

July 17, 2007

The Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

The Honorable John C. Dugan
Comptroller of the Currency
Administrator of National Banks
250 E Street, S.W.
Washington, DC 20219-0001

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, N.W.
Washington, D.C. 20551

The Honorable John M. Reich
Director
Office of Thrift Supervision
1700 G. Street, N.W.
Washington, DC 20552

Dear Ms. Bair and Messrs. Bernanke, Dugan and Reich:

We are writing with respect to your deliberations on implementation of the Basel II regime. Overall, we commend your efforts to bring greater market forces to bear on large financial institutions and to improve the management and the supervision of these institutions.

These steps are particularly important in view of the enormous concentration of banking assets that has developed in the top ten U.S. banking companies in the past two decades. The failure of one of our nation's largest banking institutions has become almost unthinkable.

While applauding the general thrust of the Basel II efforts, we do have concerns about Pillar I, the capital regime. We believe the Advanced Approach has become so burdensome and complex as to be unworkable. It is not transparent to marketplace analysts and investors, boards of directors, executive management, or even most bank examiners.

We favor strongly authorizing the largest U.S. institutions to employ the Standardized Approach in determining their capital adequacy for regulatory purposes. This will enable U.S. institutions to implement Basel II in the same manner as large institutions in other countries and will create less disparity between the treatment of large and small banks in the U.S.

In devising a system to determine capital adequacy, we should be sensitive to differences in implementation in the U.S. compared to other international capital markets. However, we believe it is extremely important that the system not allow a significant deterioration of capital standards among major U.S. banks, which we believe are the strongest, most profitable, and most competitive banks in the world.

Finally, we believe that it is very important that the four agencies adopt a common approach toward Basel II as soon as possible. There has been a great deal of uncertainty on this issue for too long, and it is time to bring it to closure.

Respectfully submitted,



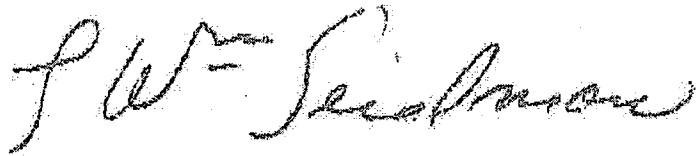
The Honorable Robert L. Clarke
Former Comptroller of the Currency



The Honorable John G. Heimann
Former Comptroller of the Currency



The Honorable William M. Isaac
Former Chairman
Federal Deposit Insurance Corporation



The Honorable L. William Seidman
Former Chairman
Federal Deposit Insurance Corporation