I. Reference Guide Overview

The Basel II Securitization Framework reference guide has been developed to help individual Lines of Business understand and comply with Securitizations requirements. This 'living' document will be revised during subsequent project generations to incorporate all Basel II Securitizations requirements as defined by U.S. bank regulators.

Please use this guide as a reference to help:

- ✓ Determine if a transaction will be considered a Basel II Securitization Program
- ✓ Understand line of business responsibilities related to Basel II requirements
- ✓ Locate additional Securitization Basel II materials and assistance

Reference Guide Version 1.0 represents the Basel II Securitizations requirements as addressed in project Generation 1 scope only, and is *not* a comprehensive document of all Basel II securitizations requirements. Please also note that this document covers the corporate US Consolidated requirements for Securitizations, requirements specific to local international Basel II implementations are out of scope for this document.

II. What is Basel II?

When a bank fails, the consequences can spread far beyond the bank, affecting customers and institutions that have deposited funds or invested capital, creating ripple effects in the domestic and the international markets. Although the regulation of banks cannot prevent failures, the application of sound risk management standards with the maintenance of appropriate levels of capital can lower the probability of such occurrences.

Supervisors have long sought to ensure that banks maintain adequate capital to cover risk. In 1988, the Basel Committee*[1] on Banking Supervision agreed upon the 'International Convergence of Capital Measurement and Capital Standards', more commonly known as the Basel Capital Accord. Fully implemented in 1992, the Capital Accord introduced a basic risk sensitive capital adequacy regime which provided only one option for measuring the appropriate levels of capital for internationally active banks.

More than a decade later, the evolution of banking worldwide and the realization that the best way to measure, manage and mitigate risks differs from bank to bank, led the Basel Committee to initiate revisions to the 1988 Accord. First proposed in 1999 and released in 2004, the revised Capital Accord – Basel II – is a comprehensive agreement that establishes a spectrum of risk sensitive approaches for banks' calculations of minimum capital requirements, provides a supervisory review process for banks to maintain capital at levels commensurate with their risk profiles, and encourages market discipline by requiring the disclosure of pertinent information. The Accord exists to promote greater stability and consistency in the way banks manage risk and capital on an international basis.

III. Basel II at Bank of America

Bank of America Basel II Plus Initiative Overview

The Basel II Plus Initiative, along with the Market Risk Amendment, is a multi-year initiative to achieve compliance with new risk and capital regulatory requirements while improving the Company's overall risk management capability.

The primary objectives of the Basel II Accord are to:

- Align financial institutions' regulatory capital more closely to their underlying risks;
- Enhance existing risk-management processes;
- Improve standardization across international regulatory practices; and
- Provide more sound disclosure practices to increase transparency.

Bank of America's overall objectives under the Basel II Plus Initiative are to:

- Achieve successful and timely compliance with Basel II, and position the Company to take advantage of capital relief available under the Basel II rules;
- Significantly improve risk information, risk infrastructure, and risk management processes by:
  - driving improved data quality at system of origination;
  - replacing older credit risk technical platforms;
  - strengthening the alignment of financial and risk management information; and
  - addressing existing control and process deficiencies.

Plus Initiative is an enterprise-wide initiative affecting many aspects of the Company:

[1] The Basel Committee is composed of banking supervisory authorities from 13 countries, including all the member states of the 'Group of Ten' ('G-10') leading economies. This international committee generally meets at the Bank for International Settlements (BIS) in Basel, Switzerland.