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By electronic delivery

May 10, 2007

Office of the Comptroller of the Currency
250 E Street, SW
Public Reference Room, Mail Stop 1–5
Washington, DC 20219

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attention: No. 2006–36

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

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Expanded Examination Cycle for Certain Small Insured Depository Institutions and U.S. Branches and Agencies of Foreign Banks**; OCC** Docket ID OCC-2007-0007; **FRB** Docket No. R-1279; **FDIC** RIN 3064-AD17; **OTS** Docket ID OTS-2007-0006; 72 Federal Register 17798 (April 10, 2007)

Ladies and Gentlemen:

The Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (the Agencies) have proposed an Interim Rule to expand the examination cycle for certain small insured depository institutions and U.S. branches and agencies of foreign banks (the Examination Amendments). The American Bankers Association (ABA) appreciates the opportunity to comment on behalf of the more than two million men and women who work in the nation's banks. ABA brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership – which includes community, regional, and money center banks and holding companies, as well as savings associations, trust companies, savings banks, and bankers banks – makes ABA the largest banking trade association in the country.

Summary of Comments

- ABA believes expansion of the list of depository institutions eligible for the expanded 18-month on-site examination cycle, through an increase in asset size from $250 million to $500 million, is appropriate.
- We support the Examination Amendments' clarification as to when small insured depository institutions and foreign bank offices will be considered "well-capitalized" and "well-managed" for purposes of qualifying for the 18-month examination cycle.

Discussion

The Examination Amendments implement section 605 of the FSRRA, which mandated that the Agencies change their rules relating to eligibility for the 18-month expanded examination cycle. Specifically, the Examination Amendments: (1) enlarge the asset threshold below which a depository institution must remain in order to qualify for the 18-month expanded examination cycle from $250 million to $500 million; and (2) clarify that a depository institution must have received a composite CAMELS rating of 1 or 2, as well as a 1 or 2 on the specific "management" CAMELS component (or have received a 1 or 2 composite ROCA rating, in the case of a foreign bank office). The Examination Amendments will potentially enable approximately 1100 depository institutions, as well as approximately 30 foreign bank offices, to take advantage of the 18-month expanded examination cycle, while concomitantly ensuring that the Agencies retain their ability to effectively supervise the safety and soundness of the banking industry.

ABA supports the Examination Amendments' modification of the criteria which depository institutions must meet in order to qualify for the expanded 18-month on-site examination cycle, as required under section 605 of the Financial Services Regulatory Relief Act of 2006 (FSRRA). Prior to the Examination Amendments, section 10(d) of the Federal Deposit Insurance Act (FDI Act) required that before a depository institution could be eligible for the 18-month expanded examination cycle, the institution first must: (1) have total assets not exceeding $250 million; (2) be "well-capitalized" as outlined under 12 U.S.C. § 1831(o); (3) be "well-managed" and hold a composite rating of "good" or "excellent"; (4) not have undergone a change in control during the previous 12 month period; and (5) not be subject to a formal enforcement action. For foreign bank offices, section 7(c)(1) of the International Banking Act of 1978 (IBA) states that foreign bank offices are to be subject to the same examination schedule as would apply to domestic depository institutions. Therefore, foreign bank offices were eligible for the 18-month expanded examination cycle if they met the criteria outlined in section 10(d) of the FDI Act.

We believe that the Examination Amendments recognize the continuing safety and soundness of the banking industry, as well as the reality associated with increased consolidation between financial institutions. Such flexibility for an institution's examination schedule is valuable and strikes an appropriate balance that enables financial institutions to satisfy their examination obligations while avoiding unnecessary burden. Additionally, the Agencies retain the ability to examine an institution or foreign bank office more frequently if supervisory concerns are present.

Conclusion

ABA supports the issuance of the Examination Amendments. We believe that the Examination Amendments provide a useful and flexible tool to reduce regulatory burden associated with examinations, both for depository institutions and the Agencies themselves. Specifically, the Examination Amendments will enable the Agencies to better focus their supervisory resources on those institutions that may present capital, managerial, or other issues of concern, while simultaneously reducing regulatory burden on small, well-capitalized and well-managed institutions. If the Agencies have any questions about these comments, please do not hesitate to contact the undersigned at (202) 663-5056.

Sincerely,

Christopher M. Paridon
Counsel