Capital One Financial Corporation
1680 Capital One Drive
McLean, VA 22102

Via E-mail and Hand Delivery

March 13, 2006

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

Re: Large-Bank Deposit Insurance Determination Modernization Proposal

Dear Mr. Feldman:

Capital One Financial Corporation ("Capital One") is pleased to submit comments in response to the FDIC's Advance Notice of Proposed Rulemaking on the subject of new bank systems to facilitate the FDIC's insured-deposit determinations in the event of bank failure.

Capital One Financial Corporation is a financial holding company whose principal subsidiaries, Capital One Bank, Capital One, F.S.B., Capital One Auto Finance, Inc., and Hibernia National Bank, offer a broad spectrum of financial products and services to consumers, small businesses, and commercial clients. Capital One's subsidiaries collectively had $47.9 billion in deposits and $105.5 billion in managed loans outstanding as of December 31, 2005, and operated more than 300 retail bank branches.[1]

[1] Yesterday, Capital One announced that it has agreed to acquire North Fork Bancorporation, Inc., which operates over 300 bank branches throughout New York, New Jersey, and Connecticut and is the third-largest depository institution in the greater New York region. Capital One's analysis of the impact on it of the FDIC's proposed recordkeeping requirements does not include any impact on the North Fork deposit business. That acquisition is projected to close in the fourth quarter of this year.

1. Implementation of the FDIC's proposals at Capital One

Capital One carries on both a non-branch-based deposit business, originated through Capital One, F.S.B., and Capital One Bank, and a branch-based deposit business through Hibernia National Bank. For purposes of the FDIC's insured-deposit recordkeeping proposals, the branch-based deposit business is by far the more complex, and therefore the principal burden of compliance would fall on Hibernia.

Hibernia grew substantially over the last decade or so, prior to its merger with Capital One, primarily through acquisitions of smaller insured depository institutions. Consequently Hibernia's deposit customer records were originally maintained on many different systems, not all of them yet fully integrated. This corporate history contributes to the magnitude of Hibernia's task in complying with a recordkeeping regime such as the FDIC proposes.

The expense of building the necessary recordkeeping system would be significant. Based on discussions with Hibernia's current service provider and assessment of Hibernia's current systems situation, as well as that of Capital One's non-branch-based deposit business, we estimate the cost of complying with the FDIC's Option 1 as over $220,000. Most of that cost is attributable to the additional requirements of Option 1 as compared with Option 2 – in particular, the requirement to identify the insurance ownership category of each deposit account.

2. Recommendations

Based on the implementation assessment summarized above, we have two recommendations.

First, because most of the implementation cost is associated with Option 1 in comparison with Option 2, we strongly urge the FDIC not to adopt Option 1 but instead to rely on Option 2 if that option can be made to meet the FDIC's resolution needs (and we assume that it can, or it would not have been proposed). If other institutions are in similar situation to Capital One, imposition of Option 1 would enormously multiply the cost of the FDIC's initiative across the banking industry.

Second, implementing the necessary system upgrades will be a time-consuming process. We urge the FDIC to allow a sufficient time before the new requirements become effective in order to enable the building and testing of robust systems. (Hibernia, at the same time, is also recovering from the substantial destruction wrought in its home business area by Hurricane Katrina, and has only recently reoccupied its headquarters building in downtown New Orleans.) We believe that an implementation period of one year to 18 months could be required. Since bank failures are at an all-time low (zero last year, for the first time in the history of the federal deposit insurance program), we assume that an implementation period of that length will raise no objection, and we believe that such a period will be in the interest of the FDIC in that it will maximize the likelihood that the new systems will function as designed and will provide the FDIC with the information it needs.

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Capital One appreciates the opportunity to respond to the FDIC's Advance Notice. If you have any questions about this matter and our comments, please call me at (703) 720-2255.

Sincerely,

/s/

Christopher T. Curtis
Associate General Counsel
Policy Affairs