

October 27, 2008

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

200 West Second Street
P.O. Box 1250
Winston-Salem, NC 27102-1250
(336) 733-2304
Fax (336) 733-2348

Robert E. Greene
President
Branch Banking & Trust

Re: Risk-Based Capital Guidelines; Capital Adequacy Guidelines:
Standardized Framework; Proposed Rule

Dear Mr. Feldman:

Branch Banking and Trust Company and the affiliated banks and subsidiaries of BB&T Corporation (jointly referred to as "BB&T") appreciate the opportunity to comment on the joint notice of proposed rulemaking (hereinafter "NPR") on Risk-Based Capital Guidelines; Capital Adequacy Guidelines: Standardized Framework (hereinafter "Standardized Framework") issued by the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision (collectively referred to as the "Agencies").

BB&T, with more than \$137 billion in assets, is the fourteenth largest financial holding company in the United States, and operates nearly 1,500 financial centers in the Carolinas, Virginia, Maryland, West Virginia, Kentucky, Tennessee, Georgia, Florida, Alabama, Indiana, and Washington, DC.

BB&T supports the Agencies' objective of enhancing the sensitivity of the risk-based capital rules. We believe the Standardized Framework proposed in the NPR achieves this objective in concept, and is a substantial improvement over the general risk-based capital rules (hereinafter "Basel I"). The Agencies' decision to implement, with some modification, the standardized approach for credit risk and the basic indicator approach (hereinafter "BIA") for operational risk described in the "International Convergence of Capital Measurement and Capital Standards, A Revised Framework, Comprehensive Version" (hereinafter "New Accord") is significant, as the Standardized Framework not only improves risk sensitivity with respect to credit risk but also recognizes operational risk as being a distinct form of risk.

However, we are concerned that, in practice, the proposed rule may not accomplish the intended objective of enhanced risk sensitivity. In addition, implementation and compliance with the Standardized Framework may impose additional regulatory burden on banking organizations that adopt it. While our views are well-represented in the comment letters submitted by the American Bankers Association and Risk Management Association, both of which BB&T endorses, we write to emphasize the issues most salient to us. These issues, as well as our recommendations for improvement, are discussed below.

Applicability. As proposed in the NPR, banking organizations that are not "core" banks generally have the option to use the Standardized Framework or to continue applying Basel I to

calculate their risk-based capital requirements. We believe this approach is sound, as non-core banks vary widely in terms of asset size, complexity, and technological capability. While adopting the Standardized Framework may enhance risk sensitivity, implementation of the rule would require many banks to make significant investments in technology and, in some cases, to rethink how they capture and utilize data. Because each banking organization is in the best position to evaluate the benefits and costs of the rule in the context of its business and operating environment, BB&T supports the Agencies' decision to make implementation voluntary.

The Agencies are also clear, however, that a banking organization may be required to adopt the Standardized Framework if its primary Federal supervisor determines that application of the rule is appropriate in light of the bank's asset size, complexity, risk profile, or scope of operations. It is the position of BB&T that the decision to apply the Standardized Framework should be reserved for the management of each non-core banking organization. However, if the Agencies believe this provision is necessary, then we would urge them to exercise this authority sparingly. For instance, if a supervisor determines that a bank's risk management is inadequate, then the supervisor should manage the issue directly rather than require the bank to apply a different set of risk-based capital rules. Furthermore, where a banking organization is required by its primary supervisor to apply the Standardized Framework, we believe the bank should have sufficient time to implement the new capital rule. BB&T recommends that the Agencies revise the rule to require primary regulators to provide at least 24 months' advance notice to banking organizations they determine must apply the Standardized Framework.

Transition Provisions. Under the NPR, a banking organization that uses the Standardized Framework and that merges with or acquires another banking organization that uses either Basel I or the Standardized Framework would be provided a time period of 12 months following the last day of the calendar quarter during which the merger or acquisition is consummated to bring the merged or acquired bank into compliance with the rule. Since the time that is required to complete a merger or acquisition is a function of the size and complexity of the transaction, BB&T believes the Agencies should provide sufficient time to bring merged or acquired entities into conformity with the rule. Therefore, we recommend that the Agencies grant banking organizations 24 months to bring merged or acquired entities into compliance, with the ability to apply to their primary supervisor for an additional 12 months.

Risk Weights: Corporate Exposures. The NPR would permit a banking organization to elect one of two methods to risk weight corporate exposures. The bank could risk weight all of its corporate exposures at 100 percent without regard to external ratings, or it could risk weight a corporate exposure based on its applicable external or applicable inferred rating. If a corporate exposure has no external rating, then that exposure could not receive a risk weight lower than the risk weight corresponding to the lowest issuer rating of the obligor's sovereign of incorporation.

BB&T is of the opinion that external ratings can be used satisfactorily to risk weight a banking organization's corporate exposures. External ratings have the advantage of being issued by an impartial third party, and external ratings can be used to differentiate exposures according to risk. However, we emphasize that the use of external ratings to risk weight corporate assets is an example of how the Standardized Framework enhances the risk sensitivity of the risk-based capital rules in concept but not in practice. Although external ratings can be used to differentiate corporate exposures by risk, they enhance risk sensitivity only to the extent that banking organizations that apply the Standardized Framework hold externally-rated exposures. For banking organizations that hold few or no externally-rated corporate exposures, the

Standardized Framework provides little, if any, enhanced risk sensitivity vis-à-vis Basel I. This is a serious flaw in the regulation, for it may have an unintended, adverse effect on competition in the banking industry. For instance, under the NPR it is possible for one bank to have an A-rated exposure with a risk weight of 50% while another bank has an unrated exposure of like quality with a risk weight of 100%. In this situation the Standardized Framework disadvantages the latter bank because it is forced to hold twice as much capital against the same exposure.

We believe the Agencies can mitigate this problem by making alternative risk-weighting methods available to banking organizations. Therefore, BB&T recommends that the Agencies revise the Standardized Framework to incorporate loan-to-value ratios into the risk weighting framework for corporate exposures. We also believe that a banking organization should be allowed to use its internal risk ratings if the bank can satisfy its primary supervisor that its internal ratings sufficiently correlate to external ratings along relevant dimensions.

We also would remind the Agencies that external ratings are no panacea. In fact, the deficiencies of external ratings have been discussed by both the Senior Supervisors Group and The President's Working Group on Financial Markets. External ratings are meaningful only if the models used to generate them properly reflect the reality of the marketplace. However, users of external ratings should not be expected to bear the burden of regulatory scrutiny surrounding the ratings process. Banking organizations that adopt the Standardized Framework need not be required to conduct their own due diligence on the nationally recognized statistical rating organizations (hereinafter "NRSRO"s) or the methods and models used to generate those ratings. The Agencies should be fully satisfied with the NRSRO regulatory framework before they allow banks to use external ratings as part of the Standardized Framework.

Risk Weights: Regulatory Retail Exposures. Under the NPR, banking organizations would be permitted to apply a 75 percent risk weight to regulatory retail exposures that satisfy three requirements, one of which is that the exposure must be part of a "well diversified portfolio." However, the NPR provides no guidance as to what constitutes a well diversified portfolio. Although concentration limits may be necessary to define a well-diversified portfolio, it is unlikely that they are sufficient to do this, as the concept of diversification contemplates more than concentration alone. Our primary concern is that codification of an unclear term such as "well diversified" opens the door to arbitrariness and increases the potential for disparate treatment by different supervisors at the time of their examinations. Therefore, BB&T recommends that the Agencies clarify the term "well diversified portfolio."

The Agencies also seek comment on whether a specific numerical limit on concentration should be incorporated into the provisions for regulatory retail exposures. BB&T believes that concentration limit guidelines could be beneficial, but each banking organization's circumstances should be taken into account. Smaller, less diverse banks may experience difficulty complying with a hard 0.2 percent concentration limit. Since each banking organization is different and has its own unique circumstances, a blanket concentration limit of 0.2 percent may be somewhat arbitrary. Consequently, if the Agencies find it necessary to include an explicit concentration limit for regulatory retail exposures, then BB&T recommends that they establish a band range for concentration limits. Including band ranges in the Standardized Framework would provide most banks the flexibility they need given their circumstances while ensuring they do not have excessive exposure to a particular obligor.

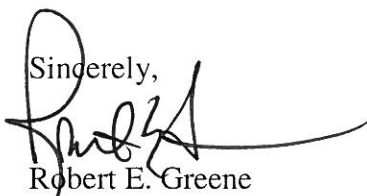
We further recommend that the Agencies permit banking organizations to use FICO scores to differentiate regulatory retail exposures by risk. FICO scores are well-known and widely-used by banks, and they are a satisfactory measure of risk in a retail exposure.

Operational Risk. The Agencies propose to allow banking organizations to use the BIA to determine their risk-based capital requirements for operational risk. We also urge the agencies to permit the use of the standardized approach (hereinafter “SA”) and the alternative standardized approach (hereinafter “ASA”) as described in the New Accord. A banking organization would then select the approach – BIA, SA, or ASA – that is most suitable. We believe the SA and ASA should be available as alternatives to the BIA because the BIA, while simple to implement, has many known deficiencies. For instance, the BIA uses “gross income” as a proxy for operational risk even though there is sparse empirical evidence to support that assumption. In addition, the BIA does not recognize that lines of business may have different levels of operational risk. The SA and ASA overcome this weakness of the BIA by allowing banks to determine risk-based capital requirements for operational risk by line of business. However, it is important to recognize that neither the BIA, SA, nor ASA take into consideration the use of risk transfer products, such as insurance or derivatives. Unfortunately, only the AMA takes into account such risk transfer devices.

Therefore, BB&T also believes the Standardized Framework should permit banking organizations to use the AMA to calculate their risk-based capital requirement for operational risk. Banking organizations that possess sufficient data and systems should have the option to use the AMA, for it not only incorporates the institution’s own operational risk data but also provides a level of insight into operational risk that cannot be matched by the BIA, SA, or ASA. However, because implementation of the AMA would require significant investments for most banks, the decision to implement the AMA should be reserved for each banking organization. In summary, BB&T is of the opinion that banking organizations should be able to choose the BIA, SA, ASA, or AMA to calculate their capital requirements for operational risk.

Thank you for considering our comments. Please contact me if you have additional questions.

Sincerely,



Robert E. Greene
President, BB&T
(336) 733-2304
(336) 733-2348 (fax)
200 W 2nd Street
Winston-Salem, NC 27101-4019