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Ladies and Gentlemen:

With respect to section 106 of the Bank Holding Company Act Amendments of 1970 ("section 106") and the Board's proposed interpretation and supervisory guidance regarding section 106, and in connection with the consideration by Federal Reserve staff and the Board of a "large customer" safe-harbor exemption from the coverage of section 106, attached is a Bank of Canada Working Paper (June 2003) which discusses in detail the syndicated loan market in the United States.

This Working Paper evidences the intensely competitive nature of the U.S. syndicated loan market -- "a hybrid of the investment banking and commercial banking worlds" (quoting page v) -- in which "[l]ead banks compete vigorously to win the 'mandate' to form and manage syndicates on behalf of the borrower" (quoting page 4). In this "market-driven" syndicated loan market (quoting page 1), which "is globally one of the largest and most flexible sources of capital" (quoting *id.* ), "[t]here may be competing bids from several lead banks that submit their proposed terms, including borrowing rate, fees, underwriting method..., size, timing, and key loan covenants. The borrower will normally nominate the lead bank that proposes a loan package closest to its own requirements." (Quoting page 7.) The Working Paper finds that "in general there has been an inexorable trend towards an efficient market" in the syndicated loan market (quoting page 26), which is reflected in "[c]ompetitive pricing with comparative pricing information available" (quoting *id.* ).

This Bank of Canada Working Paper is supportive of a section 106 "large customer" safe-harbor exemption.

Best regards.

John

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