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January 5, 2015

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

Attention: Comments

RE: Notice of Proposed Rulemaking on Assessments (12 CFR §327), RIN 3064–AE40[1]

Dear Mr. Feldman:

SunTrust Bank ("SunTrust") appreciates the opportunity to respond to the notice of proposed rulemaking from the Federal Deposit Insurance Corporation (FDIC) on a means to implement section 334 of the Dodd-Frank Act (§334).[2] This Act requires the FDIC, amongst other things, to (1) raise the minimum reserve ratio for the deposit insurance fund ("DIF") to 1.35 percent of estimated insured deposits (instead of 1.15 percent, as before), (2) assess premiums on banks to reach the 1.35 percent goal 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 $10,000,000,000."

Observation of Proposed Surcharge

SunTrust believes the proposed methodology to apply a surcharge assessment on banks with greater than $10 billion ("large banks") is not an optimal approach through which to require large banks to increase the DIF to the statutory 1.35 percent of estimated insured deposits by September 30, 2020. As proposed, large banks would incur a 4.5 bp surcharge, assessed quarterly, until the DIF reaches the target reserve ratio of 1.35 percent. Within the proposal, the FDIC projects that a 4.5 bp annual surcharge would likely raise the insurance fund's reserve ratio to 1.35 percent in 8 quarters.[3] SunTrust believes this approach is sub-optimal on two accounts:

1. As proposed, the 4.5 bp annualized surcharge is projected to raise the DIF to 1.35 percent in 8 quarters, which is approximately two years earlier than the required date of September 30, 2020 as mandated under the Dodd-Frank Act. This accelerated timeframe will force large banks to incur notable expenses during a period when earnings have yet to normalize given continued low interest rates. SunTrust believes the accelerated timeframe will unnecessarily cause large banks to incur higher-than-required expenses during this timeframe.
2. A quarterly surcharge with a shortfall assessment will add unnecessary complexity and volatility to bank earnings.

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1 80 *Federal Register* (215) 68,780, November 6, 2015, posted here (the "proposal").
2 The Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203).
3 Proposal, page 68,781.

While SunTrust is fully supportive of ensuring the DIF is appropriately funded and reaches the minimums required by the Dodd-Frank Act, SunTrust strongly encourages the FDIC to utilize an alternate method to implement this requirement, as outlined in further detail below.

Suggested Alternative

SunTrust appreciates the “Alternatives Considered” in the initial proposal. Of particular note is the fact that the “Shortfall Assessment Immediately after the Reserve Ratio Reaches 1.15 Percent” alternative is projected to result in approximately $13 billion in one-time expenses, whereas the proposed quarterly surcharge of 4.5 basis points is expected to result in approximately $10 billion in aggregate expenses over time. This implies that the reserve ratio is expected to grow over the next few years through the normal course of business, inclusive of the reduction in base assessment rates once the DIF reserve ratio reaches 1.15 percent of estimated insured deposits. Furthermore, under the “Delayed Shortfall Assessment without Surcharges” alternative, the size of such a shortfall using reasonable assumptions would result in a total $7.2 billion surcharge applicable to large banks, which as the FDIC noted is less than the estimated $10 billion in aggregate surcharge expenses under the proposal.

SunTrust favors the “Delayed Shortfall Assessment without Surcharges” as it addresses both of the concerns mentioned above. While SunTrust recognizes the risks outlined in the “Evaluation of a Delayed Shortfall Assessment” in the original proposal document, SunTrust is confident that the economy will continue to show healthy growth in the coming years, and agrees with FDIC commentary throughout the proposal document that the DIF will continue to grow even without the proposed surcharge. In addition, as the FDIC noted in the proposal, in the event the DIF does not grow as expected, or even if it incurs notable losses that lower the reserve ratio over time, the FDIC still retains its statutory authority to adjust its pricing methodology and / or impose surcharges on all banks to ensure the DIF is appropriately funded.

Moreover, a delayed shortfall assessment will ensure that banks that grow in the coming years and eventually become large banks (e.g., consolidated assets greater than $10 billion) will be subject to the surcharge, whereas under the proposed approach those banks may have total or partial exclusion from the surcharge given their current size. Lastly, a delayed shortfall assessment will allow banks and their respective holding companies to report a one-time nonrecurring charge that will reduce uncertainty of earnings in future periods. The proposed surcharge may make it more difficult for investors to understand banks’ true earnings power as a quarterly surcharge assessment is expected to impact most large banks’ earnings by 1-3 percent, based on FDIC data included in Tables 2.A and 2.B in the proposal.

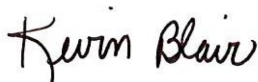
Conclusion

As outlined above, SunTrust asks that the FDIC reconsider the methodology to implement the requirement to increase the DIF reserve ratio to 1.35 percent of estimated insured deposits and "offset the effect of [the increase in the minimum reserve ratio] on insured depository institutions with total consolidated assets of less than $10,000,000,000." SunTrust strongly believes that a delayed shortfall assessment in year 2020 will allow banks to continue to grow their earnings power and capital, while likely resulting in a lower total surcharge to be paid by large banks as compared to the proposed approach. SunTrust believes this alternative is in line with the FDIC's own published documentation that indicates that historical volatility in deposit insurance pricing, as well as the FDIC's objective to reduce pro-cyclicality[4].

Please do not hesitate to contact the undersigned with any questions or comments regarding this response letter.

Regards,

SUNTRUST BANK



By: Kevin Blair, Corporate Treasurer

4 Q4 2010 "FDIC Quarterly" publication entitled "Toward a Long-Term Strategy for Deposit Insurance Fund Management" available here