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January 23, 2007

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave. N.W.
Washington, DC 20551

Office of the Comptroller of the Currency
250 E. Street, SW
Mail Stop 1-5
Washington, DC 20219

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

Re: Risk-Based Capital Standards for Market Risk issued September 25, 2006

Board Docket No. R-1265/1266
OCC Docket No. 06-10
FDIC RIN 3064-AD10

Ladies and Gentlemen,

SunTrust Banks, Inc (1) 1would like to thank you for the opportunity to comment on the Risk-Based Capital Standards for Market Risk. We have a few general comments on the new Standards as currently proposed and have prepared responses to certain questions that are especially relevant to our institution.

(1) 1 SunTrust Banks, Inc., (STI) headquartered in Atlanta, is one of the nation's largest banking organizations, serving a broad range of consumer, commercial, corporate and institutional clients. As of 9/30/06, STI had total assets of $183.1 billion and total deposits of $124.4 billion.

General Comments

Effective Date of Regulation:
STI recommends an effective date of 1/1/2009 versus the 1/1/2008 date as published in the document. Since the new Market Risk Capital Standards are still in comment stage and no final version is likely to be available for several months, the 1/1/2008 effective date does not allow our institution sufficient time for industry discussion, smooth implementation and testing.
Moreover, a non-core bank's Market Risk compliance date should be commensurate with the bank's potential Basel II opt-in declaration date for Credit Risk and Operational Risk

Prior Written Approval for Internal Models:
STI disagrees with the requirement that a bank must obtain prior written approval before using any internal model to calculate its risk-based capital requirement or extend a model's current use. In practice, any new product launch would be delayed until a regulatory review could be completed and a written response received. We believe model risk is appropriately mitigated under the current regulations. These requirements provide minimum standards for risk management that include periodic backtesting, model validation and management oversight. Examiners include in their continuous supervisory programs measures to monitor market risk as well as test for compliance with the qualitative requirements of the regulation.

Value at Risk (VaR) Modeling Risks:
STI agrees that VaR models should capture all material risks (to be verified as part of the model validation process). The proposed Standard is too detailed in its prescription of possible risks (e.g. basis and prepayment) that may not be material to the VaR model. The current language would force banks to prove that a regulatory-identified risk is not material instead of simply ensuring that the model captures material risk. A number of banks in the market use vended models, so having to comply with new regulatory requirements that are beyond the scope of the vended models would create an undue burden on banks to develop new capabilities.

Responses to Referenced Regulatory Questions

Question 2: The agencies request comment on all aspects of the proposed definition of covered position. The agencies are particularly interested in comment on additional safeguards that the agencies might implement to prevent abuse of the hedge component of the definition of covered position and increase transparency for supervisors.

STI strongly agrees that, in some cases, the current accounting rules have unfairly resulted in hedges attracting additional market risk capital rather than the desired intent of reducing it. A position and its corresponding hedge should be treated together as either credit risk capital or market risk capital. The institution should be able to make the choice based upon cost/benefit and materiality considerations and then reflect that criteria in its policy. STI believes that it should be up to the Supervisory Agency to identify market risk positions that should be classified as credit positions and thereby prevent abuse of the hedge component.

Question 5: The agencies seek comment on the proposed definition of residual securitization position, and on the market maker exception and the conditions to use that exception. With respect to positions that do not qualify for the market maker exception, the agencies request comment on the treatment of those positions under the credit risk capital rules and whether such treatment could give rise to any operational or other issues.

STI agrees that residual securitization positions should be treated as credit risk capital. STI also supports the market-making exception and does not anticipate any operational issues.

Question 6: The agencies seek comment on these requirements and on whether different or additional policies and procedures would be beneficial for ensuring appropriate identification of positions to which the market risk capital rule should be applied and the appropriate risk management of covered positions.

STI believes that splitting the various trading books into customer flow, proprietary trading and market-making is not practical, since a solution to report separately is not available in the marketplace, nor is it necessary given a portfolio view of risk management. Although our trading activity is centered on supporting client business, any given customer trade may result in an offsetting hedge, be a partial offset to an existing risk or create an open position. An excellent analogy for the portfolio view of risk management can be found within the Banking Book. Banks do not attempt to mitigate rate risk at the instrument (or trade) level but rather model the cumulative effect of the various loan portfolios. Banks then take the necessary actions to stay within guidelines and policy limits as established by the Asset Liability Committee (ALCO).

Question 8: The agencies request comment on the exclusion of fees, commissions, reserves, and net interest income for the trading profit or loss used for regulatory backtesting, including the appropriateness and feasibility of these exclusions, and whether additional items should also be excluded. The agencies also request comment on the role of hypothetical backtesting-- specifically, whether hypothetical backtesting is feasible as part of model validation; whether other forms of backtesting should also be used; and whether regulatory backtesting should be based on hypothetical backtesting.

STI agrees that hypothetical backtesting should be used in model validation. The type of daily profit and loss (P&L) used in regulatory backtesting; however, should be left to the market risk judgment of each institution. For example, in the case of equities, intraday activity can be easily extracted from the daily P&L whereas this may be an operational challenge for other lines of business. In other cases, the overnight VaR and/or P&L could be small relative to other activities thereby resulting in a poor cost/benefit tradeoff for the additional reporting.

Question 14: The agencies seek comment on all aspects of the proposed public disclosure requirements.

The proposed disclosure requirements are over-reaching for institutions for which market risk is only a small portion of the overall risk profile. STI would recommend applying the new additional disclosure rules to institutions for which the percentage ratio of market risk equivalent assets to total risk-weighted assets is greater than 10%.

If you would like to discuss any of these issues further, I can be contacted by email at Robert.Coords@SunTrust.com

Sincerely,

Robert H. Coords

Chief Risk Officer
SunTrust Banks, Inc.