January 5th, 2016

Via Electronic Mail

Federal Deposit Insurance Corporation
Mr. Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: Notice of Proposed Rulemaking on Assessments (12 CFR §327), RIN 3064–AE40

MUFG Union Bank, N.A. ("MUB", "we" or "us", as applicable), a subsidiary of MUFG Americas Holdings Corporation ("MUAH" or "the Company"), appreciates the opportunity to comment on the proposed revisions (the "Proposal") by the Federal Deposit Insurance Corporation (the "FDIC") to implement section 334 of the Dodd-Frank Act, which requires the FDIC to (1) raise the minimum reserve ratio for its Deposit Insurance Fund ("DIF") from 1.15 percent to 1.35 percent of estimated insured deposits, (2) assess premiums on banks to reach 1.35 percent by September 30, 2020, and (3) offset the effect of the increase in the minimum reserve ratio on insured depository institutions with total consolidated assets of less than $10 billion (small banks). The Proposal proposes to surcharge insured depository institutions with total consolidated assets of $10 billion or more (large banks) and grant credits to banks with fewer assets for the portion of their regular assessments that contribute to increasing the reserve ratio from 1.15 percent to 1.35 percent.

BACKGROUND

The Company has offices across the United States and provides a wide spectrum of corporate, commercial, retail banking and wealth management solutions to meet the needs of customers, primarily through our main operating subsidiary, MUB, which is a national bank and an insured depository institution. The Company also offers an extensive portfolio of value-added solutions for customers, including investment banking, personal and corporate trust, global custody, transaction banking, capital markets, and other services. With assets of $114.3 billion (USD) as of September 30, 2015, the Company has strong capital reserves, credit ratings and capital ratios relative to peer banks. The Company is a member of the Mitsubishi UFJ Financial Group, Inc. ("MUFG") (NYSE: MTU), one of the world's largest financial organizations with total assets of approximately ¥289.2 trillion (JPY) or $2.4 trillion (USD) as of September 30, 2015 (Exchange Rate of 1 USD = ¥119.96 as of September 30, 2015). The Company's corporate headquarters are in New York City while MUB's main banking office is in San Francisco. MUB is subject to the FDIC's risk based assessment scorecard for large banks introduced in 2011 and had an annualized assessment rate * * * as calculated on its assessment invoice dated December 15, 2015.

MUB has participated in the preparation of the comment letter submitted jointly by the American Bankers Association, The Clearing House Association, and the Financial Services Roundtable ("the Association Letter"). We support the comments and concerns raised by the Association Letter.

EXECUTIVE SUMMARY

MUB supports the increase to the minimum reserve ratio of the DIF from 1.15 percent to 1.35 percent, as well as the goal to reach the new minimum of 1.35 percent by September 30, 2020, as required by the Dodd-Frank Act. However, MUB has concerns, which we summarize below, regarding the proposed flat rate surcharge and the proposed accelerated time frame that would achieve the new minimum approximately two years prior to September 2020.

I. The proposed flat rate surcharge is not aligned with the FDIC's current prudential risk based scorecard approach to calculating assessments. That approach appropriately calculates assessment rates for large banks based each firm's respective risk to the DIF and provides a strong incentive to banks to maintain low risk profiles.

II. The proposed timing of surcharge payments accelerates inflow to the DIF well in advance of the required date set forth under the Dodd-Frank Act. We do not believe this acceleration to be necessary given the significantly improved risk profiles of the banking industry overall thanks to the enhancements in regulation post crisis. Moreover, based on the ABA's analysis, the 1.35 percent minimum ratio can be achieved before the 2020 deadline by continuing the current risk based payments, provided that the FDIC does not implement the currently planned reduction in risk based assessment rates once the DIF reaches 1.15 percent (see ABA analysis in the Appendix attached to this letter).

RECOMMENDATION

MUB supports the proposal submitted in the Association Letter that any surcharge rate be applied to the Initial Base Assessment Rate (IBAR) in the current risk based methodology. Additionally, as noted in the Association Letter and recommended in this letter, the new minimum ratio of 1.35 percent can be achieved before 2020 by maintaining the current risk based assessment rate schedule and postponing the planned reduction in rates until the DIF reaches its new minimum requirement. This approach would maintain higher IBARs across the industry and would provide consistency and predictability for FDIC assessments for large banks. If the 1.35 percent minimum is not achieved by the end of 2019 under this approach, then a risk based surcharge can be assessed in the first quarter of 2020 to ensure compliance with the Dodd-Frank Act.

I. FLAT RATE SURCHARGE FOR ALL BANKS REGARDLESS OF RISK PROFILE

Since the financial crisis in 2007-2008, several new regulatory requirements have been implemented to reinforce the safety and soundness of the banking system. In addition to these requirements, large banks are subject to the FDIC's large bank pricing methodology implemented in 2011. This methodology encourages stability in the banking sector by calibrating each firm's payments into the DIF to its risk profile and offers an incentive for firms to maintain low risk profiles. MUB supports such efforts by the FDIC to measure the risk of insured depository institutions through forward-looking financial ratios that may allow the FDIC to estimate the potential impact on the DIF in stress conditions and to determine assessment rates. We believe this risk based approach is the most appropriate when assessing insurance rates across all insured depository institutions.

MUB agrees with the position of the Association Letter that any surcharge rate should be applied to the IBAR, according to the FDIC's current risk based scorecard approach. The FDIC's proposed annual flat surcharge rate of 4.5 basis points applied equally to all firms, regardless of risk profile, is inconsistent with the FDIC's current scorecard approach and the FDIC's objective to minimize risk exposures. The purpose of the surcharge is to accelerate payments into the DIF to ensure compliance with the new minimum reserve ratio by September 2020. However, the proposed surcharge is to be implemented at approximately the same time a planned reduction in all firms' risk based assessment rates will become effective upon the DIF reaching 1.15 percent. Therefore the flat surcharge would essentially offset the reduction in risk based rates and result in a payment structure that is unnecessarily complicated. The flat rate surcharge would not be required if the FDIC were to delay the planned reduction in risk based assessment rates to when the DIF reaches its required minimum of 1.35 percent. As stated above, a recent analysis performed by the ABA estimates that the reserve ratio would reach 1.35 percent before the end of 2019 provided the current risk based assessment continues without reduction.

RECOMMENDATION

1) Continue the current risk based assessment rates, with no reduction when the DIF reaches 1.15 percent, and
2) Remove the proposed flat rate surcharge to be paid over an eight quarter period.

We believe the above recommended approach benefits both the FDIC and insured depository institutions:

- It simplifies the payment process for all parties, in contrast to the proposed process that would reduce current risk based rates calculated by the FDIC scorecard while simultaneously applying a new flat surcharge rate.
- As noted in the Association Letter, maintaining the prevailing assessments structure for large banks would provide consistency and predictability for FDIC assessments.
- Assessment rates would continue to leverage the FDIC's risk based scorecard approach, ensuring firms continue to pay assessments as calculated under the risk based methodology. The structure would therefore continue to incentivize firms to minimize risk exposures, which, in turn, would promote stability across the industry.
- This approach meets the requirements set forth under Dodd-Frank Act §334.

II. ACCELERATED SURCHARGE PAYMENTS ARE NOT REQUIRED GIVEN THE STRENGTH OF THE BANKING INDUSTRY IN THE WAKE OF RECENT AND CONTINUING REGULATORY STANDARDS; CONTINUATION OF RISK BASED ASSESSMENTS AUTOMATICALLY ACCELERATES DIF PAYMENTS IF THE BANKING INDUSTRY WEAKENS

The Dodd-Frank Act has introduced a number of new regulatory requirements that assess and reinforce the financial industry's stability and soundness. As such, like many other firms impacted by the Proposal, MUB is subject to or impacted by the following requirements:

- Enhanced Prudential Standards for Bank Holding Companies and Foreign Owned Banks;

- Annual capital plan submissions under the Comprehensive Capital Adequacy Review (CCAR);
- Recovery and Resolution Plan (RRP) documentation for MUB as an insured depository institution as well as for MUFG, its parent company;
- Monthly FR 2052 liquidity reporting;
- U.S. Liquidity Coverage Ratio (LCR) requirements beginning in 2016; and
- The Total Loss Absorbing Capital proposal that would require a minimum amount of long term subordinated debt to be issued by intermediate holding companies of foreign banking organizations.

The proposal of an annualized 4.5 basis point surcharge for all banks over an eight quarter period would achieve the newly required 1.35 percent minimum reserve ratio by the fourth quarter of 2018, approximately two years ahead of the timeline required by the Dodd-Frank Act. Such an acceleration of payments is not required given the strong capital and liquidity positions across the industry, thanks to the new regulatory requirements outlined above as well as the current relatively benign credit environment.

Additionally, we would appreciate the FDIC's understanding regarding the increase in expense that banks are incurring in order to comply with the new regulatory environment and to improve risk management and reporting. As such, the estimated 2019 date achieved by maintaining the current risk based approach (without reduction) provides a slightly longer timeline for firms to amortize the increased expense while ensuring that the DIF reaches the new minimum reserve ratio required by Dodd-Frank §334.

Finally, the proposed flat payment structure is not aligned with the FDIC's current risk based scorecard. As discussed above, we believe that payments into the DIF should continue to be assessed according to the risk based scorecard approach to ensure alignment with FDIC objective to promote stability in the banking industry and to minimize risk to the DIF.

<u>RECOMMENDATION</u>

3) As mentioned above, based on the ABA study, the 1.35 percent required minimum can be achieved by 2019 provided that the planned reduction in risk based assessments is not implemented and that no flat surcharge is assessed to make up for such reduction. However, in the event that risk based rates decline and the new minimum ratio of 1.35 percent is not achieved by December 31, 2019, we recommend that the FDIC apply a one-time risk based surcharge to ensure that the DIF reaches the required minimum in the first quarter of 2020. We also recommend that the one-time surcharge be based on each firm's respective risk based assessment rate at that time. This would continue to incentivize firms to monitor and minimize their risk profiles between now and 2020.

   As noted in the Association Letter, the utilization of the full surcharge period that was reiterated in statute by Congress will minimize expense for large banks and support credit growth. Additionally, under the risk based approach, the amount of payments to the DIF would be adjusted automatically as changes in the identified risks across all large banks are captured in the FDIC scorecard. For example:

   - Should the industry risks as captured in the scorecard increase in coming years, assessment rates would increase as well, causing a rise in total assessment payments.

This would accelerate payments to the DIF and the fulfillment of the 1.35 percent minimum ratio.

- Alternatively, if risk profiles improve during this time, industry wide reductions in assessment rates would be captured in the FDIC scorecard causing the fund to reach its new minimum at a later time. The need for a potential one-time surcharge in 2020 would occur in environments where inherent risks in the industry have remained stable or likely have improved over time. We believe the FDIC should be comfortable with this deferral in surcharge payments given that a deferral would, by definition, imply lower risks across the industry.

SUMMARY

MUB supports the increase to the minimum reserve ratio of the DIF from 1.15 percent to 1.35 percent, as well as the goal to reach the new minimum of 1.35 percent by September 30, 2020 as required by the Dodd-Frank Act. We believe this goal can be easily accomplished without a flat surcharge by continuing the current risk based assessments (with no reduction upon reaching the 1.15 percent threshold). Such an approach aligns bank behavior with the FDIC's objective to minimize risk to the DIF and simplifies the assessment process for both the FDIC and banks. Additionally, given the strong capital and liquidity positions across the banking industry, we believe there is less need to accelerate the funding of the DIF to approximately two years prior to the Dodd Frank dead line. Finally, the benefit of the risk based scorecard approach, in contrast to the flat surcharge, is that it automatically results in accelerated payments in the event of an increase in risk exposures across the industry.

We appreciate the opportunity to share our thoughts with you and appreciate your consideration of our views. If it would be helpful to discuss these issues with us or if there is any additional information that you would like us to provide, please contact me at (415) 765-4233 / john.trohan@unionbank.com, Mimi Mengis at (415) 765-3182 / mimi.mengis@unionbank.com, or Riley Long at 415-765-3181 / riley.Long@unionbank.com.

Sincerely,

John C. Trohan
Managing Director, Treasurer
MUFG Americas Holdings Corporation
MUFG Union Bank, N.A.

Copy:
David Goode, Federal Reserve Bank of San Francisco, Director and Central Point of Contact
Carol DuChene, Office of the Comptroller of the Currency, Examiner-in-Charge
Kanetsugu Mike, Executive Chairman and MUFG Regional Executive for the Americas
Stephen Cummings, President and Chief Executive Officer, MUFG Union Bank
John Woods, Chief Financial Officer
Michael Coyne, General Counsel
Kazuo Koshi, Chief of Staff in GM – Planning Division for the Americas
Robert Hand, Managing Director and Head of the Regulatory Affairs Office, MUFG Americas
Maureen Young, Managing Director and Associate General Counsel

Appendix

FDIC Deposit Insurance Fund

$Millions → Quarter	Insured Deposits ($Billions)	Assessment Base ($Billions)	$10+ Billion Bank Assmt Base ($Bs)	Average Assessmt Rate (b.p.)	Surcharge Assessmt Rate (b.p.)	Surcharge Assessmts	Assess-ment Income	Interest Revenues	Securities Gains	Operating Expenses	Insurance Expenses	Provision for Losses	Net Income	Fund Balance	Fund to Insured Deposits	Loss Reserve	Cost of Bank Failures
March	$6,380			4.4			$3,484	$28	$57	$395	($66)	($3,089)	$6,329	($1,023)	-0.02%	$13,788	$2,095
June	$6,525	$11,853	$9,320	2.7			$3,163	$37	$27	$463	($80)	($2,095)	$4,939	$3,916	0.06%	$10,349	$2,229
September	$6,754	$11,966	$9,444	3.0			$3,642	$30	($188)	$433	($83)	($763)	$3,897	$7,813	0.12%	$7,247	$2,500
December	$6,973	$12,071	$9,550	2.7			$3,209	$25	$40	$334	$16	$1,533	$4,013	$11,826	0.17%	$6,511	$1,100
2011	10.6%	3.7%	5.0%	12.7			$13,498	$120	($64)	$1,625	($213)	($4,414)	$19,178				$7,925
March	$7,031	$12,066	$9,553				694	$20	$160	$460	($63)	$12	$3,465	$15,292	0.22%	$5,330	$1,300
June	$7,081	$12,159	$9,626				933	$81	($108)	$407	$0	($807)	$7,401	$22,693	0.32%	$4,021	$520
September	$7,248	$12,276	$9,761				833	($8)	$7	$442	($57)	($84)	$2,531	$25,224	0.35%	$3,560	$483
December	$7,405	$12,435	$9,905				937	$66	($22)	$469	($765)	($3,344)	$7,734	$32,958	0.45%	$3,221	$354
2012	6.2%	3.0%	3.7%	10.1			$12,397	$159	$37	$1,778	($885)	($4,223)	$21,131				$2,657
March	$6,000	$12,433	$9,929	2.1			$2,645	($9)	$30	$436	($55)	($499)	$2,784	$35,742	0.60%	$2,659	$116
June	$5,951	$12,486	$9,996	2.0			$2,526	$54	($96)	$439	($51)	($33)	$2,129	$37,871	0.64%	$2,426	$270
September	$5,968	$12,528	$10,028	1.9			$2,339	$34	$227	$298	($46)	($539)	$2,887	$40,758	0.68%	$1,164	$775
December	$6,011	$12,744	$10,222	1.7			$2,224	$24	$25	$436	($8)	($4,588)	$6,433	$47,191	0.79%	$1,204	$16
2013	-18.8%	2.5%	3.2%	7.8			$9,734	$103	$186	$1,609	($160)	($5,659)	$14,233				$1,177
March	$6,121	$12,797	$10,270	1.9			$2,393	$45	$25	$422	($9)	$348	$1,702	$48,893	0.80%	$1,582	$117
June	$6,110	$12,905	$10,390	1.7			$2,224	$87	$73	$428	($6)	($204)	$2,166	$51,059	0.84%	$1,498	$112
September	$6,142	$13,107	$10,548	1.5			$2,009	$45	($91)	$406	($6)	($1,663)	$3,226	$54,285	0.88%	$1,907	$48
December	$6,211	$13,338	$10,754	1.7			$2,030	$105	($17)	$408	$0	($6,787)	$8,495	$62,780	1.01%	$1,816	$220
2014	3.3%	4.7%	5.2%	6.8			$8,656	$282	($10)	$1,664	($21)	($8,306)	$15,589				$496
March	$6,344	$13,526	$10,973	1.9			$2,189	$60	$231	$396	($6)	($426)	$2,516	$65,296	1.03%	$717	$848
June	$6,350	$13,604	$11,014	1.9			$2,328	$113	($34)	$434	($3)	($317)	$2,293	$67,589	1.06%	$684	$17
September	$6,420	$13,623	$11,018	1.9			$2,170	$122	$64	$410	($2)	($578)	$2,526	$70,115	1.09%	$102	$4
December	$6,485	$13,765	$11,133	1.7			$2,340	$131	$0	$500	($2)	($1,000)	$2,973	$73,089	1.13%	$80	$25
2015	4.4%	3.2%	3.5%	7.4			$9,027	$426	$261	$1,740	($13)	($2,321)	$10,308				$894
March	$6,550	$13,909	$11,250	1.7			$2,365	$155	$0	$435	($2)	$30	$2,057	$75,145	1.15%	$94	$15
June	$6,616	$14,055	$11,367	1.1			$1,546	$179	$0	$447	($2)	$35	$1,246	$76,391	1.15%	$111	$18
September	$6,683	$14,202	$11,486	1.1	0.6	$580	$2,142	$203	$0	$458	($2)	$41	$1,848	$78,239	1.17%	$131	$21
December	$6,751	$14,351	$11,607	1.1	0.6	$586	$2,165	$229	$0	$471	($2)	$48	$1,877	$80,116	1.19%	$154	$25
2016	4.1%	4.2%	4.3%	5.0	1.1	$1,167	$8,218	$767	$0	$1,811	($8)	$154	$7,028				$80
March	$6,857	$14,501	$11,728	1.1	0.6	$592	$2,187	$254	$0	$476	($2)	$57	$1,911	$82,027	1.20%	$182	$30
June	$6,884	$14,652	$11,851	1.1	0.6	$599	$2,210	$282	$0	$481	($2)	$67	$1,946	$83,973	1.22%	$214	$35
September	$6,969	$14,806	$11,975	1.1	0.6	$605	$2,233	$310	$0	$486	($2)	$79	$1,981	$85,954	1.23%	$252	$41
December	$7,089	$14,960	$12,100	1.1	0.6	$611	$2,257	$340	$0	$491	($2)	$94	$2,015	$87,968	1.24%	$298	$48
2017	5.0%	4.2%	4.2%	4.4	2.2	$2,407	$8,888	$1,185	$0	$1,932	($8)	$298	$7,852				$154
March	$7,201	$15,117	$12,226	1.1	0.6	$618	$2,280	$371	$0	$496	($2)	$110	$2,047	$90,015	1.25%	$351	$57
June	$7,229	$15,275	$12,354	1.1	0.6	$624	$2,304	$409	$0	$501	($2)	$130	$2,085	$92,100	1.27%	$413	$67
September	$7,319	$15,435	$12,483	1.1	0.6	$631	$2,328	$450	$0	$506	($2)	$153	$2,121	$94,221	1.29%	$487	$79
December	$7,444	$15,596	$12,614	1.1	0.6	$637	$2,353	$536	$0	$511	($2)	$181	$2,198	$96,419	1.30%	$574	$94
2018	5.0%	4.2%	4.2%	4.4	2.2	$2,509	$9,266	$1,766	$0	$2,014	($8)	$574	$8,451				$298
March	$7,562	$15,759	$12,746	1.1	0.6	$644	$2,377	$539	$0	$517	($2)	$147	$2,254	$98,674	1.30%	$611	$110
June	$7,592	$15,924	$12,879	1.1	0.6	$651	$2,402	$557	$0	$522	($2)	$147	$2,291	$100,965	1.33%	$628	$130
September	$7,685	$16,091	$13,014	1.1	0.6	$657	$2,427	$575	$0	$528	($2)	$149	$2,328	$103,293	1.34%	$624	$153
December	$7,818	$16,259	$13,150	1.1	0.6	$664	$2,453	$638	$0	$533	($2)	$151	$2,408	$105,701	1.35%	$594	$181
2019	5.0%	4.2%	4.2%	4.4	2.2	$2,616	$9,660	$2,308	$0	$2,100	($8)	$594	$9,282				$574
March	$7,941	$16,429	$13,288	1.1			$1,807	$641	$0	$539	($2)	$153	$1,759	$107,460	1.35%	$600	$147
June	$7,972	$16,601	$13,427	1.1			$1,826	$661	$0	$544	($2)	$153	$1,791	$109,251	1.37%	$606	$147
September	$8,071	$16,775	$13,567	1.1			$1,845	$680	$0	$550	($2)	$155	$1,822	$111,073	1.38%	$613	$149
December	$8,209	$16,950	$13,709	1.1			$1,865	$746	$0	$556	($2)	$157	$1,899	$112,972	1.38%	$619	$151
2020	5.0%	4.2%	4.3%	4.4			$7,343	$2,728	$0	$2,189	($8)	$619	$7,271				$594

Quarterly "surcharge assessments" to bring the fund to 1.35 percent in 2019

Bank failure costs as forecast by the FDIC

NPV as of Dec. 2015 for Assessments from Banks Over $10 Bill.

Surcharge: $8.6 bill.

Total: $36.3 bill.