



October 17, 2003

Jonathan G. Katz
Secretary,
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Dear Mr. Katz:

Re: File No.S7-15-03
Proposed Foreign Bank Exemption Rule

We would like to express our appreciation of the Commission's efforts to ensure that the foreign banks are given equal treatment under the Section 402 insider-lending rule, through the SEC's proposed foreign bank exemption and we appreciate the opportunity to comment.

We write to endorse the comments sent to you today from the Canadian Bankers Association ("CBA") and the law firm, Sullivan & Cromwell LLP. While we support the comments in their entirety, but specifically would like to address those comments relating to section 2 of the Proposed Rule, which reads:

"Proposed Rule 13K-1 would exempt from Section 13(k)(1) insider lending prohibition an issuer that is a foreign bank or the parent company of a foreign bank with respect to loans by the foreign bank to its insiders or the insiders of its parent company as long as:

. . . . 2. *the laws or regulations* of the foreign bank's home jurisdiction restrict the foreign bank from making loans to its executive officers and directors or those of its parent company unless the foreign bank extends the loan:

- (a) on substantially the same terms as those prevailing at the time for comparable transactions by the foreign bank with other persons who are not executive officers, directors or employees of the foreign bank of its parent company; or
- (b) pursuant to a benefit or compensation program that is widely available to the employees of the foreign bank or its parent company and does not give preference to any of the executive officers or directors of the foreign bank or its parent company over any other employees of the foreign bank or its parent company; or
- (c) following the express approval of the loan by the foreign bank's home jurisdiction supervisor;"

As indicated by the CBA and Sullivan & Cromwell, Canadian banks cannot meet this second condition without legislative change at the federal level. The Bank Act (Canada) contains robust

insider lending rules, but does provide that loans can be made to senior officers on terms and conditions more favourable than those offered by the bank to the general public upon prior approval by the Conduct Review Committee of the Board of Directors.

We endorse the recommendation that the Proposed Rule be revised to accommodate the governing insider lending rules in the foreign jurisdiction as they currently exist. Alternatively, we recommend that the Proposed Rule be revised to delete the requirement that the *laws and regulations* of the foreign jurisdiction limit loans in the manner specified and that the Proposed Rule set out that foreign banks who *infact* only permit extensions of credit in the manner specified would be entitled to be exempt from Section 13(k)(1).

As indicated by the CBA and Sullivan & Cromwell, this revision would address fully the Commission's stated intent in proposing Proposed Rule 13K - 1 because it would continue to require the non-U.S. banks to adhere to the main insider lending restrictions the Commission has identified as significant.

We appreciate the opportunity to comment on the Proposed Rule,

Yours truly,

A handwritten signature in cursive script, appearing to read "B. J. Adams".