Signature

Scott A. Shay

565 Fifth Avenue New York New York 10017 ▪ phone 646 822 1472 ▪ fax 646 822 1464 ▪ www.signatureny.com

LA09-1012

July 7, 2009

FDIC

JUL 15 2008

OFFICE OF THE CHAIRMAN

Ms. Sheila Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Room MB-6028
Washington, DC 20429

Dear Chairman Bair,

RE: Comment in response to NPR related to Transaction Account Guarantee (TAG) Program

Signature Bank believes that the TAG program should be extended until December 31, 2010 or until there is a final determination on the regulatory posture toward "too big to fail" banks. We reference our March 26, 2009 and May 11, 2009 comment letters to you and once again applaud the FDIC for initiating TAG to successfully prevent financial upheaval during a time of acute crisis.

Signature Bank competes in the New York market which is dominated by "too big to fail" banks that are increasingly and unabashedly marketing themselves as ... too big to fail. In essence these banks assure their depositors that all deposits carry an implicit full faith and credit U. S. government guarantee. These too big to fail banks have bristled at the notion that other not so anointed institutions should be allowed to compete on a level playing field. Therefore, these mega banks are urging the sunset of TAG.

Given the extreme concentration of the US Banking system with just a handful of banks possessing 70% of deposits, the risks to the US economy from these mega banks are enormous. Even though no actual dollars have been expended on too big to fail bank failures, the reality is that similar to FNMA and FHLMC, the contingent liability to the US government and FDIC is growing geometrically and one day these contingent liabilities could become real. Unlike the cost of small bank failures, the contingent costs of mega bank failures or open bank assistance are so large that the cost could impact the living standards of future generations. TAG has the benefit of requiring the mega banks to pay for a portion of their too big to fail guarantee while allowing others to level the playing field somewhat.

Given the fact that the too big to fail banks pay no extra insurance premiums for their privileged status, we strongly believe that the fee for the TAG program should not increase. Any increase in the TAG insurance premium would disproportionately harm banks that are not too big to fail. If the FDIC is seeking ways to increase fee income, we respectfully refer to our March 26, 2009 comments relating to CeDAR's and similar programs in which private parties collect fees for arbitraging FDIC insurance. We are strongly in favor of phasing out CeDAR's and similarly situated products. As previously noted, as long as these products are FDIC endorsed we may use them for competitive reasons.

We at Signature Bank are proud of our balance sheet and asset quality, yet we are forced to compete with less well capitalized institutions who are advantaged just because they are big as long as the TAG insurance premium does not become prohibitive, TAG will better enable us to compete with these banks that have grown so large as to be a danger to the US economy. Forcing the mega banks to face competition is in the interest of consumers, businesses and the overall economy. We urge the continuation of TAG for all DDA and NOW accounts at the current fee structure.

Sincerely,

Scott A. Shay
Chairman of the Board