THE FINANCIAL SERVICES ROUNDTABLE

June 23, 2008

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

Dear Mr. Feldman:

The housing markets would benefit from the use of covered bonds as a tool to provide liquidity to mortgage lending. The Federal Deposit Insurance Corporation's Interim Final Covered Bond Policy Statement refers to the treatment of covered bonds in a conservatorship or receivership.

Without making the following changes to the Policy Statement the market for covered bond market in the United States will wither as financial institutions do not currently have sufficient amounts mortgages that comply or the means to select them from portfolios. The Financial Services Roundtable believes the FDIC should make the following changes before issuing its revised Policy Statement.

The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine, accounting directly for $66.1 trillion in managed assets, $1.1 trillion in revenue, and 2.5 million jobs.

The FDIC has the opportunity to help inject liquidity into the mortgage finance system by fostering a dynamic covered bond market at a time when the housing market is experiencing extreme turbulence. The critical elements required to do this are legal certainty and regulatory clarity. By specifically stating how the covered bonds will be treated in the event of a receivership and conforming the collateral requirements with what has proven to be successful in developed covered bond markets the final Policy Statement will give investors and issuers the needed comfort to enter the covered bond market.

Offer to Pay Par plus Accrued Interest - The principal barrier to the development of a covered bond market is the lack of clarity as to how the FDIC will treat covered bonds in the event of a receiver ship. The Roundtable believes that the FDIC should state that it will pay Par plus

Accrued interest (subject to having a performing covered pool). This statement will remove uncertainty, eliminate the need for an intermediate trust, and allow banks to issue covered bonds directly to investors.

Remove Collateral Constraints on Mortgages - The limitations on what are eligible mortgages for covered bonds will stagnate the development of the covered bond market. The FDIC requirements fail to consider that the mortgage guidance issued by the regulators has only been in place for 15 months and that the bulk of mortgage on the portfolios of lenders were written before this guidance. Further, requirements for full-indexation and income documentation will make the function of the covered bond market clumsily and inefficient. The FDIC must at a minimum grandfather existing mortgages into what is considered eligible for a cover pool. Failing to do so will force issuers to build compliant inventories of mortgages over the next several years deferring the development of a functional covered bond market in the U.S.

The Roundtable urges the FDIC to follow the successful model set forth in the UK by focusing eligibility of mortgages on LTV rather than the requirements set forth in the Policy Statement. The UK established its legislative Covered Bond program in March of 2008. The common feature of what are deemed to be eligible assets for a Covered Bond in the UK is that it be of good quality and safe from a credit risk point of view. Specifically, the UK requires that assets be exposures to: (i) EU Central Governments; (ii) AAA-rated banks; (iii) public sector loans; and (iv) residential or commercial real estate mortgage backed securities with a maximum of 80 percent or 60 percent LTV respectively.[1] These eligibility requirements allow for a diverse pool of assets that can be quickly and easily adjusted to impact the needs of the cover pool.

Allow Other Asset Types to Be Considered - The Roundtable believes the Policy Statement should be expanded the definition of covered pool to allow issues to look to other types of collateral. This belief is consistent with our view of allowing the market to differentiate between mortgage collateral.

Assessments- The Roundtable strongly urges that the FDIC not make adjustments to the existing assessment structure during the development of a Covered Bond market. The FDIC will have opportunities to consider assessments relating to Covered Bonds as the market develops in a prudent manner

Remove the Ten Year Term Limit- The Roundtable believes that issuance should not be limited to 10 years. Europe does not have such a framework and the time limit will unnecessarily limit the market. We believe that the competitive marketplace should set the term to allow for the greatest flexibility.

Do Not Limit Issuance to 4% of Liabilities- The Roundtable believes the 4% limit should be eliminated. Currently, the Policy Statement states that the upper limit for covered bond

[1] Part 12, Annex VI of the Banking Consolidation Directive (2006/48/EC)

obligations is no more that 4% of the financial institution's total liabilities. We believe that this limit will prevent small and mid-sized financial institutions out of the market.

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Thank you for considering our concerns. We look forward to discussing these issues with you in greater detail. Please do not hesitate to contact me at 202 289-4322 with any questions or comments.

Best Regards,

Steve Bartlett
President and CEO