OC14-126

FirstBank Holding Company
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June 2, 2014

FDIC

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OFFICE OF THE CHAIRMAN

The Honorable Martin J. Gruenberg, Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairman Gruenberg:

I am the President and Chief Executive Officer of the FirstBank Holding Company in Lakewood, Colorado. FirstBank, with $13.5 billion in assets, operates 119 offices in three states. We are the largest banking institution headquartered in Colorado.

Today I write to express my concern over a pending regulatory proposal that would require that banks hold more liquid assets against types of deposits the regulators assume would "run off" at high rates in times of financial stress (Liquidity Coverage Ratio: Liquidity Risk Management, Standards, and Monitoring, 78 *Federal Register* 230, November 29, 2013, pp. 71818-71868).

The Liquidity Coverage Ratio proposal would by regulatory fiat devalue some types of deposits insured by the Federal Deposit Insurance Corporation relative to other deposits by establishing arbitrary "run-off" rates. For example, the proposal would set a high 20% run-off on deposits that are considered non-retail, including deposits from businesses, municipalities and nonprofits, even if the deposits are fully insured by the FDIC. Moreover, *reciprocal* non-retail deposits would receive an even higher 40% run-off rate, even though, by definition, they are fully FDIC-insured. In contrast, retail deposits – those held by individuals – would receive a 3% run-off rate, even if not FDIC-insured.

Both the American Bankers Association and the Independent Community Bankers of America opposed this approach in their comment letters on the proposal. The ABA noted during the financial stress in 2008, "large amounts of deposits flowed into the banking system." The ABA concluded, "An approach that is overly restrictive and not backed by data to support the assumptions and policy decisions will have significant unintended consequences for banks, their customers, and the U.S. economy."

Though the proposal is aimed at only the largest banks in the country, the impact of this proposal would thus trickle down to the nation's regional and community banks. Devaluing certain types of deposits relative to others would devalue our franchise.

I urge you to reconsider this approach in the pending regulation in light of the unintended consequences it would have and the potential harm those consequences would cause. Thank you for your consideration.

Sincerely,

John A. Ikard
President & CEO