



October 10, 2006

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Attention: Comments

Re: Notice and Request for Comment
Industrial Loan Companies and Industrial Banks

Dear Mr. Feldman:

We are writing in response to the request of the Federal Deposit Insurance Corporation (the "FDIC"), dated August 23, 2006, for comment on specific issues relating to industrial loan companies and industrial banks ("ILCs"), including issues regarding the current legal and business framework of ILCs and the possible benefits, detrimental effects, risks and supervisory issues associated with the ILC industry. We appreciate the opportunity to provide our comments and would be pleased to discuss them with you.

Our response focuses on the following question contained in Item 3 of the FDIC's request: "Should the FDIC assess differently the potential risks associated with ILCs owned by companies that are subject to some form of consolidated Federal supervision?" We do believe that, in developing its regulatory approach to ILCs, the FDIC should take into consideration the regulatory oversight program to which the owner of the ILC is subject as a positive factor affecting both the safety and soundness of the individual insured institution and the protection of the Deposit Insurance Fund. FDIC-regulated banks owned by firms subject to consolidated federal supervision and capital requirements that are analogous to those applicable to bank holding companies under the Bank Holding Company Act of 1956 (the "BHCA") are, in our judgment, no more risky than those owned by bank holding companies subject to the BHCA. Therefore, we do not believe that there is a need for the FDIC to apply its regulatory authority to ILCs owned by these firms in a manner different from that it would adopt for a comparable bank that was a subsidiary of a bank holding company.

In particular, under the Consolidated Supervised Entity ("CSE") framework, the Securities and Exchange Commission (the "SEC") supervises certain broker-dealer holding companies on a consolidated basis: where a broker-dealer holding company has elected to

become a CSE, the SEC's supervisory authority extends not only to the registered broker-dealer itself, but also to its affiliates and to its ultimate parent company. The SEC focuses on the financial and operational condition of the entire group, and requires the holding company to compute capital adequacy measures on a consolidated basis in a manner consistent with the international standards adopted by the Basel Committee on Banking Supervision ("Basel Standards"). In addition, a CSE is required to have systems and procedures in place to identify and control a variety of risks, make and retain a variety of books and records and provide substantial and on-going information to the SEC, including monthly, quarterly and annual reports.

Several of the specific requirements of consolidated supervision by the SEC are set forth below:

- The SEC requires a comprehensive risk management control system to manage affiliate group-wide risk, including market, credit, liquidity and funding, legal and compliance, and operational risks. This system includes stress testing of funding and liquidity. The entity is also required to make and retain records of such testing, the basis for the determination of credit risk weights for counterparties, the basis for the determination of internal credit ratings for counterparties and records of the calculations of capital ratios.
- The CSE regime provides for the examination by the SEC of the books and records of the ultimate holding company and any of its affiliates, if the affiliate does not have its own principal regulator. The SEC also requires that the supervised entity provide periodic reports, including consolidated financial and risk information, the capital adequacy measurement (statements of allowable capital and allowances for market, credit and operational risk computed in a manner consistent with the Basel Standards), the results of a review by internal audit of risk management and control systems and other reports to management.
- The SEC has access to information about the ultimate holding company or any of its material affiliates that the SEC finds is necessary to evaluate their financial and operational risks.

We believe that the SEC's consolidated supervision program for CSEs focuses on all of the same areas of enterprise-wide risk as those of the Federal Reserve System and the Office of Thrift Supervision.

Like those agencies, the SEC focuses on the maintenance of a strong capital position based on the risk presented by the institution and on the implementation by the institution of robust risk management procedures. Like the bank regulators, its supervision focuses on the firm's ongoing risk management, rather than its position at any one moment in time. Consolidated supervision is designed to provide enterprise-wide oversight, relying on functional regulators to supervise individual regulated entities. In addition, the SEC's capital requirement is applied enterprise-wide and is based on the same Basel Standards as are applied by banking regulators.

As a general matter, we strongly believe that the FDIC currently has the regulatory tools and expertise to effectively supervise ILCs and additional regulation beyond what has historically prevailed is unnecessary. Furthermore, based on the foregoing, we believe that additional restrictions or requirements are particularly unnecessary in the case of ILCs owned by firms that are subject to SEC supervision as a CSE, or to any comparable federal supervision.

Once again, thank you for giving us the opportunity to provide our comments. If you have any questions on this letter, please contact Thomas Halverson at (212) 357-8226.

Very truly yours,



Elizabeth E. Beshel
Treasurer
The Goldman Sachs Group, Inc.



Thomas E. Halverson
Chairman
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