LC

OFFICE OF THE CHAIRMAN
CORRESPONDENCE ASSIGNMENT

OC 06-106

ASSIGNED TO:
LEGAL/DSC-S

DATE: 04/04/2006

CORRESPONDENT: THOMAS W. GULLEDGE
SENIOR VICE PRESIDENT AND CFO
CITIZENS BANK
P.O. BOX 2067
FOLEY, ALABAMA 36536

MR GULLEDGE WRITES REGARDING WAL-MART APPLICATION FOR AN ILC.

THE ATTACHED CORRESPONDENCE HAS BEEN ASSIGNED TO LEGAL/DSC-S FOR ATTENTION AS APPROPRIATE.

IF YOU HAVE ANY QUESTIONS RELATING TO THIS ASSIGNMENT, PLEASE CONTACT THE CORRESPONDENCE UNIT OF THE OFFICE OF LEGISLATIVE AFFAIRS AT 898-7055.

DISTRIBUTION:
~~MS. RYAN~~
~~MS. TOPPING~~
FILE
~~TICKLER~~
MS. KOWAL
MS. COLOHAN
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0C06-106

P.O. BOX 2067
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MEMBER FDIC

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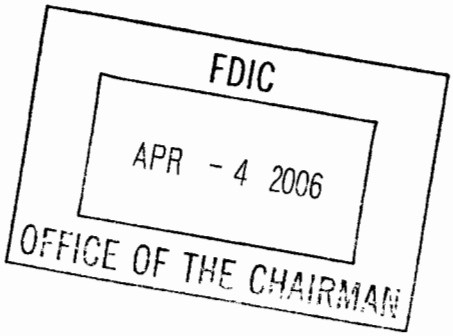


March 22, 2006

Mr. Martin Gruenberg
Vice Chairman
Federal Deposit Insurance Corporation
550 17th Street N.W.
Washington, D.C. 20429

Dear Mr. Gruenberg:

We are writing to ask the FDIC to deny the application by Wal-Mart Stores, Inc., for Federal deposit insurance for a Utah industrial bank.

Granting Wal-Mart an industrial bank charter would violate long-standing U.S. policy, most recently reaffirmed in the Gramm-Leach-Bliley Act of 1999, of maintaining the separation of banking and commerce. This policy is essential to maintaining the integrity and competitiveness of the financial system, especially the payments system.

Wal-Mart plans to use its industrial bank to process billions of dollars of credit card, check, and other payments. The nation's payments system is a keystone of our economic stability and prosperity. Unfortunately, as an industrial bank, the Wal-Mart bank would not be subject to the kind of regulatory supervision that is vital to maintain the health of that system.

Wal-Mart's plan to independently process certain payments could threaten the stability of the nation's payments system. Given Wal-Mart's massive scope and international dealings, it is not possible to rule out a financial crisis within the company that could damage the bank and severely disrupt the flow of payments throughout the financial system.

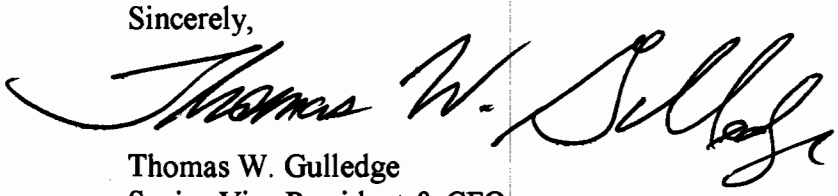
We are also concerned about the potential risk or loss to the FDIC insurance fund. The risks are especially significant because, as an industrial bank, Wal-Mart Bank would be exempt from the Bank Holding Company Act which imposes critical ownership and transaction limitations, and provides for consolidated supervision by the Federal Reserve at the ownership level. Unlike other banking organizations, the Federal Reserve would have no authority to regulate Wal-Mart as the parent company of Wal-Mart Bank. Without proper regulatory oversight, an industrial bank owner may put the solvency of both the bank and parent at risk.

Industrial banks are regulated by the FDIC, but a recent Government Accountability Office report noted that the FDIC does not have the same powers to oversee a holding company's operations as does the Federal Reserve. The Federal Reserve has the authority to examine the bank holding company itself and any of its non-bank subsidiaries at any time, while the FDIC is generally unable to examine affiliates of banks.

The Federal Reserve can also establish consolidated capital requirements to ensure that owners are a source of financial strength for the subsidiary bank. Corporate parents of industrial banks are not subject to these critical capital requirements.

For all of these reasons, the undersigned urge the FDIC to deny Wal-Mart's application for Federal deposit insurance.

Sincerely,



Thomas W. Gulledge
Senior Vice President & CFO
Citizens Bank