WEX Bank
7090 Union Park Center, Suite 350
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August 28, 2015

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W., Washington, D.C. 20429

Attention: Comments

RE: RIN 3064-AE37

Dear Mr. Feldman:

We are writing in response to a request for comments by the Federal Deposit Insurance Corporation ("FDIC") on a proposal (the "Proposed Rule") to revise the deposit insurance premium assessment formula for small insured depository institutions, i.e., depository institutions with assets of $10 billion or less. Our bank appreciates the opportunity to respond to the Proposed Rule.

WEX Bank (the Bank) is a relatively small industrial bank ($1.76 billion in assets as of 6/30/15) located in Salt Lake City, UT. We are a wholly owned subsidiary of WEX Inc. (NYSE - ticker WEX). The Bank was incorporated in 1997 and received its bank charter and FDIC insurance in 1998. The Bank is regulated by the Utah Department of Financial Institutions and the FDIC. The Banks' primary product has been a fuel charge card for fleets of all sizes and in all industries across the country. Since its inception the Bank has always maintained a well-capitalized status, and performed as one of the strongest banks in the country before, during and after the great recession.

We have reviewed the Proposal and utilized the assessment rate calculator provided as part of the Proposal. We also reviewed the commentary by the FDIC noting its goal to have the new assessment methodology be revenue neutral. We took heart in the statement by FDIC Chairman Gruenberg when he said, "The proposed pricing method for small banks would do a better job of recognizing risks before they become losses and would help ensure that banks that take on greater risks pay more for deposit insurance than their less risky counterparts. These contemplated improvements would allow assessments to better differentiate riskier banks from safer banks, and allocate the costs of maintaining a strong Deposit Insurance Fund accordingly." You can imagine our shock then when we ran the Bank through the calculations and discovered that under the Proposal our Bank's insurance assessment would more than double, in fact it would

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increase 116%. That data point alone suggests that the Proposal as drafted does not meet its intended objective.

Some recent performance measurements as of June 30, 2015 show the Bank with a Return on Assets of 8.25%, Return on Equity of 70.92% and a Total Risk Based Capital Ratio of 13.53%. The proposed new rule's stated objective is to shift more insurance costs to those institutions that pose a greater risk to the insurance fund based on a new set of ratios. It is difficult for those of us who have maintained our institutions in a safe and sound manner and have a proven track record demonstrating our ability to absorb a wide variety of shocks in the economy to now face the possibility that our deposit insurance will go up 116% based on these new metrics. Nothing in our Bank's model has changed; we are as strong as ever, have a strong parent company, have maintained both on and off balance sheet liquidity, and have the earnings to maintain a high capital level. In the Proposal it states that some banks will pay less and some banks will pay somewhat more than they do currently. An increase of over 100% can hardly be touted as paying "somewhat more". Yet that is exactly what the new rule would require. Under the Proposal we will be paying a significantly higher premium while another, possibly weaker, institution would be paying a lower amount.

Analyzing the current rule and the Proposal we noted some particular items as factors in increasing our proposed assessment by these exorbitant amounts. Under the current rule, [redacted], we have been paying [redacted]. This certainly suggests that under the current rule we are viewed as a strong institution and have the financial ratios to support our position of strength and insurance assessment amounts. In fact our IDC rating, an outside independent measurement simulated to mirror a bank's CAMELS rating, scores the Bank at its highest score of 300. Under the Proposal, [redacted], it suggests that we will be paying at [redacted] an extremely large increase and will result in many strong institutions that were paying at the minimum level paying a much higher premium. This factor alone seems to shift additional premiums to those banks that under the current assessment are deemed to be the strongest. It is difficult to believe that a bank such as ours, which was viewed to be one of the strongest historically, is now deemed to be much weaker than before under this new calculation. This despite continued strong results in our annual safety and soundness exams, where FDIC examiners actually look at the specifics of our institution and are able to make objective and informed assessments.

Additionally, we especially note the harmful effect of a boundary established for the Net Income Ratio. [redacted]

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[redacted]. Under the proposed rule, our bank's Risk Measure Value is [redacted] 13.989 due to the change in the denominator to use total assets. However, due to the limits under the proposed rule, the Bank is capped at 3.0 with a resulting Contribution to Assessment Rate of only (1.956). This artificial boundary on providing credit to an extremely healthy and financially sound bank is unfairly penalizing our institution. The Proposal rewards banks that hold large amounts of capital, which is understandable, but does not appropriately credit banks that are able to create large amounts of capital in a short amount of time. Our Bank maintains a well-capitalized status and could retain income and significantly and quickly grow capital if necessary, as proven during the economic crisis. In addition, our bank has a strong parent company in WEX Inc. that can provide capital in the event of a downturn at the Bank. A traditional bank holding company model does not provide this backstop and was in fact the cause for many bank failures during the economic crises when the capital markets did not provide adequate liquidity. Thus, under the Proposal, our Bank model is penalized despite our strong income due to the arbitrary cap of 3%.

Another factor that the proposed calculation is unable to assess is the makeup of loans in specialized banks. Our banks' primary product is a fuel charge card that is used by companies in every state, in every industry, and by small and large entities alike. Our product is a payment mechanism for fleets to purchase and pay for their fueling needs. As such we act as a utility to these fleets. They frequently pay our bill before any others as we control whether they are able to fuel their vehicles and perform services to their customers. For Call Report purposes this diverse portfolio is required to be classified into one category of commercial loans. The proposed assessment calculator applies a uniform industry wide charge-off rate against our portfolio, neglecting the factors that have contributed to our charge-off rates being significantly below the industry averages. This one-size fits all approach benefits banks who utilize poorer underwriting standards since the bank will be assessed the same insurance assessment for this component regardless of its underwriting criteria or loan make-up. Our Bank appears to be penalized for this by adding 6.944 to the Contribution Assessment Rate when we have a diverse loan portfolio and historical charge-offs well below the industry average.

Our portfolio size fluctuates with the price of gasoline. This factor can have an extraordinary effect on our One Year Asset Growth component as we have seen gasoline prices rise at various times as much as $2 or 100% per gallon over the course of a year. While this measurement does not currently have a large impact on our assessment, we can foresee a period of time when this could have an inappropriate detrimental impact to our assessment, yet again not taking into consideration the unique makeup of our balance sheet.

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Finally, despite the FDIC's own stated policy that brokered deposit use by healthy banks does not per se raise regulatory issues; the Proposal provides significant benefits to banks that do not utilize brokered deposits. We continue to hear the FDIC's claims that the use of brokered deposits is a good indicator of higher bank failure, yet there is no public study that supports this conclusion. In fact, many studies conclude that the use of brokered deposits has no statistical significance in whether or not a bank will fail. The industrial bank sector is an example of banks using brokered deposits responsibly while arguably showing the strongest performance metrics of any banks in the country. Our Bank has used brokered deposits since its inception and these have proven to be a valuable tool in absorbing the volatility in the gasoline fuel markets. During our annual safety and soundness exams, we are recognized for our appropriate use of these deposits and it has been noted that "core deposits" would not work well for our balance sheet. Once again, the one-size fits all approach neglects the individual characteristics of our Bank and industry and unfairly penalizes our funding mix. We also believe that a bank that uses brokered deposits to any large extent is actually penalized twice since we do not believe the FDIC will assign a "1" CAMELS rating in Liquidity to any such bank. This causes a higher CAMELS component rating with a higher Contribution to Initial Base Assessment Rate.

In conclusion, we believe that this new model does not appropriately take into account the individual circumstances of institutions and actually appears to penalize stronger institutions such as ours by placing arbitrary caps on certain metrics such as net income, not capturing the nuances of loan portfolios due to the limitations of the data in the Call Report, applying a uniform charge-off rate, and continues the FDIC's bias against the use of brokered deposits despite the evidence showing that the proper use of such deposits can actually be the best funding source for banks such as ours. We encourage the Board to delay implementation of any proposal until a formula that truly reflects the strength and soundness of banks such as ours is developed. The Proposal as laid out currently fails to appropriately allocate the risks of banks if our Bank is any kind of example.

Respectfully,

Kirk S. Weiler

Kirk S. Weiler
President/CEO/Chairman
WEX Bank