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July 13, 2006

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

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

We are aware that some financial institutions have urged your agencies to include the Standardized Approach to Basel II in the United States. This approach may offer a prudent choice to a variety of institutions. We believe this is an option worthy of discussion in the context of finalizing a rule on the implementation of Basel II.

We have expressed our concerns about Basel II, but recognize the need for enhanced risk sensitivity for complex and internationally active institutions. We largely supported the agencies' ANPR for modifying the domestic capital rules, commonly referred to as Basel IA. State regulators believe that a Basel IA type rule represents an important choice for banks not following Basel II's Advanced approaches. We strongly believe the current rules should remain available to the many banks not requiring the sophisticated risk management tools or the enhanced risk sensitivity of Basel II or Basel IA.

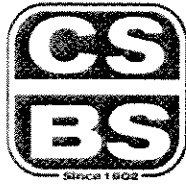
Since the decision was made to only pursue the Advanced Approach, the industry and regulators have learned a great deal about the Basel II proposal, its potential impact upon our financial system, and issues that could arise between home and host countries. As the agencies move ever closer to a final rule, we believe it is appropriate for a dialogue on the desirability of the Standardized Approach to Basel II in the United States.

Best regards,

Neil Milner  
President & CEO

**CONFERENCE OF STATE BANK SUPERVISORS**

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August 25, 2006

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

Dear Mr. Reich:

On July 13, 2006, we sent a letter to the federal banking agencies requesting public comment on the Standardized Approach to Basel II. Since that time, we have had detailed discussions with the FDIC and the Federal Reserve regarding our request and overall concerns with Basel II. Based on these discussions, we are interested in working with the federal agencies on three key issues.

**I. Role for State Authority in Qualification Decisions**

The draft Basel II NPR leaves all key implementation and qualification decisions to the “primary federal regulator.” We see no reference in this process to the chartering authority or the insurer. We would like specific assurance of the needs and interest of the chartering authority. We recognize that this is largely an issue between the States, Federal Reserve, and FDIC.

**II. Access to Confidential Reporting Data after Basel II is Implemented**

We are concerned with access to confidential reporting data after Basel II is implemented. We believe it will be very important for supervisors to have a broad view of Basel II implementation beyond their own regulated institution. We are aware of situations where your agency and the Office of the Comptroller of the Currency had access to state bank data, while state regulators had access limited to only their institutions. We are interested in working with you and the other federal agencies to seek a prudent solution which meets the **supervisory needs** of each regulator and serves the best interest of the banking system.

**III. Access to Drafts of other Capital Related NPR's.**

State regulator access to information during the Basel II and Basel 1A rule-writing process has been blocked. Capital is a fundamental banking issue and state regulators have not been a party to the drafting of the releases nor have we been consulted on the major provisions outside of the normal public comment period. As the chartering authority for 70% of the insured depositories, we are concerned with our lack of access to information on an issue which directly affects our supervised institutions.

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As the federal agencies pursue final agreement on the Basel II proposed rule, we firmly believe that the legitimate supervisory needs of state regulators need to be addressed. As you know, we have been asked to testify at the upcoming hearing before the House Committee on Financial Services' Subcommittee on Financial Institutions & Consumer Credit. Steve Antonakes, the Massachusetts Commissioner of Banks, will be testifying on behalf of state bank regulators. We are very interested in addressing these issues prior to this hearing.

Best regards,

A handwritten signature in black ink that reads "Neil Milner". The signature is written in a cursive, slightly slanted style.

Neil Milner  
President & CEO

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