Capital One Financial Corporation
1680 Capital One Drive
McLean, VA 22102

March 13, 2007

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429
comments@FDIC.gov

RE: Large-Deposit Insurance Determination Modernization Proposal (RIN 3064-AC98)

Dear Mr. Feldman:

Capital One Financial Corporation ("Capital One") is pleased to submit comments in response to the FDIC's second Advance Notice of Proposed Rulemaking[1] on the subject of new bank systems to facilitate the FDIC's insurance determinations in the event of bank failure.

Capital One Financial Corporation is a financial holding company whose principal subsidiaries, Capital One Bank, Capital One, F.S.B., Capital One Auto Finance, Inc., Capital One, N.A., and North Fork Bank, offer a broad spectrum of financial products and services to consumers, small businesses, and commercial clients. As of December 31, 2006, Capital One subsidiaries collectively had $85.5 billion in deposits and $146.2 billions in managed loans outstanding, and operated more than 700 retail bank branches. Capital One is a fortune 500 company and is included in the S&P 100 Index.

---

[1] 71 Fed. Reg. 74857 (Dec. 13, 2006). Capital One also commented on the FDIC's first Advance Notice of Proposed Rulemaking on this subject, 70 Fed. Reg. 73652 (Dec. 13, 2005), see our letter of March 13, 2006.

Capital One supports the FDIC's continuing work on this important project, and makes the following observations on this second proposal and its likely impact on Capital One.

- The FDIC's current proposal would be feasible to implement, and more feasible than the first proposal. This is so primarily for two reasons. First, the FDIC is no longer proposing to require the largest and most complex institutions to track the insured status of each of its deposits in real time. That proposed requirement was one which, after some time period of consideration, Capital One was unable to scope. Second, and less significantly, the FDIC is no longer proposing to require that an institution determine the insurance category of each deposit account. (In our earlier letter, we estimated the cost of complying with that requirement at over $220,000 for Capital One, N.A., the former Hibernia National Bank; the cost would be greater to include the more recently acquired North Fork Bank.)

- The software coding necessary to support compliance with the FDIC's proposed recordkeeping regime would be undertaken by Capital One's third party systems provider at no marginal cost to Capital One. We believe this relationship is common in the industry, and we urge the FDIC to consult with those systems providers in order to assess the likely cost to them. Capital One would undertake some significant cost in retrofitting its systems and processes to incorporate the new software coding, repairing files, and testing. The required cost of doing this would depend on the details of the final requirements and the quantity of other priority work being undertaken at Capital One at the same time. As we stated in our earlier letter, we urge the FDIC to allow a sufficient implementation period for its new requirements, which we believe would require one year to eighteen months.

- Capital One can uniquely identify depositors within its legacy data systems. Therefore, there would be no additional cost to Capital One as a result of the FDIC's proposed requirement to uniquely identify each depositor.

- The FDIC's proposed system of provisional holds and releases would be feasible to implement and execute, on the understanding that the holds could be removed through overnight batch processing. The various choices that the FDIC identifies with respect to variables X, Y, and Z (see 71 Fed. Reg. at 74861) would not significantly affect the cost of implementing the system.

- The data elements identified in the FDIC's "standard data set" all exist and would not be difficult to provide.

- The FDIC notes that "a provisional hold could potentially trigger complications in the back office of the bridge bank due to an increase in returned items."[2] We agree. We believe that the impact would be significant, and likely to be larger than the FDIC would have experienced during the last wave of bank failures because of the recent proliferation of transactional tools such as automated bill payment. We believe the impact could be mitigated by sending depositors a notice that is more particularized than the notice the FDIC currently sends depositors in the event of bank failure. The new form of notice would tell depositors how much of their deposits would be available to them in the bridge bank and how much subject to hold (*i.e.*, the value of Y or Z for each account). In addition to possibly mitigating the quantity of returned items, we believe that such a notice would be important in preserving the franchise value of the institution. Although some additional burden would be involved in producing account-specific notices of that kind, we believe the burden would be outweighed by the benefits to the bridge bank's back-office operations and to its franchise value.

*　　　*　　　*

Capital One appreciates the opportunity to respond to the FDIC's Advance Notice. If you have any questions about this matter and our comments, please call me at 703-720-2255.

Sincerely,

/s/

Christopher T. Curtis
Associate General Counsel
Policy Affairs

---

[2] 71 Fed. Reg. at 74861.