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Office of the Comptroller of the Currency  
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250 E Street, SW  
Washington, DC 20219

Steven Hanft, Clearance Officer  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Attention: OMB Control No. 1557-NEW

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Information Collection Comments  
Chief Counsel's Office  
Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552

Attention: OMB Control No. 1550-NEW

Re: Joint Notice of Proposed "Advanced Capital Adequacy Framework  
Regulatory Reporting Requirements" Relating to Basel II

Ladies and Gentlemen:

The Clearing House Association L.L.C. ("The Clearing House"), an association of major commercial banks<sup>1</sup>, appreciates the opportunity to comment on the proposed supplemental regulatory reporting requirements related to the Joint Notice of Proposed Rulemaking regarding the implementation of the Advanced Capital Adequacy Framework (hereinafter, the 'regulatory reporting schedules', and the 'NPR') published 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 (together, the "Agencies").

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<sup>1</sup> 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, National Association.

Overall, The Clearing House supports the Agencies' objective to adopt a new capital accord that is risk-sensitive and that will more accurately correlate capital adequacy requirements with banking risks. In general, the scope of this letter will be limited to the proposed supplemental regulatory reporting schedules, the new "FFIEC 101" report. Separately, several of our member banks or their parent companies are submitting individual comment letters to the Agencies on the entire set of proposals in the NPR.

The Clearing House has significant concerns with respect to the particulars of the proposed supplemental regulatory reporting schedules, as summarized below and as further elaborated in the appendix to this letter.

### **Reporting Burden**

The supplemental regulatory reporting schedules constitute a significant and excessive incremental reporting burden. We therefore recommend that the Agencies permit additional time to file the schedules and eliminate certain specific requirements, as indicated below, that go beyond the international Basel II requirements ("International Framework").

The proposed filing deadlines for FFIEC 101 regulatory reporting schedules are unrealistic given the volume of proposed disclosure information. Many of the U.S. reporting requirements are not required to support risk-weighted asset and capital calculations, but represent additional U.S.-only data requirements (e.g., retail score data, loan-to-value ratios for residential mortgages, etc.). We oppose additional requirements for quarterly reports for the purpose of meeting the Agencies' additional need for analysis when this objective can be met more efficaciously through other means, including specialized data requests, annual reviews and supervisory examinations.

We note that the Agencies have explicitly stated that the reporting proposal is not designed to satisfy the NPR's Pillar 3 public disclosure requirements. The related risk for many of these items does not change frequently, e.g., geographic and industry concentration disclosures, and maturity profiles. These are currently only required on an annual basis in the SEC Form 10-K. We would generally oppose duplication of Pillar 3 requirements in quarterly regulatory filings where this information can be made available through other means.

Our comments below and in the appendix address the reporting burden in more detail.

### **Timing and Frequency**

While the Agencies expect the due dates for the proposed schedules to be identical to current report due dates, we believe more time is needed to prepare and submit these

schedules. At a minimum, we expect to need 60 to 90 days after quarter end to complete these schedules.

The Basel II Framework calls for Pillar 3 disclosures on a semi-annual basis. We believe this frequency was agreed internationally to acknowledge the reporting burden. The Agencies' proposal for U.S. quarterly reporting creates a competitive burden issue for U.S. banking organizations versus non-U.S. banks.

Consequently, our member banks strongly recommend that the Agencies provide for the following:

- During the Parallel Period, banking organizations be allowed flexibility as to timing for the regulatory reporting schedules rather than meeting current filing deadlines, and all data will remain confidential (as proposed).
- During the Transition Period, the regulatory reporting schedules be on a 60 to 90 day filing schedule, and consideration should be given as to requiring some of the information on a semi-annual rather than quarterly reporting basis.
- For reporting after the Transition Period, the Agencies will reassess timing without presumption in favor of a quarterly/35 and 40 day timeline, in consultation with industry and based on experience gained during the full implementation of Basel II.

### **Phased Reporting**

We have significant concerns about the initial level of detail proposed in both the public and confidential regulatory reporting schedules, which we believe are more appropriately addressed through a phased approach to reporting. Supervisory concerns are better met through special data requests and examinations, particularly during this formative stage. A phased approach would provide the Agencies with sufficient time to gain the experience necessary to determine which information is both relevant and practical for regulatory reporting and which information is more appropriate for supervisory data requests.

Consequently, we recommend that the introduction of both public and confidential reporting should be phased in, based on a different timeline than proposed by the Agencies. Generally, we believe that much of the detailed information in the proposed schedules that are specifically tied to the Basel II capital calculation under Pillar 1 should remain confidential until the U.S. version of Basel II is 'stable' in order to avoid confusion in the public markets.

A phased approach will allow the Agencies:

- to engage in full-scale consultation with the industry;
- to reconsider (including the option to eliminate) U.S.-only requirements that do not relate to the capital calculation;
- to re-evaluate the proposed operational risk disclosures that are intended as public but which our member banks believe should be confidential;
- in general, to look for opportunities to streamline the reporting requirements;
- to clarify what is meant by the CFO certification;
- to prepare a comprehensive Basel II Glossary that contains a common reporting language.

Additionally, this phased approach will allow the Agencies and the banks to work out mutually acceptable procedures for the handling of proprietary and confidential information.

Specifically, we believe that during the Transition Period, quarterly public disclosures in the proposed FFIEC 101 report schedule B should be limited to the GAAP financial balances and related risk-weighted assets, as found in Columns B, C, and G. We strongly recommend that the information proposed in Columns A, D, E, F and H should not be made public and should be eliminated from Schedule B given that this requirement merely duplicates information to be provided to the Agencies on a confidential basis in Schedules C to U.

#### **“Lookback” Reporting on a Quarterly Basis**

Our member banks are opposed to any form of “lookback” reporting on a quarterly basis, as proposed in Question 1 relating to the U.S. supplemental regulatory reporting requirements. We believe that similar goals can be accomplished through Pillar 2. For example, the Agencies could review banking organizations’ existing internal analyses of period-to-period migration across rating grades or segments. Using these internal analyses would reduce the reporting burden. Therefore, we strongly urge the Agencies to eliminate this as a reporting requirement.

As elaborated further in the appendix, we believe that the lookback reporting would constitute the single most significant reporting burden and incremental cost that goes beyond the international requirements of the Basel II Framework. The quarterly lookback would entail rerunning the entire Pillar 1 capital calculation process, not just the capital calculation for those portfolios or those credit risk parameters that have experienced significant changes. We note that this would have to be accomplished without disrupting the regular quarterly production cycle for the actual Pillar 1 capital calculation.





























