THE FINANCIAL SERVICES ROUNDTABLE

Impacting Policy. Impacting People.

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November 17, 2008

via email at comments@fdic.gov

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

Re: Comment on portion of a proposed rulemaking (RIN 3064-AD35) on risk-based assessments which would become effective on January 1, 2009 – raising current assessments uniformly by seven basis points for the first quarter 2009 assessment period

Dear Mr. Feldman:

The Financial Services Roundtable[1] ("Roundtable") appreciates this opportunity to comment to the Federal Deposit Insurance Corporation ("FDIC") on that portion of its proposed rulemaking on risk-based assessments that would become effective on January 1, 2009 – raising current assessments uniformly by seven basis points for the first quarter 2009 assessment period only. In accordance with a news release the FDIC issued on November 7, 2008, the Roundtable will submit comments on the balance of the proposed rulemaking by the December 17 deadline.

The Roundtable understands that extremely high deposit-insurance losses so far this year required a substantial increase in deposit-insurance premium assessments. However, the Roundtable is concerned about the high cost of these failures, the high loss ratio in these failures, and the consequent cost of recent bank failures to the banking industry, through higher deposit-insurance assessments.

On an annualized basis, an across-the-board premium-rate increase of seven basis points will cost the banking industry over $5 billion, before any utilization of one-time premium credits. That amount equals 7 percent of the banking industry's annualized pre-tax profits for the first half of 2008. Given a slowing economy and the likely increase in loan-loss provisions next year, it is quite possible that a premium increase of this magnitude will reduce the banking industry's pre-tax income by much more than 7 percent at a time when the industry needs to

[1] The Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO. Roundtable member companies provide fuel for America's economic engine, accounting directly for $66.1 trillion in managed assets, $1.1 trillion in revenue, and 2.5 million jobs.

build its capital, through higher retained earnings, to meet increased loan demand as other channels of credit intermediation shrink.

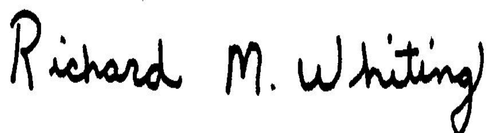
High deposit-insurance losses are not only being driven by the sharp increase in bank failures so far this year – 19 through November 14, compared with ten failures over the previous five years – but by the huge cost of those failures – approximately $13 billion, according to published FDIC loss estimates. Even more troubling is the high loss rate in these failures – equal to approximately 40 percent of total deposits in the 17 failures with published loss estimates. That loss rate is triple the 13.2 percent loss rate in all bank and thrift failures which occurred between 1990 and 2007.

The Roundtable urges the FDIC and the other bank regulatory agencies to take the steps necessary to substantially reduce insolvency losses, and the consequent loss percentage, in failed banks. These actions potentially could greatly reduce the $40 billion insolvency-loss projection the FDIC has forecast for the 2008-2013 period (FR Vol. 73, No. 201, pg. 61573).

Should the FDIC and its fellow regulators succeed in reducing the amount of loss incurred in failed banks, the FDIC needs to factor that lower loss expectation in a revised Restoration Plan for the Deposit Insurance Fund ("DIF") so that it can charge lower premium rates while taking at least five years to restore the DIF to the statutory minimum reserve ratio of 1.15 percent. Accordingly, the FDIC should postpone establishing a Designated Reserve Ratio for the DIF above 1.15 percent until such time as the FDIC can realistically project when the reserve ratio will reach 1.15 percent in concert with the maximum allowable time for completing a DIF restoration plan.

Thank you again for the opportunity to share our views with you on this subject. If you have any questions, please feel free to contact me or Melissa Netram at 202-289-4322. We look forward to commenting on the balance of the proposed rulemaking by the December 17 deadline.

Sincerely,



Richard Whiting
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