

**From:** Stephen Lange Ranzini [mailto:ranzini@university-bank.com]

**Sent:** Thursday, July 09, 2009 10:50 PM

**To:** Comments

**Subject:** FIL-37-2009: Funding and Liquidity Risk Management - Proposed Interagency Guidance

I have four comments:

1) While the overall proposal is reasonable, as written it is difficult to see the benefit to smaller financial institutions and in fact the regulation is counter-productive as it will take substantial management time and attention away from safety and soundness towards papering a larger file with items that are useless to safely running a community bank.

Moreover, the proposal as written requires continuous work on these documents. These flaws could be fixed by clearly delineating where an item applies to large, complex organizations and where it should apply to all financial institutions. The verbiage, "Among large, complex organizations," needs to be liberally sprinkled across the document in the next version, because a lot of the details are appropriate only to large complex & global banks. If this verbiage isn't used, examiners will attempt to apply it to even small institutions and we will be greatly burdened by it.

2) Formal stress tests (see Instruction 35) are overkill for smaller financial institutions.

All that is needed is a one page excel worksheet report that indicates potential sources of liquidity and potential uses.

3) Detailed stress event scenarios are also not appropriate for smaller financial institutions. Sure, list what the stress events might be. The key is that stress events can occur. All a small bank needs to know however is what is the available potential sources of liquidity and are they sufficient to meet any reasonable cash need? That is all that is needed for smaller financial institutions and detailed multi-page stress event scenarios aren't needed or appropriate for them.

4) Some items are best not included in policies approved by the board, but in procedures delegated to the ALCO committee. The regulation relies too heavily on items that are to be included in policies (see Instruction 12). Policies are supposed to be set in stone.

Procedures change as market conditions change.

Regards,

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