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Subject Fw: Meeting with SunTrust regarding Basel II

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Subject Meeting with SunTrust regarding Basel II

On July 29 I met with representatives of SunTrust Banks, Inc. to discuss the proposed capital treatment of commercial real estate exposures under Basel II. I was joined by Allen Stanley, Jaime Garcia, and Dale Klein of the Federal Reserve Bank of Atlanta. We met with Sandra Jansky, SunTrust's Executive Vice President and Chief Credit Officer; William Serravezza, Senior Vice President in charge of their CRE portfolio; Jennie Raymond, Group Vice President in charge of Credit Risk Analytics; and four others. The conversation was largely one-way: I explained the proposal, the conceptual and empirical basis for the proposal, and the difference between loan-level risk (PD/LGD) and portfolio-level risk (asset correlation), and they asked questions. They expressed a concern that the Federal Reserve Board was providing assistance to banks that are preparing for mandatory adoption of A-IRB, but not to banks considering opting in, such as SunTrust. I told them that I would pass on their concern to David Wright and others at the Board. I solicited their help in defining the exception under which ADC loans could receive IPRE rather than HVCRE capital treatment, but they did not provide concrete suggestions. Please let me know if you would like any additional information about this meeting.