WRIGHT EXPRESS®

97 Darling Avenue
South Portland, Maine 04106-2301
phone: 800-761-7181
www.wrightexpress.com

May 9, 2007

Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, D.C. 20429

VIA E-MAIL TO comments@FDIC.gov

Re: Proposed Rule Part 354—Industrial Bank Subsidiaries of Financial Companies, RIN number 3064-AD15

Dear Mr. Feldman,

On behalf of Wright Express Corporation ("WEX"), I appreciate the opportunity to submit the following comments regarding the draft rule titled "Part 354—Industrial Bank Subsidiaries of Financial Companies" (the "Rule"), issued for comment on December 31, 2007. WEX is based in South Portland, Maine and has a wholly owned industrial bank subsidiary named Wright Express Financial Services Corporation ("WEX FSC") based in Salt Lake City, Utah. Together, WEX and WEX FSC provide payment processing and information management services primarily to the commercial fleet industry. WEX has provided these services since 1983. WEX FSC was organized in 1998 to issue credit cards and other credit products for use by commercial fleets. As of March 31, 2007, the date of WEX FSC's last call report, it had over $886 million in assets and $107 million in capital.

Although the Rule as it is currently written would not apply to WEX or any other parent of a currently operating bank, we believe it will be helpful to comment on the substantive provisions in the Rule because they may apply more broadly in the future and potentially affect WEX.

In many respects, we think it would be a good idea for the FDIC to adopt a regulation governing the regulation of all industrial bank holding companies that is consistent with current regulatory authorities. It would be helpful to specify the FDIC's authorities and procedures for regulating industrial bank parents and affiliates in one regulation. Currently those authorities and procedures are set forth in various statutes, regulations, policy statements, guidelines and informal practices, and can be difficult for parents, affiliates and the banks themselves to locate and understand. A rule would also provide a more open system for considering and adopting new standards and procedures as the FDIC's oversight of holding companies evolves in the future.

As it is currently drafted, the Rule mostly codifies procedures used for many years to regulate existing industrial bank holding companies and affiliates. In our experience, examiners obtain current financial information about WEX during each regular examination of WEX FSC. Occasionally additional information is requested and we have always responded promptly and completely. Because WEX provides certain data processing and account services to WEX FSC, examiners periodically visit our facilities to confirm that we are complying with all terms and conditions of our services contracts and our systems are adequate and comply with current banking standards. WEX has always understood that the regulators have the right to conduct

these examinations and we have benefited from the suggestions they have made about ways to improve our systems. In these respects, the Rule only formalizes and reiterates the FDIC's current practices which are, for the most part, reasonable, prudent and not unduly burdensome.

We would recommend some changes which are described below, especially if the Rule is expanded to apply to more than just new banks and changes of control in the future:

§ 354.4(c)— This subsection will prohibit an industrial bank holding company from engaging directly or indirectly in non financial activities. It should be deleted unless specifically authorized by new legislation. It functionally repeals the current exemption for industrial bank parent companies in the Bank Holding Company Act, which is beyond the FDIC's authority absent a change in the law itself. Although WEX currently engages only in financial activities, we see no justification to bar us from acting on opportunities that might arise in the future if they are commercial in nature. The full scope of such opportunities cannot be anticipated but we know from past experience that very beneficial and profitable commercial opportunities could arise and there is no good reason to completely block those opportunities without regard for the possible benefits to WEX and WEX FSC and lack of any risk to our bank.

§ 354.4(g)— This subsection will limit holding company representation on the bank's board to 25% of the bank's directors, which is more restrictive than the current requirement for a majority of the bank's directors to be independent. Currently, three WEX officials sit on the board of WEX FSC out of a total of seven directors. We recommend keeping the majority standard and not replacing it with the 25% limit. The majority standard appears to have worked very well and we are aware of no reason why it should be changed. We fully understand the importance of independent control of each industrial bank and support the current reasonable measures to ensure a bank's structural independence at the board and senior executive level.

There are important reasons why it is desirable to allow a minority of a bank's directors to be connected to a holding company. The parent provides all of the bank's initial capital and a bank like WEX FSC also operates with the parent's most valued asset—its name. In our case, WEX FSC serves WEX customers exclusively. Its services are part of WEX's overall marketing programs. How WEX FSC performs has a substantial impact on the whole corporate group. For that reason, WEX has a natural and legitimate interest in overseeing WEX FSC's operations and a fiduciary responsibility to its shareholders to do so. A holding company like WEX is not a mere sponsor of its bank, it has a substantial economic interest that the FDIC's interests supersede only in controlling risks of undue influence.

The irreducible factor in the creation of any bank is a decision by an investor to commit money and other resources to the bank. The key considerations for a corporate parent investing in a bank that will operate independently are the value the bank will add to the corporate group and the parent's trust and confidence in the bank's management. We understand that it is important for WEX FSC to operate as an independent entity within the corporate group, but we also believe it is important for the bank to have a deep relationship with WEX. This is facilitated by allowing key representatives of WEX to sit on the bank's board and interact with its independent management. The WEX directors play critical roles in bridging the relationship between WEX and the bank. They help ensure that WEX understands the bank's role, requirements and limitations and reassure us that the bank is well managed and cognizant of its responsibilities to the corporate group such as protecting the integrity of our brand.

Weakening these links more than is necessary to ensure the bank's independence will potentially weaken the bank's position within the corporate group without adding any real protection to the bank. We believe that would be a mistake.

The following are comments to the specific questions outlined in the proposal.

1. Cure period— We think permitting a discretionary cure period is prudent and reasonable for all requirements, particularly if a violation arises inadvertently and poses no or only a minimal risk to the safety and soundness of the bank. This is the standard generally used for the bank itself and we believe imposing inflexible standards on a holding company may result in more harm to both the holding company and the bank than would be warranted in most circumstances, particularly when the penalty would be divestiture of the bank. Divestiture would result in a loss of some or all of the holding company's investment in the bank and probably result in closure of the bank as well. Such extreme consequences could be justified only if the safety of the bank was seriously threatened. The period to cure a problem should permit strong actions to be taken without delay when needed to address a serious issue but also allow regulators to permit a longer period to resolve less serious problems or implement solutions that may take longer than a specific term would allow.

2. Actions beyond cease and desist orders and civil money penalties under current legal authority— We do not believe additional authority is needed beyond what is currently available to the FDIC and the state regulators. Divestiture is an extreme action that would be warranted only in rare and unusual circumstances directly threatening the safety and soundness of the bank. A more effective authority in such circumstances is the ability to take possession of the bank, a power the Utah Commissioner of Financial Institutions has over WEX FSC if he believes that is necessary to protect the bank from a serious risk. It would be prudent for the FDIC to ensure that state regulators have this authority and can use it expeditiously if needed.

3. Period to divest commercial activities or industrial bank— This question describes actions beyond the authority of the FDIC absent changes in federal law that only Congress can make. Congress is likely to answer the question if it passes new legislation. If it doesn't, the question is moot.

4. Further define "services essential to the operations of the industrial bank"?— We do not think that is desirable. It is unlikely that a general list could anticipate or adequately define what is essential in every instance. A service that is essential in one case may be only marginally important in another. The FDIC and state regulators already closely regulate all interactions between a bank and its affiliates even if they are not deemed "essential". Continuing that practice should be sufficient to ensure that all affiliate relationships and transactions are conducted appropriately.

5. What is needed to assure transparency regarding a bank's parent and affiliates?— We do not think the Rule is unreasonable in providing for the FDIC to examine holding companies and affiliates for compliance with the Federal Deposit Insurance Act or other laws administered by the FDIC. The FDIC already has the authority to require companies that control an industrial bank to provide information and submit to examination. The FDIC exercises this authority now to the extent it believes necessary and appropriate to understand the condition of the parent and the sufficiency of the services it provides to the bank.

The concern about requiring an agreement authorizing the FDIC to examine any affiliate is if it leads to unnecessary regulatory burdens on affiliates that have no connection to the bank other than common ownership. This would be more of an issue if the Rule is expanded to cover existing industrial banks.

We believe no change is needed from the current practice that allows the FDIC to decide what information it needs and examinations it should conduct to properly supervise the bank and require nothing that is not somehow pertinent to the bank.

6. Recordkeeping requirements on parents and non bank affiliates.— See answer to preceding question.

7. Regulation of insurance and securities affiliates of a bank?— The regulatory burden must be considered and weighed against the possible benefit to the FDIC of imposing concurrent authority over affiliates subject to primary regulation by another regulator. It would seem prudent to defer to the other regulator to the extent that produces the same oversight and information the FDIC would if it directly regulated that entity. The FDIC should be sure that the other regulator can and will share its information with the FDIC, such information is pertinent to the FDIC's oversight of the bank. It would also seem prudent for the FDIC to reserve the authority to ask for additional information and conduct examinations, only if such efforts do not duplicate what the other regulator does and the information is necessary for the FDIC to properly regulate the bank.

8. Should the SEC be recognized as a consolidated federal regulator?— This question is not pertinent to WEX and we offer no comment.

9. Require minimum capital standards at each parent company?— We strongly oppose imposing a minimum capital requirement on a bank parent company. That is not because WEX would have trouble meeting a minimum capital requirement. As of year end 2006, WEX had a consolidated capital ratio exceeding 11%. Our concern is that is it arbitrary to impose bank capital standards on a bank parent if it directly or indirectly engages in activities other than banking.

Minimum capital requirements make sense for a company that only owns a bank and whose only activity is supporting its subsidiary bank. The capital needed to properly support a traditional bank holding company is relatively easy to determine based on the same factors used to determine adequate capital for the bank.

The capital needed to support other kinds of activities will vary significantly depending on the activity and will often depend on different factors than those pertinent to a bank. A typical manufacturing or retailing company may hold less capital as a percentage of total assets than a bank. Requiring it to hold more capital than it needs may be economically unrealistic or result in a competitive disadvantage. In addition, the capital ratio of a parent becomes less relevant to a bank subsidiary if the bank is just a small portion of the parent's total assets. In that event, the parent will be able to support the bank better than any traditional bank holding company even if its capital to assets ratio is much lower than a bank holding company. It is also unreasonable for the regulator of a bank subsidiary of a much larger diversified holding company to intrude into

the basic management of the holding company when the bank regulator does not have the expertise to understand the parent's other businesses.

The FDIC should certainly consider each holding company's ability to provide support to its subsidiary bank but this should be done on a case by case basis utilizing provisions to protect the bank based on the resources available from each company.

10. What should the FDIC do if Congress passes no legislation affecting industrial banks before the moratorium expires?— The FDIC is responsible for administering the laws Congress has passed, not those it may pass. Congress enacted a law in 1987 exempting holding companies of industrial banks from the Bank Holding Company Act (except the tying provisions). If Congress does not change that law, the FDIC will have no choice but to process applications for new banks and the acquisition of existing banks by companies with the resources, expertise and integrity to successfully operate a bank even if they are also engaged in commercial activities that do not present any threat to the bank.

We appreciate the opportunity to submit these comments and I hope you find them helpful.

Very truly yours,

Hilary A. Rapkin

Hilary A. Rapkin
SVP and General Counsel

cc: G. Sutton, Callister, Nebeker & McCullough
K. Weiler, WEX FSC
D. Luigis, Wilmer Hale Cutler & Pickering