September 2, 2015

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

Re: FDIC Notice of Proposed Rulemaking - RIN 3064–AE37

Dear Mr. Feldman:

Gold Coast Bank welcomes the opportunity to comment on the Federal Deposit Insurance Corporation (FDIC) Notice of Proposed Rulemaking (NPR) referenced above proposing changes to the deposit insurance assessment regulation for small banks, which are defined as banks with assets of less than $10 billion. In particular, we would like to comment on the impact of this proposal on reciprocal deposits that we actively use through the Certificate of Deposit Account Registry Service (CDARS) and Insured Cash Sweep (ICS) programs as a member of the Promontory Interfinancial Network.

Gold Coast Bank, headquartered in Chicago, IL, is an approximate $350 million community bank currently operating from one non-retail banking facility. As part of the previously referenced reciprocal placement network, approximately 8% of our total deposits are made possible through this reciprocal network, and this funding source has been an extremely important funding component for our institution.

Gold Coast Bank was chartered in June 2007 and became a member of the above reciprocal deposit program later that year. As you know, in the very early period of our operating history, the country entered into a severe recessionary period which was led by plummeting real estate values and a national banking crisis. The reciprocal network quickly became critical in securing large individual and institutional deposit balances from our known customers, and provided Gold Coast Bank the funding sources necessary to originate sound and prudently underwritten real estate based credits at a time when such credit availability from banks was essentially nonexistent. Gold Coast Bank takes much pride in its ability to successfully originate real estate based credits during this difficult time period, including numerous real estate development projects that allowed new businesses to open, create jobs, and positively influence local economic conditions. Gold Coast Bank continues to actively use reciprocal deposits today as a means to retain its own customer's large deposit balances as a funding source, which allows the bank to be a valuable lending source to both consumer and investment orientated borrowers.

As noted in the NPR, the Federal Deposit Act specifically calls for a risk-based assessment system "for calculating an insured depository institution's assessment based on the insured depository institution's probability of causing a loss to the DIF due to the composition and concentration of the

IDI's assets and liabilities...." In short, the premium assessments for each individual institution are supposed to reflect the specific and measurable risks posed by its assets and liabilities. The proposal also states that it would improve the current system "by incorporating newer data from the recent financial crisis" ... to ... "more accurately reflect risk."

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." That recognition was based on the characteristics that reciprocal deposits share with core deposits, characteristics that traditional brokered deposits lack. In particular, reciprocal deposits typically come from a bank's local customers and the relationship the bank has with the customer is long term and includes multiple services. The bank sets the interest rate based on local market conditions. The deposits add to a bank's franchise value. Reciprocal deposits, therefore, do not present any of the concerns that traditional brokered deposits do: instability, risk of rapid asset growth, and high cost. All of Gold Coast Bank's reciprocal customers have the characteristics represented above.

Under the current system, reciprocal deposits are excluded from the "adjusted brokered deposit ratio" which penalizes banks for reliance on brokered deposits. The proposed assessment system would no longer exclude reciprocal deposits from the definition of brokered deposits. In the proposal, the FDIC gives no identifiable justification for this shift in policy, again, which would result in reciprocal deposits being treated like any other form of brokered deposit or wholesale funding. It simply and arbitrarily lumps reciprocal deposits in with traditional brokered deposits. In doing so, it would penalize banks that use them by, in effect, taxing them.

A solution is simple: retain the current system's exclusion of reciprocal deposits from the definition of "brokered" for assessment purposes. Further, we strongly urge the FDIC to support legislation to explicitly exempt reciprocal deposits from the definition of brokered deposit in the FDI Act.

Thank you for the opportunity to comment on this proposal.

Sincerely,

Peter Argianas
Chairman, President & CEO

cc:
The Honorable Richard Durbin
The Honorable Mark Kirk
The Honorable Danny Davis
The Honorable Martin J. Gruenberg