

To: Basel II NPR Public File
From: Anna Lee Hewko
Date: June 15, 2006
Re: Meeting of Federal Reserve, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation Staff and JP Morgan Chase

Representatives of JP Morgan Chase, the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation held a conference call on June 15, 2006 at which certain aspects of the draft interagency Basel II notice of proposed rulemaking (NPR) were discussed. JP Morgan Chase representatives identified several key concerns with the proposed treatment of credit derivative hedges in the draft NPR, specifically the restrictions on eligible double default guarantors, the design and correlation factors of the double default formula, the percentage of hedges not qualifying for either the double default or PD substitution approaches due to the rating of the hedge counterparty, the haircut for credit derivatives that do not include restructuring as a credit event, and non-recognition of internal hedges. JP Morgan Chase representatives also advocated the position that banks using internal models to measure counterparty credit risk should be allowed to use the current exposure methodology for transactions that do not fit easily into the internal models, even if the bank cannot demonstrate that such treatment is more conservative than the internal model treatment.

The list of participants included:

Agency Participants

Amanda Allen	FRBNY
Kevin Clarke	FRBNY
Ken Egan	FDIC
Anna Lee Hewko	FRB
Edward Pollack	OCC
Margo Schwadron	OCC
Ron Shimabukuro	OCC
Coryann Stefansson	FRBNY
James Vesely	OCC
Paul Whynott	FRBNY

JPMC Participants

Lisa Broomer

Adam Gilbert
Joseph Lyons
Arthur Magnus
Bipasha Majumdar