

AMENDMENT TO THE 1988 CAPITAL ACCORD
RECOGNITION OF COLLATERAL
(Effective 9 December 1994)

The following sections of the 1988 Capital Accord have been amended to broaden the recognition of collateral to include claims collateralised by securities issued by OECD non-central government public-sector entities (amendments noted in bold print).

Paragraph 39

The framework recognises the importance of collateral in reducing credit risk, but only to a limited extent. In view of the varying practices among banks in different countries for taking collateral and different experiences of the stability of physical or financial collateral values, it has not been found possible to develop a basis for recognising collateral generally in the weighting system. The more limited recognition of collateral will apply only to loans secured against cash, and against securities issued by OECD central governments, **OECD non-central government public-sector entities, or** specified multilateral development banks. These will attract the weight given to **cash or the securities used as collateral**. Loans partially collateralised by these assets will also attract the equivalent weights on that part of the loan which is fully collateralised.

Annex 2

0, 10, 20 or 50% (at national discretion)

- (a) Claims on domestic public-sector entities, excluding central government, and loans guaranteed by **or collateralised by securities issued by** such entities⁴

20%

- (d) Claims on non-domestic OECD public-sector entities, excluding central government, and loans guaranteed by **or collateralised by securities issued by** such entities⁴

⁴ Commercial loans partially guaranteed by these bodies will attract equivalent low weights on that part of the loan which is fully covered. Similarly, loans partially collateralised by cash, or by securities issued by OECD central governments, **OECD non-central government public-sector entities, or** multilateral development banks will attract low weights on that part of the loan which is fully covered.