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August 16, 2006

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

RE: RIN 3064-AD02: Proposed Rule Setting the Designated Reserve Ratio for 2007
RIN 3064-AD08: Proposed Rule Implementing One-Time Assessment Credit
RIN 3064-AD07: Proposed Interim Rule Specifying Dividend Requirements

Dear Mr. Feldman:

The Charles Schwab Bank, N.A. ("Schwab Bank") appreciates the opportunity to comment on the proposed rules listed above which are intended to implement the provisions of the Federal Deposit Insurance Reform Act of 2005 (Title II of Public Law 109-171)("Reform Act"). Schwab Bank is a wholly-owned subsidiary national bank of the Charles Schwab Corporation ("CSC"), a financial holding company.

As part of its review of the comments and consideration of the final rules, we urge the FDIC to recognize the potential competitive impact of the rules on institutions that were created after Dec. 31, 1996 or that grew successfully after that date. As a new institution chartered in 2003, Schwab Bank is committed to a strong deposit insurance system. We hope that the FDIC will approach implementation of the provisions in the Reform Act in a balanced manner that considers the potential impact on all insured depository institutions.

1. Designated Reserve Ratio

The FDIC has proposed that the designated reserve ratio ("DRR") for 2007 be set at 1.25%, the level that was previously established by statute. Under the Reform Act, the FDIC now has the flexibility to set the DRR between 1.15-1.50% taking into consideration a number of factors including the risk of loss to the fund in the current and future years, economic conditions, avoidance of sharp swings in assessment rates, and other factors. In proposing 1.25% as the DRR, the FDIC also indicated that it considered other factors including that the deposit insurance system and the industry was in a transition to a new assessment system, 1.25% is the midpoint in the reserve ratio range, and the FDIC's historical experience with a reserve ratio of 1.25%.

We respectfully urge the FDIC to reconsider its conclusion to set the DRR at 1.25%. We believe the statutory and other factors argue for setting the DRR at a lower number and for achieving that ratio over a number of years. As noted by the FDIC in the preamble to the proposed rule, the industry is well positioned to withstand a significant degree of financial adversity and the risk of near-term losses to the fund would not substantially alter the reserve ratio. As such, there is not an economic or other challenge to the industry that would indicate a need for maintaining the DRR at 1.25%.

However, the fact that the industry is in a transition period and the potential for sharp swings in assessment rates for some banks if the DRR is kept at 1.25% suggest that the FDIC should adopt a lower ratio and permit the fund to be recapitalized over a period of time. Doing so would provide the industry with the time to recapitalize the fund without facing sharp swings in assessment rates, particularly for those institutions which will not have credits. As noted, the use of credits will temporarily limit future assessment income with the potential, if the FDIC decides to recapitalize the fund quickly, that the burden of sharp swings in assessments will immediately fall hardest on those banks that do not have credits.

2. One time assessment credit

The FDIC has proposed to implement the one-time assessment credit by permitting banks eligible for the credit to use it to offset 100% of their assessment during 2007 and 90% in 2008, 2009, and 2010. We suggest that the FDIC consider an approach to the assessment credit that would phase-in use of the credit so that all banks pay a portion of their assessment in any given year. This approach would more equitably apportion the recapitalization of the fund among all institutions. We note the FDIC choice not to impose premiums during the second half of 2006 even though it was projected that the fund would be below 1.25%. If the FDIC had chosen to impose premiums, all institutions would have paid an assessment in an equitable manner. Instead the capitalization of the fund has continued to decline, placing the burden on those banks which do not have credits and under the FDIC's current assessment proposal, newly chartered banks.

3. Dividends

The FDIC has proposed a dividend scheme for the first two years that is not consistent with the statute and is contrary to public policy by penalizing banks who came into the system after Dec. 31, 1996. The Reform Act mandates that the FDIC consider the ratio of the assessment base of an insured depository institution on Dec. 31, 1996 to the assessment base of all eligible institutions on that date, the total amount of assessment paid on or after January 1, 1997 by an institution, that portion of an assessment paid by an institution that reflects higher levels of risk assumed by the institution, and other factors the FDIC finds appropriate. We urge that the FDIC amend this proposed rule to follow the statutory requirements.

If you would like any additional information, please do not hesitate to contact me at (775) 689-6870.

Regards,

Richard F. Kenny
Chief Executive Officer