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Andrew Cecere
Chief Financial Officer
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February 25, 2008

Office of the Comptroller of the Currency
Communications Division
Public Information Room
250 E. Street, SW
Mail Stop 1-5
Washington, D.C. 20219
Attention: 1557-NEW
Subject: FFIEC 101

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Subject: FFIEC 101

Ms. Valerie Best
Supervisory Counsel
Attention: Comments, Room F-1070
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
Subject: FFIEC 101

Re: Joint Notice of Proposed Advanced Capital Adequacy Framework Regulatory Reporting Requirements Relating to Basel II (FFIEC 101)

Ladies and Gentlemen:

U.S. Bancorp (USB) welcomes the opportunity to respond to the Agencies' joint notice of information collection related to the Advanced Capital Adequacy Framework Regulatory Reporting Requirements ("Notice"). Overall, we support the modifications made to the proposed reporting requirements as described in the Notice. Our additional comments are presented below.

Schedule B Line 28 "Total Credit Risk Weighted Assets (Cell G27 X 1.06)"
Under the current proposal, Line 28 "Total Credit Risk Weighted Assets (Cell G27 X 1.06)" indicates that all risk-weighted assets, regardless of approach or exposure category, would be scaled by the 1.06 multiplier contained in the final rule. As described in Section V. A. of the preamble, credit-risk-weighted assets is defined as 1.06 multiplied by the sum of total wholesale and retail risk-weighted assets, risk-weighted assets for securitization exposures, and risk-weighted assets for equity exposures. As we read this definition of credit-risk-weighted assets, there is no requirement to gross up those assets not included in an exposure category or any nonmaterial portfolios of exposures the bank elects not to apply the IRB approach.

More specifically, the final rule states that, for the 24-36 month integration period, an acquisition using the general risk based capital rules should not be included in credit – risk-weighted assets. Under the final rule provisions, acquisitions in the integration period should be reported on Line 25 "Assets Not Included in a Defined Exposure Category." As mentioned above, under the proposed format for Schedule B, Line 25 rolls up as part of Total Credit Risk Weighted Assets. We recommend that Line 28 "Total Credit Risk Weighted Assets" instructions be revised to exclude "Other Assets" lines.

Reporting Burden

In response to the Notice's question "(a) whether the proposed new collections of information are necessary for the proper performance of the agencies' functions, including whether the information has practical utility," we recommend that detail wholesale and retail schedule disclosures be aligned to Schedule B. Specifically, we recommend that the following disclosures, all of which are U.S.-only data requirements, be eliminated from the schedules:

- ***Wholesale Schedules C-G: Credit Risk Mitigation***
  We encourage the Agencies to eliminate the columns related to credit risk mitigation (CRM) disclosures on the wholesale schedules, similar to the Agencies' decision to modify the retail credit risk schedules to eliminate all columns requiring the reporting of weighted average LGD before consideration of eligible guarantees and credit derivatives. Specifically, we recommend eliminating columns G, I, and J on the Wholesale Exposure-Corporate, IPRE, and HVCRE schedules and columns G and I on the Wholesale Exposure-Bank and Sovereign schedules. We do not think that disclosing loans with corporate, personal or government guarantees before and after CRM is useful information for users of the schedules. The loan and the guarantee are tightly connected and should not be reported separately. Similarly, an investment security with an insurance wrap should be reported based upon how the security is traded in the market; that is with the insurance wrap.
- ***Retail Schedules: Weighted Average Bureau Score and LTV's***
  In the Notice, the Agencies confirmed that weighted average bureau scores and loan-to-value (LTV) ratios are required to be reported only to the extent the information is available. We believe reporting this data for partial portfolios will be an added burden with limited benefit. In addition, the requirement to provide the EAD of accounts with updated LTV results in banks having to collect the originating LTV as well as track updated LTVs. Given that this information is not consistently tracked within banking organizations for risk management purposes, aggregated data would likely be incomplete and misleading. We recommend deleting columns J-P on the Residential Mortgage schedules and column J on the Qualified Revolving Exposures and Other Retail Exposure schedules.

Schedule B Lines 21-23 Equity Exposures

According to the preamble section V. F. 1. Introduction and Exposure Measurement: "The final rule clarifies the determination of the effective notional principal amount of unfunded equity commitments. For an unfunded equity commitment that is unconditional, a bank must use the notional amount of the commitment. If the unfunded equity commitment is conditional, the bank must use its best estimate of the amount that would be funded during economic downturn conditions." Banks may have certain unconditional unfunded commitments related to private equity funds and community development that we believe should be reported in Column C "Total Undrawn Amount". We request clarification as to where these commitments should be reported on the proposed Schedule B given that Column C is currently shaded out.

Sovereign Exposures

The Basel II definition of "Sovereign" differs from current Call and FR Y-9C reporting guidance (on Schedule RC-C #7 "Loans to foreign governments and official institutions") since it includes the U.S. government in its definition. Currently, banks report loans to the U.S. government in Commercial and Industrial Loans line of Schedule RC-C. This disconnect will cause confusion among users of the regulatory filing information as well as cause difficulties in programming systems to collect the required information for all regulatory agency filings. We request that the Basel II definition of sovereign be aligned to the Call and FR Y-9C reporting definition. We also request clarification of which government agencies are considered sovereign for Basel II purposes.

Multifamily Residential Property

An exposure with an original and outstanding amount of $1 million or less that is primarily secured by a first or subsequent lien on residential property that is not one to four family is considered retail residential mortgage for Basel II. For current quarterly regulatory reporting purposes, all multifamily residential property (regardless of size of exposure) is reported on one line in the Call and FR Y-9C Reports. All multifamily residential property is considered commercial real estate for GAAP. This disconnect will cause confusion among users of the information as well as cause difficulties in programming systems to collect the required information for all agency filings. We recommend that the Basel II multifamily residential property threshold be removed so that the treatment will be consistent with existing quarterly regulatory reporting requirements.

Schedule S Lines 8-15 Operational Loss Events

The new Schedule S eliminates the requirement to report loss event information pertaining to the "current reporting period" and therefore the Agencies see no need to allow banks to report remaining loss event information on a one quarter lagged basis. External data, which is only available on a quarter lag basis, may be used in conjunction with internal data to determine the severity distribution in a bank's operational risk model. We assume under these circumstances it will be acceptable for internal loss event data to be on a quarter lag basis to align with the external data utilized in a bank's operational risk model.

Reporting for Prior Period Lookback Portfolios
The Agencies have decided not to pursue the collection of the additional lookback portfolio information at this time but intend to explore with the industry in the future ways to facilitate such analyses. We commend the agencies for their decision not to require the lookback information at this time. In our view, similar goals can be accomplished through Pillar 2. For example, the Agencies could review banking organizations' existing internal analyses of period-to-period migration across rating grades or segments. Using these internal analyses would reduce the reporting burden. Therefore, we strongly urge the Agencies to permanently eliminate this as a reporting requirement.

Reporting Due Dates
The Notice provides that the FFIEC 101 schedules will be due 60 days following the end of a quarter during the parallel run period. Once a bank qualifies to use the advanced approaches and enters the transitional floor period, the agencies believe the bank should have the ability to fully support regulatory capital calculations to coincide with the timing of other financial disclosures. Accordingly, the schedules must be submitted within the same timeframes set forth in the reporting instructions for the Call Report and BHC FR Y-9C filed by banks and BHCs, respectively.

As permitted by the final rule, a bank may provide a summary table on its Web site that specifically indicates where all disclosures may be found, including in its Form 10-K. Form 10-Ks are not due until at least 60 days after year-end. This creates a timing issue for disclosures which will be referenced from a disclosure matrix to a Form 10-K. We recommend delaying year-end reporting due dates to correspond with the later of regulatory or SEC reporting due dates, as was presented in the Notice of Proposed Rulemaking related to the Risk-Based Capital Standards: Advanced Capital Adequacy Framework and Market Risk.

* * * * *

Once again, we appreciate the Agencies' willingness to consider our views in relation to the U.S. implementation of Basel II. We look forward to the next steps in this important process.

Sincerely,

Andrew Cecere
Vice Chairman and Chief Financial Officer
U.S. Bancorp