THE FINANCIAL SERVICES ROUNDTABLE
*Impacting Policy. Impacting People.*

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

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

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Office of the Comptroller of the Currency
250 E Street, SW., Mail Stop 1-5, Washington, DC 20219
Docket Number 06-15
Docket Number 06-09
regs.comments@occ.treas.gov

Jennifer J. Johnson,
Board of Governors
Federal Reserve Sy
20th Street and Cor
Washington, DC 20551
Docket Number No. R-1238
Docket Number No. R-1261
regs.comments@federalreserve.gov

Robert E. Feldman
Executive Secretary
Attn: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
RIN 3064-AC96
RIN 3064-AC73
comments@FDIC.gov

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Docket Number 2006-49
Docket Number 2006-33
regs.comments@ots.treas.gov

Dear Sir or Madam:

The Financial Services Roundtable appreciates the ongoing efforts of the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporate, and the Office of Thrift Supervision (collectively, "the Agencies") to develop U.S. rules implementing the "International Convergence of Capital Measurement and Capital Standards: A Revised Framework," as agreed to at the Basel Committee on Banking Supervision ("Basel II").

Earlier this year, the Roundtable filed comments on the Notice of Proposed Rulemaking (NPR) issued by the Agencies in connection to Basel II. With this letter, we are seeking to supplement our comments with additional suggestions related to the provisions of the NPR related to integration of acquired institutions into a bank's Basel II advanced approaches.

For acquisitions of non-core or non-opt-in banks, the NPR permits:

"… a core or opt-in bank to use the general risk-based capital rules to compute the risk-weighted assets and associated capital for the merger or acquired company's exposures for up to 24 months following the calendar quarter during which a merger or acquisition consummates."

Further, for acquisitions of core or opt-in banks, the NPR permits:

"… a core or opt-in that merges with or acquires another core or opt-in bank to use the acquired bank's advanced approaches to determine the risk-weighted amounts for, and deductions from capital associated with, the acquired bank's exposures for up to 24 months following the calendar year during which the merger or acquisition consummates."

In both cases, a bank's primary Federal supervisor may extend the transition period for mergers or acquisitions for up to an additional 12 months.

We believe the transition periods for integration into a bank's advanced approaches provided under the NPR are reasonable.

We note today, however, that the NPR is silent on the treatment of mergers and acquisitions that occur shortly before either the issuance of a final rule or the ultimate effective date of the U.S. implementation of Basel II, and are writing today to seek further clarification on that issue.

In addition, in our original comment letter, we urged the adoption of "more flexible, phased approach to qualification for the advanced approaches," as permitted under the global Basel II agreement.

We suggest the Agencies adopt an approach that allows a phased approach to the integration of institutions acquired by a core or opt-in bank prior to the effective date of the U.S. Basel II rules. The integration rules, as expressed in the NPR, could be reasonably applied to transactions closing in advance of the effective date. For example, a bank closing an acquisition six months prior to the Basel II effective date would be expected to complete the integration to the acquiring bank's advanced approaches by 24 months from the date of close --- in effect, 18 months from the Basel II effective date.

We believe such an approach will create a reasonable and equitable transition for core and opt-in banks seeking to meet the parallel-run and other milestones expected to be required by the Agencies final Basel II rule.

Once again, we appreciate the opportunity to comment on this important rulemaking and urge the Agencies to consider clarifying issues surrounding merger and acquisition activity of banks in the final rule.

Sincerely,

Richard M. Whiting

Richard M. Whiting
Executive Director and General Counsel