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By E-Mail Transmission: comments@fdic.gov

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

**Re: Notice of Proposed Rulemaking – RIN # 3064-AD37
Amendments to Deposit Insurance Regulations:
Deposit Insurance Coverage Training; SMDIA Notification
Part 330- Deposit Insurance Education**

Dear Ladies and Gentlemen:

City National Bank (“CNB”) appreciates the opportunity to provide the Federal Deposit Insurance Corporation (the “FDIC”) with some comments regarding the FDIC’s above referenced Notice of Proposed Rulemaking (“NPR”) respecting mandatory insured depository institutions (“IDI”) employee insurance training, procedures, customer interrogations and computer links.

CNB is the largest bank headquartered in Los Angeles, California, with assets in excess of \$22 billion, with more than 3,000 employees in more than 75 offices in California, Nevada and New York.

CNB appreciates the concern generating the proposed Rule and does not disagree with the belief that IDI employees with a need to know should have a general understanding of the nature and extent of FDIC insurance coverage of deposit accounts or know where basic answers may be found. CNB appreciates the efforts on the part of the FDIC to provide resources to bankers and the general public respecting the nature and scope of current FDIC coverage through, among other means, the FDIC’s website. We note that one helpful tool, previously available from the FDIC but not updated and apparently discontinued, was the *Financial Institution Employee’s Guide to Deposit Insurance*. Happily much of the *Guide* is incorporated into the FDIC’s website and is available to bankers and the general public, including through the link to the “Electronic Deposit Insurance Estimator” (“EDIE”). However, EDIE does not address more complex vestings which unavoidably results in questions directed to the FDIC.

We respectfully suggest that it is not uncommon for the insured to inquire of the insurance company about the nature and extent of the insurance coverage. Over the past several years, the relatively frequent changes in FDIC insurance coverage have been difficult for many customers to keep up with and to understand and for bankers to explain to customers. It is, therefore, not surprising that the FDIC staff is called upon to provide explanations more often than the staff experienced in the past. We believe, however, that the best source of information about the nature and extent of FDIC insurance coverage is and must be the FDIC itself. Even with the best of training, IDI employees are not authorized to bind the FDIC and in the event of an IDI failure anything an IDI employee may have told a customer respecting the coverage, whether correct or not, is irrelevant. For a customer to receive truly reliable information, the customer must look to the FDIC's publications and speak to the FDIC staff. We encourage the FDIC in its effort to provide better tools to bankers and clear explanatory materials for the general public to enable all to better understand FDIC insurance coverage.

CNB respectfully responds to the specific requests for comments as follows.

1. Does the proposed rule strike the right balance?

Comment: CNB does not believe the Rule strikes an appropriate balance. We believe the Rule falls disproportionately on IDIs without a corresponding benefit to depositors. We respectfully disagree with the characterization that the proposed Rule is "circumscribed" and "modest" and with the self-supporting conclusion that it would not place a "significant burden" on the industry.

We believe the additional cost of continually determining the employees who must receive the required special proposed training, administering this mandated training to the required employees, and monitoring and auditing for training compliance will entail immediate significant implementation costs followed by substantial ongoing administrative and employee costs. While we have not estimated the dollar cost of the additional burden, the administrative time, together with the annual employee time required for the training which is of undetermined duration (although assured by the FDIC that for most employees the proposed training would take less than two hours, the FDIC module is not yet available). Even if you determine the time is less than two hours, that employee is not performing other needed tasks when taking this training, which must be conducted during business hours and not on overtime.

CNB currently requires its employees to take a variety of computer based training ("CBT") to fulfill a variety of regulatory requirements, in addition to specific "classroom-type" training provided by staff, self-study and in-branch training covering all aspects of our business. There are currently no less than 45 CBT modules provided for training totaling more than three 8 hour business days in training time and from that mix employees are asked to perform up to 22 modules alone. With an employee base of 3,000, our employees currently spend thousands of hours in mandatory training. Estimating that up to 1,000 employees may be required to take the FDIC proposed training, this could represent another 2,000 hours taken away from already very full work days.

We believe that two hours of mandated FDIC training is excessive and that, if training is to be required, the FDIC is better advised to allow IDIs the flexibility to develop their own programs allowing shorter courses for experienced staff.

2. Is the scope of the proposed rule appropriate? Should it extend to all retail office employees?

Comment: We believe that basic information is available to our employees without further training by use of existing tools provided by the FDIC and that complex insurance coverage questions are best directed to the FDIC itself. We have not created a separate differentiation between customer-facing employees authorized to open new accounts and answer questions regarding FDIC insurance coverage and those who are not. Without such a classification, we don't believe we could determine employees required to be trained from those who are not. Further, it imperils customer service having to consult a "trained" employee when an FDIC question is asked, especially a question that can be answered with existing tools. The idea that all "employees who work in bank retail offices" should be trained fails to recognize that new account are opened not through a variety of means beyond brick and mortar, including on-line and through call centers and the idea clearly increases the cost to the IDI.

3. Should the inquiry respecting SMDIA apply only when deposits exceed or are approaching this limit? If approaching, at what level?

Comment: We do not believe it is appropriate to interrogate our depositors respecting the accounts they maintain. Providing customers with written FDIC insurance guidance and directing them where they can find out more, has been and ought to be sufficient. Asking questions and tracking responses introduces a further level of complexity that can create depositor hostility and could quickly become additionally burdensome. For example, if the customer stated mistakenly that he or she had no other accounts with us, is there an expectation that we would do our own search and discover accounts maintained under different forms of ownership? What if the customer maintains a joint account with another person and does not want that disclosed? What if all the account owners are not present at the time of account opening, is it required to interrogate each customer individually?

If interrogation is to be required, the FDIC might consider proposing a short script which could be used at the time of account opening or provided to the depositor and the depositor will then be in the best position to consider the amounts on deposit and the extent of coverage.

Depositors increase and decrease balances regularly. Any threshold before or after which FDIC cover limits are to be discussed is arbitrary and will be difficult to administer and could be confusing to staff. All depositors should be provided basic FDIC insurance coverage knowledge either in writing or by direction to the FDIC website.

4. Should access to EDIE require an IDI to maintain a publicly accessible computer terminal in its lobby?

Comment: No. With the widespread availability of personal computers and the availability of access through public resources such as libraries, simply directing depositors to the FDIC website should be more than sufficient. We believe that forcing each IDI to maintain in every public office a dedicated publicly available computer terminal is a particularly unnecessary burden and expense, especially in locations where few accounts are opened. What the FDIC proposes will require the purchase and maintenance of the computer equipment, virus protection, staff time, including time required to answer questions about how the computer might work and restrictions on its other use. We believe it is unlikely that customers would be content with a single purpose computer linked only to EDIE.

5. Should the FDIC's *Deposit Insurance Summary* be made available in retail office lobbies?

Comment: CNB does not object to making the FDIC's *Deposit Insurance Summary* available in every retail office. We already do this. As stated above, the general public is best informed about the accuracy of FDIC insurance coverage by the FDIC itself. Brochures like *Your Insured Deposits* available to the customers and distributed by bankers are helpful tools and should also be made available on the FDIC website for download in as many languages as possible. CNB currently provides on our own website a link for our customers to the FDIC's website and refers customers to the FDIC for further information about FDIC insurance coverage.

6. Should the computer-based instructional program provided by the FDIC allow confirmation of training?

Comment: If the FDIC is going to require mandatory training then the FDIC should provides the mean to enable IDIs to determine that the training has been completed in a manner that will minimize the inconvenience.

Again, City National Bank is grateful for the opportunity to comment on the NPR. We sincerely hope and believe that none of our depositors will ever have a need to call upon FDIC insurance coverage to protect their deposits with us. City National Bank is safe and is secure and is consistently profitable and is conservatively managed. We believe this combination is the best "deposit insurance" we can provide for our depositors.

If you have any questions, please do not hesitate to contact me.

Very truly,



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