BB&T

BB&T Corporation

P.O. Box 1255
Winston-Salem, NC 27102-1255

April 30, 2012

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

Re: Notice of Proposed Rulemaking on Annual Stress Tests
FDIC RIN 3064-AD91

Dear Mr. Feldman:

BB&T Corporation (BB&T) appreciates the opportunity to comment on the proposed rule regarding annual stress tests ("Proposal") published by the Federal Deposit Insurance Corporation ("FDIC"). *See* 12 CFR Part 325, Subpart C (Jan. 23, 2012). The Proposal would require FDIC-insured state nonmember banks with total consolidated assets of more than $10 billion to conduct annual stress tests.

BB&T believes public policy should require covered banks (as defined below) to have a robust, forward-looking capital planning process that accounts for their unique risks, including regular, meaningful stress testing. We also believe the means employed to achieve this important policy objective should be as efficient as practical. The Proposal coincides with several existing and proposed stress testing requirements from across the regulatory agencies. Generally, we are concerned the Proposal could make stress testing more complex and inefficient if the regulatory agencies are not well coordinated in their stress testing requirements. We cannot fully support this Proposal if it does not address these concerns, as detailed below.

I. <u>Elimination of Duplicate Stress Testing</u>

The Proposal requires FDIC-insured state nonmember banks with total consolidated assets of more than $10 billion ("covered bank(s)") to conduct annual stress tests ("bank-run stress tests"). Bank holding companies with consolidated assets of $50 billion or more currently participate in the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) process. These bank holding companies will be required to conduct semi-annual stress testing by the Federal Reserve Board under the proposed Enhanced Prudential Standards.

We agree some merit exists for running both holding company-level and bank-level stress tests for Regulation W and double leverage implications. A strong parent company can support a bank subsidiary in stressed economic conditions. However, the value of running both stress tests diminishes as the bank subsidiary accounts for a greater percentage of the parent company's balance sheet and income statement.

In those instances when a single-depository institution comprises greater than ninety percent (90%) of the bank holding company's consolidated total assets, the bank-run stress test requirement creates duplicate efforts for both performing the stress test and producing regulatory reports of stress test results which outweighs the benefit of additional insights into a bank's risk profile. Covered banks would need to perform the stress test at the level of both the depository institution and the bank holding company. Stress testing models frequently use an internal reporting basis for generating stress testing results; therefore, duplicate processes will be required to convert bank-run stress test results into an external reporting basis. These duplicate processes would need to be performed concurrently with normal year end and financial closing activities. The CCAR stress test and the FR Y-14A reports sufficiently provide insights into a depository institution's risk profile when a single-depository institution comprises greater than ninety percent (90%) of the bank holding company's consolidated total assets.

In order to eliminate duplicate stress testing, BB&T strongly urges the FDIC to use the CCAR and FR Y-14A submission for evaluations of annual stress tests performed by a covered bank which (i) comprises greater than ninety percent (90%) of the bank holding company's consolidated total assets and (ii) serves as the lead depository institution for a bank holding company covered by the CCAR process (consolidated assets of $50 billion or more).

II. Coordination Across Regulatory Agencies

The Proposal states the FDIC intends to coordinate with the other primary federal financial regulatory agencies. We support this intent. The extent to which coordination occurs will significantly determine whether the stress testing process remains a meaningful exercise of quantifying risk and assessing capital activities. A lack of coordination may result in an extensive regulatory reporting exercise which distracts covered banks from proactive risk management activities and enhancement of stress testing models and processes.

A. Coordination of Scenarios

The Proposal requires covered banks to perform stress tests on three different sets of conditions, including baseline, adverse, and severely adverse. The Federal Reserve System is similarly proposing covered banks perform stress tests under three different sets of conditions (RIN 7100-AD-86). If the regulatory agencies do not coordinate on the creation of the baseline and stress scenarios, covered banks could be required to perform at least six different stress tests in a single quarter. The agencies should coordinate on both the scenario's severity and the macroeconomic variables distributed. A lack of coordination across agencies creates the burden of performing twice the number of scenarios without providing additional value to management. If each agency creates its own scenarios, conflicting disclosures and public confusion may occur as varying results of each scenario are reported. A covered bank would have the results of multiple scenarios released by each agency to the public.

Stress testing would benefit greatly from having a common set of scenarios across regulatory agencies. Covered banks could leverage their bank holding company stress testing framework to execute bank-run stress tests, instead of having to conduct two completely separate stress tests simultaneously. Additionally, covered banks and regulators would have a single set of stress test results to discuss during the question and answer portion of the supervisory review process.

If covered banks are required to participate in both the FDIC's annual stress tests and the Federal Reserve Board's semi-annual stress tests, then coordination across regulatory agencies will be essential to making the process meaningful and efficient. We strongly urge the FDIC to coordinate with other regulatory agencies so institutions conduct annual stress tests using a single set of three scenarios. We also urge the FDIC not to require institutions to perform internal scenarios (e.g., BHC Stress scenario), in addition to the supervisory scenarios, during the annual supervisory stress test.

B. Consistency of Stress Test Reporting with Existing Regulatory Reports

The Proposal would require institutions to report stress testing results to the FDIC. Covered banks already submit stress testing results to the Federal Reserve Board through the FR Y-14A reporting. The FDIC's reporting would ideally match the FR Y-14A reporting because this consistency would ensure the reporting processes are well aligned with existing processes, easing implementation and ensuring higher quality submissions. If the FDIC's reporting requirements for the stress test vary from the FR Y-14A formats, then covered banks will have to create new reporting processes in addition to implementing bank-level stress testing and maintaining FR Y-14A and Y-14Q reporting processes. The creation of multiple processes, which are run simultaneously by the same internal groups and which incorporate the various intricacies of proposed capital actions, provides no additional insights while greatly increasing the complexity of reporting stress test results.

If the FDIC adopts reporting formats which match FR Y-14A and Y-14Q, the implementation may leverage existing processes and control environments, enhancing the quality of data and forecasts submitted to the FDIC. The regulatory agencies would also benefit from having a repository of comparable data, which the agencies could leverage to evaluate stress test results. Additionally, the reporting requirements should contain similar materiality rules across regulatory agencies to ensure each covered bank reports information which is relevant to its operation and risk profile. For example, covered banks should not have to report detailed metrics on lines of business which generate less than five percent (5%) of total revenues. We strongly urge the FDIC to coordinate with other regulatory agencies on the reporting requirements for annual stress tests.

III. Timing of Scenario Distribution

The Proposal states the FDIC will provide covered banks with scenarios for annual stress tests no later than mid-November. Covered banks will be required to submit regulatory reports to the FDIC by January 5th. As such, covered banks will have only approximately six weeks to complete a great amount of work in respect of stress testing and capital planning during the same period which overlaps with normal year end and financial closing activities and the seasonal holidays. Moreover, the FDIC and covered banks may need an initial period for clarifying ambiguities in the supervisory scenarios and reporting requirements after the scenarios are released. Covered banks will also require time to engage management and board of directors governance, perform internal quality controls, and complete regulatory reports after the conclusion of the stress test. Covered banks will have to perform these activities simultaneously for multiple regulatory agencies under the Proposal. Thus, covered banks will have less time to perform the stress testing and capital planning. The presently compressed timeframe favors speed at the expense of diligence in the preparation of stress test assumptions, inputs and outputs. If the scenarios are disclosed earlier, covered banks will have time to clarify ambiguities and run a robust process with strong internal controls and governance. We urge the FDIC to release supervisory stress scenarios no later than mid-October.

IV. The Design and Severity of the Severely Adverse Scenario Should Be Consistent Year to Year

Under the Proposal, the bank-run stress test will be performed on a minimum of three sets of economic and financial conditions, including baseline, adverse and severely adverse scenarios. The Proposal also requires covered banks to take the results of the annual stress test into account in making changes to capital structure, risk positions, recovery and resolution plans and risk management processes. If the likelihood of the severely adverse scenario changes materially each year, it will create uncertainty in covered banks' capital planning processes. Even if a covered bank's risk profile has not changed, the stress test results could fluctuate year to year solely because the scenario's severity has changed. Each covered bank will have difficulty evaluating mid-year capital actions because it cannot properly assess the impact of the bank's capital structure on stress test results until the next year's stress scenarios are created and released. Additionally, the public could become confused by fluctuations in stress test results arising from changes in the scenario's probability of occurrence. We urge the FDIC to structure the severely adverse scenario with a relatively consistent probability of occurrence for each annual stress test.

V. Public Disclosure

The Proposal requires covered banks to publish a summary of the required stress test's results. The proposed disclosures appear to be similar to the stress testing disclosure for SCAP and the CCAR 2012 exercises. These disclosures provide sufficient detail for the public to interpret the results effectively.

The Proposal states quantitative information should be disclosed under each scenario. Only the most adverse stress scenario has been disclosed in past SCAP and CCAR exercises because capital actions are primarily evaluated against this scenario. If the disclosure expands in scope to include baseline forecast information, it would be tantamount to earnings guidance. We urge the FDIC to maintain disclosure requirements which do not extend beyond the scope of the SCAP and CCAR 2012 disclosures. We also urge the FDIC not to require disclosure of the baseline scenario and to require disclosure for only the severely adverse scenario.

VII. Conclusion

In closing, BB&T reiterates its concerns with respect to the Proposal and strongly urges the FDIC to consider the suggestions and alternatives presented herein. Thank you for the opportunity to comment on this important Proposal and for your consideration of BB&T's comments.

Sincerely,

Daryl Bible

Daryl Bible
BB&T
Chief Financial Officer