Deutsche Bank

April 11, 2005

By E-mail to regs.comments@federalreserve.gov

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551

Re: Docket No. OP-1218 – Shared National Credit ("SNC") Data Collection Modernization

Ladies and Gentlemen:

Deutsche Bank AG, Frankfurt, Germany ("Deutsche Bank"), appreciates this opportunity to comment on the Proposal (the "Proposal") to change the process by which examination data is collected in support of the Shared National Credit Program (the "Program") of the Board of Governors of the Federal Reserve System (the "Board"), the Office of the Comptroller of the Currency ("OCC"), the Federal Deposit Insurance Corporation ("FDIC"); and the Office of Thrift Supervision ("OTS") (together, the "Agencies"). The Proposal was set forth in the Agencies' request for comment published on December 20, 2004.[1]

Deutsche Bank generally endorses the comments to the Proposal submitted by The Clearing House Association L.L.C. ("The Clearing House"). Like The Clearing House, Deutsche Bank appreciates the Agencies' objective to improve administration of the Program by standardizing the SNC data collection system and expanding the data to be collected from banks that agent a large volume of SNCs. However, we agree with The Clearing House that the Proposal raises the following significant issues that should be addressed before the revised procedures are finalized:

1. The implementation schedule anticipated in the Proposal is unrealistic.

    a. Banks' information technology resources are stretched by the efforts to comply with escalating anti-money laundering requirements and to prepare for implementation of Basel II;

[1] 69 Fed. Reg. 76,034 (December 20, 2004).

b. Banks generally do not currently track much of the information that would be required on automated systems (e.g., information on guarantors and on the resolution of nonperforming SNC loans) in a manner that would conform to the proposed reporting requirements; thus, new internal reporting procedures and systems would have to be developed for a bank to be in position to provide this data as set forth in the Proposal;

c. The Proposal appears to underestimate the amount of time that would be needed to develop a method for assigning unique facility and borrower identification numbers. For example, it took several years for Standard and Poors to launch its CUSIP service that is now in place for traded loans. If the Agencies proceed to develop a system of assigning unique identification numbers, Deutsche Bank believes that the most efficient way of distributing and maintaining such identifiers would be via a Web-based generation application with a secure database;

d. The Proposal does not account for the fact that an "Expanded Reporter" (defined in the Proposal as a specified class of banks that would be required to provide SNC data in standardized form) that is merely a participant, and not an agent, on a facility may not have current information about the facility to enable it to provide data as anticipated by the Proposal; and

e. Quarterly reporting would require significant additional manual data collection until automated systems are created for the collection and reporting data as anticipated by the Proposal.

2. The reporting requirements anticipated in the Proposal are unnecessarily broad. Specifically:

   a. the data collection requirements should not apply to assets held in a trading book due to their transitory nature, and should apply in a more limited fashion to loans on which the reporter is not the agent; and

   b. information regarding credit derivatives should not be reported because it is extremely proprietary and should not be part of the SNC data.

3. The concept in the Proposal of sharing with reporting banks the results of the Agencies' analyses of the collected SNC data, while admirable in its intent to provide the reporting banks with some benefit in return for the added data collection and reporting burden imposed by the new process, poses serious issues regarding potential anti-competitive effects and maintenance of confidentiality of private client data and sensitive proprietary bank data.

a. Sharing of information regarding banks' estimates of probability of default, loss given default, expected loss, and exposure at default, even on an aggregated basis, would likely lead to an undesirable harmonization by banks of these estimates, which, in turn, would lead to uniformity of pricing that would be anti-competitive and unfair to borrowers. This risk of anti-competitive pricing is particularly acute in the case of loans traded on the secondary market.

b. Great care would have to be taken when sharing benchmark data provided by a small number of Expanded Reporters to ensure that the confidentiality of the data submitted is maintained.

c. If the Agencies require reporting regarding credit derivatives, this information should not be shared in any manner.

Accordingly, Deutsche Bank endorses the recommendations of The Clearing House, particularly the following:

- Delay implementation of enhanced reporting of any type by one year, until 2008.

- Consider a gradual phase-in of quarterly reporting by Enhanced Reporters, and all reporting by banks that are only participants in a facility.

- Take all necessary steps to mask the identity of specific Enhanced Reporters (e.g., by limiting the sharing of benchmark data only to those credits for which at least six or more Expanded Reporters have submitted data).

- Credit quality composite data should be used initially only as an Agency examination resource, and the Agencies should move slowly and with careful consultation with loan market participants before making benchmark data available (even to Expanded Reporters) so that its impact on market pricing and participant behavior can be carefully assessed.

- Provide a single, nationwide electronic resource that will permit organizations to determine credit identification data, as well as the continued SNC status of individual credits.

- The Program should not require banks, particularly participating banks, to investigate which credits meet reporting standards as of any specific report date, but instead allow for submission of data without investigation, leaving the Agencies or their vendor to determine whether a specific report is still mandated.

- Exempt assets held in a trading book from reporting, as they are transitory holdings that don't carry risk weightings.

- To the extent possible, employ existing industry standard identifiers (e.g., CUSIP or LPC numbers) for credit designations and provide a web-based interface for obtaining regulatory identifiers.

- Remove or revise data fields requiring designation of "extension" or "renewal" dates, as these concepts are not necessarily recorded in a consistent manner across all reporting institutions.

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Deutsche Bank again expresses its appreciation for the opportunity to comment on the proposed changes to the SNC data reporting process. Please contact the undersigned if it would be helpful for Deutsche Bank to provide additional information regarding any of the matters discussed in this letter.

Sincerely,

Michael L. Kadish
Director and Senior Counsel

cc: Robert Khuzami, Esq.
Donna Milrod