

THE FINANCIAL SERVICES ROUNDTABLE



1001 PENNSYLVANIA AVE., NW
SUITE 500 SOUTH
WASHINGTON, DC 20004
TEL 202-289-4322
FAX 202-628-2507

E-Mail rich@fsround.org
www.fsround.org

RICHARD M. WHITING
EXECUTIVE DIRECTOR
AND GENERAL COUNSEL

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August 14, 2006

The Honorable Ben S. Bernanke
Chairman
Federal Reserve Board of Governors
20th and C Streets, NW
Washington, DC 20551

The Honorable John C. Dugan
Comptroller of the Currency
250 E Street, SW
Washington, DC 22019

The Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable John M. Reich
Director
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Dear Chairman Bernanke, Comptroller Dugan, Chairman Bair, and Director Reich:

The development and implementation of a risk based capital framework for U.S. depository institutions is extremely important, both for purposes of safety and soundness and to ensure that the capital resources of our financial institutions are optimized for the benefit of our nation's economy. The Roundtable supports the development of a modern risk sensitive capital system, as developed by the world's leading economic countries represented on the Basel Committee on Banking Supervision.

Regulators in Europe and elsewhere have agreed upon a framework by which to implement the international Accord. We are concerned that the implementation of the Basel framework in the U.S. may deviate significantly from the international framework. The deviation reflected in the draft rule will result in a less risk-sensitive framework and will not reflect the capital modeling actually used by many of our more sophisticated institutions. Further, it would create competitive disparities with foreign competitors

that would disadvantage U.S.-based financial organizations. For foreign banks with a U.S. presence, it creates home/host compliance problems.

In light of these concerns, we respectfully urge you to re-align the notice of proposed rulemaking ("NPR") with the Basel II Accord as the process moves forward. This would more closely align the framework with actual market and business risks. We urge the prompt conclusion of the rule making process.

We also strongly recommend that you give all banking organizations a choice of compliance methodologies, which could include the standardized approach, as set forth in the November 2005 revisions to the Accord.

The proposed changes we advocate on behalf of Roundtable member companies would harmonize the NPR with international standards, and permit U.S. regulators to move to greater mutual acceptance of capital standards with international regulators.

Sincerely

Richard M. Whiting

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Executive Director and General Counsel