agencies included the minimum specific risk charge as part of the market risk rules, they recognized that dual calculations of specific risk—that is, calculating specific risk with internal models as well as using the standardized approach to establish the minimum specific risk charge—would be burdensome. However, the agencies' decision to include the minimum specific risk charge was consistent with the Basle Committee's belief that a minimum charge was necessary to ensure that modeling techniques for specific risk adequately measured that risk. After the Basle Committee adopted the market risk amendment, many institutions improved their modeling techniques and, in particular, their modeling of specific risk. Recognizing these improvements, in September 1997 the Basle Committee decided to eliminate the use of the minimum specific risk charge and the burden of a separate calculation. The Basle Committee revised the market risk amendment so that an institution using a valid internal model to measure specific risk could use the VAR measures generated by the model without comparing the model-generated results to the minimum specific risk charge calculated under the standardized approach.⁴ The revisions specified that the specific risk elements of internal models would be assessed consistently with the assessment of the general market risk elements of such models through backtesting and review by the relevant agency.

To implement this revision to the market risk amendment, the agencies

⁴ The revisions are described in the Committee's document entitled "Explanatory Note: Modification of the Basle Capital Accord of July 1988, as Amended January 1996" and is available through the Board's and the OCC's Freedom of Information Office and the FDIC's Public Information Center.

issued an interim rule with a request for comment (62 FR 68064) in December 1997. As discussed in the interim rule, the agencies found sufficient good cause to make the amendments effective immediately, without prior opportunity for public comment or a delayed effective date. The interim rule applied only to the calculation of specific risk under the market risk rules, and all other aspects of the market risk rules remained unchanged.

II. Comments Received

The agencies received a total of three public comments on the interim rule (two from industry trade associations and one from a financial institution). All three commenters supported the interim rule, primarily because of its reduction of regulatory burden. None of the commenters suggested any changes to the interim rule.

III. Final Rule

The agencies are adopting in final form, without substantive change, the interim rule eliminating the requirement that when an institution measures specific risk using its internal model, the total capital charge for specific risk must equal at least 50 percent of the standard specific risk capital charge. This final rule does not apply to institutions that use the standardized method to calculate specific risk.

For those institutions using internal models to calculate their specific risk charges, the agencies will continue to review the internal models to determine whether or not they adequately measure specific risk. In reviewing these internal models, the agencies will evaluate the extent to which the internal models adequately capture idiosyncratic price variations of debt and equity instruments due to circumstances unique to the issuer, as well as the instruments' exposure to event and default risk. In order to capture specific risk adequately, an institution's internal model must explain the historical price variation in the portfolio. Internal models must also be sensitive to changes in portfolio concentrations (both magnitude and changes in composition), and require additional capital for greater concentrations. The agencies likewise will take into account whether an internal model is sensitive to an adverse environment. If an institution's internal model adequately captures specific risk, the institution may base its specific risk capital charge on the internal model's estimates.

If an institution's internal model does not adequately measure specific risk, the institution must continue to calculate the standard specific risk

capital charge and add that charge to its VAR-based capital charge for general market risk to produce its total regulatory capital requirement for market risk. If an institution's internal model adequately addresses idiosyncratic risk but does not adequately capture all other aspects of specific risk, including event and default risk, the institution may use its internal model to calculate specific risk, but it will have a "specific risk add-on." The specific risk add-on may be calculated using either one of two approaches, both of which have the effect of subjecting the modeled specific risk to a minimum multiplier of four.⁵

Under the first approach, an institution whose internal model is able to separate its VAR measure into general market risk and specific risk components must use as its measure for market risk the total VAR-based capital charge (typically three times the internal model's general and specific risk measure), plus an add-on consisting of the isolated specific risk component of the VAR measure. Under the second approach, an institution whose internal model does not separately identify the specific and general market risk components of its VAR measure must use as its measure for market risk the total VAR-based capital charge, plus an add-on consisting of the VAR measures of the subportfolios of debt and equity positions that contain specific risk. An institution using the second approach may not alter its subportfolio structures for the sole purpose of decreasing its VAR measure.

An institution using its internal model for specific risk capital purposes must backtest the model to assess whether the model accurately explains observed price variations arising from both general market risk and specific risk. To assist in internal model validation, the institution should perform backtests on its traded debt and equity subportfolios that contain specific risk. The institution should conduct these backtests with the understanding that subportfolio backtesting is a productive mechanism for assuring that instruments with higher levels of specific risk, especially event or default risk, are modeled accurately. If subportfolio backtests indicate an unacceptable internal

model, especially for unexplained price variation that may be arising from specific risk, the institution should take immediate action to improve the internal model and ensure that it has sufficient capital to protect against associated risks.

The agencies expect institutions to continue improving their internal models, particularly with respect to measuring event and default risk for traded debt and equity instruments. The agencies intend to work with the industry in these efforts and believe that, over time, market standards for measuring event and default risk will emerge. As individual modeling methods are improved and become accepted within the industry as effective measurement techniques for event and default risk, the agencies will consider permitting such models to be applied without any add-on charge. The Basle Committee may issue general guidance for capturing event and default risk for trading book instruments. Until such time as standards for measuring event and default risk are established within the industry, the agencies intend to cooperate with each other and communicate extensively with other international supervisors to ensure that the market risk capital requirements are implemented in an appropriate and consistent manner.

IV. Changes From the Interim Rule

In adopting the final rule, the Board and FDIC made certain wording changes. These changes do not alter the effect or substance of the final rule, and only conform or clarify the language.

First, both the Board and the FDIC changed their language which states that a bank that incorporates specific risk into its internal model but fails to demonstrate that its internal model adequately measures all aspects of specific risk may use its internal model to calculate specific risk subject to a "specific risk add-on." This change was made to make the agencies' language more consistent. Second, the Board and the FDIC conformed their definition of "specific risk" to be more consistent with the OCC's language. Third, the FDIC has changed paragraph (c) of Appendix C of Part 325 Section 5 to clarify that, when an institution models the specific risk of either its covered debt positions or its covered equity positions, but not both components, the capital treatment specified for modeled specific risk will apply as to the modeled component, and the standardized approach will apply as to the non-modeled component. The add-on charge will consist of the specific risk charge determined under the

⁵The multiplier applicable to the modeled general market risk elements will not be affected. Thus, the multiplier for general market risk will continue to be three, unless a higher multiplier is indicated by virtue of the institution's backtesting results for general market risk, or unless no multiplier is applied because the previous day's VAR for general market risk is higher than the 60-day average times the multiplier.

standardized approach for the non-modeled component, plus the specific risk add-on, if any, for the modeled component (because the model does not adequately measure event and default risk). The FDIC's change in this regard is technical. The language of the interim rule also effectuated this approach, but the changes make it clearer to the reader.

V. Regulatory Flexibility Act Analysis

Pursuant to section 603 of the Regulatory Flexibility Act (RFA), RFA does not apply if any agency is not required to issue a Notice of Proposed Rulemaking. Nevertheless, the agencies have considered the impact of this final rule and determined that it will not have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*). The final rule will rarely, if ever, apply to small entities. Moreover, this final rule reduces regulatory burden, by eliminating the need for institutions that model specific risk to make dual calculations under the standardized approach in order to determine their minimum specific risk charge.

VI. Paperwork Reduction Act

The agencies have determined that the final rule does not involve a collection of information pursuant to the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*).

VII. Small Business Regulatory Enforcement Fairness Act

The Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA) (Title II, Pub. L. 1004-121) provides generally for agencies to report rules to Congress for review. The reporting requirement is triggered when a federal agency issues a final rule. Accordingly, the agencies filed the appropriate reports with Congress as required by SBREFA.

The Office of Management and Budget has determined that these final rules do not constitute "major rules" as defined by SBREFA.

VIII. OCC Executive Order 12866 Determination

The OCC has determined that the final rule does not constitute a "significant regulatory action" for the purpose of Executive Order 12866.

IX. OCC Unfunded Mandates Reform Act of 1995 Determination

Section 202 of the Unfunded Mandates Reform Act of 1995, Pub. L. 104-4 (Unfunded Mandates Act)

requires that an agency prepare a budgetary impact statement before promulgating a rule that includes a Federal mandate that may result in expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year. If a budgetary impact statement is required, section 205 of the Unfunded Mandates Act also requires an agency to identify and consider a reasonable number of regulatory alternatives before promulgating a rule. As discussed in the preamble, this final rule eliminates the minimum specific risk charge for institutions that use internal models that adequately capture specific risk. The effect of this final rule is to reduce regulatory burden by no longer requiring institutions to make dual calculations under both the institution's internal model and the standardized specific risk model. The OCC therefore has determined that the effect of the final rule on national banks as a whole will not result in expenditures by State, local, or tribal governments or by the private sector of \$100 million or more. Accordingly, the OCC has not prepared a budgetary impact statement or specifically addressed the regulatory alternatives considered.

X. FDIC Assessment of Impact of Federal Regulation on Families

The FDIC has determined that this final rule will not affect family well-being within the meaning of section 654 of the Treasury and General Government Appropriations Act of 1999 (Pub. Law 105-277).

List of Subjects

12 CFR Part 3

Administrative practice and procedure, Capital, National banks, Reporting and recordkeeping requirements, Risk.

12 CFR Part 208

Accounting, Agriculture, Banks, banking, Confidential business information, Crime, Currency, Federal Reserve System, Mortgages, Reporting and recordkeeping requirements, Securities.

12 CFR Part 225

Administrative practice and procedure, Banks, banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

12 CFR Part 325

Bank deposit insurance, Banks, banking, Capital adequacy, Reporting and recordkeeping requirements,

Savings associations, State non-member banks.

Authority and Issuance

Office of the Comptroller of the Currency

12 CFR Chapter I

For the reasons set out in the joint preamble, the OCC's portion of the joint interim rule with request for comment amending 12 CFR part 3 titled Risk-Based Capital Standards: Market Risk, published on December 30, 1997, at 62 FR 68067 is adopted as final without change.

Dated: March 24, 1999.

John D. Hawke, Jr.,

Comptroller of the Currency.

Federal Reserve System

12 CFR Chapter II

For the reasons set forth in the joint preamble, the Board's portion of the joint interim rule with request for comment, amending 12 CFR parts 208 and 225, published on December 30, 1997, at 62 FR 68067 is adopted as final with the following changes:

PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (REGULATION H)

1. The authority citation for part 208 continues to read as follows:

Authority: 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321-338a, 371d, 461, 481-486, 601, 611, 1814, 1816, 1818, 1823(j), 1828(o), 1831o, 1831p-1, 1831r-1, 1835a, 1882, 2901-2907, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 78b, 781(b), 781(g), 781(i), 78o-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128.

2. In appendix E to part 208, the appendix heading is revised to read as follows:

Appendix E to Part 208—Capital Adequacy Guidelines for State Member Banks; Market Risk Measure

3. In appendix E to part 208, section 2., paragraph (b)(2) is revised to read as follows:

* * * * *

Section 2. Definitions

* * * * *

(b) * * *

(2) *Specific risk* means changes in the market value of specific positions due to factors other than broad market movements and includes event and default risk as well as idiosyncratic variations.

* * * * *

4. In Appendix E to part 208, section 5., paragraphs (a), (b), and the

introductory text of paragraph (c) are revised to read as follows:

* * * * *

Section 5. Specific Risk

(a) Modeled specific risk. A bank may use its internal model to measure specific risk. If the bank has demonstrated to the Federal Reserve that its internal model measures the specific risk, including event and default risk as well as idiosyncratic variation, of covered debt and equity positions and includes the specific risk measures in the VAR-based capital charge in section 3(a)(2)(i) of this appendix, then the bank has no specific risk add-on for purposes of section 3(a)(2)(ii) of this appendix. The model should explain the historical price variation in the trading portfolio and capture concentration, both magnitude and changes in composition. The model should also be robust to an adverse environment and have been validated through backtesting which assesses whether specific risk is being accurately captured.

(b) Partially modeled specific risk. (1) A bank that incorporates specific risk in its internal model but fails to demonstrate to the Federal Reserve that its internal model adequately measures all aspects of specific risk for covered debt and equity positions, including event and default risk, as provided by section 5(a), of this appendix must calculate its specific risk add-on in accordance with one of the following methods:

(i) If the model is susceptible to valid separation of the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is equal to the previous day's specific risk portion.

(ii) If the model does not separate the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is the sum of the previous day's VAR measures for subportfolios of covered debt and equity positions that contain specific risk.

(2) If a bank models the specific risk of covered debt positions but not covered equity positions (or vice versa), then the bank may determine its specific risk charge for the included positions under section 5(a) or 5(b)(1) of this appendix, as appropriate. The specific risk charge for the positions not included equals the standard specific risk capital charge under paragraph (c) of this section.

(c) Specific risk not modeled. If a bank does not model specific risk in accordance with section 5(a) or 5(b) of this appendix, then the bank's specific risk capital charge shall equal the standard specific risk capital charge, calculated as follows:

* * * * *

PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)

1. The authority citation for part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(1), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

2. In appendix E to part 225, the appendix heading is revised to read as follows:

Appendix E to Part 225—Capital Adequacy Guidelines for Bank Holding Companies: Market Risk Measure

3. In appendix E to part 225, section 2., paragraph (b)(2) is revised to read as follows:

* * * * *

Section 2. Definitions

* * * * *

(b) * * *

(2) Specific risk means changes in the market value of specific positions due to factors other than broad market movements and includes event and default risk as well as idiosyncratic variations.

* * * * *

4. In appendix E to part 225, section 5., paragraphs (a), (b), and the introductory text of paragraph (c) are revised to read as follows:

* * * * *

Section 5. Specific Risk

(a) Modeled specific risk. A bank holding company may use its internal model to measure specific risk. If the organization has demonstrated to the Federal Reserve that its internal model measures the specific risk, including event and default risk as well as idiosyncratic variation, of covered debt and equity positions and includes the specific risk measures in the VAR-based capital charge in section 3(a)(2)(i) of this appendix, then the organization has no specific risk add-on for purposes of section 3(a)(2)(ii) of this appendix. The model should explain the historical price variation in the trading portfolio and capture concentration, both magnitude and changes in composition. The model should also be robust to an adverse environment and have been validated through backtesting which assesses whether specific risk is being accurately captured.

(b) Partially modeled specific risk. (1) A bank holding company that incorporates specific risk in its internal model but fails to demonstrate to the Federal Reserve that its internal model adequately measures all aspects of specific risk for covered debt and equity positions, including event and default risk, as provided by section 5(a) of this appendix, must calculate its specific risk add-on in accordance with one of the following methods:

(i) If the model is susceptible to valid separation of the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is equal to the previous day's specific risk portion.

(ii) If the model does not separate the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is the sum of the previous day's VAR measures for subportfolios of covered debt and equity positions that contain specific risk.

(2) If a bank holding company models the specific risk of covered debt positions but not

covered equity positions (or vice versa), then the bank holding company may determine its specific risk charge for the included positions under section 5(a) or 5(b)(1) of this appendix, as appropriate. The specific risk charge for the positions not included equals the standard specific risk capital charge under paragraph (c) of this section.

(c) Specific risk not modeled. If a bank holding company does not model specific risk in accordance with section 5(a) or 5(b) of this appendix, then the organization's specific risk capital charge shall equal the standard specific risk capital charge, calculated as follows:

* * * * *

By order of the Board of Governors of the Federal Reserve System, April 7, 1999.

Jennifer J. Johnson, Secretary of the Board.

Federal Deposit Insurance Corporation 12 CFR Chapter III

For the reasons set forth in the joint preamble, FDIC's portion of the joint interim final rule with request for comment amending 12 CFR part 325, published December 30, 1997, at 62 FR 66068 is adopted as final with the following changes:

PART 325—CAPITAL MAINTENANCE

1. The authority citation for part 325 continues to read as follows:

Authority: 12 U.S.C. 1815(a), 1815(b), 1816, 1818(a), 1818(b), 1818(c), 1818(t), 1819(Tenth), 1828(c), 1828(d), 1828(i), 1828(n), 1828(o), 1831o, 1835, 3907, 3909, 4808; Pub. L. 102-233, 105 Stat. 1761, 1789, 1790 (12 U.S.C. 1831n note); Pub. L. 102-242, 105 Stat. 2236, 2355, 2386 (12 U.S.C. 1828 note).

2. In appendix C to part 325, the appendix heading is revised to read as follows:

Appendix C to Part 325—Risk-Based Capital for State Non-Member Banks: Market Risk

3. In appendix C to part 325, section 2., paragraph (b)(2) is revised to read as follows:

* * * * *

Section 2. Definitions

* * * * *

(b) * * *

(2) Specific risk means changes in the market value of specific positions due to factors other than broad market movements and includes event and default risk as well as idiosyncratic variations.

* * * * *

4. In appendix C to part 325, section 5., paragraphs (a), (b), and (c) introductory text are revised to read as follows:

* * * * *

Section 5. Specific Risk

(a) *Modeled specific risk.* A bank may use its internal model to measure specific risk. If the bank has demonstrated to the FDIC that its internal model measures the specific risk, including event and default risk as well as idiosyncratic variation, of covered debt and equity positions and includes the specific risk measure in the VAR-based capital charge in section 3(a)(2)(i) of this appendix, then the bank has no specific risk add-on for purposes of section 3(a)(2)(ii) of this appendix. The model should explain the historical price variation in the trading portfolio and capture concentration, both magnitude and changes in composition. The model should also be robust to an adverse environment and have been validated through backtesting which assesses whether specific risk is being accurately captured.

(b) *Add-on charge for modeled specific risk.* A bank that incorporates specific risk in its internal model but fails to demonstrate to the FDIC that its internal model adequately measures all aspects of specific risk for covered debt and equity positions, including event and default risk, as provided by section 5(a) of this appendix, must calculate the bank's specific risk add-on for purposes of section 3(a)(2)(ii) of this appendix as follows:

(1) If the model is capable of valid separation of the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is equal to the previous day's specific risk portion.

(2) If the model does not separate the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is the sum of the previous day's VAR measures for subportfolios of covered debt and equity positions.

(c) *Add-on charge if specific risk is not modeled.* If a bank does not model specific risk in accordance with paragraph (a) or (b) of this section, the bank's specific risk add-on charge for purposes of section 3(a)(2)(ii) of this appendix equals the sum of the components for covered debt and equity positions. If a bank models, in accordance with paragraph (a) or (b) of this section, the specific risk of covered debt positions but not covered equity positions (or vice versa), then the bank's specific risk add-on charge for the positions not modeled is the component for covered debt or equity positions as appropriate:

* * * * *

Dated at Washington, D.C. this 23rd day of March, 1999.

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

Robert E. Feldman,

Executive Secretary.

[FR Doc. 99-9185 Filed 4-16-99; 8:45 am]

BILLING CODES 4810-33-P; 6210-01-P; 6714-01-P

DEPARTMENT OF TRANSPORTATION**Coast Guard****33 CFR part 187**

[CGD 98-050]

RIN 2115-AD35

Vessel Identification System; Effective Date Change

AGENCY: Coast Guard, DOT.

ACTION: Interim final rule; change in effective date.

SUMMARY: The Coast Guard extends the delay of the effective date of part of its regulations establishing the vessel identification system. Subpart D of these regulations addressing guidelines for State vessel titling systems was to become effective on April 24, 1999. The Coast Guard needs more time to study the costs and benefits of other possible regulatory alternatives. By extending the delay in the effective date until October 24, 1999, the Coast Guard will have more time to develop a supplemental notice of proposed rulemaking. The remainder of the regulation is unaffected by this notice.

EFFECTIVE DATES: Effective April 23, 1999, the effective date of subpart D of 33 CFR part 187 is delayed until October 24, 1999. All other provisions of the interim final rule that became effective on April 24, 1996, will remain in effect.

FOR FURTHER INFORMATION CONTACT: For questions regarding this change of effective date, call Ensign Brian Ly, Office of Information Resources, telephone 202-267-6989. This telephone is equipped to record messages on a 24-hour basis.

SUPPLEMENTARY INFORMATION:

Background

46 U.S.C. 12501 requires the Secretary of Transportation to establish a Vessel Identification System (VIS). On April 25, 1995 the Coast Guard published an interim final rule (60 FR 20310) which prescribed the manner and form for participating states to make information available for VIS, to establish vessel titling system guidelines, and to establish procedures for certifying compliance. The interim final rule was to go into full effect on April 24, 1996.

Reason for Delay

One subpart of the interim final rule prescribes the procedures for obtaining certification of compliance with guidelines for State vessel titling systems (33 CFR part 187, subpart D). The effective date of that subpart was

delayed through April 23, 1999 (63 FR 19657) to allow the States and the Coast Guard more time to review the complexities of State titling systems. Since publishing the interim final rule, the Coast Guard has determined that changes resulting from the comments received over the course of this project would be so substantive that moving to a final rule without allowing another opportunity to comment would not be in the best interest of the public. The Coast Guard is currently drafting a supplemental notice of proposed rulemaking (SNPRM) which will allow for further comment. However, this process will take time to adequately research the costs and benefits of the proposed regulatory changes. Therefore, the Coast Guard is delaying the effective date of subpart D until October 24, 1999, before which time we expect to publish a SNPRM. All other provisions of the interim final rule will remain in effect.

Accordingly, under the authority of 46 U.S.C. 2103 and 49 CFR 1.46, the effective date of 33 CFR part 187, subpart D, is changed to October 24, 1999.

Dated: April 13, 1999.

R. C. North,

Assistant Commander for Marine Safety and Environmental Protection.

[FR Doc. 99-9759 Filed 4-16-99; 8:45 am]

BILLING CODE 4910-15-M

POSTAL SERVICE**39 CFR Part 20****Priority Mail Global Guaranteed**

AGENCY: Postal Service.

ACTION: Interim rule with request for comment.

SUMMARY: The Postal Service, through an alliance with DHL Worldwide Express Inc., is offering an enhanced expedited service from selected locations in the United States to selected countries in Europe. This service will offer day-certain delivery with a postage refund guarantee for allowable contents.

DATES: Effective Date: April 19, 1999. Comments on the interim rule must be received on or before May 19, 1999.

ADDRESSES: Written comments should be mailed or delivered to the Manager, Pricing, Costing, and Classification, International Business Unit, U.S. Postal Service, 475 L'Enfant Plaza, SW, Room 370-IBU, Washington, DC 20260-6500. Copies of all written comments will be available for public inspection between 9 a.m. and 4 p.m., Monday through