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June 20, 2016

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

Re: RIN 3064 –AE33: Notice of Proposed Rulemaking: Recordkeeping for Timely Deposit Insurance Determination

Dear Mr. Feldman,

On behalf of People's United Bank, National Association, I appreciate this opportunity to comment on the FDIC's Notice of Proposed Rulemaking on Recordkeeping for Timely Deposit Insurance Determination (the "Proposal"). People's United is a $39 billion national bank headquartered in Bridgeport, Connecticut. We operate in five New England states and Southern New York through a network of approximately 400 branch offices. Although People's United currently has only 1.6 million deposit accounts, and thus would fall below the threshold of 2 million deposit accounts indicated in the Proposal, our growth strategy is such that we could become subject to the rule within the next few years.

People's United shares the FDIC's concern about maintaining public confidence in the safety and integrity of the deposit insurance system, and we recognize the tremendous importance of deposit insurance to the stability of the banking system as a whole. We also appreciate the extraordinary complexity associated with resolving failed insured depository institutions ("IDIs"), especially larger, more complex, institutions. We are concerned, however, that the Proposal's scope of coverage is too broad and that it will disproportionately burden mid-size IDIs that have a large retail deposit base. These IDIs are larger than "community banks," yet are engaged in the same types of non-complex, "plain vanilla" banking activities that characterize community banking. Moreover, as discussed below, we do not believe that the FDIC's compliance cost estimates accurately reflect the burden the Proposal would place on these IDIs.

Our observations concerning the Proposal are therefore focused on two issues: i) the cost estimation model used to develop the FDIC's assumptions concerning the compliance costs associated with the Proposal; and ii) the appropriate scope of coverage under the rule.

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Cost Estimation Model

The Proposal indicates that the rule would impact 36 IDIs, ranging from 2 million to 85 million deposit accounts. Although in most instances the number of accounts correlates to total deposit levels, with the largest IDIs by deposit size also having the most accounts, this is by no means always the case. Three of the IDIs that would be covered by the Proposal had less than $10 billion in deposits as of December 31, 2015; nine, or one quarter, had less than $30 billion.[1]

Yet the cost estimation model employed by the FDIC, which was dated as of April 1, 2015 and used data as of December 31, 2014, included only two of these IDIs (Banco Popular and E*TRADE). Inexplicably, the model included three very large institutions, each of which had fewer than 200 *thousand* accounts[2] and would not fall within the scope of the rule.

The Proposal recognizes that the IDIs that will become subject to the rule "will incur significant costs in upgrading their information systems and internal processes in order to comply with its provisions" [81 FR 10043 (February 26, 2016)]. It goes on to add that "these costs are *small relative to the covered institutions' size, other expenses and earnings*" [emphasis added]. While this may be true of the largest covered IDIs, it is not true of the mid-size, retail IDIs that would also be affected or that will become affected in the future as their deposit account levels grow. We suggest that the FDIC provide a cost calculation that stratifies the financial impact of the proposal by total deposits, so that the actual costs, relative to size, other expenses and earnings, can be accurately assessed.

Scope of Coverage

People's United respectfully suggests that the scope of coverage under the Proposal be limited to IDIs that meet *both* a deposit account *and* a total deposit size threshold. Ideally, we believe that the total deposit size threshold should be tied to the IDI's overall national deposit market share, rather than set at a specific number of accounts. This would avoid building into the regulation a threshold amount that over time becomes disproportionately burdensome to mid-size IDIs that represent little or no systemic risk. That this is a serious concern is evidenced by the fact that six IDIs with less than $30 billion in deposits crossed the 2 million account threshold between December 31, 2014 and December 31, 2015.

We recognize, however, the practical difficulties associated with establishing a "floating" threshold and therefore recommend that it be pegged at $100 billion in total deposits, which is approximately 1% of national deposits as of December 31, 2015. Perhaps the rule could include a mechanism whereby the threshold amount is periodically revisited and revised as appropriate. We further

[1] WEX Bank; Bofi Federal Bank and Customers Bank had less than $10 billion in deposits as of 12/31/2015; Webster Bank, NA; TD Bank USA, NA; Banco Popular; TCF National Bank; Barclays Bank Delaware and E*TRADE Bank each had less than $30 billion.

[2] Bank of New York Mellon; State Street Bank and Trust Co.; Northern Trust Company

suggest that the deposit account threshold be increased significantly, to 10 million deposit accounts. Thus, IDIs with fewer than 10 million deposit accounts and less than $100 billion in deposits would be excluded from coverage under the rule.

Based on information as of December 31, 2015, applying these thresholds would reduce the number of "covered" IDIs from 36 to 8. These institutions have between 14-85 million deposit accounts, approximately $200-$1,300 billion in total deposits and assets of approximately $250 to $1,900 billion.

We believe that our suggested thresholds address the FDIC's concerns about the risks to stability and market discipline associated with delays in payouts of insured deposits following the failure of the "very largest and most complex"[3] IDIs:

- Promoting confidence in the deposit insurance system[4];
- Reinforcing the understanding that *even large* IDIs can fail without causing systemic disruptions[5];
- Reducing the *systemic risk* that could result from delays in payouts of insured deposits[6];
- "Reducing disparities that might undermine market discipline or create unintended competitive advantages in the market for *large deposits*." [81 FR 10026 (February 26, 2016)] [emphasis added]

We also note that the impetus behind the Proposal is to facilitate the resolution of large banks *after* they have failed. Given this, we question how the Proposal would "reduce moral hazard" or indeed have any positive impact on risk behavior of IDIs *prior to* insolvency. In fact, we believe that just the opposite could occur. A threshold based solely on the total number of deposit accounts could have the unintended consequence of discouraging smaller and mid-size retail-focused IDIs from actively seeking small deposit accounts, in order to avoid triggering coverage under the rule. This would be an unfortunate result for consumers and paradoxically might encourage such institutions to consider riskier and more volatile funding sources.

People's United respectfully suggests that the benefits articulated by the FDIC either do not apply

[3] 81 FR 10032 (February 26, 2016)

[4] "[P]rompt payment of deposit insurance maintains public confidence in the deposit insurance system as well as in the banking system." [81 FR 10027 (February 26, 2016)]

[5] "Confidence that the FDIC can promptly determine insured amounts will reinforce the understanding that *any size bank can fail* without systemic disruptions. That understanding would, in turn, *reduce the moral hazard that might otherwise induce the largest banks to take excessive risks.*" [81 FR 10026 (February 26, 2016)] [emphasis added]

[6] "[A] delay in the payment of deposit insurance —*especially in the case of the failure of one of the largest insured depository institutions* —could have systemic consequences." [81 FR 10026 (February 26, 2016)] [emphasis added]

or have limited applicability to IDIs with fewer than 10 million accounts and less than $100 billion in deposit liabilities. Of the 36 IDIs that would be covered by the Proposal based on the number of deposit accounts as of December 31, 2015, the nine smallest by deposit size in *aggregate* represent approximately 1% of total U.S. deposits. Given this, we question whether the failure of any (or even all) of these IDIs would cause systemic disruption or undermine confidence in the deposit insurance system. As the FDIC noted in its commentary in support of the Proposal, more than 500 banks failed in the wake of the 2008 financial crisis. Yet the FDIC did not cite any instance where a failure resulted in inability to provide timely payouts to insured depositors or loss of public confidence in the deposit insurance system.

Of the 19 IDIs with assets between $52 and $205 billion, all but one have fewer than 10 million deposit accounts; all but five have fewer than five million accounts. The largest of these IDIs holds approximately 1.5% of deposits nationwide, and only four have more than $100 million in deposit liabilities. In aggregate, these 20 IDIs hold less than 15% of U.S. deposits, in sharp contrast to the eight largest IDIs, which collectively hold more than 50% of deposits nationally. Again, we question whether the failure of any of these IDIs would cause systemic disruption or undermine public confidence in the banking system.

Moreover, these IDIs are all required to prepare annual resolution plans that provide the FDIC with a detailed plan for resolving the IDI at the least possible cost to the deposit insurance fund. This plan must "enable the FDIC, as receiver, to resolve the institution…in a manner that ensures that depositors receive access to their insured deposits within one business day of the institution's failure (two business days if the failure occurs on a day other than Friday)."[7]

Data provided in resolution plans would also seem to address to address some of the other purposes cited for the Proposal, namely that a delay in determining and paying out insured deposits could reduce the franchise value of the failed bank or result in disruptions to the check clearing cycle or to direct debit arrangements.[8] The resolution plans submitted by covered IDIs must identify barriers and obstacles to orderly resolution, such as disruptions to critical services such as systems that provide insured/uninsured deposit data. More importantly, they must also identify weaknesses and gaps and develop plans to address them.

The FDIC has not cited any instance where there was an actual significant delay in payments to insured depositors during the years 2008-2015. In fact, review of the FDIC's Annual Reports for each of those years indicates that insured funds were made available to all depositors within one business day in 2008, 2009, 2014 and 2015. Failures that occurred during 2010-2013 resulted in payouts occurring within one business day if the failure occurred on Friday and two business days for mid-week failures. The FDIC cites Wachovia and Washington Mutual as examples of very large institutions whose financial situation deteriorated very quickly in 2008. However, both of these institutions would have been covered under the suggested thresholds discussed above.

The resources and earnings of a $6, $8, $50 or even $100 billion IDI are in no way comparable to that of a $1 trillion IDI 10 to 100 times its size. The burdens associated with compliance with the

[7] 12 CFR Section 360.10(a)
[8] 81 FR 10027 (February 26, 2016)

rule would fall disproportionately on smaller institutions, which do not have the economies of scale to absorb the costs. For IDI's with less than 10 million in accounts and less than $100 billion in total deposits, the costs and burdens associated with this rule far outweigh the largely theoretical benefits articulated by the FDIC.

Thank you for the opportunity to comment on this important matter. Please do not hesitate to contact me if you have questions concerning this letter or People's United's concerns about the proposed rule.

Very truly yours,

Susan D. Stanley