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October 14, 2013

VIA ELECTRONIC SUBMISSION
Office of Chief Counsel
Department of Banking and Securities
Attention: Public Comment on Regulation 3-51
17 N. Second Street, Suite 1300
Harrisburg, PA 17101-2290

Dear Sir/Madam:

We appreciate the opportunity to provide our comments to the Pennsylvania Department of Banking and Securities (the "Department") on the proposed new assessment methodology under 10 Pa. Code Chapter 5, which would establish new assessment schedules for state-chartered institutions in Pennsylvania (the "Proposal"). Vanguard Fiduciary Trust Company ("VFTC") is a Pennsylvania-chartered trust company and a wholly owned subsidiary of The Vanguard Group, Inc., which is one of the largest and lowest-cost providers of retirement and investment services in the United States and the only mutual fund firm that is truly owned by its shareholders. VFTC provides trust and custodial services to over 4.9 million retail retirement accounts and 2,600 institutional retirement plans that invest in Vanguard mutual funds.

We applaud the Department's efforts to streamline its operations before taking this step to markedly increase assessments for Pennsylvania institutions. While not endorsing the increased assessments that will result if the Proposal is adopted, we likewise acknowledge the financial need that is driving the Proposal. We also appreciate the efforts of Secretary Moyer and other Department officials to reach out to Pennsylvania institutions to have a constructive dialogue on the Proposal before releasing it.

Section 5.3 – Assessment levels and methodology
The proposed assessment methodology would have the advantage of simplicity and predictability compared with the current system of a modest annual assessment combined with unpredictable variable costs of examination-based fees. We also appreciate that the Department has set the proposed assessments at a level that is substantially below the assessments charged to federally chartered institutions by the Office of the Comptroller of the Currency (OCC). It is essential the assessments be maintained at a level substantially below those charged by the OCC so that Pennsylvania-chartered institutions, particularly larger institutions like VFTC, are able to avoid the business disruption that would ensue if they were forced to consider conversion to a federal charter simply to limit costs compared with remaining a state-chartered institution. Accordingly, while not commenting on the amount of the proposed assessments, we do agree that a single streamlined semiannual assessment that

encompasses all fees to be paid by Pennsylvania institutions is a preferable methodology relative to the current system.

Section 5.5 – Assessment adjustments and inflation indexing

We understand that one of the Department's primary motivations in proposing the new assessment methodology was to avoid a repeat of its current situation in which annual assessments have failed to keep pace with the Department's costs due to inflation. At the same time, we believe that the Department should not have unfettered discretion to increase assessments, which would complicate budget forecasting by Pennsylvania institutions. Tying the Department's discretion to increase assessments to an independent benchmark published by the Bureau of Labor Statistics strikes an appropriate balance between the Department's desire to avoid a repeat of the financial difficulties created by its prior assessment methodology and financial institutions' need for certainty about the possible range of future assessments. Accordingly, Section 5.5(a) should be retained in its current form and any more significant change in assessments in the future should require another formal rulemaking.

In light of the size of the proposed increase in most institutions' assessments, it is appropriate that a poorly run institution (based on its CAMELS rating) be subject to a potentially increased assessment under Section 5.5(b). These institutions represent the greatest potential risk to the Banking Fund and, ultimately, taxpayers, and should face the risk of an increased assessment as an incentive to improve their ratings. Accordingly, Section 5.5(b) should be retained in its current form.

Section 5.6 – Phase-in Period

Because the proposed new assessment methodology would represent a substantial increase in most or all institutions' annual assessments, a gradual phase-in is essential to minimizing the financial disruption that the new assessments may cause Pennsylvania institutions. While a longer phase-in period (e.g., five years) would be ideal, the proposed three-year implementation schedule still represents, in our view, an acceptable compromise between the Department's immediate need for secure funding and the need to limit the immediate financial impact on Pennsylvania institutions. Accordingly, we recommend that the three-year phase-in be retained.

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We commend the Department for its thoughtful Proposal, and we appreciate the opportunity to provide our thoughts and concerns on this important issue. If you have any questions about VFTC's comments or would like any additional information, please contact me at (610) 669-1905 or James Delaplane, Principal, at (610) 669-9321.

Sincerely,

Richard D. Carpenter

Richard D. Carpenter
Chief Financial Officer