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June 23, 2016

Via Electronic Mail

12 CFR Part 370

RIN 3064—AE33

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

Re: Recordkeeping for Timely Deposit Insurance Determination

Ladies and Gentlemen:

Total Bank Solutions, LLC (“TBS”) appreciates the opportunity to comment on the rule regarding recordkeeping for timely deposit insurance determination proposed by the Federal Deposit Insurance Corporation (“FDIC”). Please find below our comment letter. We have divided our response into two parts. Part 1 deals with TBS’ comments on designing implementation regimes for 12 CFR part 370. Part 2 responds to the regulator’s request for comment on the points made in the cost of implementation study.

Sincerely,

/s/Dennis Santiago

Dennis Santiago

Managing Director, Research and Development

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Comments on Notice of Proposed Rule Making 12 CFR Part 370

23-June-2016

Total Bank Solutions, LLC (TBS) appreciates the opportunity to comment on the proposed rule regarding pass-thru deposit recordkeeping. After evaluating the proposed rule, we have summarized for your consideration our observations and included several questions that, if answered, we believe could provide additional insight as you consider the final amendment and greater clarification for market participants.

About Total Bank Solutions

Founded in 2004, Total Bank Solutions is a privately held technology firm located in Hackensack, NJ. Leveraging proprietary technology, TBS's FDIC insured deposit program (IDP), currently with more than \$38 billion in assets under administration, is designed to provide clients with the benefit of extended FDIC insurance, and for participating banks, a stable, diversified and cost-effective source of deposit funding. By providing participants with access to innovative and customized products and services, we deliver solutions to help our customers meet their unique funding and investment needs today, and position their firms for future success.

Through our subsidiary TBS Bank Monitor, we offer clients the ability to conduct safety and soundness surveillance of all FDIC insured institutions and credit unions. TBS Bank Monitor provides enterprise-grade analytics and privileged process support for risk surveillance, compliance testing and investment research through an online subscription service.

Background

TBS fully agrees with the systemic importance of the regulator's intent in 12 CFR Part 370 to mitigate the systemic risk to the United States economy against a massive disruption in money flow that could result from the lack of an orderly process for efficiently addressing deposit insurance payments should a large Insured Deposit Institution (IDI) fail. We agree that the standard of resolution should be to meet the public's expectation of timely payment of FIDC insurance within 72 hours upon the failure of a bank. In practice, a closure initiated at the close of business on a Friday should then result in access to depositors' funds at the opening of business the following Monday.

As a leading provider of insured deposit sweep programs on behalf of financial intermediaries, we believe it is technically possible to perform the recordkeeping task for the IDIs covered by the proposed rule to accomplish this national objective. We submit our comment with the intent to provide clarification regarding the current policies and procedures in place today to address this concern and be

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constructive to the process of designing a more comprehensive solution set to the risk management exposure of the United States if it is determined that additional measures are required. To that end, we have examined several potential solutions for consideration that could be adopted in whole or in part to fulfill the stated requirements. Recognizing that there are considerable data privacy concerns that would remain unaddressed if the proposed rule were to become final in its current form, we have proposed a potential solution (Option C) that we believe merits strong consideration. Building on current industry best practices, we believe the primary goals of the proposed rule can be achieved while addressing the data privacy concerns that have been raised by market participants and that have also been raised as part of the Deloitte study.

Table 1: List of Directly Affected Insured Deposit Institutions

Source: TBS Bank Monitor as of 4Q2015

CERT	NAME
628	JPMorgan Chase Bank, National Association
3510	Bank of America, National Association
3511	Wells Fargo Bank, National Association
7213	Citibank, National Association
6548	U.S. Bank National Association
6384	PNC Bank, National Association
4297	Capital One, National Association
18409	TD Bank, National Association
9846	Branch Banking and Trust Company
867	SunTrust Bank
23702	Chase Bank USA, National Association
6672	Fifth Third Bank
32992	Morgan Stanley Bank, National Association
12368	Regions Bank
588	Manufacturers and Traders Trust Company
22826	MUFG Union Bank, National Association
57957	Citizens Bank, National Association
16571	BMO Harris Bank National Association
33954	Capital One Bank (USA), National Association
17534	KeyBank National Association
29950	Santander Bank, N.A.
5649	Discover Bank
19048	Compass Bank
32188	USAA Federal Savings Bank
6560	The Huntington National Bank
27314	Synchrony Bank
57565	UBS Bank USA
30746	E*TRADE Bank
57203	Barclays Bank Delaware

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34968	Banco Popular de Puerto Rico
18221	Webster Bank, National Association
28330	TCF National Bank
33947	TD Bank USA, National Association
34444	Customers Bank
35546	Bofi Federal Bank
34697	WEX Bank

While 12 CFR Part 370 establishes specific requirement for the deposit institutions listed above, it also impacts recordkeeping and reporting for:

- Brokerage programs sponsoring pooled pass-thru insured deposits including both vertically affiliated and unaffiliated business relationship programs interacting with one or more Part 370 IDI counterparties.
- Smaller insured deposit institutions that participate in cross bank physical funds transfer or synthetic pass-thru ownership assignment programs also known as reciprocal brokered deposits where the reciprocal counterparty is a Part 370 IDI.

Part 1 - General 12 CFR Part 370 Implementation Observations

We understand that 12 CFR Part 370 increases recordkeeping requirements for the largest IDIs to guard against economic collapse should one of them fail. We also understand why regulators impose goals for recordkeeping to be current, accurate and available to meet 72-hour timeliness payout objectives. Technically, we understand 12 CFR Part 370 raises recordkeeping to extraordinary levels above that of earlier Rule 12 CFR Part 360.9, requiring completion of the entire records reporting file, including most importantly, transparency of the linkage between pass-thru account balances to the specific tax ID of the insured depositor.

Part 370 raises issues of industrial competitiveness between counterparties that need to be addressed constructively so that implementation of the rule will not trigger unintended consequences, such as the withdrawal of IDI's from participation in FDIC insured deposit sweep programs.

We caution regulators to be sensitive to the reality of industrial competition concerns that have been raised by the counterparties whose cooperation is necessary for the successful implementation of this rule's intent. This rule creates a " data privacy dilemma" due to the requirements of the current proposal that requires a financial intermediary to make available on a continuous basis the personally identifiable information (PII) and, for deposit insurance coverage computation purposes, the tax ID's shared between the intermediary and deposit banks. The market reality is that financial intermediaries, including broker dealers and banks compete with each other for the best customers. The competition is

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fierce. It is a mission critical business activity that impacts core business profitability and viability. Large corporations and institutions invest sizable resources into customer acquisition and take tangible operating risk as they pursue client acquisition and retention strategies.

The transparency necessary to facilitate timely determination of pass-thru insurance for Part 370 introduces the opportunity for a competitor to “data mine” previously protected records. Presently, obfuscation of recordkeeping details is a common practice. It is as much driven by competitive concerns between counterparties as privacy concerns for the depositors. This is particularly true for large institutions interacting with smaller counterparties, and when unaffiliated counterparties contract to work with each other. TBS’ program operations, in coordination with financial intermediaries recordkeeping procedures, has provisions in place to reconcile pass-thru account balances to TIN records and the IDs are often substituted for proxies in order to ensure opacity of client identity between brokerage and bank. Due to the fact that these policies and procedures are in place today, we believe that for the programs we support, we are able to satisfy the timely delivery of records to ensure timely payment of deposit claims. We recognize, however, that this current business practice may not be in place for each of the types of omnibus relationships that may exist and therefore fail to address the full scope of the transparency required to deal with the systemic risk objective to be mitigated by Part 370.

Part 370 creates a need for new processing and support infrastructure(s); we believe the construction of a workable regime is feasible.

We have identified three structures that we recommend regulators assess as part of considering structures for a final rule. Each approach has pros and cons in affecting the timeliness, efficiency and operational friction for implementing Rule 370.

Descriptions of 12 CFR Part 370: Regulatory Solution Options

Option A: Bifurcated Recordkeeping Reconcilable by Proxy Identifiers; Recombined on Failure

This is the current industry best practice. In this approach, the industry maintains the use of proxy identification and works on methods to recombine data upon failure. This approach is the sensitive to industry concerns regarding data privacy. In this approach, separate records are kept by counterparties that are linked by proxy identifiers; the personally identifiable information is not shared. In the event of IDI failure, the records are brought together in a resolution process to reconcile deposit insurance payments. We understand that there is no common industry standard of compliance and verification across all account types, therefore without broad adoption, the Current industry best practice is insufficient in addressing the proposal’s main objective.

As regulators have pointed out, at the scale of the affected IDIs, this approach will be the slowest form of reconciling data among available solutions. We share the concern that current industry practice may

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be insufficient to meet the 72-hour turnaround necessary to meet the regulator's goal of preventing a systemic money flow collapse.

It is also a process that cannot be done in isolation following a failure, and it violates a key regulatory concern to firewall and isolate the failed institution as what will undoubtedly be a complex and challenging receivership, bridge institution, and assumption process gets underway. Under this option, critical records will, of necessity, be outside the failed banks' IT systems; a condition that 12 CFR Part 370 also explicitly seeks to prevent. The key is that it requires cooperation, testing and a methodology that tracks insurance coverage at the tax id level. If those data elements do not exist, there is a risk that the 72 hour timeline might not be met.

We believe it is essential that regulators take note of this option, its characteristics and limitations.

This process could be enhanced by requiring complete recordkeeping by counterparties at all times so that a Part 360.9-type deposit disposition file can be constructed quickly. This implies that files must be filled in completely; this is not currently required for Part 360.9 compliance and represents an added burden that would be distributed among many parties participating in the process with varying capabilities to implement their portion of the proposed rule.

We expect that the bulk of the burden to construct and maintain these records will fall to technical intermediaries.

Option B: Transparent Record-keeping Constrained by Legal or Contractual Prohibitions on Business Data Mining

This approach creates perfect transparency by requiring that counter parties supply the IDI with all information to fill in the Part 360.9 resolution file format(s) completely. This option brings pass-thru recordkeeping data within the IDI's IT systems allowing regulators to firewall and isolate the institution upon failure. It allows regulators to mandate ongoing testing processes to ensure that asserted pass-thru insurance obligations are combined with other deposit accounts within the IDI to ensure each tax ID's deposit insurance is accurately determined and the U.S. Deposit Insurance Fund is accurately debited.

We believe such a reporting regime will require establishing a secure pass-thru records reconciliation and transmission facility. Because the participating counterparties report to a broad range of regulators, all will have to write regulations and allocate enforcement resources to oversee it. This creates an onerous compliance regime with exponential complexities as each nth plus one element is added to the process.

We believe that while it can be technically made to work, we also believe it will be impractical due to in complicated legal and contractual concerns. We do not believe that any amount of contracts, covenants or multi-agency regulatory task forces can prevent the inevitable conflicts of interest. Brokerages and

IDIs legitimately operate parallel customer acquisition processes to take market share from each other, and the most valuable information to data mine will be readily available in the pass-thru insurance records. We anticipate significant and costly legal action would be the end result.

As a result, our considered assessment is that should this option be chosen, counterparties will explore alternatives to participation in this financial instrument class.

Option C: Bifurcated Recordkeeping Combined at a Secure Reconciliation Facility

This option builds upon current industry best practices and technical capabilities while reducing reliance on independent and potentially inconsistent reconciliation processes administered within intermediaries. Our proposal envisions the creation of a formal secure reconciliation facility with common specifications that addresses the regulator's requirements for timely payments while maintaining informational isolation of customer information between competitive counterparties.

This approach is designed to enable information to be sent to a reconciliation facility that creates encrypted pass-thru Part 360.9 records files that are transmitted into the complying IDI's IT systems so that the institution can be isolated on failure.

Source Records

Brokerage, program operator and other source money records from pass-thru deposit programs are transmitted to the custodian facility. These records are the complete pass-thru records with personal identity information and account allocation information sufficient to fill out 12 CFR Part 360.9 recordkeeping files. This process repeats on a daily basis with penny standard reconciliation accuracy.

Bank Records

Deposit banks, will concurrently transmit depositor information records to the custodial facility for all depositors in the IDI. This information is needed in order to facilitate operational testing and failure management efficiency features we recommend regulators consider to enhance the efficacy of the final rule. These files would similarly be updated on a daily basis.

Reconciliation Process

The reconciliation facility processes these records into encrypted format and forwards it to the IDI who stores it in their internal system. This process repeats on a daily basis with penny standard reconciliation accuracy. Three types of record files are produced.

- Part 370 Compliance Files – This type of recordkeeping file contains all records of pass-thru deposits and is the official file that will be used to blend into the total deposit base of an IDI for purposes of assigning deposit insurance payments in the event of failure. This file is encrypted

and the unlock key would be transmitted only to the regulator. This satisfies the intent of 12 CFR Part 370 while maintaining client identity opacity between market competitor counterparties.

- Operational Compliance Testing Files – This is a subset of a recordkeeping file where the reconciliation facility filters the broker’s submittal and only forwards the account information for pass-thru deposits where the depositor is already a depositor of the IDI receiving the information. This file will also be encrypted and the unlock key will be transmitted to both the IDI and the source counterparty.
 - At the IDI, this allows the IDI to perform internal testing to demonstrate that internal IT processes can properly perform blending pass-thru customer balances with directly deposited balances so the customer’s actual deposit insurance for the failing IDI can be assigned.
 - At the source, this alerts the source that full pass-thru deposit insurance may not exist for these accounts. It remains up to the source programs to decide whether to reallocate the accounts to ensure better deposit insurance coverage for these customers prior to an IDI failure.
- Non-Customer Records Files – This is a complement recordkeeping file cataloging the pass-thru records of brokered deposits for tax IDs that are not customers of the complying IDI. We recommend this file be produced by the reconciliation facility with the objective of assisting regulators to rapidly identify accounts and amounts that can be passed to a bridge bank entity quickly based on strong indicators that the deposit insurance amounts for these pass-thru items are not subject to being combined with the IDI’s internal balance sheet deposits.

We believe this file would improve resolution efficiency. The decryption unlock key for the non-customer file would be provided only to the regulator. The storage location for the encrypted file may or may not be at the IDI. We recommend that it not be at the IDI, as the presence of it creates a potential conflict of interest. .

We believe this option may provide a workable balance between the needs of the regulators to devise a method to ensure a systemic money flow collapse will not occur in the event of a Part 370 category IDI failure while at the same time maintaining strong market competition opacity between counterparty client records.

Treatment of Indirect Pass-Thru Insurance Systems

Certain pass-thru insurance records are indirect; that is, the allocation of individual accounts to an omnibus deposit is assigned by a program allocation computer. The individual depositor is not an actual

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recorded depositor at the IDI. The program operator may or may not produce a daily allocation of the deposit amount of each individual account within the pool account. Or, if allocated, may re-allocate pass-thru assignments in the program's computers at will with no actual ACH balance transfer taking place.

One interpretation of the operating principle of the money flow disruption risk mitigation of 12 CFR Part 370 is that it relies on the pass-thru record allocation at the time the IDI's firewall is isolated at the point of failure and may not be altered by subsequent external input.

Regulators could consider incorporating into the final rule a requirement that indirect pass-thru providers pass a Part 360.9 data file with depositor identification to the IDI on the same reporting basis as all other classes of pass-thru deposit.

Once constructed, we believe that this information can be gathered and sent to a secure reconciliation facility or directly to the IDI depending on which operating regime the regulators decide upon at the same daily reported penny resolved daily schedule for each Part 370 IDI with which the indirect allocation program works.

Part 2 - Additional Comments on the Deloitte FDIC Large Bank Deposit Insurance Determination Cost Estimation Methodology

We submit these additional comments with respect to the cost of implementation analysis dated 20-May-2016 with the objective of constructively adding TBS subject matter expertise (SME) to the discussion. TBS' specific SME strength is in the area of "Deposits Accounts with Sweep Options" identified as complexity factor number 5 in the Deloitte study. More specifically, TBS has subject matter expertise at operating sponsored program insured deposit sweep systems.

We offer our comments on the following aspects of the Deloitte analysis primarily as they relate to pass-thru recordkeeping.

Validation of Competitive Concerns Identified by TBS

On page 10 of the Deloitte report under Industry Preparedness and Potential Benefits, the study says "Improved customer data (depositor or beneficiary) to potentially aid with customer retention and acquisition." We believe this notation, mentioned within a bank centric report, illustrates precisely the issues we raised earlier in our comments about the continuing need to incorporate some sort of safeguarding structure to protect the business interests of the brokerage counterparties to pass-thru deposits transactions.

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Question: What strategy options are regulators considering for inclusion in the final rule to ensure both sides of pass-thru accounting relationships are protected from unintended consequence retention costs and/or acquisition vulnerabilities?

Part 360.9 File formats can serve as META Data Standard to Solve Both Vertical Integration and Cross-Entity Data Preparation, Aggregation and Reporting

We agree with the notion in the Deloitte report that prior regulations can be leveraged to lower the cost of implementation of this NPRM. In particular, we call attention to the file formats specified for 12 CFR Part 360.9 passed in 2008. We believe these file specifications, with requirements raised to fields being required to be filled in, could offer an opportunity to create a META Data Standard that can be used to specify the information submission requirements coming from disparate sources both within a complex IDI and from external counterparties supplying pass-thru records up to and including daily reporting. This META Data can then be used to aggregate and compute overall IDI deposit insurance. The primary complexity during aggregation would stem from instances where tax IDs appear in multiple META Data “buckets” requiring the IDI’s IT systems to combine these accounts to resolve the actual insured vs. uninsured amount for that tax ID’s aggregate deposit balance.

Question(s): 1. Are regulators considering sanctioning the 360.9 file formats as suitable META Data for designing data cleanup, information submittal/interchange, data aggregation, insurance computation, and regulatory reporting? 2. Do regulators anticipate updating the 360.9 data specifications to a newer 370 standard as part of the final rule? 3. Do the regulators anticipate that any future changes to the data 360.9 specifications could make any of the original specifications sufficiently obsolete and incompatible to the point of having to redo process designs in the foreseeable operating planning horizon?

Comments on the Assumptions

OP-A1: Banks will be required to test their ability to perform insurance determinations annually.

OP-A2: Account title data quality fixes will be minimal; as a result of a bank’s initial legacy data cleanup efforts.

OP-A3: Regulations with respect to insurance calculations will not significantly change year over year.

OP-A4: Banks will largely use in-house staff to perform ongoing functions.

OP-A5: Labor rates and LOE’s are based on industry averages for similar efforts.

We note assumption OP-A1 that at a minimum a full analysis of insurance determination could be an annual exercise similar to the annual Summary of Deposits exercise undertaken by the affected IDIs.

We also note the urgency of efficiency expressed by regulators for this NPRM that the recordkeeping be able to facilitate an IDI being closed and the data available at closure of sufficient quality to enable the prompt payment of deposit insurance to customers or to a bridge bank such that a systemic flow of money interruption does not shock the broader economy. This appears to establish a much higher standard of performance than this assumption would seem to indicate.

We note further that banks are required to report insured deposits on a quarterly basis as part of their Call Reports and that the assumption OP-A3, that deposit insurance calculations will not change year-to-year, is likely valid. Assuming OP-A3 is valid, we therefore believe the key to how easily pass-thru insurance computations can take place is dependent on assumption OP-A2 being valid that initial data cleanup, once done, means future ongoing work can happen more efficiently particularly with respect to pass-thru insurance recordkeeping.

We believe better efficiency may be possible to achieve if a standardized mechanism for identifying and reporting pass-thru insurance amounts from deposit sources were used by the IDIs. We do not believe this is an insurmountable hurdle. TBS insured deposit sweep systems currently compute and reconcile this information daily for the intermediary programs we support, although without the reciprocal information on which accounts are linked to tax IDs of customers already at the bank. Also, as noted earlier in our comments, mechanisms are possible to improve the efficiency of resolving this as well.

Question: What standard of performance do regulators want the IDI’s falling within this NPRM to achieve? Are annual reviews sufficient or is reliable ongoing recordkeeping the minimum?

Comments on Process Steps

The Deloitte cost study identified several process steps. We offer our comments on these steps with emphasis on their effects on pass-thru insurance recordkeeping.

<p>Insurance Calculation</p> <p><i>“The insurance calculator is the tool that provides the specific business rules and equations required to calculate the specific insurance eligibility of a depositor. It operates on the data set provided by the data aggregation and standardization layer, and outputs a result set of individual depositors and the</i></p>	<p>The technology to perform pass-thru insured deposit sweep computations for brokered deposit programs currently exists and is operational.</p> <p>These systems are capable of resolving the insured and uninsured balances of individual tax IDs (or their identification proxies) with updates available as frequently as daily, limited only by update rate levels for certain programs. Other programs offer less frequent pass-thru ownership information.</p> <p>Both one-way deposit assignment and reciprocal assignment models exist in the market place. One-way systems tend to be executed via actual aggregate balance transfers to reconcile amounts on an</p>
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<p><i>insurance to which they are entitled.” Pg. 13</i></p>	<p>ongoing basis. Reciprocal pass-thru’s, having a net balance transfer of zero, are to be found where the pass-thru holder of record is indirectly assigned.</p> <p>Regardless, these tax ID, account, balance sets can be cataloged, flagged, encrypted as required including selectively if needed, and transmitted into insurance computation aggregation engines.</p> <p>We repeat the key features:</p> <ul style="list-style-type: none"> • Operational today • Tax ID resolution capable • Daily update rate able • One-Way and Reciprocal datasets solvable • Can be packaged for submittal to aggregation engines • Can be selectively encrypted as required <p>Question: To what extent do regulators want the affected IDIs to make use of these existing infrastructure solutions to leverage their insurance calculation processes?</p>
<p>Legacy Data Clean Up</p> <p><i>“This component is the set of activities banks must perform to bring their current data up to the standard required to perform insurance determination calculations with 100% accuracy. There are both systematic and manual components involved in this components.” Pg. 13</i></p>	<p>Legacy data cleanup for pass-thru deposits centers around ensuring all required fields to meet a 360.9 data specification submittal format are properly filled in.</p> <p>Question: Is this assumption valid?</p> <p>We believe these information items can be completed and maintained by the financial technology firms that operate deposit programs although update frequencies may vary depending on the type of program. This raises -an important question;, Should the IDI fail, will the pass-thru records within the IDI’s IT system control the deposit insurance calculation or will the pass-thru records be updated later, as they are for some programs operating today?. If later, this raises the additional questions of whether regulators deem the structural delay in deposit payout for these pass-thru deposits is allowable within the final rule.</p> <p>Question: For pass-thru programs that submit account holder identity and balance records less frequently, what is the intent of the regulators for these programs with regards to the deposit insurance payout process for these pass-thru accounts?</p>

	<p>Question: Is it the intent of regulators to eventually phase the reporting and payout process to an “as on record at the time of failure” model as opposed to an in arrears model at least as far as Part 370 IDIs are concerned? If so, on what phase in the schedule do regulators envision this to happen?</p> <p>In addition, we believe regulators may have some leeway to specify additional data processing to control non-emergency data transparency to address counterparty competitiveness issues.</p> <p>Question: What is the position of regulators with regards to managing data transparency between competitive counterparties?</p>
<p>Data Extraction</p> <p><i>“The data extraction layer provides the capability to identify and transmit the fields required for account titling and insurance determination to the data aggregation layer. This effort requires the bank to examine each deposit platform to capture the required data for future calculations.” Pg. 13</i></p>	<p>We respectfully suggest considering a phased pathway to eventually implementing a transportable dataset solution based on a version of the Part 360.9 data specifications. This would enable the development of a more standardized set of financial technology solutions going forward. Specifying a META data standard at the interfaces between existing department/division/legal entity and the submittal, collection, aggregation and computation systems is recommended. We believe it could help to ease the implementation of the proposed rule.</p>
<p>Data Aggregation</p> <p><i>“The data aggregation component takes data sets from each platform extractor and converts it into a unified set of data suitable for insurance determination and reporting purposes.” Pg. 13</i></p>	<p>Technically, we caution against data aggregation implemented as a collection of proprietary processes. The ongoing cost associated with the propagation of proprietary extraction into aggregation is significant due to the increased operational complexity and ongoing maintenance. We believe this approach creates a process that extends a step further than is required and makes it more difficult to transition portions of an IDI in the event of failure. It seems more prudent to encourage a META data junction that feeds into a new generation of aggregation and insurance computation tools.</p>
<p>Data Standardization</p> <p><i>“The data standardization component analyzes the aggregated data from the individual platforms, looks for</i></p>	<p>We refer to our earlier comments and questions regarding considering the data reporting formats specified in Rule 12 CFR Part 360.9 as the basis of a META data standard for the proposed rule.</p>

<p><i>discrepancies and outliers, and runs basic procedures to align data from each platform into a unified set of business rules for each field. Some activities may include matching account titles across platforms, applying uniform business rules to calculate missing fields, and identifying outliers.” Pg. 13</i></p>	
<p>Data Quality Controls & Compliance</p> <p><i>“This component provides the ability for banks to process data exceptions, or to “spot check” individual data elements for compliance. This will require the development of a set of tools for the bank to monitor and validate the data capture and insurance determination process.” Pg. 13</i></p>	<p>Given the extreme business complexity of the IDI affected by the proposed rule, we observe that architecturally, a quality control and compliance regime that internally manages systems and is subjected to examinations and tests based on subsets of rational “islands” of functional compliance will likely prove to be the most workable solution going forward.</p> <p>This creates the need for a technical inspection regime that regulatory examiners will need to become more familiar with whether the IDIs are subjected to annual inspections, spot inspections, or a combination of both. Again, we point out that an ad hoc set of individualized solution architectures, one per IDI, may prove problematic. It may be more prudent to plan ahead and design rational test points that will allow regulators and the IDIs to accomplish quality testing and compliance at lower levels of cost and effort in the ongoing phase of the proposed rule.</p> <p>Question: What requirements do regulators anticipate implementing with regards to confirming the quality control and compliance adequacy of the IDI’s solution sets?</p>
<p>Reporting</p> <p><i>“The reporting component generates standardized reports based on regulatory requirements for deposit insurance self-determination. It operates on the data collected and calculated in the</i></p>	<p>The key element of this section is reports based on regulatory requirements for deposit insurance self-determination.</p> <p>As is pointed out elsewhere in the Deloitte report, regulators have final implementation path options for specifying how this information will be reported.</p>

<p><i>other components and outputs a repetitive, clearly-formatted set of reports suitable for internal and regulatory reporting.” Pg. 13</i></p>	<ol style="list-style-type: none"> 1. Regulators could elect to implement the rule whereby each IDI self-computes its summary information. For this case, regulators will need to issue an algorithmic specification as part of implementing the final rule. 2. Regulators could also elect to collect raw data submissions from the IDI and feed it into an internal deposit insurance payout analyzer system designed and operated by the regulators for use as part of an IDI closure. <p>Both options have advantages and complexities when it comes to reporting regime design. We believe both can be made to work even if selective data encryption methods are incorporated to assure competing counterparties are isolated except in the event of an actual failure.</p> <p>Question: Can regulators comment on how they intend to implement one or both of these reporting regime options under the final version of the rule?</p>
<p>On Going Operations</p> <p><i>“Banks will incur ongoing costs as a result of the regulation’s implementation requirements. This may include the banks testing their ability to perform insurance calculations regularly, performing regular reports for FDIC inquiries, and mitigating relevant data quality gaps on a regular schedule.” Pg. 13</i></p>	<p>Questions with regards to ongoing operations.</p> <p>Will regulators want periodic reporting on the daily processing cycles performed by IDIs? If so, can regulators give guidance on the nature of the reports that IT facilities will need to bear in mind as they design compliance systems?</p> <p>As these are very large complex institutions, is reporting by testing the most mission critical “islands of compliance” within the greater landscape a workable means making ongoing testing less onerous? Can regulators give guidance as to what these islands of testing should be? Are there areas beyond submittal testing, deposit insurance computation testing, and report aggregation testing that regulators wish to identify?</p> <p>Do regulators envision shock and stress testing part of the ongoing operations testing process? If so, can regulators give guidance in which areas of shock and stress are of interest?</p> <ol style="list-style-type: none"> 1. Runs on Deposits 2. Shifts of Liabilities Mixes 3. Rollover Risks on Term Deposits

	4. Break Up Scenarios including, as required, Orderly Transfers to Bridge IDIs
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Comments on Complexity Factors

<p>Deposit Accounts</p> <p><i>“A higher number of accounts directly impacts the processing time and manual labor required to aggregate data and standardize titles for accounts.” Pg. 12</i></p>	<p>The nature of data in the real world is such that, despite the best efforts of the financial community, there will always be some data that is “unclean.” This will affect not only ongoing IT planning but also the costs of acquisition, aggregation and new products innovation that will be faced by IDIs going forward. Will regulators specify what percentages of data are expected to be clean once the compliance regime is in place? Will there be a table of expected norms for various classes of deposits with expectations as to the percentage of the records that should be clean so as to facilitate timely payments of deposit insurance? For those instances where data is not clean, will there be expected norms for correction? Will regulators provide general and/or case-by-case guidance on the timelines for cleaning records after the initial phase of implementing this rule?</p>
<p>Deposit Platforms</p> <p><i>“Many disparate core servicing platforms may increase complexity in comparing accounts across servicing platforms, and may cause duplication of efforts in creating the right data extract.” Pg. 12</i></p>	<p>Deposit platforms will vary in the ease with which recordkeeping can be accomplished. Certain platforms are amenable to being highly automated while others are not. Do regulators intend to issue a menu of recordkeeping performance specifications matched to the business characteristics of the various platforms that exist?</p> <p>Timely processing to ensure minimal interruptions to the economy remain paramount. Do regulators intend to issue minimum performance requirements regardless of platform?</p>
<p>Deposit Legal Entities</p> <p><i>“If a bank has many legal entities or separate organizational units, tying accounts across these units may add complexity.” Pg. 12</i></p>	<p>Deposit legal entities also vary in the ease with which recordkeeping can be accomplished. Certain entities are amenable to highly automated solutions while others are not. Do regulators intend to issue a menu of recordkeeping performance specifications matched to the business characteristics of the various entities that exist?</p>

	Timely processing to ensure minimal interruptions to the economy remain paramount. Do regulators intend to issue minimum performance requirements regardless of legal entity type?
<p>Geographic Reach</p> <p><i>“These factors affect geographic dispersal of accounts and customers, which may add complexity through inconsistent data quality, differing data entry practices at branches, etc.” Pg. 12</i></p>	We assume this factor in the Deloitte study refers to recordkeeping to maintain visibility on geographic dispersal within insured domestic deposits. Is this correct or do regulators intend IDIs to extend recordkeeping to uninsured foreign deposits that may be owned by tax IDs that also own domestic deposits?
<p>Deposit Accounts with Sweep Option</p> <p><i>“Sweep accounts will directly affect the complexity of insurance determination calculation, specifically in determining real-time insured account positions.” Pg. 12</i></p>	Please see our earlier comments and questions regarding pass-thru deposits with sweep features.
<p>Line of Business</p> <p><i>“These factors affect the complexity of lines of business, accounts, and business operations the banks perform, which may add complexity to the business rules governing deposit insurance determination.” Pg. 12</i></p>	<p>Lines of business also vary in the ease with which recordkeeping can be accomplished. Certain lines of business are amenable to highly automated solutions while others are not. In addition, differing lines of business are subject to differing bodies of regulations that determine how deposits enter and exit them. Do regulators intend to issue a menu of recordkeeping performance specifications matched to the business characteristics of the various lines of business that exist?</p> <p>Timely processing to ensure minimal interruptions to the economy remain paramount. Do regulators intend to issue minimum performance requirements regardless of the line of business within an IDI?</p>

Implementation Alternatives

The Deloitte study identified three alternatives for implementing 12 CFR Part 370. We have no preference as to which path regulators choose to implement the rule other than to note that the Deloitte study could have mentioned adding selectivity to the process. This means regulators could consider breaking up the full implementation through a process of prioritization established by the FDIC, such that implementation could occur by segment based on account type. This would reduce the complexity of implementation at the IDI and ensure a more transparent process. For instance, prioritizing those aspects of the rule that effect (a) deposits affecting access to direct accounts by the population most likely to need quick access to funds, general public and (b) deposits for which automation leverage can provide confidence to corporate and institutional pass-thru depositors, whose monies are critical to maintaining orderly money flow in the economy. We offer this implementation strategy for your consideration as a means to further streamline the implementation process.