FIRST TENNESSEE

All Things Financial.

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April 14, 2008

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

Via E-mail: Comments@FDIC.gov

Attention: Comments

Re: RIN 3064-AD26; Processing of Deposit Account in the Event of an Insured Depository Institution Failure and Large-Bank Deposit Insurance Determination Modernization; 12 CFR Part 360; 73 Federal Register 2364; January14, 2008

Dear Mr. Feldman:

First Tennessee Bank National Association ("First Tennessee") appreciates the opportunity to comment to the Federal Deposit Insurance Corporation on its advance notice of proposed rulemaking. Under the proposed rule, First Tennessee would meet the definition of a "Covered Institution" and would fit within the small minority of insured financial institutions required to comply with the rule. At the outset, we still question whether the FDIC has proven its case that a need exists for imposing such a substantial regulatory burden on some institutions, but allowing other financial institutions to avoid the expense and compliance with the FDIC's plan for modernizing the deposit insurance process.

Based upon its review of the proposed rule, First Tennessee offers the following comments as set forth below.

Cost of Implementation

Compliance with the proposed rule would come at considerable expense to each Covered Institution. First Tennessee, like most other banks, does not have systems in place to accommodate the placement of holds across its entire deposit base without significant modifications to its current systems. First Tennessee concurs with the FDIC's estimate that development and implementation costs for the proposed rule would likely range between $2 million and $4 million for an institution of its size. Likewise, First Tennessee expects that the development and implementation costs for larger Covered Institutions would exceed that amount by some greater multiple of the estimated costs. We question,

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however, whether the least complex Covered Institutions would be able to implement the system changes necessary to comply with the proposed rule while limiting the costs to the ranges suggested by the FDIC ($250,000 to $350,000). Taking into account that the FDIC has identified 159 insured financial institutions that meet the proposed definition of a Covered Institution, we believe a conservative estimate of the overall industry implementation cost to be at least $318 million based upon the low-end projected implementation costs for the "super-regional organizations." The initial development and implementation costs are not inclusive of the added costs to maintain and periodically test systems for the remote possibility that the Covered Institution might fail at some point in the future. With such a great expense to be absorbed by the banking industry, the FDIC should be required to demonstrate that there are no other less intrusive measures available to the FDIC to address the challenges in a large-bank failure.

Provide Exemptions for Certain Covered Institutions

If the FDIC is insistent on moving forward with the proposed rule, First Tennessee would urge the FDIC to further modify the proposed rule to allow exemptions from compliance with the proposed rule for Covered Institutions that meet certain risk categories and risk-based criteria. Such an approach is consistent with the FDIC's current practice of risk-based assessments for deposit insurance assessment rates.

Abandon FDIC Cutoff Point

First Tennessee is in favor of applying an end-of-day ledger balance allowing each financial institution to finish all daily transaction postings based upon normal cutoff times. To allow the FDIC to apply its own special "FDIC Cutoff Point" would require extensive system changes and could have an arbitrary, and perhaps inconsistent, result when applied by the FDIC from bank failure to bank failure. Financial institutions have designed systems that may have multiple cutoff times built into the overall processing system. Undoubtedly, each financial institution's customer is familiar with the cutoff times applicable to particular transactions and the customer expects that a transaction initiated prior to the cutoff time will be completed as instructed by the customer. The whole notion of the FDIC applying its own cutoff point runs afoul of a multitude of banking regulations requiring financial institutions to disclose to the customer how and when a transaction will be processed. For these reasons, First Tennessee recommends that the FDIC abandon the concept of the "FDIC Cutoff Point." One alternative that might be beneficial to the FDIC is to have each Covered Institution publish its list of transaction cutoff times for all delivery channels.

Sweep Processes

First Tennessee does not believe that a repurchase sweep arrangement is a "deposit" as defined in section 3(l) of the Federal Deposit Insurance Act. If the FDIC were to re-categorize a repurchase sweep arrangement as a "deposit" for FDIC insurance and assessment purposes, it will not only create an operational burden and additional work for back-office operations, but it will likely cause financial institutions and customers to re-evaluate the benefit of such arrangements. While First Tennessee appreciates the FDIC's concern to further clarify the treatment of sweep arrangements in response to the Adagio decision, the various proposals suggested by the FDIC are unnecessarily complicated. In the event of a financial institution's failure, all prearranged sweeps should be completed in the ordinary course of business based upon the end-of-day ledger balance without regard to when the sweep occurs.

Hold Formats

First Tennessee appreciates the FDIC's flexibility in recognizing that more than one hold format, or combination of hold formats, may be appropriate depending on the Covered Institution. First Tennessee views the "persistent hold" as better accomplishing the FDIC's objectives. While the other hold formats may be appropriate for some Covered Institutions, First Tennessee is concerned that a "memo hold" could interfere with the normal batch transaction processing, and holding balances in an alternate account would require a multiple-step process that would require transactions to be first posted to the deposit account before a new account or sub-account could be opened with the transfer of the uninsured balance to follow, all of which is to occur before the financial institution is re-opened the next day by the successor financial institution.

Implementation of the Proposed Rule

First Tennessee recommends that the FDIC extend the implementation period from the proposed 18 months to a 24-month or longer period of time to ensure that all Covered Institutions have adequate time to develop and test the application software necessary to create and place the holds. First Tennessee, like most other Covered Institutions, are already scoping systems, planning and budgeting for system developments in 2009. If an 18-month implementation period were adopted, other planned system changes would be affected or postponed. Also, shorter implementation periods will likely have the direct effect of increasing the overall development and implementation costs incurred by the Covered Institution.

First Tennessee appreciates the opportunity to comment on the proposed rule and hopes the FDIC will carefully consider its comments.

Sincerely yours,

R. Glenn Taylor

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