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#### OCC Highlights Basel Credit Risk Guidance Papers

WASHINGTON--The Office of the Comptroller of the Currency (OCC) advised national banks today that the Basel Committee on Banking Supervision has issued four papers providing guidance on various aspects of credit risk in banking activities. The four papers include one final paper and three draft consultive papers. The three consultive papers invite all interested parties, including national banks, to comment to the Committee by November 30, 1999.

"Credit risk remains the most significant risk in banking worldwide," said Comptroller John D. Hawke, Jr. "The Basel Committee is taking an important step by issuing integrated guidance on credit risk management, disclosure, and accounting."

The three consultive papers include:

**Best Practices for Credit Risk Disclosure**--The paper identifies the types of credit risk information market participants and supervisors need in order to make a meaningful prudential assessment of a bank, and encourages banks in all countries to provide such information to the public. Disclosure recommendations are provided in five broad areas: accounting policies; credit risk management; credit exposures; credit risk quality; and earnings. The paper was prepared by the Basel Committee's Transparency Group, which is chaired by Susan Krause, OCC's Senior Deputy Comptroller for International Affairs.

**Principles for the Management of Credit Risk**--The paper encourages banking supervisors globally to promote sound practices for managing credit risks in all their activities. The paper contains 17 principles to promote strong practices.

**Supervisory Guidance for Managing Settlement Risk in Foreign Exchange Transactions**--The paper emphasizes that foreign exchange settlement risk should be managed through a formal process, with adequate senior management oversight.

The final paper, **Sound Practices for Loan Accounting and Disclosure**, addresses a range of issues facing banks and bank supervisors in the accounting for loans and loan losses. The paper is a revised version of a consultative paper issued in October 1998.

"In issuing these papers, the Basel Committee is emphasizing that the safety and soundness of banking systems depends not only on effective supervision, but also on good management practices and active market discipline," said Senior Deputy Comptroller Krause.

The Basel Committee is made up of representatives of central banks and supervisory authorities of the Group of Ten countries

and Luxembourg. The current chairman of the Basel Committee on Banking Supervision is William J. McDonough, President and Chief Executive Officer of the Federal Reserve Bank of New York.

The text of the four papers published today can be obtained from the Internet site of the Bank for International Settlements at [www.bis.org](http://www.bis.org).

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The OCC charters, regulates and examines approximately 2,400 national banks and 60 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.