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CBAA

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Scott E. Latham

March 21, 2006

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

Dear Mr. Gruenberg:

The purpose of this letter is to ask the Federal Deposit Insurance Corporation to swiftly deny the application of Wal-Mart Stores, Inc., for FDIC insurance coverage for a Utah industrial bank.

Granting Wal-Mart an industrial bank charter would create a potentially dangerous concentration of commercial and financial power, violating 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 the integrity and competitiveness of the financial system, and particularly the payments system, which is a keystone of our economic stability and prosperity.

Wal-Mart has indicated its plans to use its industrial bank in a back office format to process billions of dollars of credit card, check, and other payments. As an industrial bank, Wal-Mart bank would not be subject to the kind of regulatory supervision vital to maintaining the health of that system. It's plan to independently process certain payments could threaten the stability of the nation's payments system. And, given Wal-Mart's massive scope and international dealings, one cannot rule out a financial crisis within the company that could damage its bank and severely disrupt the flow of payments throughout the financial system.

As community bankers, 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. The Federal Reserve would have no authority to regulate Wal-Mart as the parent company of Wal-Mart Bank, unlike other banking organizations. Without proper regulatory oversight, an industrial bank owner may put the solvency of both the bank and parent at risk.

Further, Wal Mart Bank could remove capital from communities while refusing to make loans to local businesses. It would pose a serious threat to drive community banks out of business as it has done to local grocery stores, hardware stores, pharmacies, etc. in communities all across America, including the state of Alabama.

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

Sincerely,

THE COMMUNITY BANKERS ASSOCIATION OF ALABAMA

Scott E. Latham
President & Chief Executive Officer