



THE FINANCIAL SERVICES ROUNDTABLE   
*Financing America's Economy*



January 6, 2012

Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, DC 20429

Delivered via email: [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)

Re: **Risk-Based Capital Guidelines: Market Risk; Alternatives to Credit Ratings for Debt and Securitization Positions**  
**[Docket ID OCC-2010-0003]**

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup>, The Clearing House Association, the American Bankers Association, and the Financial Services Roundtable (the “Associations”), write to request an extension of the comment period for the proposal *Risk-Based Capital Guidelines: Market Risk; Alternatives to Credit Ratings for Debt and Securitization Positions*. Given the complexity of the proposal, issues related to international consistency, and the press of responding to and implementing other legislative and regulatory proposals, we are of the view that the February 3, 2012 comment deadline for this proposal which calls for such a fundamental shift in capital regulation does not provide sufficient time to understand the full scope of the rule, and comment in a meaningful manner. Acknowledging the proposal’s complexity and impact is that the rule proposal itself was developed over the course of nearly an entire year.

We request the extension for the following reasons:

First, the elimination of credit ratings will complicate U.S. adoption and implementation of Basel III, and make it difficult to achieve consistent global implementation. The Associations

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<sup>1</sup> SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit [www.sifma.org](http://www.sifma.org).

believe that the agencies should consider consistency with international capital standards as a goal of the new creditworthiness standards, and permit the United States to implement the changes to risk-based capital rules required by the revisions to Basel II and Basel III. The Basel II market risk rules and proposed Basel III are already tackling the issue of undue reliance on external credit ratings by requiring banking organizations to supplement regulatory capital requirements based on externally rated securitizations with their own credit analysis and capital estimates of the exposure. Without a broadly consistent global approach to creditworthiness standards for securities, including securitizations, the agencies run the risk of encouraging regulatory arbitrage and of accentuating systemic risk. Indeed, from a narrow U.S perspective, existing banking book and trading book rules still need to be made consistent to avoid regulatory arbitrage. These complicated issues and their potential market impact need further meaningful discussion that cannot be achieved within such a short comment deadline.

Second, in that this proposal is applicable to all financial services firms, we believe it is essential for banking agencies to initiate discussion with all market participants. The proposal notes that regulators plan to align the methodologies for calculating specific risk-weighting factors for debt positions and securitization positions in the market risk capital rules with methodologies for assigning risk weights under the agencies' other capital rules and intend to propose, at a later date, to revise their general risk-based capital rules. Therefore all firms need to consider the impact operational and markets impact of this fundamental shift in capital regulation. For example, small banking organizations may not have the resources to develop internal systems applicable to the full breadth of rated assets they currently hold and, as a result, may exit certain asset classes entirely. We respectfully urge the agencies to ensure that all market participants are aware of the reach and significance of the rating proposal.

Third, the proposal comes at a time with a huge number of overlapping and concurrent regulatory and legislative initiatives – both domestic and global – that the industry must respond to. These include CCAR, the Volcker Rule, proposed rule 165 on heightened prudential standards, and Basel capital and liquidity requirements. In light of these and other demands, even the most sophisticated firms will find it difficult to provide meaningful comment on the impact of the ratings proposal in such a short comment period through a holiday period. Moreover, the initial proposal approved by the FDIC on December 7 contained numerous errors making it difficult many firms to evaluate the impact. Although, many of the errors were correct in the federal register version, this corrected version was only available December 21 making the effective comment period only 45 days. Please note that the federal register version still contains inconsistencies between the proposed rule text and preamble (for example, how to calculate attachment points) and these inconsistencies continue to confuse firms.

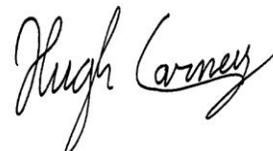
In light of the complexity of replacing such ratings, the need to ensure consistency with Basel III, and the unique demands imposed by other competing regulatory and legislative initiatives, we respectfully request an extension of no less than 45 days.

Sincerely,



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Kenneth E. Bentsen, Jr.  
EVP, Public Policy and Advocacy  
Securities Industry and Financial  
Markets Association



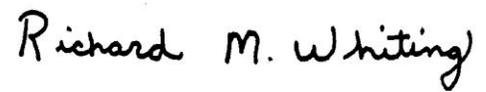
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Hugh Carney  
Senior Counsel II  
American Bankers Association



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Eli K. Peterson  
Senior Regulatory Counsel &  
Associate General Counsel  
The Clearing House Association  
L.L.C.



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Richard M. Whiting  
Executive Director and General  
Counsel  
The Financial Services Roundtable