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THE CLEARING HOUSE
Advancing Payment Solutions Worldwide

March 23, 2006

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

Attn: Comments

Re: Adjustment Guidelines

Dear Mr. Feldman:

The Clearing House Association L.L.C. ("The Clearing House"), an association of major commercial banks,[1] appreciates the opportunity to comment on the Federal Deposit Insurance Corporation (the "FDIC") notice of proposed assessment rate adjustment guidelines for large institutions and insured foreign branches in risk category I (the "Guidelines"). 72 Fed. Reg. 7878 (Feb. 21, 2007). The Guidelines were issued by the FDIC to clarify the analytical processes, and the controls applied to these processes, in making assessment rate adjustment determinations pursuant to the FDIC's Final Assessments Rule (the "Rule"). 71 Fed. Reg. 69282 (Nov. 30, 2006).

As we previously indicated in our comment letter on the proposal that became the Rule (the "Proposal"), the Clearing House appreciates the effort that the FDIC has undertaken to improve the deposit insurance system, and we agree with the basic objectives identified by the FDIC as guiding this effort (sensitivity to risk, fairness, avoidance of subsidization, consistency and reasonableness). The Clearing House also strongly supports the Guidelines' key objectives of ensuring fair treatment and accountability by clarifying the process for making adjustments to

1 The members of The Clearing House are: Bank of America, National Association; The Bank of New York; Citibank, N.A.; Deutsche Bank Trust Company Americas; HSBC Bank USA, National Association; JPMorgan Chase Bank, National Association; LaSalle Bank National Association; UBS AG; U.S. Bank National Association; Wachovia Bank, National Association; and Wells Fargo Bank, National Association.

assessment rates. Nonetheless, as we indicated in our comment letter, we believe that the Rule does not fully achieve its objectives with respect to our member banks.

Accordingly, we respectfully submit the following two recommendations to enhance the achievement of these objectives: (i) the views of an institution's primary regulator should be overridden only in compelling circumstances; and (ii) the FDIC should not link its assessment analysis with its proposed requirement that large institutions enhance their deposit account systems. We urge the FDIC to consider these recommendations when adopting final guidelines.

I. Views of the Primary Regulator; Override

The Clearing House agrees with the FDIC's third step of consultation with an institution's primary federal regulator and state banking supervisor if a disparity arises between the initial assessment rate and the "multiple measures" risk ratings. See 72 Fed. Reg. at 7879. We are concerned, however, that the Guidelines do not suggest the weight to be accorded to the views of the primary regulator.

We strongly believe that the views of an institution's primary regulator should not be overridden absent compelling circumstances. The primary regulator has the breadth and depth of experience and knowledge to provide the most accurate evaluation of a bank's risk profile. The examination process provides the primary regulator with the interpersonal interaction with a bank's management over a period of time that is an essential supplement to, and cannot be replicated by, numerical tests and mechanistic formulae. We therefore recommend that the FDIC give great deference to the primary regulator's assessment before additional information is used to place a bank in a higher assessment category.

II. Systems Enhancement; Linkage

The Clearing House is concerned with the Guidelines' inclusion as a qualitative factor in determining an institution's relative risk, "the ease with which the FDIC could make quick deposit insurance determinations and depositor payments in the event of [a large institution's] failure". 72 Fed. Reg. at 7880. At the outset, the FDIC is still soliciting comment on the practical methods to address this information need,[2] and we believe that it is inappropriate to link assumptions regarding that proposal to the adjustment analysis. More substantively, because this would only be a factor for larger banks, it exacerbates the disparities in the Rule and is thereby contrary to the FDIC's underlying objective of fairness, both among large institutions and between large and small institutions.

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2 See Advanced Notice of Proposed Rulemaking on Large-Bank Deposit Insurance Determination Modernization, 71 Fed. Reg. 74857 (Dec. 13, 2006).

The Clearing House therefore strongly urges the FDIC to eliminate any link between whether an institution has enhanced deposit account systems and the FDIC's determination to adjust that institution's deposit insurance assessment.

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Thank you for considering the views expressed in this letter. If you would like additional information regarding this letter, or if it would be helpful to meet with representatives of our member banks, please contact Norman R. Nelson, General Counsel of The Clearing House, at (212) 612-9205.

Sincerely,