MISSISSIPPI BANKERS ASSOCIATION

July 21, 2023

Mr. James P. Sheesley
Assistant Executive Secretary
Attention: Comments-RIN 3064 AF93
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Via Electronic Delivery

Re: Special Assessments Pursuant to Systemic Risk Determination
12 CFR Part 327 RIN 3064—AF93

Dear Secretary Sheesley,

The Mississippi Bankers Association ("MBA") respectfully submits this commentary for consideration by the Federal Deposit Insurance Corporation ("FDIC"). We write today to comment on the proposed amendments to 12 CFR Part 327 (the "Proposed Rule") as announced under the FDIC's *Notice of Proposed Rulemaking on Special Assessment Pursuant to Systemic Risk Determination* released in connection with FIL-24-2023 (May 11, 2023).

The Mississippi Bankers Association, the only trade group representing the commercial banking industry in Mississippi, was organized in 1889, and has served as the voice of Mississippi's banking industry for over 130 years. Today, our membership includes more than 80 financial institutions. Sixty-four of our members are chartered in Mississippi, and the vast majority are small, local, community bankers. In fact, all but four of the banks chartered in Mississippi have assets of less than $10 billion.

The failures of Silicon Valley Bank and Signature Bank this spring were idiosyncratic events that created significant concerns around deposit stability, and we believe the FDIC was right to act swiftly to ensure public trust in the banking system. We also recognize requirements to replenish the Deposit Insurance Fund with a special assessment and the MBA applauds the FDIC's proposal to exclude institutions with less than $5 billion in assets from the assessment. Additionally, we commend the decision to exclude the first $5 billion in uninsured deposits held by any bank. However, we also urge the FDIC to expressly exempt collateralized public deposits. These accounts, with deposit balances often exceeding $250,000, are secured by marketable securities or other instruments acceptable under state law pledged by the deposit holder as a backstop to protect taxpayers should a bank failure occur.

We believe the FDIC should acknowledge that collateralized public deposits are substantially different from other uninsured deposits and to differentiate public deposits in the final assessment. Most MBA member banks hold public deposits, with every dollar of these taxpayer funds being fully collateralized by the banks. Many of these public deposits are subject to excess collateralization or insurance. Pursuant to Mississippi law, any depository institution that qualifies to hold public deposits in Mississippi, must either provide collateral equal to 105 percent of the public deposits held by that bank over the amount insured by the FDIC, or participate in the state's Guaranty Pool that collectively guarantees liquidity for public deposits held by pool members pledged at less than 105 percent. Therefore, these deposits, while technically classified as "uninsured," still provide a mechanism to protect account holders from losing deposits in the event of a failure. And, importantly, Mississippi public deposit holders are already paying for this added layer of depositor security.

Including these collateralized deposits in the final calculation could lead to increased costs for local governments in rural markets, and we urge the FDIC to exclude them to avoid this potential unintended consequence in communities across Mississippi. Many banks hold public deposits as a community service to the local governments in their respective footprints. To perform this service, a bank must fully collateralize that deposit, and there are costs associated with purchasing acceptable collateral.

This support is crucial in small towns across Mississippi. Throughout the state, many small, rural towns have no locally chartered depository institutions but instead rely on a local branch of a larger bank with over $5 billion in assets.

Consider Jefferson Davis County as an example. This economically depressed county in rural south Mississippi has only two towns (and no cities). The town of Bassfield has a population of 206 people, and the only bank branch is a local branch of an institution with over $150 billion in assets. Prentiss, the county seat, has a population of 925 and only two bank branches are in town and both branches are from institutions larger than $10 billion. So, in this economically depressed county there are two towns and only three bank branches, and if any of the city or county funds are deposited at these local branches, the depository institution would have already paid to collateralize these deposits and will now be required to again pay a special assessment based on these deposits.

Other examples of small towns whose only bank branches belong to banks with over $5 billion in assets include:

- Beaumont: Population 894 - 1 bank branch
- Calhoun City: Population 1,649 - 3 bank branches
- Durant: Population 2,198 - 2 bank branches
- Duck Hill: Population 1,760 - 1 bank branch
- Guntown: Population 2,797 - 1 bank branch
- Isola: Population 591 - 1 bank branch
- Nettleton: Population 1,896 - 1 bank branch
- New Augusta: Population 593 - 1 bank branch
- Oakland: Population 492 - 1 bank branch
- Shubuta: Population 399 - 1 bank branch
- Sumner: Population 264 - 1 bank branch

These are just several examples of several small Mississippi towns that depend on the presence of these branches of banks with assets over $5 billion. Including these already collateralized government deposits in the proposed calculation could potentially create unintended costs for these local governments. In many cases, these larger banks are often the only banks able to maintain branches in these economically depressed areas with little lending activity and ever-increasing regulatory and compliance costs, and adding additional costs to hold public deposits creates another challenge in these communities.

We encourage the FDIC to expressly exempt public deposits or other deposits that are fully collateralized or otherwise insured from the final calculation formula, and we thank the FDIC for the opportunity to provide comment on its Proposed Rule for the special assessment.

Sincerely,

[redacted]

Gordon Fellows
President & CEO