



August 30, 2004

National City Corporation
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James R. Bell, III
Executive Vice President
Chief Risk Officer

Ms. Jennifer J. Johnson, Secretary
Docket No. OP-1207
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Re: Proposed Revision To The Bank Holding Company Rating System

Dear Ms. Johnson:

National City Corporation appreciates the opportunity to comment on the subject proposal. In principle, National City supports the shift in focus from historical analyses of financial condition to a more balanced approach incorporating both risk management and financial factors.

This letter accentuates National City's concern that the stated goal of providing a consistent framework for assessing and ultimately rating Bank Holding Companies (BHC) will be difficult to establish and maintain with the introduction of more complexity into the examination process. Consistency in ratings that result from examinations where qualitative assessments are required would suggest that, without adequate provisions, the new rating system might be prone to arbitrary ratings and misinterpretation of guidelines established in the proposed text of the Bank Holding Company Rating System. This concern is true with respect to the qualitatively rated subcomponents for the risk management component. The following suggestions, relative to the rating of risk management, are offered for your consideration:

- Acclimatize the examination force that will be responsible for conducting the BHC examinations by providing extensive training in current risk management practices and benchmarks. Continue to address training as the impacts of the Basel II implementation force advancements in risk management practices throughout the financial services industry. Introduce quality assurance or peer reviews of the examination teams to ensure consistency of interpretation, execution and quality of examinations.
- Change the definitional role of the board of directors under the Competence of the Board and Senior Management subcomponent, and the associated Rating 1 (Strong), to clarify that Boards provide oversight and are not to fulfill the role of management. For example, the text for a Rating 1 commingles the roles as follows: "The board and management are active participants in managing risk". The text, as it stands, does not clearly differentiate

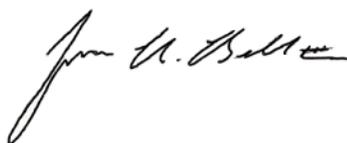
the unique roles of boards versus management in the context of the guidance. Greater clarification will address the possibility that examiners will arbitrarily define the roles and conclude with an inappropriate rating.

The proposed text that comprises the analysis of the Financial Condition Component presumes the examiner has suitable knowledge of the “market’s view” to determine the extent to which there is a significant difference from the Federal Reserve’s view of the financial condition of the consolidated BHC. Additional guidance is needed for examiners with respect to criteria needed to make accurate market judgments, and specific criteria should be developed to ensure that any deficiencies are factored into the overall risk management component rating consistently across financial institutions.

We trust that our observations and suggestions will provide you with the information necessary to facilitate the further development of the BHC Rating System and its implementation.

Should you want to discuss our comments in greater detail, we invite you to contact me, or Don H. Smith at (216) 222-9720, email: don.smith@nationalcity.com, or John L. Johnson at (216) 222-2384, email: john.johnson@nationalcity.com.

Sincerely,



James R. Bell, III
Executive Vice-President and
Chief Risk Officer

Copied to: Sandra Pianalto
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