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3

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August 3, 2006

The Honorable Ben S. Bernanke
Chairman
Federal Reserve Board of Governors
Eccles Board Building
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 St., NW
Washington, DC 20429

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

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

The American Bankers Association (ABA)¹ appreciates the efforts of the Agencies to adopt a capital framework that better matches capital to the risks in a given bank. The ABA supports these efforts and remains committed to working with the Agencies in the development of such a framework.

Towards that end, the ABA respectfully requests that the Agencies include the standardized approach as outlined by the Basel Committee as an option in the forthcoming Notice of Proposed Rulemaking (NPR) implementing Basel II. Since the release of the draft NPR by the Federal Reserve Board in March 2006, several of the banks that will be required to comply with the advanced internal ratings-based (advanced IRB) approach have expressed concerns about the course of capital adequacy reform being pursued by the Agencies. Many of these banks view Basel II as evolving into a compliance exercise that may yield little, if any, opportunity for banks to realize the benefits from a more risk-efficient employment of capital.

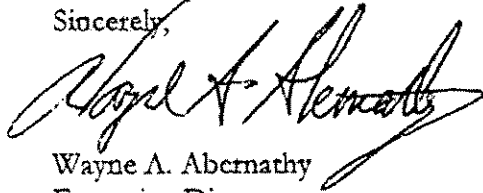
We propose for your consideration that the concerns about the advanced IRB approach could be addressed effectively through alternatives, including the standardized approach. We believe the Basel II NPR provides an excellent opportunity to explore the merits of the standardized approach, and thus we support

¹ The ABA, on behalf of the more than two million men and women who work in the nation's banks, brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership--which includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks--makes ABA the largest banking trade association in the country.

recent requests from banks asking that the agencies permit U.S. banking organizations of all sizes the option of adopting alternative methodologies.

We appreciate your consideration of our views.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne A. Abernathy". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Wayne A. Abernathy
Executive Director
Financial Institutions Policy
And Regulatory Affairs