

May 4, 2001

Communications Division  
Office of the Comptroller of the Currency  
250 E Street, SW, Mailstop 1-5  
Washington, DC 20219

Docket No. 01-05; Assessment of Fees: National Banks and District of Columbia Banks; 12 CFR Part 8; 66 Federal Register 17821; April 4, 2001

Dear Sir or Madam:

The Office of the Comptroller of the Currency ("OCC") is proposing to amend its regulation on assessments to increase the assessment on independent credit card banks and to raise the surcharge applicable to "troubled" banks. The amendments will affect less than one percent of national banks. The American Bankers Association ("ABA") brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership – which includes community, regional and money center banks and bank holding companies, as well as savings associations, trust companies and savings banks – makes ABA the largest bank trade association in the country.

### Explanation of the Proposal

The National Bank Act authorizes the OCC to collect assessments, fees, or other charges as necessary or appropriate to carry out the responsibilities of the OCC. The statute requires that the OCC's charges be set to meet the Comptroller's expenses in carrying out authorized activities. The OCC currently assesses national banks and Federal branches and agencies according to a formula based on factors such as a bank's size and condition and whether it is the "lead" bank or "non-lead" bank among national banks in a holding company. The OCC also imposes an additional assessment on independent trust banks based on the amount of trust assets they manage. The OCC now proposes a similar additional assessment for independent credit card banks, and presents two alternatives for the basis for the calculation of the additional assessment.

The first alternative proposed is on a "receivables attributable" basis. "Receivables attributable" is defined as the total amount of outstanding balances due on credit card accounts owned by an independent credit card bank (the receivables attributable to those accounts) on the last day of the assessment period. "Receivables attributable" is a measure of the volume of a credit card bank's business. As this is a number not currently reported by banks to regulators, the OCC would be adding a new data reporting requirement for independent credit card banks to report receivables attributable data to the OCC on a semiannual basis.

The alternative approach proposed by the OCC would be based on the transaction flow associated with a bank's credit card operations. "Transaction flow" is defined as the total net amounts charged to cards issued by the bank during each semi-annual assessment period. An assessment based on transaction flow would be calculated using the step approach being proposed for receivables attributable—that is, the dollar amount of the additional assessment would be based on the amount of a bank's transaction flow. The transaction flow amounts would be set to recover an appropriate share of the OCC's costs attributable to these banks and would be in addition to the assessment calculated on balance sheet assets under 12 CFR 8.2. The specific rate schedule for transaction flow would be adjusted annually to reflect changes in the OCC's expenses.

### ABA's Recommendations

As the OCC notes in its proposal, data on transaction flow is not currently reported by banks either, so this alternative also requires instituting a new data reporting requirement. However, the OCC states that its "supervisory experience indicates . . . that independent credit card banks maintain receivables-attributable information in the ordinary course of business or that this information would be readily available to independent credit card banks for purposes of calculating the receivables-attributable assessment. . . ." While both approaches require the reporting of data to the OCC to calculate an applicable assessment, ABA strongly believes that the "transaction flow" approach is considerably more burdensome for all banks, small or large, than the "receivables attributable" approach. ABA has been advised by members that aggregate transaction flow data is just not readily available today and would require considerable information technology investment to obtain. In contrast, "the receivables attributable" approach can be achieved with relatively little burden, particularly if modified according to ABA's recommendation, below.

"Receivables attributable" is defined as "the total amount of outstanding balances due on credit card accounts." The OCC further states that, "[g]iven that some credit card banks retain receivables on the bank's books, the proposal would allow independent credit card banks to deduct those on-book receivables from total gross receivables attributable in order to avoid assessing those assets twice." Thus, this new reporting item appears to be the same as or very similar to data already reported on the Securitization and Asset Sale Activities Call Report Schedule RC-S at Item No. 1, Column C: Bank Securitization Activities - 1. Outstanding principal balance of assets sold and securitized by the reporting bank with servicing retained or with recourse or other seller- provided credit enhancements. Use of an already reported Call Report item rather than creation of another reporting item that will result in very nearly the same additional assessment would reduce burden further.

ABA therefore recommends that the OCC adopt the "receivables attributable" approach for its basis of calculation of the additional assessment, but modify this approach by substituting the specified Call Report item rather than creating another reporting item for independent credit card banks.

## Conclusion

The American Bankers Association appreciates the opportunity afforded it to comment on this proposal. The OCC has particularly requested comment on the relative burden of its proposed alternatives. ABA favors the least burdensome of the alternatives, and has recommended a modification that should reduce burden further without significant alteration in the calculation of the assessment. If there are any questions about these comments, please call the undersigned.

Sincerely,  
Paul A. Smith