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March 26, 2007

BARCLAYS

Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
20th Street & Constitution Ave, NW
Washington, D.C. 20551

Robert E. Feldman
Executive Secretary, Attn: Comments
Federal Deposit Insurance Corp
550 17th Street, NW
Washington, D.C. 20429

Office of the Comptroller
Of the Currency
250 E Street, SW
Mail Stop 1-5
Washington, D.C. 20219

Regulation Comments, Attn: 2006-33
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, D.C. 20052

**Re: Comment on Basel II Joint Notice of Proposed Rulemaking – Board Docket
No. R-1261; OCC Docket No. 06-09; FDIC RIN 3064-AC73; OTS No. 2006-33**

Ladies and Gentlemen:

Barclays Bank PLC (“Barclays”) appreciates the opportunity to comment on the Agencies’ joint Notice of Proposed Rulemaking (“Basel II NPR”) that implements the Basel II Capital Accord.

Barclays strongly supports Basel II’s objective to establish more risk-sensitive capital requirements for banks based on their own internal rating and default and loss estimates. As a U.K.-based banking organization with extensive global operations (including in the U.S.), we feel that the Basel II Accord should be implemented globally as consistently as possible.

Barclays is concerned that the Basel II NPR contains a number of provisions that would put Foreign Banking Organizations (“FBOs”) with U.S. bank holding companies (“BHCs”) and U.S. insured depository institutions (“DIs”) at a competitive disadvantage.

Barclays supports the comments on Basel II NPR being submitted by the Institute of International Bankers (IIB) and jointly by the Institute of International Finance (IIF), the International Swaps and Derivatives Association, Inc (ISDA) and the London Investment Banking Association (LIBA), but would like to comment on several matters of particular importance to us.

1. Harmonization of the Basel II NPR and the Basel II Capital Accord

Barclays has devoted substantial resources over a number of years to collect internal data and convert internal models to enable us to report capital ratios on a consolidated global basis using an internal ratings-based approach for credit risk and operational risk (Basel II advanced approaches) in accordance with the BIPRU and GENPRU rule books of the UK financial services authority (FSA). Significant divergences in the proposed U.S. advanced approaches in the NPR from the Basel II Accord would force Barclays and other FBOs that fall under the core bank definition to implement new credit risk and operational risk models. The cost and effort associated with these models for the U.S. will be substantial. Creating, validating and maintaining these models will require a larger infrastructure on an ongoing basis.

Two models for implementing Basel II advanced approaches, one global satisfying our home country regulator, and one local satisfying the U.S. regulators would violate one of the most fundamental concepts of the Basel II Accord, which is for a bank to use its internal operational and credit risk models to manage and measure risk, and to demonstrate to the satisfaction of its primary supervisor that the models meet established standards. If Barclays is required to implement the U.S. advanced approach, our U.S. models would be used solely for local regulatory reporting purposes, and not used to manage internal risk.

Barclays believes that increased uniformity, consistency and harmonization in the implementation of the Basel II Accord will benefit regulators, the banking industry as well as investors.

2. Retention of SR 01-01 and principle of national treatment

Barclays strongly believes that the Board of Governors of the Federal Reserve System (the “Federal Reserve Board”) should maintain its supervisory guidance contained in SR 01-01. Recognizing the principles of national treatment and home country supervision, SR 01-01 provides that an FBO-controlled U.S. top-tier BHC is not required to satisfy the Federal Reserve Board’s minimum capital requirements (otherwise applicable to U.S. BHCs) so long as its parent FBO remains “well capitalized” and “well

managed". SR 01-01 sensibly enables FBOs to structure the ownership of their U.S. subsidiaries (including DIs) in ways that may be preferable from tax and corporate governance perspectives without subjecting the U.S. BHC to additional capital requirements.

3. Definition of a Core Bank

The Basel II NPR expands the definition of core bank so that a BHC (including the top-tier U.S. BHC of an FBO) is deemed to be a core bank if it meets either of two independent threshold criteria: (i) consolidated total assets of \$250 billion or more, as reported on the most recent year-end regulatory reports; or (ii) consolidated total on-balance sheet foreign exposure of \$10 billion or more at the most recent year-end.

As of year-end 2006, consolidated assets of Barclays Group U.S. Inc. ("BGUS") -- Barclays' top-tier U.S. domestic bank holding company -- were approximately \$261 billion (largely because of the significant size of non-bank U.S. securities activities). Because its consolidated assets exceeded \$250 billion, BGUS would be considered a core bank under the expanded definition of core bank in the Basel II NPR and as a result would be required to calculate capital ratios using the U.S. Basel II advanced approach despite the fact that our U.S. DI (Barclays Bank Delaware) only accounts for roughly 2% of BGUS's consolidated assets.

Accordingly, Barclays supports the modification to the rule proposed by Deutsche Bank in its comment letter dated February 1, 2007 that a BHC that falls within the proposed expanded definition of core bank, and its DI subsidiaries, should not automatically be required to use the U.S. advanced approach to calculate their capital ratios unless a majority of the BHC's assets constitute assets of its DI subsidiaries or the DI subsidiaries on a combined basis would fall within the definition of core bank. Under the Deutsche Bank proposal, these BHCs would be required to calculate capital ratios using the U.S. advanced approaches only if the Federal Reserve Board determined that their assets or activities were intentionally structured so as to evade the requirement to calculate their capital ratios under the U.S. advanced approach.

As noted above, it would be particularly burdensome for an international bank that is applying its home country advanced methodologies to implement Basel II on a global consolidated basis to be required at the same time to implement the complex U.S. advanced approach for their U.S. top-tier BHC and DI subsidiaries solely for reporting purposes, without any meaningful risk management benefits. The disproportionate burden that the expanded definition of core bank in the Basel II NPR places on FBO-controlled BHC subsidiaries is inconsistent with the principle of national treatment.

Barclays also requests that the final rule clarify that only a top-tier U.S. BHC of an FBO, and not its intermediate BHC subsidiaries, may be considered a core bank.

4. Option to Use Standardized Approach for Credit Risk and Basic Indicator or Standardized Approach for Operational Risk

Barclays is in favor of providing banking organizations (both U.S. and foreign) an increased number of options for Basel II implementation.

Barclays feels that, at a minimum, FBO-controlled BHCs and their DI subsidiaries that qualify as core banks should have the option to calculate their U.S. capital ratios based on Basel II's standardized approach for credit risk and basic indicator or standardized approach for operational risk. We would also support giving U.S. core banks such an option.

Host countries (other than the U.S.) that have adopted Basel II have generally given home and host country subsidiary banks the option to apply the Basel II standardized approach for credit risk and either the Basel II basic indicator or standardized approach for operational risk. The UK is one of such countries. We believe that reciprocity should be granted by giving FBO-controlled BHCs and their DI subsidiaries in the U.S. the option to use the basic indicator or standardized approaches for U.S. reporting, regardless of whether they are considered core banks.

If FBO-controlled BHCs and their DI subsidiaries that qualify as core banks are not given the option to use the basic indicator or standardized approaches, they would have the burden under their home country advanced approaches and the Basel II NPR of collecting two sets of default, loss estimate and operational risk data, and creating and validating two different models for internal ratings. Moreover, providing such institutions with the option to use Basel II's basic indicator or standardized approaches would not be expected to result in lower risk-weighted assets or higher capital ratios than use of the U.S. advanced approach for credit risk.

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Barclays is extremely concerned that, because of the differences between the Basel II Capital Accord and the Basel II NPR, the Basel II NPR may impose a significant and unfair burden on FBOs such as Barclays that already calculate and report their worldwide capital ratios in accordance with advanced approaches under the Basel II Capital Accord as implemented by their home country regulatory authorities, without providing corresponding risk management benefits.

Again, Barclays appreciates the opportunity to submit these comments on the Basel II NPR, and would be pleased to discuss these points further. Should you have any question, please contact Peter Justini at 973-576-3316.

Very truly yours,


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Operational Risk & Basel II Director

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