



January 31, 2008

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

RE: Part 363 – Annual Independent Audits and Reporting Requirements

Dear Mr. Feldman:

Please accept this letter as a response to the FDIC's Notice of Proposed Rulemaking with regard to the above noted regulation.

Arvest Bank is an Arkansas-chartered commercial bank with over 210 branches in Arkansas, Kansas, Missouri and Oklahoma. At December 31, 2007 total consolidated bank assets exceeded \$9.7 billion. Arvest Bank is a wholly-owned subsidiary of Arvest Bank Group, Inc. which in turn is privately held with the principal shareholders owning a very large majority of the total outstanding shares with the remaining shares owned by employees or directors.

We will limit our comments as follows:

- We have read a draft of the letter to be submitted by the American Bankers Association and support their suggestions; and
- We believe the regulation usurps the rights of shareholders of privately-owned banks for no meaningful or substantial benefit to safety and soundness.

The proposed rule mandates that the bank's audit committee appoint the independent accountants as well as approve their compensation and oversee their work. While these activities would be expected to be normal for an audit committee of a publicly-owned company, the value to a privately-owned company is less clear. The primary purpose of such mandates for public company audit committees is to enhance oversight of management's activities to protect the shareholders who typically are widely dispersed and not closely involved in the business. This is typically not the case in privately-held companies.

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In the case of a bank wholly-owned by a sole shareholder, it is unlikely the shareholder is not able to exercise such oversight on their own. They do not need a separate board committee to do what they can do directly. After all, the purpose of the board is to act on behalf of the ownership and the audit committee is inferior to the board as a whole.

There are limited numbers of banks subject to Part 363 that are owned by a single shareholder. However, it is more frequent that one shareholder or a small number of shareholders who are all immediate family members own all or a very substantial majority of the shares. They may constitute the board of directors. Furthermore, they are quite capable of representing themselves and making decisions such as selection and compensation of auditors without a separate committee. The mandate for the separate audit committee, in these cases, adds nothing to safety and soundness but adds additional bureaucracy and cost to the bank.

In the case of the closely-held privately-owned bank, the issue of the role of the audit committee to better protect the shareholder simply does not rise to the level of importance as it would in a publicly-owned bank. Likewise, there is no perceptible benefit to enhance safety and soundness. Therefore, the rights of shareholders would be lessened for a little, if any, benefit to anyone. Furthermore, being responsible for selection and oversight of the independent accountants adds director liability to audit committee members which in turn ultimately requires increasing audit committee fees. People become directors of privately-held companies with an understanding that the director liability is less than that of a director for a public company. The continued increase in responsibility of directors not only will lead to increased expenses but will also lessen the appetite of capable people to serve on boards of audit committees.

We are not aware of there being bank failures or other actual significant safety and soundness problems with respect to privately-owned banks subject to Part 363 where a separate audit committee's appointment and oversight of the independent accountants would have made a difference. While there would very likely be privately-owned banks where shareholders would decide to delegate such decisions to a board committee, there would likely be others who decide, for very valid reasons, to do otherwise. One of the great values of a privately owned bank in enhancing safety and soundness is the closeness of the shareholders to the activities of the bank as opposed to the detached relationship of public shareholders.

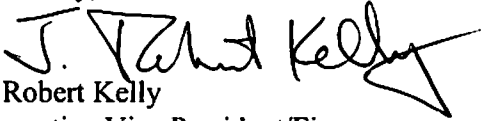
Finally, it is noted that special treatment of audit committees currently exists under Guideline 27 which exempts foreign banks with domestic U.S. branches from having a U.S. audit committee for those branches. The Guideline appears to reach this conclusion because such branches are not required to have a U.S. board of directors. There would seem to be much lower safety and soundness concerns for privately-held U.S. banks that have boards of directors.

We recommend modifying the proposal to remove the mandate for the audit committee to appoint and oversee the independent accountants in cases where (a) the bank is privately-

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owned, (b) more than 80% of the voting shares are owned by a sole owner or the principal owner's immediate family, (c) the shareholders authorize procedures to be followed with respect to the appointment and oversight of independent accountants and (d) the bank has an examination rating of 1 or 2.

Sincerely,

A handwritten signature in black ink that reads "J. Robert Kelly". The signature is written in a cursive style with a large, sweeping flourish at the end.

J. Robert Kelly
Executive Vice President/Finance

cc: Ms. Candace Franks, Commissioner
Arkansas State Bank Department

Ms. Julie Stackhouse, Senior Vice President
Federal Reserve Bank of St. Louis

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