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WACHOVIA

March 10, 2006

VIA E-MAIL: comments@FDIC.gov

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

RE: RIN 3064-AC98

Comments of Wachovia Corporation to the Federal Deposit Insurance Corporation's Advanced Notice of Proposed Rulemaking Regarding Large-Bank Deposit Insurance Determination Modernization

Dear Mr. Feldman:

This letter is submitted on behalf of Wachovia Corporation and its national bank subsidiaries, Wachovia Bank, National Association and Wachovia Bank of Delaware, National Association (collectively referred to as "Wachovia"). In this letter, Wachovia provides its comments to the Federal Deposit Insurance Corporation's Advanced Notice of Proposed Rulemaking ("ANPR") regarding the FDIC's Large-Bank Deposit Insurance Determination Modernization Proposal.

Wachovia understands the FDIC's need to develop improved processes regarding deposit insurance determinations in the event of a large bank failure. Although Wachovia supports the FDIC's efforts to improve these processes, we respectfully submit that the proposed solutions contained in the ANPR raise serious issues and create potentially significant expenses for large banks.

By way of background, Wachovia supports over 20 million deposit accounts in its two national banks. Wachovia processes these deposit accounts on several systems. While the majority of our accounts are processed on three common platforms (a Demand Deposit system, a Time Deposit System and a securities system which also houses FDIC insured deposits in certain sweep account products) there are other systems of record that also house deposits in various specialized areas. In order to fulfill any of the options proposed in the ANPR, all of these systems would have to be modified, tested and coordinated.

We particularly have great concern with regard to proposed Option 3. This option would require that each bank be accountable for determining the amount of insurance coverage for each of its depositors in their various insurance categories at any given point in time. Our concerns fall into three areas:

Shift in Responsibility:

The Option 3 approach would result in a significant shift in responsibility from FDIC to the bank. The rules that determine insurance coverage are complex, and highly dependent upon nuances in how the customer structures the account. These nuances are sufficiently complex that we currently refer customers with any questions regarding deposit insurance coverage to the FDIC guidelines or to the FDIC itself. We are concerned that a bank could be exposed to risk of potential liability should the bank interpret the coverage rules or otherwise estimate insurance levels in a way that is inconsistent with a determination that the FDIC would make. Inasmuch as the FDIC issues the rules and regulations regarding deposit insurance coverage, publishes deposit insurance guidelines, and has the statutory responsibility to make the final decisions on deposit insurance coverage when a bank fails, we respectfully submit that it should remain the FDIC's responsibility to determine insurance coverage for depositors in all banks, and that this responsibility should not be shifted to the banks themselves.

Undue Burden:

Option 3 would create an undue burden on banks. It would require that the banks develop and maintain a very sophisticated process to match customers, identify insurance categories, vet multiple ownership issues and assess insurance levels for tens of millions of combinations of customers and accounts. It also would require banks to maintain these programs, keeping them current as coverage rules and nuances change over time. Banks would also constantly have to adjust to changes made in customers' account ownership.

Lack of Efficiency/Consistency:

Option 3 would require each bank to develop the logic necessary to make insurance coverage determinations. We respectfully submit that it would be much more efficient for the FDIC to develop this logic once and for application by all banks, rather than requiring each individual bank to do so. Requiring banks to develop this logic independently increases the cost and the risk that any given bank may interpret the FDIC rules and regulations in manner different than its peers, creating a potential lack of consistency. If the FDIC does not agree with the bank's determination of deposit insurance coverage, the FDIC may have more issues regarding the undoing of a bank's erroneous determinations in resolving depositor claims in a failed bank situation than if the bank had not been required to undertake a first pass.

Although we find Option 3 to be wholly unacceptable, we also have some concerns with regard to Option 1. Wachovia currently uses a unique customer identifier for each of our general bank customers. However, this identifier may not be available in all instances. An example of this is brokered CDs, in which the insurance is passed through to individuals who are the ultimate customers. We also do not have a unique way to identify insurance categories. Identifying and developing systematic ways to assess categories may be arduous and costly. Again, the development of this logic by multiple banks would be redundant and would shift responsibility to the bank that the bank should not have to bear.

Of the options presented in the ANPR, Option 2 would be the least risky and the least costly, although still presenting significant cost. Based on the information provided, our IT and operations staff have estimated that the implementation cost of this option would be $2 mm or more for our DDA, TD and securities systems. This does not include the other previously mentioned specialty systems that also would need to be enhanced and coordinated. The magnitude of this enhancement is due to the complexity of our core deposit systems and the volume of accounts and customers that we support. We also believe that Option 2 would take a good deal of time to complete, due not only to the size of the effort, but also to the fact that we presently have a backlog of needed strategic and tactical enhancements in process and committed. We would expect an 18 to 24 month horizon for completion of the requirements for implementation of Option 2.

All the options assume that the banks have the data needed to determine insurance coverage in a readily accessible form. In reality, some of the data elements needed for insurance calculations are not needed for day-to-day bank operations; although the data may be present, it may not be in readily computer-accessible form. In addition, some of the data may also have not been captured, leaving some data unknown. All of this adds to the cost and potentially impacts the accuracy of the results.

In addition to the development effort, we also understand that there would need to be ongoing maintenance and testing of the process. This, of course, would require additional investment.

We also believe that there may be some practical issues that would need to be considered for both testing and actual implementation of the program. For example, the time required to transmit the file may be significant, given the volume of data. The time required to pass the file to place holds (given that we may not start this process until after the deposit systems have been fully processed) may also extend into the next business day, preventing the bank from opening on time, or requiring the bank to open before all the holds have been placed.

Please note that the comments that we have provided herein are based on the information that we have developed thus far. There are a number of unknowns which certainly could affect our expected costs and feasibility. Additional discussion and clarification may reduce or increase the anticipated effort, timing, cost and risk. Indeed, the process of identifying and resolving these questions to develop detailed business requirements that could be used to achieve more accurate cost and timing estimates would in itself be a sizable project.

In summary, Wachovia understands and appreciates the FDIC's need for a modernized solution to insurance determinations in failed bank situations. With that in mind, we believe the best approach would be centered on Option 2, with additional discussion and definition focused on developing a reasonably sized and scaled solution. In that regard, we submit that the following suggestions may be helpful:

- Focus on the core deposit systems (DDA and TD), rather than all specialty systems that may house deposits.
- Consider phasing of the requirements over time.
- Centralize as much of the processing logic as practical in a common FDIC-developed "black box" that all banks could use, rather than require each bank to do all of its own development.

Wachovia appreciates this opportunity to comment on this advance notice of proposed rulemaking. If you have any questions, please contact me.

Yours truly,

Eugene M. Katz

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