



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 4, 2007

Stephen Johnson, Esq.
First Vice President and Counsel
SunTrust Banks, Inc.
SunTrust Plaza
303 Peachtree Street, Suite 3600
Atlanta, Georgia 30308

Dear Mr. Johnson:

This responds to the request by SunTrust Bank, Atlanta, Georgia (“SunTrust”), a state member bank, for prior approval to acquire equity securities solely for the purpose of hedging SunTrust’s exposure arising from equity derivative transactions that the bank lawfully enters into with third parties.

Section 9 of the Federal Reserve Act (12 U.S.C. § 335) provides that state member banks are subject to the same limitations and conditions on the purchase, sale, underwriting, and holding of investment securities and stock that apply to national banks under 12 U.S.C. § 24 (Seventh). On February 21, 2002, the Board issued a policy statement (“Policy Statement”) concerning the acquisition of equity securities by state member banks to hedge their equity derivative transactions. The Policy Statement provides that the Board will not apply section 9 of the Federal Reserve Act so as to prohibit a state member bank from purchasing equity securities to hedge the risks arising from equity derivative transactions lawfully entered into by the bank with an unaffiliated third party, provided such purchases are made in accordance with the same conditions and restrictions applicable to national banks, and the state member bank receives the approval of the Board’s Director of the Division of Supervision and Regulation (“Director”) before acquiring any equity security for hedging purposes.

SunTrust has committed that it will acquire equity securities solely for purposes of hedging the bank's exposure arising from one or more customer-driven equity derivative transactions that SunTrust enters into with, and at the request of, an unaffiliated third party and that SunTrust is permitted to enter into under Georgia and federal law. In addition, SunTrust has committed that it will conduct its equity hedging activities in accordance with the conditions and restrictions applicable to the equity hedging activities of national banks, that it will not acquire equity securities for speculative or investment purposes, and that it will not acquire in the aggregate more than 5 percent of any class of stock of any issuer in connection with its equity hedging activities. Federal law also prohibits a state member bank from underwriting and dealing in any equity security (12 U.S.C. §§ 24 (Seventh), 335). Accordingly, SunTrust may not, and has committed that it will not, hold itself out to the public as being willing to purchase or sell any equity security or act as a marketmaker in any security by continuously quoting "bid" and "ask" prices for the security.

In considering SunTrust's request, the Director has carefully considered SunTrust's financial and managerial resources, including the bank's overall risk-management policies, procedures, and systems. Also considered were the policies, procedures, internal controls, and limits that SunTrust will use to monitor and control the risks associated with its equity derivative and equity hedging activities and to ensure that it complies with the limitations applicable to the equity hedging activities of national and state member banks. In evaluating these factors, the Director has carefully reviewed information submitted by SunTrust concerning the proposed scope and conduct of its equity hedging activities, and confidential examination and supervisory information assessing the financial and managerial strength of SunTrust. This information includes the confidential results of an on-site examination of the policies, procedures, and systems that SunTrust will use to manage the risks associated with its equity derivative and equity hedging activities and to ensure compliance with the conditions and restrictions applicable to the bank's equity hedging activities.

Based on all the facts of record, the Director, acting pursuant to authority delegated by the Board, has approved SunTrust's request to purchase equity securities solely for the purpose of hedging its exposure arising from customer-driven equity derivative transactions that the bank is permitted to enter into under Georgia and federal law.

This action is based on the commitments and representations set forth in SunTrust's request and in related correspondence with Board staff. These commitments and representations are deemed to be conditions imposed in writing by the Board in connection with the findings and decision herein and, as such, may be enforced under applicable provisions of law. Any change in the facts or representations included in such correspondence should be reported to Board staff immediately. SunTrust must conduct its equity hedging activities in accordance with the restrictions and conditions discussed in this letter and the Policy Statement. In addition, the Board retains the right to place additional restrictions or limitations on the bank's equity derivative and equity hedging activities if the Board concludes that such restrictions or limitations are necessary or appropriate to ensure that such activities are conducted in accordance with applicable law and do not present an undue risk to SunTrust or the deposit insurance funds.

Furthermore, as noted in the Policy Statement, a state member bank must have the authority under applicable state law to engage in any proposed equity hedging activities and must comply with all applicable state notice or approval requirements relating to such activities. We understand that the Georgia Department of Banking and Finance has approved SunTrust's request to engage in equity hedging activities.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Robert deV. Frierson".

Robert deV. Frierson
Deputy Secretary of the Board

cc: Federal Reserve Bank of Atlanta