American Bankers Association
Building Success. Together.

The Clearing House
At the Center of Banking Since 1853

December 14, 2012

Office of the Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219
**DOCKET ID OCC-2012-007; RIN 1557-AD59**

**Re: Lending Limits**

Ladies and Gentlemen:

As discussed with Heidi Thomas, Special Counsel, in a phone conversation on December 7, 2012, we would like to clarify a point in the comment letter filed jointly by The Clearing House Association, L.L.C. ("The Clearing House"), the American Bankers Association (the "ABA") and The Financial Services Roundtable ("The Roundtable" and together, the "Associations") on August 6, 2012 ( the "Letter") pertaining to the interim final rule (the "Rule")[1] issued by the Office of the Comptroller of the Currency (the "OCC"). The Rule amended the OCC's lending limit rules to include credit exposures arising from derivative and securities financing transactions. **The clarification described below relates to the methods for measuring securities financing transactions contained in the Rule.**

In the Letter, the Associations requested that banks be permitted to measure securities financing transactions as they would for purposes of measuring counterparty credit risk for such transactions under a non-model approach permitted under the capital rules implementing the Basel II A-IRB approach. The Associations and member banks also raised this point in a meeting with Kurt Wilhelm, Director of the Financial Markets Group and Marty Pfinsgraff, Deputy Comptroller for Credit and Market Risk on October 5, 2012.

We would like to clarify that this would mean, as we stated in our comment letter, applying the standard supervisory haircuts under the Basel II A-IRB Rules (Basel II) or the Basel III/Advanced Approaches rules ("Basel III" and together the "Basel Collateral Haircut Approach") once finalized. The Basel Collateral Haircut Approach, while similar to the Non-Model method under the Rule, differs from the Rule in the following ways:

- Under the Basel Collateral Haircut Approach, exposure value changes as the market value of the securities changes. Under the Rule's Non-Model method, exposure remains fixed at the inception of the securities financing transaction.

- The Basel Collateral Haircut Approach applies haircuts to the market value of the securities for both repurchase /securities lending transactions and reverse repurchases/securities borrowing transactions. Under the Rule's Non-Model method, haircuts are applied to the cash amount of a reverse repurchase

[1] 77 Fed. Reg. 37265 (June 21, 2012).

agreement/securities borrowing transaction, but no haircuts are applied to a repurchase agreement/securities lending transaction.

By not allowing banks to use the Basel Collateral Haircut Approach, banks would have to perform two separate calculations, one for the Rule and one for Basel II/III, even though the different calculations would not result in materially different exposure amounts. The Associations believe that it would be extremely helpful if the OCC could clarify that a bank is permitted to use the same collateral haircut method as it uses under Basel II or Basel III, so that the bank would not have to make an additional exposure calculation whose results would not be materially different from the Basel II/Basel III collateral haircut exposure.

Again, we greatly appreciate the OCC's flexibility in developing the Rule and in the Agency's willingness to take our comments into consideration. If you have any questions or would like to discuss this matter further, please do not hesitate to contact John Court at 202-649-4628 or Beth Knickerbocker at 202-663-5042.

Sincerely,

Beth Knickerbocker
Vice President and Senior Counsel
bknicker@aba.com
202-663-5042

John Court
SVP and Associate General Counsel
John.Court@theclearinghouse.org
202-649-4628