AMERICAN BANKERS ASSOCIATION

1120 Connecticut Avenue, NW
Washington, DC 20036

1-800-BANKERS
www.aba.com

World-Class Solutions, Leadership & Advocacy Since 1875

Mark Tenhundfeld
Director
Office of Regulatory Policy
Phone: 202-663-5042
Fax: 202-828-4548
mtenhund@aba.com

November 1, 2006

Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th and Constitution Ave., NW
Washington, DC 20551

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429-9990

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Public Information Room
Office of the Comptroller of the Currency
Independence Square
250 E Street, SW
Washington, DC 20219

Re: Extension of Comment Period for the Risk-Based Capital Standards: Advanced Capital Adequacy Framework Proposed Rule

Dear Ladies and Gentlemen:

I am writing on behalf of the American Bankers Association to request that the Comptroller of the Currency ("OCC"), the Board of Governors of the Federal Reserve System ("Board"), the Federal Deposit Insurance Corporation ("FDIC"), and the Office of Thrift Supervision ("OTS") (collectively, the "Agencies") extend the deadline for submitting comments on the Proposed Risk-Based Capital Standards: Advanced Capital Adequacy Framework (the "Basel II NPR").

The Basel II NPR was published in the Federal Register on September 25, 2006, and the current comment period ends January 23, 2007. While the Basel II NPR applies directly to a comparatively small number of large, internationally active depository institutions, the Agencies also are preparing another proposed rule – often referred to as "Basel IA" – that will apply directly to a larger number of institutions and, hopefully, will include a detailed discussion of the possible use of the "standardized approach" by any institution wishing to apply that approach. In addition, the Agencies are reported to be actively considering allowing certain depository institutions the option of complying with the existing capital rules.

A bank will not be able to evaluate fully the relative merits of the Basel II NPR, Basel IA, the standardized approach, and the current capital rules without understanding the full range of options available. The Agencies clearly recognize this and have stated repeatedly that they intend to provide overlapping comment periods to facilitate a comprehensive review of the options.[1] We appreciate the Agencies' position, and we agree that interested parties should have the opportunity to review all the options carefully before having to comment on any of them.

We recently learned that the Office of Management and Budget ("OMB") will review the Basel IA proposal pursuant to Executive Order 12866, which requires review of all "significant regulatory actions" by the OCC and OTS (among other agencies). By delaying publication by the OCC and OTS of the Basel IA proposal (which effectively delays publication by the Board or FDIC as well, since Basel IA is an interagency rulemaking), the OMB review is likely to make it impossible for the banking industry to review Basel IA in a meaningful way before the Basel II comment period ends. OMB has 90 days from the date of receiving all information required under the Executive Order to complete its review. While we hope that the OMB review would be concluded quickly, it has the potential to run for most or all of the remainder of the Basel II comment period.

Moreover, OMB has the option of returning a proposal to the issuing agency for further consideration of some or all of the proposal's provisions before it may be published for comment. Thus, it is possible that even if the OMB provides comments on Basel IA before the Basel II comment period expires there will be outstanding issues that preclude the Agencies from publishing the Basel IA proposal in a way that permits adequate overlapping comment periods. Indeed, without knowing the outcome of the ongoing review of the OCC's and OTS's Basel IA proposal, it is impossible to know when the OCC and OTS will be allowed to publish the proposal.

To ensure that interested parties have the full benefit of the overlapping comment periods, we request that the Agencies publicly announce their intention to extend the comment period on Basel II, with the length of the extension to be determined after OMB clears the Basel IA proposal for publication. Any such extension should provide a reasonable opportunity for careful concurrent review, comparison, and evaluation of the Basel proposals. We recognize that any delay in the expiration of the Basel II comment period has the potential to delay ultimate implementation of that rule, which is not our desire. Thus, we strongly encourage the Agencies to adhere to the published implementation schedule as much as possible consistent with the overriding concern of developing a balanced and effective menu of good capital standards.

Thank you very much for your consideration of this request.

Sincerely,

Mark J. Tenhundfeld

Mark J. Tenhundfeld

---

[1] *See, e.g.*, 71 Fed. Reg. 55830, 55840 (Sept. 25, 2006) ("The comment period for the non-Basel II proposal is expected to overlap that of this proposal [*i.e.*, the Basel II NPR], allowing commenters to analyze the effects of the two proposals concurrently."); Statement of Susan Schmidt Bies, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit, Committee on Financial Services, U.S. House of Representatives, September 14, 2006 ("'[W]e want all interested parties to compare, contrast, and comment on the two proposals in overlapping timeframes.").