

# JPMORGAN CHASE & CO.

Adam M. Gilbert  
Managing Director

November 25, 2008

Office of the Comptroller of the Currency  
250 E Street, S.W.  
Mail Stop 1-5  
Washington, DC 20219  
Attention: Docket Number OCC-2008-0016  
regs.comments@occ.treas.gov

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the  
Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551  
Attention: Docket Number R-1335  
regs.comments@federalreserve.gov

Mr. Robert E. Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20429  
Attention: Comments/Legal ESS: RIN #3064-AD34  
comments@fdic.gov

Regulation Comments, Chief Counsel's Office  
Office of Thrift Supervision  
1700 G. Street, N.W.  
Washington, D.C. 20552  
Attention: OTS-2008-0014  
Fax # 202-906-6518

Re: Joint Notice of Proposed Rulemaking: Capital Adequacy Guidelines; Treatment of Certain Claims on, or Guaranteed by, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac); OCC Docket Number OCC-2008-0016; Federal Reserve Docket Number R-1335; FDIC RIN #3064-AD34; OTS Docket ID OTS-2008-0014

Ladies and Gentlemen:

JPMorgan Chase & Co. ("JPMorgan Chase") is pleased to provide comments on the joint notice of proposed rulemaking identified above (the "Proposal") issued by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (collectively, the "Agencies"), which would assign a 10 percent risk weight to claims on, or guaranteed by, the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac").

JPMorgan Chase agrees with the Agencies proposal that the current 20% risk weight assigned to claims on, or guaranteed by, Fannie Mae and Freddie Mac is too high, in light of the U.S. Department of Treasury ("U.S. Treasury") Senior Preferred Stock Purchase Agreement ("the Agreements") with these entities. The Agreements are guarantees from the U.S. Treasury that funds will be available to satisfy the financial obligations of Fannie Mae and Freddie Mac. As long as these agreements are in place, JPMorgan Chase believes that a 0% risk weight is warranted. The U.S. Treasury's actions appeared to be designed to eliminate any ambiguities around the credit risk of the Fannie Mae and Freddie Mac debt. Assigning any risk weight other than zero to these obligations would be inconsistent with such intent. If the full faith and credit of the U.S. Government is not intended to support Fannie Mae and Freddie Mac debt then the agencies should make explicit public statements to that effect, thereby eliminating any existing or potential confusion in the marketplace. In these circumstances, a risk weight of 10% would be appropriate.

We believe that rapid implementation of this proposal is critical and urge the Agencies to adopt the risk weight changes effective with the December 2008 reporting period.

JPMorgan Chase also recommends that the Agencies similarly revise the Market Risk Capital Requirements to include Fannie Mae and Freddie Mac trading account obligations in the "government"

category, resulting in a 0% risk weight when applying the standard model approach for specific risk. Without such change, these obligations would continue to be considered "qualifying," and debt with maturities past two years would carry an effective 20% risk weight, which would ignore the impact of the Agreements.

We urge the Agencies to adopt this change in the Market Risk Capital Requirements effective with the December 2008 reporting period. Due to the need for rapid implementation, if the Agencies have reservations about inclusion into the "government" category, as interim measure, the Agencies should incorporate the 10% risk weight into the Market Risk Capital Requirements. This 10% interim approach would be incorporated into the Market Risk Capital specific risk table as follows:

<u>Category</u>	<u>Remaining Maturity</u>	<u>Weighting Factor</u>	<u>Risk Weight</u>
Fannie Mae/Freddie Mac	6 months or less	0.125%	1.563%
	Over 6 months to 24 months	0.50%	6.25%
	Over 24 months	0.80%	10%

JPMorgan Chase appreciates the opportunity to comment on the joint notice of proposed rule making.

Very truly yours,



Adam M. Gilbert  
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cc: Barbara Yelcich, FRBNY  
Scott Waterhouse, OCC