October 23, 2009

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

Email: comments@fdic.gov

RE: Proposed Guidance on Correspondent Concentration Risks

This letter is in response to the request for comment on the Proposed Interagency Guidance on Correspondent Concentration Risks.

BankFirst Financial Services is a community bank comprised of $730MM in assets and is located in Macon, MS. Given our size, we depend on the services and support we receive from the correspondent banking relationships we maintain with our bankers bank and commercial banks that provide correspondent services. These correspondent providers are integral to our survival and growth as they enable us to very effectively compete with larger regional and money center institutions in our market.

BankFirst supports the establishment of additional regulatory guidance in the area of managing correspondent concentration risks. We are however, concerned that certain points of the proposal could be harmful to community banks such as BankFirst due to a differing interpretation between regulatory field examiners and bankers. The following are just a few points of concern:

#1 The proposed guidance refers to liability concentrations and funding exposures of 5% of an institutions total liability as creating a heightened risk to recipient institutions. We recommend that the funding concentration limitation reference be eliminated from the proposed guidance due to inconsistency and lack of disclosure. The funding concentration limitation requires more detailed discussion in the guidance. For example, the guidance does not distinguish large depositors from the long-term secured advances from the Federal Home Loan Bank system. Such a general limitation does not properly address the strengths and weaknesses of each of these sources. Funding concentration would be better addressed in a guidance that is more specific to funding than correspondent concentration limits. This could be included in any final guidance on funding and liquidity management.

#2 We understand that the Agencies generally view credit exposures of 25% or more of capital to any one correspondent as a concentration. However, many community banks closely monitor the financial condition of their correspondent relationships and have Board approved concentration limits in excess of the 25%. As Regulation F currently states, there is no limitation on exposure to any one correspondent if that institution is at least adequately capitalized. Many correspondent banks and bankers' banks in this country remain sound, well capitalized, and profitable. Given that fact, we recommend that additional language be added to the final guidance to clarify that the 25% of capital exposure reference is merely a guideline. Ultimately respective management and board of directors of each financial institution must decide their appropriate risk exposure tolerance to their correspondent banks.

#3 As a matter of business, many community banks buy loan participations through bankers' banks and other correspondent banks in order to enhance and/or diversify their respective loan portfolios. The proposed guidance suggests that the amount of loan participations purchased from correspondents be included when calculating the gross credit exposures to those institutions. We recommend that this reference be removed or clarified based on the fact that loan participations are approved and executed between financial institutions on an arms length basis and that the credit exposure is to the borrower involved and not the correspondent bank.

Additionally, we request the elimination of the Federal Reserve's restriction to one Excess Balance Account Agent per financial institution. All financial institutions should have the option to designate each of their correspondent banks to serve as agent for separate Excess Balance Accounts at the Federal Reserve. This would enable correspondent banks to better assist their respondent banks with managing concentration or diversification concerns that directly impact both that correspondent and their respondent. Allowing multiple correspondent banks to act as agent would further encourage diversified correspondent bank relationships and improve risk management practices for reducing concentrations at any one correspondent bank.

We appreciate the opportunity to respond to the Proposed Interagency Guidance for Correspondent Concentration Risk. We thank you for your time and consideration of our comments.

Sincerely,

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