BB&T

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Daryl Bible
Chief Financial Officer

December 18, 2017

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

Re: RIN 3064-AE59 Simplifications to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996

Dear Mr. Feldman:

Branch Banking and Trust Company and its affiliated banks and subsidiaries of BB&T Corporation (collectively referred to as "BB&T") appreciate the opportunity to comment on the Simplification to the Capital Rule Pursuant to the Economic Growth and Regulatory Paperwork Reduction Act of 1996 ("Proposal") as published by the Department of Treasury, Federal Reserve System, and Federal Deposit Insurance Corporation ("Agencies"), on October 27, 2017. The Proposal would simplify regulatory capital treatment for a number of items as well as introduce the concept of a high volatility acquisition, development and construction exposure ("HVADC"). Please accept this letter as BB&T's position regarding the Proposal.

BB&T Corporation (NYSE: "BBT") is one of the largest financial services holding companies in the U.S. with more than $220.3 billion in assets and market capitalization of $37.0 billion as of September 30, 2017. Building on a long tradition of excellence in community banking, BB&T offers a wide range of financial services including retail and commercial banking, investments, insurance, wealth management, asset management, mortgage, corporate banking, capital markets and specialized lending. Based in Winston-Salem, N.C., BB&T operates over 2,100 financial centers in 15 states and Washington, D.C. A Fortune 500 company, BB&T is consistently recognized for outstanding client service by Greenwich Associates for small business and middle market banking. More information about BB&T and its full line of products and services is available at BBT.com.

Executive Summary

HVADC

BB&T strongly suggests that a single methodology be used to determine high-volatility construction loans, regardless of an institution's size. Methodologies that change based on asset size create confusion for users of the financial information and require certain institutions to calculate the same loans under multiple methodologies, creating disadvantages for those banks having to keep up with multiple calculations. While BB&T appreciates the need for a simpler methodology than HVCRE and the Joint Agencies' attempt to address that need, we feel that HVADC is still unnecessarily complex. BB&T believes that a simpler method would be to risk-weight all loans reported on line 1.a.(2) Construction, land development, and other land loans from Schedule RC-C – Loans and Lease Financing Receivables ("Schedule RC-C") from the Call Report at a risk weight that would result in minimal changes to the aggregate of risk-weighted assets under the current methodology vs. the new methodology. This seems to be the most efficient solution to accounting for the higher risk profile of certain construction loans. Schedule RC-C is well-understood by institutions, examiners, and other users of the Call Report. The proposed calculation removes manipulation and complicating assessments, and it helps to align risk-weights with other Call Report detail schedules of assets. The movement from construction to permanent status would also be consistent with schedule RC-C and make compliance simpler for banking institutions.

Please see Appendix 1 for answers to the specific questions from the Proposal.

Minority interest

The Proposal suggests replacing the existing calculations limiting the inclusion of minority interest in regulatory capital for non-advanced approaches banks. In doing so, the Proposal would allow bank holding companies ("BHC") to potentially issue capital instruments from their insured depository institution ("IDI") and count that in the appropriate capital bucket to the extent that it is 10% or less of the consolidated total. The current rules require a fairly complex calculation, which generally results in a lower amount being included in capital. The proposal would keep the current rules in place for advanced approaches BHCs. Thus, if a non-advanced approaches BHC issues a capital instrument at the IDI today, but then became an advanced approaches BHC in the future, the BHC would experience an immediate decrease in total capital upon becoming an advanced approaches institution. BB&T advocates adopting the proposal and using that same approach for advanced approach banking institutions, thus eliminating the difference in the calculation for these instruments.

To the extent the Agencies believe differences are required between standardized and advanced approach banks, the regulatory agencies should consider a 3-year transition period for absorbing capital definition changes for institutions becoming subject to the advanced approaches. This 3-year period is consistent with the implementation period for advanced approaches, stated in 12 CFR §217.121(a)(1).

Other simplifications

BB&T has the following additional suggestions for simplifying the capital rules:

- *Remove Y-14Q Schedule D – Regulatory Capital Transitions once fully phased-in levels of capital are reached* – much of the Y-14Q Schedule D is duplicative of the FR Y-9C Schedule HC-R Regulatory Capital. In order to streamline reporting and remove unnecessary burden from institutions, BB&T recommends the removal of the Y-14Q Schedule D from quarterly reporting once the fully phased-in levels of capital are reached. The Board of Governors of the Federal Reserve System has already proposed the removal of the Y-14A, Schedule D – Regulatory Capital Transitions, so removal of the Y-14Q Schedule D would also recognize the diminished value-add of the information collected.

- *Raise the market risk threshold to $10B in trading assets from $1 billion in trading assets* – the $1 billion was introduced a number of years ago, but should not be seen as a constant threshold. Certain institutions have grown their trading portfolios substantially since that time, however there is still quite a bit of compliance effort for smaller trading asset portfolios. Both regional and community banks could benefit from the decreased reporting requirement. From a materiality perspective, raising the threshold to $10 billion would still account for 97% of the data currently being reported, while relieving reporting burden for 110 institutions.

- *Make the advanced approach optional* – BB&T urges the Agencies to consider changing the advanced approaches to an optional approach. The comprehensive capital framework has changed substantially since the adoption of the advanced approaches by the United States. The introduction of capital stress testing and the Collins amendment to Dodd-Frank have substantially changed the interaction of capital rules. The standardized approach combined with stress testing is the binding constraint for most banking firms. The advanced approaches is an additional capital approach which requires a very significant effort by banks without providing significant differences in capital requirements and in many cases isn't the binding constraint. The capital stress testing approach is superior to the advanced approaches and the advanced approaches take significant effort to comply.

- *Raise the threshold for Pillar 3 disclosures to those institutions greater than $250 billion in assets* – Pillar 3 disclosures are currently required for institutions with $50 billion in assets and above. These disclosures create additional reporting burden for smaller banks, while adding little value to public disclosures. Much of the information is redundant of other public filings like the FR Y-9C, the Call Report, and the 10-Q and 10-K, as well as investor decks that are made available on institution's websites, and does not substantially improve market participants understanding of capital adequacy. While there is certain information not available elsewhere, i.e. geographic and industry information on loans, certain information on risk-weighted assets, most smaller institutions disclose sufficient information in the other public filings mentioned. Although stress test disclosures have been enhanced in recent years and largely cover the information required in Pillar 3, larger institutions with more complex business models and practices should still provide the additional information, helping to ensure a strong understanding of the risks involved in their operations.

Conclusion

In closing, BB&T supports the belief that the capital rules will benefit from simplification. However, the current proposal appears to change the rules without resulting in significant simplification. The suggestions offered above would more clearly and substantially meet the goal of simplification.

BB&T appreciates the opportunity to provide its comments to the Agencies. If you have any questions, please do not hesitate to contact me at the number below.

Sincerely,

Daryl N. Bible

Daryl N. Bible
Chief Financial Officer
Branch Banking & Trust Company

Appendix 1

Question 1: The agencies seek comment on whether the scope of the HVADC exposure definition presents operational concerns and is clear. Specifically, what, if any, operational challenges would banking organizations expect when determining whether more than 50 percent of the loan proceeds will be used for acquisition, development, or construction purposes?

A: BB&T does not anticipate significant operational issues when determining whether more than 50 percent of the loan proceeds will be used for acquisition, development, or construction purposes.

Question 2: The agencies seek comment on the degree to which the proposed HVADC exposure definition would simplify and enhance consistency in the treatment for credit facilities financing real estate acquisition, development, or construction. What other simplifications should the agencies consider to improve the simplicity and consistent treatment of these credit facilities?

A: Relative to HVCRE, HVADC simplifies the process and should reduce execution risk. However, it would appear that the most reasonable solution would be to have all banks, regardless of size, use the same definition.

Question 3: The agencies request comment on whether the proposed exemption for one- to four-family residential properties in the HVADC exposure category is clear such that a banking organization could readily identify which residential loans would be exempt from the HVADC exposure category. What, if any, additional clarification would facilitate identifying one- to four-family residential properties for this purpose? The agencies also solicit comment on all aspects of the HVADC exposure category, including the proposed scope and exemptions.

A: Please add clarity to the definition of condos, specifically those developed exclusively for sale. Condos are oftentimes developed exclusively for sale and have the same structure and requirements (ex. Presales, no mini-perm or perm option) as townhome projects. It is requested that consideration be given to allowing an exemption for condos developed exclusively for sale.

Question 4: The agencies seek comment on whether the proposed community development exemption is clear. What, if any, additional clarification would help banking organizations identify exposures that meet the community development exemption? Please describe any implementation challenges with the exemption.

A: The community development definition is clear.

Question 5: The agencies seek comment on the clarity of the exemption for permanent loans in the proposed HVADC exposure definition and the ease with which banking organizations can determine whether an exposure qualifies for this exemption. What, if any, additional clarification would help banking organizations identify exposures that meet the permanent loan exemption?

A: The permanent loan exemption definition is clear.

Question 6: The agencies seek comment on the agencies' goal of achieving an appropriate balance between the proposed calibration and expanded scope of application for HVADC exposures. The agencies are interested in any additional data on the impact of the proposed rule's capital treatment of HVCRE exposures and the new capital treatment of HVADC exposures on bank holding companies, savings and loan holding companies, and insured depository institutions, both in the aggregate and on an individual banking organization level.

A: BB&T currently has slightly less than $250 billion in total assets. Having two definitions, HVADC and HVCRE, will lead to significant challenges as we move from one approach to another. As the proposed rule is written, it appears that we would continue to report HVCRE until the proposed rule passes. We would then report using HVADC standards until we reach $250 billion in total assets. Then, we would be required to calculate both HVCRE and HVADC. The process would be much simpler and less prone to error if all banks use one method. It is proposed that risk weighting line I.a.(2) at some level would take unnecessary complexity out of both HVCRE and HVADC determination and lead to more cost-effective and accurate reporting.

Question 7: What are the pros and cons of the grandfathering provision and does it sufficiently mitigate the compliance burden of having to re-evaluate all acquisition, development, or construction exposures against the new HVADC exposure definition? Are there alternatives to the proposed grandfathering provision that the agencies should consider?

A: Determining HVADC exposure on our existing book can be done. Our HVADC determination process would be purpose and collateral driven.

Grandfathering existing ADC loans will necessitate the ongoing monitoring of upfront cash equity as well as the requirement to keep all contributed and earned capital in the project until payment in full or conversion to permanent financing. We would continue to incur the backroom cost of this monitoring when it would be simpler to designate all qualified ADC exposure, existing and future, using one method. It is proposed that risk weighting line 1.a.(2) at some level for all existing and future exposure would lead to a lower operating cost structure for institutions as upfront and ongoing monitoring will no longer be necessary.

Question 8: The agencies request comment on whether it would be appropriate to replace the HVCRE exposure definition, as it is used in the advanced approaches, with the proposed HVADC exposure definition. What, if any, challenges do advanced approaches banking organizations face as a result of the agencies maintaining the existing HVCRE exposure definition for purposes of the advanced approaches while also proposing to adopt the more expansive HVADC exposure definition for purposes of the standardized approach? What, if any, changes should the agencies consider to address these challenges?

A: Leaving larger banks where the advanced approach is the binding constraint with the HVCRE rule would make HVADC banks less competitive from a price perspective. Those banks will continue to use the 15% upfront cash equity exemption, resulting in a 100% risk weighting as opposed to 130% for standardized approach institutions. It is suggested that all banks, regardless of size, use the same rule. It is proposed that risk weighting line 1.a.(2) at some level would take unnecessary complexity out of both HVCRE and HVADC determination and lead to more cost effective and accurate reporting.