GUARANTY BANK & TRUST CO.

DELHI • EPPS • OAK GROVE • RAYVILLE • START • TALLULAH

February 17, 2010

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
55017th Street, NW.
Washington, DC 20429

Via Email: comments@fdic.gov

RE: Employee Compensation
Advance Notice of Proposed Rulemaking

This letter is in response to the request for comment on the above referenced matter. I am sending my comments to this email address with hopes that it will be received by the appropriate FDIC official. FIL-1-2010 from Mr. Murton requests comments on various issues involving employee compensation and how such might impact the risks levels of banks, and thus how that increased risks might be reflected in the deposit insurance premiums of banks, but the request for comments did not indicate to whom comments should be sent, or where they should be sent.

I have previously commented on the proposed guidance issued by the Federal Reserve regarding incentive compensation. Whether or not what the FDIC proposes to do will be consistent with what the Federal Reserve finally decides to do is anyone's guess at this time. Hopefully, banks will not be confronted with conflicting requirements and/or objectives coming from two of the principal banking regulators.

In response to the request for comments regarding the proposed rule, I offer the following for the consideration of the FDIC:

1. Suggesting that institutions would be required to attest to the existence of a compensation system that includes, among others things, a "restricted, non-discounted company stock" as a significant portion of an employee's total compensation, fails to respect the fact that Sub Chapter S corporations are only permitted one (1) type of stock. As such, Sub Chapter S corporations would not be able to comply with this requirement as I understand the requirement to be, and would likely not be afforded the opportunity the meet the FDIC's objectives.

MAIN OFFICE	DELHI MOTOR BRANCH	EPPS BRANCH	MADISON BRANCH	OAK GROVE BRANCH	RAYVILLE BRANCH	START BRANCH
120 OAK STREET	602 BROADWAY ST.	938 HWY. 17	13 CROTHERS DR.	109 S. CONSTITUTION AVE.	1306 S. JULIA ST.	P. O. BOX 444
P.O. BOX 8	DELHI, LA 71232	EPPS, LA 71237	P.O. BOX 1920	P.O. BOX 1627	P.O. BOX 899	2899 HWY 133
DELHI, LA 71232	318-878-8470	318-926-3650	TALLULAH, LA 71282	OAK GROVE, LA 71263	RAYVILLE, LA 71269	START, LA 71279
318-878-3703			318-574-5300	318-428-5580	318-728-3256	318-728-3077
FAX 878-5778			FAX 574-5303	FAX 428-5501	FAX 728-5326	FAX 318-728-3113

2. If the FDIC were to determine that a bank's compensation program was increasing the bank's risk profile then surely the FDIC should assess that bank a higher insurance premium. That is what a risk-based assessment system should do. But the FDIC has not taken such an approach in the past. The present "deposit" insurance premium program does not address risk in this way. Currently, if two banks exist in the system and both have a composite "1" CAMELS rating, and one has a 90% loan-to-deposit ratio and 7% capital, and the other has a 50% loan-to-deposit ratio and a 10% capital, they both pay the same insurance premium, but the risk profiles are much, much different. The ICBA has proposed that the DIF fund premiums be based on "assets less tangible capital" which is an approach that would more correctly address a true "risk-based assessment" system. To now single out compensation and the risk that it might bring to the system and not at the same time address the other potentially high risk issues seems a bit off balance.

3. The risk profiles of banks are very seldom increased when traditional banking activities are conducted under the current regulatory framework, even though banks that operate in that manner might include in the bank's compensation arrangement an officer/employee bonus program that is based on the overall profitability of the institution. The real problem arises when banks offer incentive compensation arrangements to officers/employees involved in activities such as trading, mortgage origination, investment activities, etc., where the individual employee's compensation is based on the dollar volume and/or number of the transactions closed. This is usually something that one sees in larger, more complex financial organizations, and the proposed rule should be limited to those institutions and those activities. Too many times in the past small, community banks have been forced to comply with rules and regulations that were designed to address a problem that was manifested in the larger, more complex organizations. That should not be the case regarding this proposed rule. The use of regulations should be similar to the use of medicine: the sick get the medicine.

4. The size of the adjustment would have to be quite significant if it is to have an impact on the larger institutions due to the amount of money that they are presently making off of the higher risk activities, not to mention the fact that some of the very decision makers who are permitting the higher risk activities are also receiving bonus compensation due to the higher net earnings of the bank. But the larger institutions that are conducting some of the more high risk activities are also the same ones that are currently paying deposit insurance premiums on only a small percentage of the bank's deposits, unlike the traditional community bank that in almost every case pays the deposit insurance premiums on 100% of its deposits. If a higher premium is charged those banks which have compensation arrangements that encourage or permit higher risk profiles, the premium should be based on the high risk aspects of the bank, which are not the bank's domestic deposits. The ICBA's proposal that FDIC insurance premiums be based on assets less tangible capital it obviously one way to address risk that might be increased by an incentive compensation arrangement involving the asset side of the balance sheet. There are many ways that the liability side of the balance sheet could also generate additional risk as well, but it is more often than not on the asset side that problems arise.

5. Traditional bonus compensation should not be impacted in any way by this proposed rule, and in many cases the community bank CEO receives a large part of his/her overall compensation in the form of a one time bonus. This does not necessarily suggest that the percentage of his/her compensation represented by the bonus, and the fact that it is paid on a "one time" basis will result from higher risk activities. This is simply how small banks generally operate. There is no need to use the proposed rule to fix what is not broken. The FIL states that the FDIC does not seek to limit the amount of employee compensation, but if a bonus were to be limited to a certain percentage of an officer's base salary, such would have the effect of limiting that officer's compensation. As our bank's chief executive officer I believe that my base salary should be reasonable, but that a large part of my overall compensation should be in the form of a bonus based on the overall performance of the bank. If I permit a higher risk profile than the board is willing to accept, I should be removed from my job, and in such a case my removal would not be due to my compensation, but instead due to my poor management of the bank's risk profile.

My desire would be that the FDIC consider very carefully the difference between traditional risk taking by banks and the compensation practices that most banks utilize in association with those activities, and the commissioned activities that are based on the volume and/or amount of transactions/sales that could significantly increase a bank's risk profile if not properly managed. Just because a bank has a bonus program does not necessarily mean that it is based on risky activities, or that it needs to be certified by someone or some entity on the basis of some set criteria that is likely not applicative.

Finally, I would strongly suggest that the FDIC and the Federal Reserve work together on whatever is to be required regarding the issue of compensation so that banks are not once again faced with conflicting requirements.

Thank you for allowing me the opportunity to comment on this matter.

Sincerely,

Albert C. Christman
President and
Chief Executive Officer