

July 27, 2015

200 West Second Street  
P.O. Box 1250  
Winston-Salem, NC 27102-1250VIA ONLINE DELIVERY

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

Re: Advance Notice of Proposed Rulemaking Regarding Large Bank Deposit Insurance  
Determination Modernization – RIN 3064-AE33

Dear Mr. Feldman:

Branch Banking and Trust Company and its affiliates and subsidiaries of BB&T Corporation (collectively referred to as “BB&T”) appreciate the opportunity to comment on the Advanced Notice of Proposed Rule regarding Large Bank Deposit Insurance Determination Modernization (“ANPR”), as published by the Federal Deposit Insurance Corporation (“FDIC”), on April 28, 2015. See Federal Register, Vol. 80 No. 81, 23478. The FDIC seeks comment on whether banks with a large number of depositors should be required to: (1) enhance recordkeeping practices to maintain, (and be able to provide to the FDIC) substantially more accurate and complete data on each depositor’s ownership interest by right and capacity for all or a large subset of deposits, and (2) develop and maintain the capability to calculate the insured and uninsured amounts for each depositor by deposit insurance capacity for all or a large subset of deposits. If imposed, these requirements would augment requirements previously enacted in 2008 for certain large banks to identify and place holds on insured deposits in the event of failure. 12 C.F.R. Section 360.9.

BB&T Corporation (NYSE: “BBT”) is one of the largest financial services holding companies in the U.S. with \$189.2 billion in assets and market capitalization of \$28.2 billion, as of June 30, 2015. Based in Winston-Salem, N.C., the company operates approximately 1,875 financial centers in 12 states and Washington, D.C., and offers a full range of consumer and commercial banking, securities brokerage, asset management, mortgage, and insurance products and services. A *Fortune 500* company, BB&T is consistently recognized for outstanding client satisfaction by J.D. Power and Associates, the U.S. Small Business Administration, Greenwich Associates, and others. More information about BB&T and its full line of products and services is available at [www.BBT.com](http://www.BBT.com).

Before addressing the specific questions outlined in the ANPR, BB&T would like to acknowledge some general concerns regarding this proposal. BB&T reasons it would be appropriate for institutions to provide data to allow the FDIC to calculate the insured amount, supporting accuracy and consistency with the prescribed methodology. Given many financial institutions are evaluating the replacement or significant upgrades to core platforms, it appears to be

an unsuitable use of resources to make substantial changes to existing legacy platforms for the conditions outlined in this proposal ahead of modifications necessary to move to faster payments. The extensive resources required to implement these changes would make this a significant project for BB&T.

As requested, BB&T is commenting on the following aspects of the ANPR:

- Challenges, Costs, and Tradeoffs
- Benefits
- Timetable for Implementation
- Closing Night Deposits and Post-Closing Deposits
  - Pass-Through Coverage Accounts
  - Prepaid Card Accounts
  - Trust Accounts
  - Special Deposit Insurance Categories Created by Statute

## **BB&T Discussion**

### **Challenges, Costs, and Tradeoffs**

The FDIC is requesting information from large banks on the most significant changes that would be required to systems, the estimated costs for implementing such changes, and the likely challenges banks would face if the banks are required to maintain sufficient data and systems to enable the determination of the insured and uninsured amounts at the end of any business day.

#### **Challenges with Closing Night Deposits**

In order to fully address the questions regarding challenges, costs, and tradeoffs, it is necessary to define the universe and variety of accounts that would have to be evaluated and aggregated to properly calculate the insured amount in the event of a failure. It would then be necessary to aggregate by category and store the considerable amounts of data to provide an accurate view of the total insured amounts. BB&T suggests the following categories of transaction, savings, and money market accounts where clients are accustomed to immediate liquidity should be considered “closing night deposits”:

- Single accounts
- Joint accounts
- Business organizations

Under the above definition of “closing night deposits,” the effort to obtain and maintain sufficiently accurate and complete data allowing for the determination of the insured and uninsured amounts for each depositor, at the end of any business day, would be substantial. Given the ambiguity of the ANPR, it is difficult to estimate the amount of the financial investment in systems and resources necessary to implement the enhanced recordkeeping. It would be complex, if not

unfeasible, to include brokered money market deposit accounts (“MMDAs”) accounts, to determine an accurate determination of the insured amount. However, even based on current assumptions, which include only transaction, savings, and money market accounts on the bank’s deposit system for single account holders, joint account holders and business organizations, BB&T is estimating that substantial financial and time investments would be required. BB&T does not find at this point that it can provide a cost estimate without developing more substantial business requirements for its IT managers. However, it does project it would take a minimum of 18 months to implement the enhancements for this portion of the bank’s deposit base. This time estimate is preliminary and subject to change based upon final requirements and further clarifications of the request.

The FDIC suggests in the ANPR, “For a large subset of deposits (“closing night deposits”), including those where depositors have the greatest need for immediate access to funds (such as transaction accounts and MMDAs), deposit insurance determinations would be made on closing night.” Under BB&T’s proposed definition of “closing night” deposits, preliminary calculations indicate approximately 70% of accounts and 55% of balances from BB&T’s core deposit systems would be covered.

### **Challenges with Post-Closing Deposits**

Under BB&T’s proposed scenario, the following “post-closing deposits” would result in the most significant changes to BB&T’s deposit operations and systems to obtain and maintain data in an electronically accessible format:

- Revocable trust accounts
- Irrevocable trust accounts
- Employee benefit accounts
- Certain retirement accounts
- Public unit accounts

For trust accounts for which BB&T serves as trustee, whether revocable or irrevocable, beneficiary information is maintained in paper form and is not captured electronically. In order to electronically maintain this information, each individual trust document would need to be analyzed, a field created to code this in the systems, and updates made to the information within the systems. Retirement accounts also reside on multiple systems, adding complexity. Lastly, BB&T understands that under current FDIC deposit insurance rules, insurance coverage on public unit accounts extends to the official custodian rather than the public unit. BB&T’s current customer information files (“CIF”) do not track the custodian. The efforts to build a systematic interface between these multiple systems, pull the necessary information into a centralized tool for calculating insurance coverage, and capture currently missing data would be an even greater effort than the “closing night deposits.” This would require an estimated minimum of two years to implement enhancements to the deposit system for this portion of BB&T’s deposit base.

### **Timeframe for Making Insurance Determination for Closing Night Deposits**

Using BB&T's proposed definition of "closing night deposits," the anticipated timeframe for the identification of insured versus uninsured balances on "closing night deposits" would be by noon the calendar day following bank failure. This timeline is predicated on the nightly batch cycle and posting, which would need to complete before data could be gathered to begin the insurance determination process. This timeline is also dependent on the assumptions that BB&T has made regarding information that would be required by the FDIC, as follows:

- All system files used in the insurance calculation will be available by 6AM EST each morning. Late files due to processing errors may postpone the noon delivery time.
- Any accounts that are unable to be allocated by either ownership type or deposit insurance category will be skipped. This could occur if the combination of class code and CIF used to determine insurance coverage are outside a set of standard parameters used to help ensure data integrity.

In order to provide a thorough analysis of delivery time, BB&T requests the FDIC provide additional clarification regarding the specific information required to make an insurance determination. In addition, the standard parameters referenced above should be provided by the FDIC so that all financial institutions may build consistent insurance determination calculators. The FDIC will also need to provide guidance concerning processes and procedures financial institutions would need to have in place to deal with any accounts that were skipped, along with determinations to stop or limit related deposit transactions or other operational processes following failure.

### **Benefits**

BB&T's position is that information requested in the ANPR would not generally enhance current processes or ongoing operations within the organization. The information requested would become pertinent in a failure scenario, whereas most financial institutions affected by the ANPR are operating as going-concerns without financial difficulty. While BB&T recognizes the information is necessary for the FDIC's purposes, it would not be considered an internal enhancement.

### **Timetable for Implementation**

Due to the number of enhancements that would be required, as well as the importance of the information, BB&T suggests the final rule contain a phased-in approach for new requirements. This would allow institutions to focus on specific account types and ensure the new requirements are implemented in a well-controlled environment.

### **Disclosing Insured/Uninsured Amounts of Deposits**

Based on the complexity of the determination of insurance coverage, BB&T does not believe that financial institutions should be required to disclose insurance coverage to depositors. The FDIC's Electronic Deposit Insurance Estimator ("EDIE") provides consumers with a tool to

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determine insurance rules and limits and applies to the consumers' specific group of deposit accounts. EDIE should be maintained as the appropriate communication tool for depositors inquiring on insurance coverage. BB&T would also note that if banks impacted by the rule provide insured balance information to clients, the practice may be perceived by community banks and other smaller reporting institutions as a competitive disadvantage if they do not, or cannot, provide the same information.

### *Closing Night Deposits and Post-Closing Deposits*

The FDIC has requested input on when insurance determinations should be made for various types of deposit accounts listed below, and what factors, such as immediate liquidity needs, type of account, and deposit balances, should be used to determine which accounts to pay out quickly after bank failure.

#### **Savings and time accounts**

BB&T's position is deposit insurance determinations need to be based on deposit ownership types, such as single or joint. Failure to include all deposit accounts within a given deposit ownership type could result in an overpayment of insured funds.

BB&T would suggest that having access to checking and MMDA accounts is the primary concern of clients in the short-term; however, there is a need to provide clients swift access to all of their funds, as well as knowledge concerning the status of those funds. Account balance is not an appropriate indicator of access need, as the personal value associated with a certain balance will vary depending upon the client.

BB&T did not include time deposits as "closing night deposits," as these accounts do not require immediate access. As most time deposits are not already immediately accessible, BB&T would propose that they be included as "post-closing deposits" in a failure event.

#### **Pass-Through Coverage Accounts**

It is the position of BB&T that clients would likely need immediate or near-immediate access to brokered MMDA funds after failure. BB&T contends it would be difficult to maintain current records on beneficial owners of pass-through accounts, because BB&T's relationship is with the broker, not with individual clients, and the bank is not currently privy to the detailed accounts that make up the MMDA balances recorded in the brokers' systems. BB&T would have to request each broker to provide a breakdown of client information from their record-keeping, which would result in increased costs for BB&T and additional costs associated with changing BB&T's systems to capture the new data. In addition, brokers may choose not to comply with increased new recordkeeping requirements, which would result in operational disruptions during a transition period. In order to minimize those disruptions and ensure the availability of necessary data for the banking industry, BB&T would advise that if pass-through coverage accounts are covered under a final rule, then the rule should cover brokers as well as banks.

Under BB&T's current system, omnibus accounts are not identified as such, as they are coded as business accounts. If omnibus accounts are included in the final rule, BB&T advises the rule should also cover all organizations offering omnibus accounts held at a bank. Similar to other pass-through accounts, this is the most efficient way to ensure the availability of necessary data for the banking industry. All organizations offering insured depository products should be subject to a higher level of accountability, regardless of financial institution or bank designation. As with the other suggestions in the ANPR, identifying omnibus accounts and tracking ownership will result in increased costs to BB&T as systems and processes must be changed to identify and capture new information.

While BB&T recommends including all DDA, MMDA/Savings, and Time balances in the calculation utilized to determine insured balances, it is not recommended that broker or omnibus account balances be considered in "closing night deposits" as this would represent a prohibitively onerous step for a relatively small amount of overall deposit balances.

### **Prepaid card accounts**

It is BB&T's position that prepaid card accounts should be sub-divided into two categories in order to designate them as "closing night deposits" and "post-closing deposits." Various prepaid cards such as payroll cards and General Purpose Reloadable prepaid cards can be used as alternatives, or substitutes, to DDA accounts. Timely access by those customer groups to funds is critical, as these funds are often used for day-to-day living expenses. As such, many types of prepaid accounts should receive the same treatment as other core retail DDA transaction accounts. However, other types of prepaid accounts may not warrant such treatment. Examples in this category include gift cards and sales incentive cards, where if covered by the FDIC, would not warrant the incremental systems investment to make these funds available overnight.

The incremental investment needed to maintain the current ownership interests on bank retail transaction account customers with BB&T-issued prepaid cards may be significant. BB&T offers a variety of different prepaid products which utilize different processing platforms as the system of record for balance and ownership information. For a number of these systems, development expense would occur at both BB&T's third-party processors and within BB&T to obtain, standardize, and integrate the data needed to determine which prepaid accounts should be aggregated with other BB&T accounts for insurance determination purposes.

Additionally, the aggregation process would be more challenging for some prepaid programs, therefore requiring more investment. For example, some programs allow for employers, corporate and commercial clients, to load wages directly to payroll cards. These cards are currently associated with employee name, address, and a unique identifier.

For some of the programs, the unique identifier is a passport ID as many of the employees involved are foreign nationals. In these circumstances, additional development efforts would be required as aggregation efforts could not be executed via Social Security Number match.

### **Trust accounts**

For accounts which BB&T serves as the trustee, there are two broad categories:

- Deposit accounts set up individually for corporate trust accounts related to bond issuances, where the deposit is being held for a specified time period to meet a future obligation under the bond indenture. Generally, immediate access to these funds would not be necessary, unless such an obligation happened to come due at or near the failure date.
- Deposits held in omnibus accounts representing cash being temporarily deposited awaiting investment or distribution for a large number of trust accounts. As these represent operating cash accounts for trust accounts, it is much more likely that immediate or fairly timely access would be needed to carry out the purposes of the account and the obligations under the trust document.

Multiple systems would require modification to implement the changes contained within the ANPR. For accounts which BB&T is the trustee, expenses would be associated with programming that would enable the aggregation of information for each trust account and creating a standardized extract of that information upon demand. In addition, there would be expenses associated with modifying the core deposit systems to be able to accept, store, and process trust account information. These enhancements would be included with the system work performed under the proposed scenario under *Challenges, Costs, and Tradeoffs* above. The financial investment and time to execute are difficult to estimate based on the ambiguity of the ANPR. Once the initial programming and processes were built, tested, and implemented, providing periodic updates from the system would not result in high incremental costs. Ongoing costs would be associated with maintenance of system coding to ensure accurate reporting.

Payable on death accounts with an outside trustee are not currently identified within the system. Access for payable on death accounts is often needed immediately, as these accounts may be an individual's primary banking account which happens to have a payable on death designation. Access for accounts with an outside trustee depends upon the facts and circumstances of each individual case. In general, trusts are long-term arrangements, so providing immediate access up to \$250,000 should be sufficient in most cases. In cases where the trust is in the process of paying out to beneficiaries or has other immediate cash needs, additional insured funds over \$250,000 may need to be accessed immediately.

BB&T anticipates certain trustees may be reluctant to initially provide the requested information. For those who would provide information, processes would have to be implemented ensuring updates are promptly provided to financial institutions for inclusion in BB&T's recordkeeping. BB&T's position is that the value, relative to the expense associated with collecting and maintaining this type of information is low, in light of the fact that it may quickly become incomplete and/or outdated.

If the treatment of trust account holders were to differ between financial institutions based on size, BB&T would advise that it could create a perceived disadvantage for trustees to place deposits with smaller banks.

If BB&T were given the choice of options as outlined in the ANPR, BB&T would choose Option 2, wherein information regarding trust accounts and their owners is maintained, but not beneficiaries. This would provide trustees the ability to receive the greater coverage allowed, without creating a long-term reporting and recordkeeping burden for both financial institutions and the trustees. BB&T asks the FDIC provide clarification on whether the trustee would have to provide the actual trust documents to the financial institution upon failure.

### **Special Deposit Insurance Categories Created by Statute**

BB&T contends that special deposit insurance categories created by statute do not warrant immediate or near-immediate access to the full balance of funds after failure. If a failed financial institution's operations continue post-closing night as anticipated, then scheduled disbursements from IRAs and employee benefit plan accounts would continue. While not paying the client's full value, continued operations do mitigate immediate risk by continuing "business as usual" for these types of deposits until a detailed analysis can be performed. The needs of public unit accounts would depend upon their current specific cash flow needs.

BB&T cannot reliably distinguish these special statutory accounts from accounts with pass-through insurance coverage, as there is no field within the deposit system that would flag the account as an omnibus account or an account where pass-through insurance applies. Obtaining and maintaining data in an electronically feasible format for these types of accounts would require a significant effort. BB&T cannot currently estimate whether there is a subset of this grouping for which data collection would be both feasible and practical without further clarification from the FDIC. Additionally, BB&T would like to reiterate the point above that if omnibus accounts will be included in the final rule then the rule also must apply to all organizations offering omnibus accounts held at a bank.

### **Concluding Remarks**

This concludes BB&T's comment regarding the ANPR. In summary, BB&T offers the following pertinent points of consideration as discussed above:

- "Closing night deposits" should be considered Single accounts, Joint accounts, and Business Organizations from the transaction, savings, and money market accounts
  - Preliminary calculations indicate approximately 70% of accounts and 55% of balances from the core deposit systems would be covered under this scenario
  - There will be significant time and monetary costs associated with obtaining the additional information necessary on these types of deposit categories
  - Under this scenario, the identification of insured versus uninsured balances could typically be provided by noon the calendar day following bank failure



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- The data requirements for trust, retirement, and public unit accounts are significantly beyond the scope of information BB&T is currently capturing and would require a minimum of two years for implementation
- BB&T does not anticipate any internal benefits from proposed new information requirements
- A phased-in approach should be used for any new requirements to allow implementation in a well-controlled environment
- The final rule should cover all organizations offering omnibus accounts or accounts for which pass-through insurance applies, as certain information necessary for these “post-closing deposits” will not be available through the bank’s current processes
- Additional clarification needs to be provided by the FDIC in numerous areas for institutions to fully and consistently apply any new rules

In closing, while BB&T believes that the ultimate calculation of the insured amount of deposits should remain with the FDIC as the insurer, it respectfully requests the FDIC consider the suggestions and alternatives presented herein, which BB&T contends will help ensure financial institutions can execute on any prescribed changes.

BB&T thanks you for your consideration of its commentary on the ANPR and appreciates the opportunity to provide its comments to the FDIC. If you should have any questions, please do not hesitate to contact me.

Sincerely,



Donna Goodrich  
Deposits and Operations Manager  
Senior Executive Vice President  
BB&T Corporation