



September 28, 2007

Mr. David Wisnewski  
Federal Deposit Insurance Corporation  
1910 Pacific Avenue, Room 7034  
Dallas, TX 75201-4586

Dear Mr. Wisnewski:

The member banks of The Clearing House Association<sup>1</sup> (“The Clearing House”) appreciated the opportunity to meet with you and other representatives from the FDIC staff on August 21, 2007 to discuss the Interim Deposit Review Guide. This is an area of great concern to our members who have a significant percent of the deposit base within the United States. The detail supporting these deposits reside on a large number of systems not only domestically but in each of the member’s foreign locations. As a result, each member bank is concerned with any additional documentation or system enhancements that need to be implemented globally. The demands on the information technology staff are continually increasing and each member bank is currently actively engaged in interpreting and implementing the Basel II Capital Accord.

At the meeting on August 21, 2007, The Clearing House members agreed to research certain items related to the implementation of the documentation requirements as outlined in the Interim Deposit Review Guide and respond to you by September 30, 2007. Below we address each of these items.

### **Inventory of Deposit Systems**

One of the concerns of the members is the ability to gather a comprehensive inventory of all of the systems that house deposits as defined for RC-O purposes. Since this information is not new for domestic offices, each member can more easily inventory those systems. However, since this is a new requirement for foreign deposit balances, the members have a concern on properly identifying those deposits that need to be reported.

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<sup>1</sup> The members of The Clearing House Association L.L.C. 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.

In order to ascertain that an accurate inventory is obtained, the members propose that foreign deposits included in the inventory and reported on Schedule RC-O be those deposits that meet the definition of deposits for Generally Accepted Accounting Principles (GAAP). Using the GAAP definition of deposits will enable the reporting banks to obtain an accurate and comprehensive inventory of foreign deposit systems. The reporting banks would be able to reconcile the balances reported in the Call Report Schedule RC, Balance Sheet, and Schedule RC-E, Deposit Liabilities. Since foreign deposits are not included as part of deposit base in the calculation of FDIC or FICO assessments, there is no impact to those calculations.

For the domestic inventory, the listing of product processors is readily available. The non-processor deposit balances would require some time and would need clearer definition to be provided to the field by the regulatory reporting teams of each reporting bank. For the foreign inventory, additional time would be required. However, using the above definition, the time could be shortened considerably. The members believe that by using the above definition of foreign deposits, a comprehensive inventory could be completed by December 31, 2007.

### **System Enhancements**

The more comprehensive follow up item the members were asked to consider was around enhancing the deposit systems so that each system produces a daily report with the information required to be reported in the review documentation package including numbers of accounts and balances for each of the required categories.

As explained above, the reporting banks have a large number of systems that house deposits, including payroll, trust and possibly trading systems. In addition, there are currently significant demands on the information technology groups at each of the member banks implementing not only regulatory reporting enhancements but also internal management requirements to meet the increasing need for information. For example, the current credit concerns around prime mortgages have increased the demand for more detailed information<sup>2</sup>. In addition, there are a number of traditional deposit systems that were developed years ago in old programming languages. Resource availability for making programming changes to these systems is scarce, if even available.

In order to get an accurate estimation of the cost and time needed to program each of the systems, the member banks will need to contact each Information Technology group. We envision requesting this information when we inventory the systems. This process will take time and a number of the systems will only be able to provide very wide ranges of time and costs.

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The current concerns over prime mortgages is also a focus of the U.S. banking regulators as is evidenced by their recent proposed changes to the Call Report.

Because we believe it is important for the FDIC to understand the complexity and costs involved with fully implementing the documentation requirements proposed in the Interim Deposit Review Guide, the estimated timeframe to program the systems, where it is determined to be feasible should also be available by December 31, 2007. In the meantime, the member banks are grateful to the FDIC for allowing us to derive our average balances from the average balance sheet modules of the reporting ledgers.

**Materiality Related to Reporting Balances to the FDIC**

The FDIC has asked for our opinion regarding materiality as it impacts the FDIC Assessment process and specifically the review program. We do not wish to specify a dollar threshold or a percentage threshold in response to this inquiry. However, we would like to convey to the FDIC that we have true deposit systems, where the majority of our traditional customer deposits are recorded, and we have other systems of record on which miscellaneous balances meeting the definition of a deposit for FDIC assessment purposes reside. We, therefore, would like the opportunity to individually have excluded from such requirements certain systems we deem immaterial and/or whose balances fall outside of the true deposit base definition.

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After the above information is gathered, each of the member banks would welcome the opportunity to discuss, individually or collectively, the results of our investigation. If you have any questions or are in need of further information, please contact me at (212) 612-9205.

Very truly yours,

