Meeting Between Federal Reserve Board Staff
And Representatives of Barclays
August 9, 2011

Participants: Norah Barger, David Lynch, Connie Horsley, Anna Lee Hewko, Matt Kincaid, Steve Merriett, Juan Climent, Stephanie Pisto and Holly Kirkpatrick (Federal Reserve Board)

Thomas McGuire, Thomas O’Hara, Ahmet Yetis, Majorie Marker, Faizal Sayani and Allison Parent (Barclays)

Summary: Staff from the Federal Reserve Board met with representatives of Barclays to discuss the Basel III treatment of Other Comprehensive Income (OCI) in the computation of regulatory capital. The representatives from Barclays discussed some of the analysis they had done on some U.S. banking organizations, showing the potential impact on the capital volatility of these firms stemming from the Basel III treatment of OCI. In particular, the representatives from Barclays highlighted the importance of considering, as part of the analysis on this issue, how the available for sale (AFS) securities are funded and how the cash flow hedges associated with the funding of the AFS portfolio are treated for capital purposes. The representatives from Barclays also mentioned several strategies and alternatives that banks might consider using in order to minimize the impact of OCI on capital ratios while highlighting complexities and challenges associated with such strategies. There was also some discussion on the proposed changes by the Financial Accounting Standards Board and the International Accounting Standards Board on the accounting treatment of financial instruments, which could influence how banks manage assets under the Basel III requirements.