

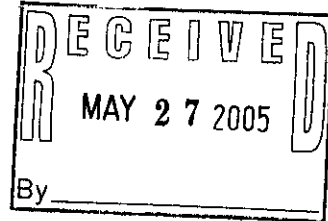


State Bank OF SOUTHERN UTAH

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May 17, 2005

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



Re: EGRPA Burden Reduction

Ladies and Gentlemen:

Recently I was invited to a "town meeting" on the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPA) in Phoenix, Arizona. I attended the meeting and gave comments, however I wish to follow-up on those comments with these written comments regarding ways to reduce regulatory paperwork and unnecessary rules that increase the cost of compliance and do not seem to fulfill the intent of the law. My comments will be restricted to Money Laundering, Safety and Soundness, Flood Insurance and Privacy Notices since those are the scope of these comment notices.

Money Laundering

I. Current filings of CTR's do not have a "high degree of usefulness" in catching criminals money laundering.

a. In our bank, money laundering regulations have been very burdensome and time consuming. Our compliance has been consistent and we emphasize, in both education and training, the importance of compliance with money laundering regulations. However, the effectiveness of the current CTR program to provide records that have a "high degree of usefulness" for the investigation and prosecution of criminal activity, money laundering, and terrorism is at best, questionable. Few, if any, of the CTR's we file are ever followed up on by law enforcement. We suggest that CTR's for seasoned customers be dropped and the limit for other customers be raised to at least \$20,000.00. We believe most CTR's disappear into a "black hole" and are not of a "high degree of usefulness". Filing so many CTR's is certainly burdensome and costly to our institution which makes us less competitive and responsive to customer needs. CTR's do not seem to be useful to law enforcement either since they do not follow up on our reports. State Bank believes that the agencies should eliminate CTR's for seasoned customers or perhaps all customers. Suspicious Activity Reports would be more effective in catching criminals and terrorists.

- b. The agencies should eliminate verification requirements for the purchases of monetary instruments by known customers. Our bank has never had a follow-up by law enforcement on one of these instruments and in most cases we know our customers, their businesses, and know they are not criminals.
- c. We should eliminate the requirement to notify directors of every SAR we file, unless the SAR represents an immediate threat to the bank. Reporting SAR's monthly without specific information is a waste of valuable meeting time because privacy protects actual names.
- d. Establish a standard for suspending the filing of repetitive SAR's on the same customers. If three reports have been filed on "routine" activities, there is no change and law enforcement has not requested additional reporting, then further SAR's should not be required.

Flood Insurance

- a. Flood insurance should be modified to allow exceptions for farm buildings like storage sheds, hay barns and other non-residential buildings.

Safety & Soundness

II. Items to improve Safety and Soundness Examinations

- a. The agency should raise the threshold for annual exams for small, well capitalized I & II banks from \$250 million to \$500 million or \$1 billion. They should also allow up to an 18 month exam cycle.
- b. Examiners are blurring the responsibilities of Board of Directors and Management. They instruct the Board to do duties that management ought to do. In our last exam they said, 1. "Board should amend Customer Identification Program to compare all new customers to the Government List", and 2 "Board should provide policy guidance that addresses procedures for ongoing monitoring of vendors". These are clearly management responsibility with Board oversight.
- c. Examiners do not recognize that there is a wide differentiation between interest rate risk analysis requirements, from small noncomplex institutions and larger complex institutions. Sometimes complex models for small institutions are required, which are not necessary. Agencies should provide better guidance for interest rate risk exams for small non-complex banks.

a. The agencies should ask Congress to increase FDICIA threshold from \$500 million to \$1 billion. According to ABA, banks under \$1 billion dollars represent only about 14% of total assets of all banks. That is about the same percentage of assets covered by banks of \$500 million or smaller in the 1990's when the FDICIA Accounting Rules went into effect.

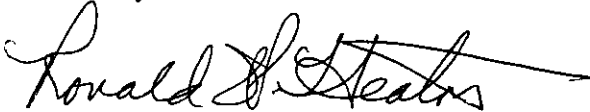
b. The agencies should clarify their definition of brokered funds. Some funds such as those brokered by CDARS should not necessarily be classified as brokered deposits.

Privacy

a. The agencies should end the annual privacy notice requirement for banks who do not share information with any outside companies. Once a notice is sent, the banks should not be required to send the notice again unless they begin to share information with other entities.

Thank you for the opportunity to comment. While this is a limited document, due to our time constraints, we hope it is helpful, to get our input.

Sincerely,

A handwritten signature in cursive script that reads "Ronald W. Heaton". The signature is written in black ink and includes a long horizontal flourish extending to the right.

Ronald W. Heaton
President & CEO
State Bank of Southern Utah