

# A. M. BEST COMPANY

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John E. Bowman  
Chief Counsel  
Regulation Comments, Chief Counsel's Office  
Office of Thrift Supervision  
1700 G. Street NW  
Washington, DC 20552

Re: Public Comment, OTS-2007-0023

Dear Mr. Bowman:

A.M. Best appreciates the opportunity to respond to the Office of Thrift Supervision's request for information regarding its plans to develop a proposal to require thrift organizations to file Call Reports. As an interactive rating agency reviewing financial data provided by a wide variety of banking organizations, A. M. Best is very interested in this upcoming proposal.

In its notice, OTS has described in general 1) the data collected on the TFR and the Call Report, 2) the data collection methods, and 3) the analytical tools produced from the data. We at A. M. Best would like to direct our comments to the analytical tools and the data collected, with a focus, as OTS has requested, on information we would like OTS to provide as part of its upcoming proposal.

## Analytical Tools

### 1. *Data Access and Regulation CFR 12.5*

A. M. Best is interested in the comparability and availability of analytical tools produced by regulatory financial filings such as the Call and TFR reports. Prior to signing confidentiality agreements with banking organizations, the publicly-available data that we purchase to generate ratios for our analysis is very helpful. Subsequent to signing a confidentiality agreement with a thrift, we also hope to have full access to regulatory report data just such as our staff already has access to commercial bank data, and to be able to publish that data, with the institution's permission, in a report.

Therefore, we request that as part of its proposal, OTS provide information regarding reconsideration of regulation CFR 12.5, regarding a) the confidentiality of OTS thrift data and b) if confidential, thrifts' ability to provide confidential OTS data to IOSCO member rating agencies that have signed confidentiality agreements with thrift organizations. We would advocate strongly for either public availability of this



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information or of it being accessible to IOSCO rating agencies having confidentiality agreements.

The reasons for this include the following:

- Over recent decades, commercial bank regulatory filings have become increasingly available to the public; not doing so with thrift regulatory filings is not consistent with the commercial banking industry;
- Regulatory changes have resulted in convergence of activities of financial institutions, arguing for a corresponding convergence in analytical information
- Due to technology developments as well as these other factors, both the ease of filing accurate financial statements and general access to financial data on financial institutions has improved
- Recent transitions to market-based valuations, especially within GAAP accounting standards, is increasing the need for market information.
- Comparisons of financial institutions are being conducted through public data rating firms
- Large thrift organizations that also are SEC filers have disproportionately more information in the public domain than smaller thrifts. In addition, large thrift organizations prepare their own interest rate risk analysis and holding company financial statements, while smaller thrifts relying on the CMR may not have prepared internal interest rate risk analysis. If smaller thrifts are not permitted to disclose interest rate risk analysis, for example, despite the signing of a confidentiality agreement, they are less able to obtain an interactive rating from a rating agency than a large thrift organization.
- Limits to the availability of OTS data, including purchased data, make it more difficult to conduct analysis on the thrift industry relative to the commercial banking industry, whose data is widely available.
- Overall, movements toward greater market transparency are supported by economists and others as being in the best interests of the economy and the public good. Market transparency is needed, for example, for the market to estimate the risks of uninsured deposits or to value subordinated debt issued by banking organizations.

## 2. *Comparability of Analytical Tools*

As part of this proposal to request information, the OTS has identified areas in which data might be comparable between thrifts and banking organizations were thrifts to begin filing the Call Reports. A. M. Best requests that information also be provided on the comparability of analytical tools were the upcoming OTS proposal to be implemented.

## 3. *Format and structure of Analytical Tools*

Currently, the UBPRs generated from Call Report Filers are set up according to a certain format and structure. For example, Call Report Filers are divided into peer groups according to asset size, number of offices, etc.; A.M. Best requests OTS to provide

information regarding the placement of thrifts within the Uniform Performance Reports, and the number and asset ranges of thrift peer groups and possibility of generating Uniform Performance Reports either combining or separating banks and thrifts of similar asset size etc. In general, A. M. Best would advocate for greater flexibility and choice being provided to users generating reports via these analytical tools.

#### *4. User's Guide for Performance Reports*

A. M. Best is interested in any appropriate updates that might be made to Performance Report User's Guide. We suggest that any updates include references to the specific line items on the CMR, Call Reports, or other schedules so that our technical staff would be able to trace back the exact construction of the ratio to the source data.

#### *5. Consolidated and PCO Analytical Tools generated by including holding company data*

At this time, BHCPRs on consolidated banking organizations are available for bank holding companies. A. M. Best requests OTS to provide information in its upcoming proposal regarding the possible development of Thrift Holding Company Performance Reports to permit ratio analysis of consolidated thrift organizations.

#### *6. Publication of data*

A. M. Best publishes rating reports on individual banking organizations, and requests OTS to provide information regarding publication of thrift organization data. Being able to publish financial information in a report, with permission of the client, is essential, so that the analysis behind a rating can be supported.

Central bankers and economists have long noted the importance of rating agencies in the functioning of a free market economy. This function is at least as important with smaller organizations as larger, since markets have mechanisms, such as public SEC filings, for disseminating and evaluating information pertaining to larger organizations. For IOSCO rating agencies to best perform the market services they provide, not only information access but the ability to publish a rating without unduly limiting small thrifts (as opposed to commercial banks or larger thrifts) is necessary to avoid inadvertently precluding small thrifts from receiving an interactive rating.

#### Data Collected

OTS has indicated in its request for information a number of areas of data collection that potentially may be harmonized between the TFR and the Call Report, or which might be provided by former TFR filers if conversion to Call Report filing is implemented.

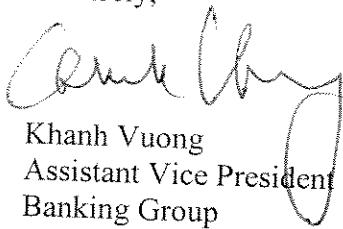
A. M. Best staff is particularly interested in data collection of items that may be used to evaluation the business model, financial condition, and likelihood of default of financial organizations. We also would like to see increased comparability of data when

operations are similar, while maintaining differences when differences in business models and attendant risks warrant differences. Were the OTS to provide information on data items to be collected, including similarities and differences between thrift and commercial bank data, it would help A. M. Best staff to evaluate the upcoming proposal.

It would also be of interest to us whether the differences in data collection would be based solely on charter type rather than the nature of a depository's institution's operations. For example, if two banking organizations were engaged in similar activities, it would make sense, from our point of view, to have similar data reporting requirements; and for reporting similarities to be based on engaging in similar activities rather than being based on whether organizations have the same charter type. Any information OTS would provide regarding the basis for having similarities and differences in data collection would help us to comment on the proposal.

In A. M. Best's view, the upcoming proposal is timely given changes in technology, in accounting standards nationally and internationally, and given convergence in the operations of financial organizations. A. M. Best appreciates your consideration of our request for information pertaining to this upcoming proposal, and we look forward to commenting on it.

Sincerely,



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