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Mellon

Mellon Financial Corporation

Michael E. Bleier
General Counsel

September 12, 2003

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
Attention Docket No. 2003-20

Communications Division
Public Information Room, Mailstop
Office of the Comptroller of the Currency
250 E Street, S.W.
Washington, D.C. 20219
Attention: Docket No. 03-10

Ms. Jennifer J. Johnson
Secretary
1-5
Board of Governors of the
Federal Reserve System
20th Street and Constitution Ave., N.W.
Washington, D.C. 20551
Docket No. R-1151

Robert E. Feldman
Executive Secretary
Attention: Comments/ OES
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Economic Growth and Regulatory Paperwork Reduction Act of 1996

Ladies and Gentlemen:

Mellon Financial Corporation, a financial holding company headquartered in Pittsburgh, Pennsylvania appreciates the opportunity to comment to the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (collectively, "the Agencies") on section 2222 of the Economic Growth and Regulatory Paperwork Reduction Act of 1996.

The following comments seek to achieve a reduction of regulatory, and in some cases statutory, burden while maintaining the safety and soundness of insured depositories.

APPLICATIONS AND REPORTING

Regulatory Applications. Filing procedures for bank holding companies (BHCs) that are well-managed, well-capitalized, and meet Community Reinvestment Act (CRA) requirements should be the same as filing procedures for financial holding companies (FHCs). BHCs that are well capitalized, well managed and have a satisfactory CRA record can, if they wish, become a FHC and engage in a broader range of activities (e.g., securities and insurance underwriting). If a BHC meets these requirements, but nevertheless chooses not to become a FHC and therefore does not engage in expanded

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activities, there is no reason why that BHC should not be permitted to rely on the more streamlined filing procedures available to the similarly safe and sound FHC.

Mergers Among Banks and Affiliates. Streamlined Bank Merger Act filing procedures and time frames should apply to transactions between a bank that qualifies for such processing and timing and its affiliates. Such transactions, involving a safe and sound bank and an affiliated entity, pose little risk when compared to the potential risk that may be present with unaffiliated combinations.

Asset and Deposit Transfers. The Agencies should clarify the meaning of the term "substantially all" in the Bank Merger Act provision regarding bulk asset transfers so that it excludes asset transfers that do not materially impact the depository institutions involved in the transfer. In addition, the Agencies should establish by regulation, or recommend that Congress establish, a de minimis Bank Merger Act exception for the transfer of deposit liabilities among affiliates. Finally, the post-approval waiting period should be waived for Bank Merger Act transactions among affiliates.

Publication Requirements. The Agencies should adopt consistent publication requirements. For example, timing requirements for public notices should be uniform for similar types of applications.

POWERS AND ACTIVITIES

Savings Account Withdrawal Limits. Such limits, designed to address difficulties experienced during the Great Depression, are of limited utility today, and in fact are inconsistent with developments in the banking marketplace. The six-transfer per month limit impinges on the operation of such popular developments as ACH transfers and online banking. Elimination of such limits, or at least increasing them, will better accommodate the needs of the consumer, reflect the realities of the retail consumer marketplace, and enhance the development of new technologies and their benefits.

Regulation of Subsidiaries. Examination of, and regulatory enforcement for, subsidiary institutions should reflect the circumstances of the overall institution. Relatively insignificant, recently acquired banking subsidiaries of a much larger corporation should not be held to the underwriting standards, reserve requirements, or portolio reporting standards of the parent. Application of such parent-level standards and requirements adds cost to the organization and increases the cost of operating those smaller affiliates. By virtue of being affiliated with a much larger company with more extensive financial resources, the small institution's safety and soundness issues have actually been reduced. If a regulatory agency, in granting approval of the acquisition, concluded that the smaller institution's controls and processes were satisfactory before it was acquired, it logically follows that those controls and processes are adequate post-acquisition – particularly when the acquired institution is part of a much larger and sounder organization.

Financial Subsidiaries. Several statutory limits, and corresponding regulatory limits, on financial subsidiaries are of questionable utility, specifically: (i) the requirement that each of the 100 largest U.S. banks must maintain a top-three debt rating in order to hold a financial subsidiary; (ii) a prohibition on insurance underwriting and real estate development activities in a financial subsidiary (while permissible for subsidiaries of a financial holding company); and (iii) requirements that financial subsidiaries not be treated as ordinary subsidiaries for capital and 23A/23B purposes. The need for FDIC review of subsidiary activities that are not permissible for national banks is also unclear. While it is important to maintain regulatory control over financial subsidiaries, these rules must not prohibit them from providing products to consumers and must not create a competitive imbalance between large and small financial institutions. The Agencies should include these concerns in its EGRPRA report to the Congress.

The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. This Act, which authorized interstate branching and mergers, did not authorize the merger of insured and uninsured banks, such as a limited purpose trust company that has a bank charter, but is limited to trust activities. The absence of express authority for such mergers forces banks to use intricate transactions, typically involving significant paper work, fees, and resources, such as setting up interim banks in the acquired firm's state. This portion of the Act is inconsistent with current merger activity. We recommend that the Agencies suggest to Congress appropriate revisions to this statute to cure these oversights.

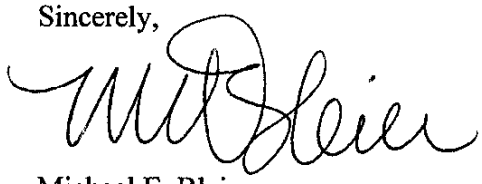
INTERNATIONAL OPERATIONS

Direct Bank Investments Under Regulation K. There is little, if any, justification for limiting direct investment in subsidiaries by member banks and thus compelling the use of an investment vehicle, such as an Investment Edge. Accordingly, we recommend amending 12 C.F.R. 211.8(b) to explicitly permit member banks to invest directly in all permitted entities as detailed in Section 211.10 of Regulation K.

Application Procedures. U.S.-chartered banks that are well-managed, well-capitalized, maintain at least a satisfactory CRA rating, and have experience operating overseas, such as through one or two branches or subsidiaries, should be allowed to branch overseas using the procedures available to them for domestic branching. Such a highly rated institution has demonstrated its safe and sound operation, both domestically and offshore, as well as its commitment to CRA; as such, there will be no material additional risk in the expansion of such institutions' offshore branches pursuant to the more efficient approval process for its domestic branches.

We thank you for the opportunity to submit comments on these topics. If you have any questions about this letter, please do not hesitate to contact me at 412-234-1537.

Sincerely,



Michael E. Bleier

cc: George Orsino
Frank Riccardi