

On January 20, 2004, Governor Olson and Ed Ettin, Division of Research & Statistics, met, at her request, with Karen Shaw Petrou, President of of FSM Analysis, to respond to her questions about Basel 11. These questions were:

1. When would the transcript of the Federal Advisory Committee December discussion of Basel issues be released?

The answer was that the preparation of the transcript was in process and the material should be released soon.

2. The second point was not a question, but rather an indication by Ms. Petrou that she, on behalf of her clients, would be sending the agencies a detailed letter proposing a pillar 2 treatment of capital for operational risk under Basel II, with full disclosure of the amount of such capital and how that amount was determined, by business line.

3. Ms Petrou asked about the Basel II schedule.

She was told that the Basel Committee is trying very hard to reach an agreed framework by June. Thereafter, the U.S. agencies would do a QIS 4 in the second half of 2004 and begin preliminary work on a Notice of Proposed Rulemaking (NPR). Both the comments on the NPR, which should be completed by late 2005, and the results of the QIS 4, could results in U.S. efforts to revise the agreed framework. A final rule would thus await developments.