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BANKING DEPARTMENT  
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DIANA L. TAYLOR  
Superintendent of Banks

The Honorable Ben S. Bernanke  
Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

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

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

The Honorable John C. Dugan  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

July 13, 2006

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

As the federal agencies work toward completion of the Basel II Notice of Proposed Rulemaking, we think it is important that public discussion of the proposed changes in capital requirements address questions raised about the U.S. implementation of Basel II. We have heard that some banks have expressed interest in having the same choice of approach under Basel II as do banks in other countries. We respectfully request that the question of whether U.S. banks would be allowed to follow the Standardized and Foundation approaches to calculating capital requirements for credit risk and the Basic Indicator and Standardized approaches for operational risk be included in the Basel II NPR among the items the agencies are requesting comment on.

Several years have passed since the agencies' decision to adopt a bifurcated approach and restrict Basel II in the U.S. to banks following the Advanced approaches was proposed in the Basel II ANPR. There has been continuing discussion since that time of the impact of the Advanced approaches in the U.S., including a potential drop in required capital and the difficulties faced by industry members and supervisors if banks are operating under different regimes in different countries. Since then an ANPR on revisions to domestic capital requirements has also been released, to address competitive concerns of banks not following the Advanced approaches. We feel that soliciting comments now on the use of all the Basel II approaches in the U.S. will foster discussion that can lead to the best outcome for U.S. banks, consumers, and supervisors.

Very truly yours,

Diana L. Taylor  
Superintendent of Banks