Summary of Proposed Regulation 14 Comments – As of October 15, 2012

1. Overall Comments
    a. Proposed regulation blurs the line of statutory lending limits
    b. Proposed regulation should adopt modern nomenclature
    c. Duplicate language may be confusing, conflicting, or otherwise draw into question other provisions
    d. Suggestion for the definition of "loan, credit exposure, or the aggregate of loans and credit exposures"
    e. References to the Call Report should refer to the "most recently filed Call Report"
    f. Section 7 implies new independent obligations for directors which go beyond existing law
2. Collateralization of Counterparty Exposures
    a. Derivatives and Securities Financing Transaction exposures should be considered for exemption of 20 percent limit if collateral is cash or cash equivalent, and the bank has control of the collateral
    b. Use of clearing houses could cause banks to hit 20 percent limit if they only use one or two clearing houses
    c. Conversion Factor Matrix Method and Remaining Maturity Method should be considered collateralized
3. Aggregation of Exposures
    a. Aggregation rules and examples are complex and difficult for banks to comply
    b. Does aggregation where loans are substantially dependent upon the same sources for repayment include a large employer in an area or region?
    c. Unincorporated Associations and the scope of "associates" is expanded from prior regulations and render moot the statutory provisions that relatedness is determined by 35 percent control
    d. Regulation does not contain guidance on "tangible economic benefit"
    e. Use of the phrase "economically related" could open a broad range of transactions to be linked together
    f. Clarification that after-the-fact aggregation determinations made by the Superintendent, as well as, facts learned after an extension by the bank, do not relate back and cause such original extensions of credit to be violations
4. Loan Renewals
    a. Do loan renewals without an additional advance require a new determination of compliance with legal lending limits?
5. Participations
    a. Is it intended that the participation agreement actually be funded on the same business day that a loan is closed, or that a loan is funded, or is it permissible for a bank to close

and partially fund a loan provided that a participation agreement is in place and executed and enforceable at the time the originating bank funds the loan?
   b. Do loan syndications have the same requirements as loan participations?
   c. Clarification on whether this is specifically referring to legal participations only or if it includes assignments, which transfer all rights and responsibilities of a loan
   d. Instead of referencing FASB Statement No. 166, reference to FDIC Regulation 12 CFR Section 360.6 would be better since markets generally have deferred to the FDIC guidance
6. Exceptions to Limits on Exposure
   a. What is the meaning of a "product for which there is a ready sale in the open market?"
   b. What is the meaning of a bank taking possession and title at its discretion?
   c. What is the result of a bank having a customer who is unable at the time of a deterioration of collateral values to provide additional collateral?
7. Define and/or Clarify
   a. Counterparties
   b. "Types" of transactions in section 9.a.v.
   c. Examples of calculating exposures resulting from derivatives and securities financing transactions
8. Internal Model
   a. Model Risk Management Guidance provides parity in approval and use of internal models
   b. Technical requirements associated with an acceptable internal model
   c. Is a backup model required?
   d. Validation of the model
   e. Timing requirements associated with obtaining prior approval from the Bank's primary Federal regulator
9. Credit Protection Exposures
   a. Use of notional amount when calculating exposure instead of a current mark-to-market value
   b. Definition of a Qualified Central Counterparty
   c. Exclusion of commercial banks as a Qualified Central Counterparty
10. Centralized Clearing Houses
    a. Do models cover OTC derivative transactions cleared though a clearing house in addition to derivatives executed OTC that are exchange traded?
    b. Calculating exposure to a clearing house when exposures are likely to be collateralized
11. Collateral Control
    a. Regulation should expand acceptable means of control to include use of bailees, collateral agents, and other methods permitted under the Alabama Uniform Commercial Code
    b. Certificates of Deposit taken as collateral should not be excluded because they are held at another bank