AMERICAN BANK

**Gordon P. Johnson**
President

August 31, 2015

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Federal Deposit Insurance Corporation Notice of Proposed Rulemaking (RIN 3064–AE37)

Dear Mr. Feldman:

American Bank is headquartered in Bozeman, MT. We have $325,681,000 in assets and 6 branches. We are part of a reciprocal deposit placement network. We have found reciprocal deposits to be an important source of funding.

American Bank has a number of core relationships including Public entities that utilize reciprocal deposits. This allows a small community bank like ours to service these core customers' needs. Having a reciprocal deposit offering also gives us an additional liquidity management tool. All of our reciprocal deposit holders have additional deposit relationships with the bank; this tool just augments that relationship. I am baffled that additional costs are being considered to support these core customers.

We welcome the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking (NPR) proposing changes to the FDIC's deposit insurance assessment regulation for small banks. In particular, we would like to comment on how this proposal would affect reciprocal deposits.

In short, we strongly urge the FDIC to continue to separate the treatment of reciprocal deposits from that of traditional brokered deposits in setting assessments. Reciprocal deposits are stable sources of core funding that do not present the risks and other characteristics of traditional brokered deposits. The separate treatment of reciprocal deposits from that of traditional brokered deposits in the current assessment system recognizes the differences between the two types of deposits. Reciprocal deposits are not just another form of wholesale funding and should not be treated as such.

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When it established the current system in 2009, the FDIC recognized that reciprocal deposits "may be a more stable source of funding for healthy banks than other types of brokered deposits and that they may not be as readily used to fund rapid asset growth." Nothing has changed since then. Traditional brokered deposits are "hot"; reciprocal deposits are not.

Further, as the FDIC's proposal itself points out, the premium assessment for an institution is supposed to reflect the risks posed by its assets and liabilities. Those risks must be specific and should be measurable.

The FDIC in its proposal gives no justification for treating reciprocal deposits like traditional brokered deposit: no facts, no figures, no analysis. Rather, it arbitrarily lumps the two together. In doing so, it would penalize banks that use them by, in effect, taxing them. Such a tax would be unnecessary and unfair. The FDIC's proposal would punish our bank for using one of the few tools we have to compete against the mega-banks doing business in our area.

Again, we strongly urge you to retain the current system's exclusion of reciprocal deposits from the definition of "brokered" for assessment purposes.

So that we do not have to revisit this issue later, we also strongly urge the FDIC to support legislation to explicitly exempt reciprocal deposits from the definition of brokered deposit in the Federal Deposit Insurance Act.

Sincerely,

Gordon Johnson

Gordon Johnson
President

cc:

The Honorable Jon Tester
The Honorable Steve Daines
The Honorable Ryan Zinke
The Honorable Martin J. Gruenberg