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January 18, 2019

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street, SW
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Washington, D.C. 20219

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW,
Washington, DC 20551

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Prudential Standards for Large Bank Holding Companies and Savings and Loan Holding Companies (FRB Docket No. R–1627 and RIN 7100–AF20); Proposed Changes to Applicability Thresholds for Regulatory Capital and Liquidity Requirements (FRB Docket No. R–1628 and RIN 7100–AF21; Docket ID OCC–2018–0037 and RIN 1557–AE56; FDIC RIN: 3064–AE96)

Ladies and Gentlemen:

Branch Banking and Trust Company and subsidiaries of BB&T Corporation (collectively referred to as "BB&T") appreciate the opportunity to comment on (i) the proposal issued by the Board of Governors of the Federal Reserve System ("Federal Reserve"), the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (collectively "the agencies") regarding their proposed changes to the applicability thresholds for certain regulatory capital and liquidity requirements and (ii) the proposal issued by the Federal Reserve regarding proposed changes to the enhanced prudential standards for large bank holding companies and savings and loan holding companies ("Proposals"). We commend the regulatory agencies for recognizing the lower risk of Regional and Super Regional banks and comprehensively tailoring regulations in accordance with the risk. This will reduce regulatory burden and the cost of complying with the extensive addition of regulations since the financial crisis. In reviewing the proposal, BB&T has chosen to comment in this letter on several areas where we believe adjustments would aid in this effort. Please accept this letter as BB&T's position regarding the Proposals.

BB&T Corporation (NYSE: “BBT”) is one of the largest financial services holding companies in the U.S., with $222.9 billion in assets and a market capitalization of approximately $37.4 billion as of September 30, 2018. Building on a long tradition of excellence in community banking, BB&T offers a wide range of financial services including retail and commercial banking, investments, insurance, wealth management, asset management, mortgage, corporate banking, capital markets and specialized lending. Based in Winston-Salem, N.C., BB&T operates more than 1,900 financial centers in 15 states and Washington, D.C. and is consistently recognized for outstanding client service by Greenwich Associates for small business and middle market banking. More information about BB&T and its full line of products and services is available at BBT.com.

Executive Summary

BB&T supports the agencies' intent to reduce complexity within the regulatory framework and agrees that tailoring certain aspects of regulation, as introduced by the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA"), is prudent. Specifically, BB&T urges the agencies to consider the following:

- Publish written guidance that 2019 is an off-cycle year for Comprehensive Capital Analysis and Review ("CCAR") and the mid-cycle requirements;
- Clarify that any accumulated other comprehensive income ("AOCI") recorded as a result of potential changes in the Current Expected Credit Loss ("CECL") standard should be exempt from regulatory capital for all institutions Categories I through IV, consistent with the other exempt components of Other Comprehensive Income ("OCI");
- Subject the stress-testing scenarios to a 60-day comment period and publish the final scenarios by December 31 each year;
- Allow institutions to request adjustments to stress capital buffers ("SCBs") in off-cycle years based on company-run stress test results;
- No longer require the FR Y-14A schedules for Category IV institutions in the supervisory stress test and simplify the FR Y-14A Summary schedule for all institutions;
- Use asset size and other risk-based indicators as proposed to determine categories for tailoring prudential standards, combined with allowing the asset and exposure thresholds to grow via economic escalators (e.g., Gross domestic product ("GDP") growth);
- Replace the existing treatment of minority interest in the capital ratio calculation for all Categories of institutions as proposed in the Simplifications to the Capital Rule proposal from October 27, 2017;
- Assign a subsidiary depository institution the same category as that assigned to its top-tier parent holding company for establishing liquidity requirements;
- Assign a reduced liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR") requirement of 70 percent to Category III institutions, consistent with current requirements for institutions with less than $250B in total consolidated assets;
- Allow transfer of liquidity from subsidiary depository institution to top-tier covered company consistent with existing modified LCR requirement up to 100 percent of the net cash outflows of the subsidiary; and
- Amend the 2052a instructions such that all monthly filers, regardless of Category or asset size, report on a T+10 schedule.

Finally, BB&T encourages the regulatory agencies to coordinate requirements and guidance to reduce unnecessary complexity in complying with differing standards for the various regulatory agencies. Further detail on these suggestions can be found below.

Modifications to Category III and Category IV prudential standards

Qualitative Assessment

BB&T endorses Federal Reserve Vice Chairman for Supervision Quarles's recent statements[1] that it would be appropriate to normalize the CCAR qualitative assessment by removing the public objection tool and continuing to evaluate stress testing under normal supervision practices. The elimination of the qualitative assessment for Category III and Category IV institutions would decrease regulatory burden associated with the public objection tool process and reduce potential reputational damage and administrative costs. The primary argument for removal of this assessment is that it is redundant and can be covered under the Federal Reserve's normal supervisory and examination processes. Further, the current CCAR qualitative assessment is subjective in nature and should be treated confidentially to minimize the risk of undermining the public's confidence in these institutions.

Mid-Cycle Disclosure Requirements

BB&T urges the Federal Reserve to eliminate the mid-cycle company-run stress test requirement for all Category III and IV institutions as soon as possible. While the proposal targets the 2020 stress testing cycle, the Federal Reserve should identify a pathway to provide immediate relief in 2019. Elimination of the mid-cycle stress test requirements would provide meaningful regulatory relief and burden associated with a requirement that provides limited value. The Federal Reserve has indicated that 2019 would be an off-cycle year for CCAR purposes and therefore should align expectations related to mid-cycle for the calendar 2019 year as soon as possible in order for institutions to prepare accordingly.

Other Comprehensive Income Treatment for Current Expected Credit Loss

Regional and community banks, as well as bank advocacy groups, recently submitted a proposal to the Financial Accounting Standards Board ("FASB") requesting the bifurcation of CECL reserves and provision between the near-term expected losses recorded in the income statement, and long-term losses recorded in OCI. This approach limits income volatility and lessens procyclicality resulting from the CECL standard. In contrast, the current CECL standard continues building provision expense during periods of stress, which would result in banks restricting lending due to increased costs, thus exacerbating an economic downturn.

BB&T strongly urges the regulatory agencies to work with FASB to enhance the CECL standard so lending across product lines remains available to qualified consumers during periods of economic stress. In addition, the Federal Reserve should clarify that any AOCI recorded as a result of potential changes in the CECL standard would be exempt from regulatory capital for all institutions Categories I through IV, consistent with the other exempt components of OCI.

[1] Vice Chairman for Supervision Randal K. Quarles, *A New Chapter in Stress Testing*, Brookings Institution, Washington, D.C. (Nov. 9, 2018)

Visibility into stress test results prior to submission of capital plan

BB&T strongly supports Governor Quarles's recent comments[2] advocating for advance notification of stress test results and an institution's SCB prior to required submission of dividend and share repurchase plans. This change would help institutions to better manage capital and reduce the impact of changes in the SCB.

Additionally, BB&T urges the Federal Reserve to revisit the timing for when they provide supervisory scenarios to institutions. The severity of supervisory stress scenarios will directly impact the SCB and resulting capital requirements. The Federal Reserve's Policy Statement on Scenarios[3] does not address severity or timing of changes in most macroeconomic variables in the supervisory scenarios. The Federal Reserve should subject the scenarios to a 60-day comment period and then publish the final scenarios by December 31, so institutions have all material for CCAR at the start of the process and can better incorporate the Federal Reserve scenarios into their stress testing and governance processes.

Frequency of Company-run and Supervisory Stress tests

BB&T supports the Federal Reserve's proposal that Category IV institutions be required to submit stress test results on a biennial basis for supervisory stress tests and that Category III submit company-run stress testing on a biennial basis in addition to submitting supervisory stress tests on an annual basis. This would provide meaningful regulatory relief associated with complying with documentation and filing requirements while not meaningfully increasing the risk associated with a less frequent reporting cycle.

Performing company-run stress testing is a key component to prudent risk management and would likely continue to be performed on an annual basis, without the additional cost and overhead associated with submitting results on a compressed timeline. The change in the review cycle is supported by the importance of company-run stress tests and the fact that institutions' risk profiles do not change often enough to have major impact to SCBs.

One consideration associated with moving to a less frequent submission requirement is the aging of the SCB. By design, SCBs fluctuate with economic conditions based on supervisory scenarios. Unless otherwise addressed, the biennial process could present problems when the economy transitions, resulting in SCBs with the opposite of the intended consequences (e.g., institutions could find themselves with elevated SCBs held over from a deteriorating economy well into a recovery). To mitigate this risk, institutions should be allowed to request adjustments to SCBs in off-cycle years based on company-run stress test results. This approach would reduce the regulatory burden of filing each year while still providing a mechanism to ensure the maintenance of appropriate SCBs.

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[2] Vice Chairman for Supervision Randal K. Quarles, *A New Chapter in Stress Testing*, Brookings Institution, Washington, D.C. (Nov. 9, 2018)
[3] 12 CFR 252, Appendix A

Tailor FR Y-14A reporting requirements for Category III and IV institutions

BB&T supports the Federal Reserve's Proposal to no longer require Category IV institution to submit the results of company-run stress tests on the FR Y-14A schedule.

BB&T recommends the regulatory agencies streamline the FR Y-14A reporting requirements for Category III and IV institutions. Under the proposal, Category IV institutions would not be required to submit company-run stress tests and would submit supervisory stress tests results biennially. Category III institutions would submit company-run stress test results biennially and supervisory stress test results annually. The reporting requirements should be streamlined given the decreased reporting frequency for these institutions.

The FR Y-14A Summary schedule should be streamlined in the following manner:

- Category III institutions should be treated like large and noncomplex institutions. As such, the Securities Other Than Temporary Impairment ("OTTI") methodology, Securities Market Value Source, Securities OTTI by Security, Retail Repurchase, Trading, Counterparty, and Advanced Risk-Weighted Assets ("RWA") sub-schedules should not be required.
- The Retail Balance and Loss Projections sub-schedule requests balances, origination, paydown, asset sales/ purchases, and loan loss information. This sub-schedule is partly duplicative and creates extra burden while providing little valuable information. The balances and loan losses already appear on the Balance Sheet and Income Statement sub-schedules. The origination, paydown, and asset sales/purchase information is not located on the FR Y-9C. As such, this sub-schedule should not be required for any institution.
- Pre-provision net revenue ("PPNR") appears on the Income Statement worksheet with additional details on three PPNR sub-schedules. Net interest income is submitted on both the PPNR Projection and PPNR Net Interest Income worksheets, which is unnecessarily duplicative. The PPNR worksheets could be streamlined or eliminated.

Preferred method to tailor prudential standards

BB&T primarily supports the Federal Reserve's proposal to use asset size and other risk-based indicators to determine categories for tailoring prudential standards. BB&T recommends the Federal Reserve apply economic escalators (e.g., GDP growth) to the asset and exposure thresholds so that economic growth is not the cause of an institution changing categories. The failure or distress of a large banking organization would likely have a greater economic and financial stability impact due to the organization's size relative to the entire economy. As such, the asset and exposure thresholds should grow with the economy. The economic escalators are consistent with managing systemic risk while allowing banks to organically grow credit supply, without increased regulatory burden. Further, BB&T recommends the Federal Reserve revisit the methodology for tailoring prudential standards following the formalization of Basel IV requirements.

As the Federal Reserve asserts in Section III.A of the Proposal, asset size is an imperfect but useful barometer when determining a traditional banking institution's systemic impact and related safety and soundness concerns. And, apart from other empirical measures of systemic risk such as complexity and interconnectedness, asset size is a simple metric transparent to markets and investors. For large institutions under stress, considerations for unwinding and finding buyers for the quantity of assets alone makes asset-size a key component. A simpler methodology will make it easier for banks to anticipate and prepare for future changes in their prospective categories.

The Federal Reserve's "alternative scoping criteria" suggestion, which would use either Method 1 and/or Method 2 globally systemically important banks ("G-SIB") scores for tailoring prudential standards, is less transparent and more complex than the proposed method. While BB&T has previously expressed support for the use of empirical analyses of multiple risk factors to determine systemic riskiness, that methodology is not appropriate for the more granular categorization of non-G-SIBs in the context of the proposed rule. In addition, the Method 1 and Method 2 scoring methodologies do not appear to be calibrated appropriately, and therefore BB&T supports the Proposal to use asset size and other risk indicators, with the caveat the Federal Reserve incorporate an economic escalator as previously discussed.

Minority Interest

The Simplifications to the Capital Rule proposal[4] suggested replacing the existing capital calculations limiting the inclusion of minority interest in regulatory capital for non-advanced approaches institutions. That proposal would allow bank holding companies ("BHC") to potentially issue capital instruments from their insured depository institution ("IDI") and count that in the appropriate capital bucket to the extent that it is 10% or less of the consolidated total. The current rules require a fairly complex calculation, generally resulting in a lower amount being included in capital. In addition, that proposal would keep the current rules in place for advanced approaches BHCs. Thus, if a non-advanced approaches BHC issued a capital instrument at the IDI today, but then became an advanced approaches BHC in the future, the BHC would experience an immediate decrease in total capital upon becoming an advanced approaches institution. Therefore, BB&T advocates for advanced approaches to receive similar treatment as that proposed for non-advanced approaches institutions and that the proposal is codified as soon as possible.

Liquidity considerations

The proposed Category IV liquidity prudential standards are advantageous, allowing for focused risk management processes consistent with the risk profile, complexity, activities, and size of Category IV institutions. The proposed liquidity risk management standards are comprehensive and cover:

1) Liquidity risk limits scaled to cover mismatch risk, market liquidity risk, and contingent liquidity risk;
2) Continued focus on comprehensive liquidity stress testing that assess the impact on cash flows, liquidity position, profitability, and solvency, and;
3) Adequate liquidity buffer of highly liquid assets ("HLA") that is sufficient to meet the projected net stress cash-flow over a 30 day planning horizon to cover the defined worse case stress.

[4] RIN 3064-AE59 Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996

For purposes of applicable thresholds for regulatory liquidity requirements, a subsidiary depository institution should be assigned the same category as that assigned to its top-tier parent holding company. Regional institutions primarily focus on commercial banking, and do not exhibit attributes similar to Categories I and II (i.e., limited cross-border activity, insignificant nonbank assets compared to total).

A reduced LCR and NSFR requirement for a banking organization subject to Category III standards with less than $75 billion in weighted short-term wholesale funding is appropriate. The objective of tailoring prudential standards is to provide reduced requirements for banking organizations with lower liquidity risk profiles and the cost of the additional degree of complexity is immaterial. Requiring all Category III banking organizations to meet either full or reduced LCR and NSFR requirements would not sufficiently distinguish liquidity standards on the basis of risk.

A reduced LCR and NSFR requirement of 70 percent represents a prudent scale based on Category III size, complexity and overall risk. These institutions represent less complexity than Categories I and II, with the funding base primarily stable retail and relationship-based wholesale funding.

Transfers of liquidity from a subsidiary depository institution to a top-tier covered company should remain consistent with the existing modified LCR requirement. An institution may include in its high quality liquid asset ("HQLA") amount eligible HQLA held at a subsidiary up to 100 percent of the net cash outflows of the subsidiary, plus amounts that may be transferred without restriction to the top-tier covered company. The Proposal would limit the amount of eligible HQLA up to the amount of the net cash outflows of the subsidiary by the reduced factor of 70-85%. Regional and Super Regional institutions are predominantly commercial banking firms with one subsidiary depository institution. HQLA is positioned within the subsidiary depository institution. Maintaining the amount of eligible HQLA up to 100 percent of net subsidiary outflows reduces operational complexity of consolidated HQLA positioning which is consistent with the spirit of tailoring regulation.

The LCR rule binding constraint for regional commercial institutions is the Bank level LCR. The Bank level LCR calculation is lower than the consolidated LCR, which is attributed to the parent company cash position (less than 30 days maturity). Parent company cash positions flow to the subsidiary depository institution consolidated balance sheet as deposit balances. These cash deposit balances at the Bank receive a 100 percent full LCR outflow (each dollar of parent cash requires 100 percent corresponding HQLA). Parent company cash flow coverage is in place to ensure strong parent company liquidity and represents prudent safety and soundness.

The existing Regulation YY liquidity risk management framework provides for comprehensive liquidity risk safety and soundness. Related to liquidity requirements, focus should continue to be on the internal liquidity stress test requirement for Category IV institutions. The elimination of the LCR and proposed NSFR formality allows for greater emphasis to tailor liquidity risk management with an emphasis on liquidity stress testing. Institutions are still bound by a liquid asset buffer of highly liquid assets and all other prudent liquidity risk management requirements within Regulation YY are maintained, including Liquidity Risk Limits, Liquidity Risk Management Governance, Contingency Funding Plan, Liquidity Stress Testing, cash-flow forecasts, independent review function, and collateral monitoring.

FR 2052a reporting

BB&T generally supports the Proposal as outlined. In addition, the 2052a instructions should be further amended such that all monthly filers, regardless of Category or asset size, report on a T+10 schedule. Currently the instructions require institutions with greater than $250 billion but less than $700 billion in assets to report on a T+2 schedule and institutions with less than $250 billion in assets to report on a T+10 schedule.

Conclusion

In closing, BB&T recommends the agencies consider the above suggestions regarding the tailoring of certain prudential standards to the risk profiles of banking organizations under the proposed risk-based categories and address the items that need further clarification. BB&T appreciates the opportunity to provide its comments to the agencies.

Sincerely,

[redacted]

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BB&T Corporation